



**DEFENSE BUSINESS BOARD**

**For the Secretary of Defense**

**An Assessment on the  
Creation of an Under  
Secretary of Defense for  
Business Management &  
Information**

DBB FY16-03

**Evaluating the feasibility of the statutory  
requirement for the Department to establish  
an Under Secretary of Defense for Business  
Management and Information**

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# Defense Business Board

## PREFACE

This study, *An Assessment on the Creation of an Under Secretary of Defense for Business Management & Information*, is a product of the Defense Business Board (DBB). Recommendations by the DBB contained within are offered as advice to the Department of Defense (DoD) and do not represent DoD policy.

The DBB was established by the Secretary of Defense (SD) in 2002, as authorized by the Federal Advisory Committee Act of 1972 (5 U.S.C., Appendix, as amended), and governed by the Government in the Sunshine Act of 1976 (5 U.S.C. § 552b, as amended), 41 CFR 102-3.140, and other appropriate federal and DoD regulations. The DBB provides the SD and Deputy Secretary of Defense (DSD) with independent advice and recommendations on how “best business practices” from the private sector’s corporate management perspective might be applied to overall management of DoD. The DBB’s members, appointed by the SD, are senior corporate leaders and managers with demonstrated executive-level management and governance expertise. They possess a proven record of sound judgment in leading or governing large, complex organizations and are experienced in creating reliable and actionable solutions to complex management issues guided by proven best business practices. All DBB members volunteer their time to this mission.

# An Assessment on the Creation of an Under Secretary of Defense for Business Management & Information

## TASK

Examine § 901(a) of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2016 (Public Law 113-291) which amends Title 10 U.S.C. § 132a establishing a new Executive Level II leadership position, titled the Under Secretary of Defense for Business Management and Information (USD(BM&I)). As a presidentially appointed, senate-confirmed (PAS) official, this individual would be a principal staff assistant (PSA) reporting directly to the SD. The statute specifically renames and elevates the current Deputy Chief Management Officer (DCMO) position and consolidates the current DoD Chief Information Officer (DoD CIO) functions within the USD(BM&I)'s responsibilities. The provision called for the conversion of the DCMO to USD(BM&I) by February 1, 2017.

In August 2015, the DSD directed the DBB form a task group to study the proposed change, assess the advantages and disadvantages, and provide recommendations to the SD to include advice on the professional experience required for an appointee to this position. The Terms of Reference guiding this effort are at **Tab A**.

Mark Ronald served as task group chair. Other task group members included Cynthia Trudell and Howard Cox. Captain James D'Itri, Jr., U.S. Marine Corps, served as the task group's DBB staff representative.

## BACKGROUND

Efforts to improve performance management and transform business practices are not new to the Department. There have been various internal and external reviews conducted by the DBB, the Government Accountability Office (GAO), and the Institute for Defense Analysis (IDA). There have also been previous attempts to legislate changes that date back over a decade. Past efforts identified the challenge of modifying the existing leadership structure of an organization as complex and multidimensional as the DoD. Those previous efforts also emphasized that

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changes must deliver greater efficiency and effectiveness through reducing the overall size and number of layers within the existing bureaucracy.

### PROCESS

To fully explore the advantages and disadvantages of the legislation, the task group first studied existing DoD structures and how they have evolved. Next, they gathered the best practices from the private sector related to organizational management constructs and business transformation and analyzed their applicability against the DoD model. Finally, they framed their findings and formulated recommendations.

The task group interviewed several current and former senior officials and subject matter experts within DoD, from other government agencies, in the private sector, and from academia. They compiled and compared management best practices from government and the private sector; reviewed applicable statutes, DoD regulations and policies; reviewed DoD strategic documents, reports, and pertinent data; and reviewed previous studies from think tanks, businesses, and government agencies. Much of this work was accomplished through extensive literature reviews, statute research, and interviews.

The task group's findings and recommendations were presented to the full DBB for deliberation and vote at the April 21, 2016 quarterly public meeting. After robust discussion, the DBB approved all recommendations. See **Tab B** for the briefing presented to the DBB. **Tab C** includes any public comments received and **Tab D** includes any DoD responses received.

### OBSERVATIONS AND FINDINGS

Overall, the task group found dedicated and talented individuals who are committed to improving DoD's management and organization. The task group made specific observations and conclusions regarding senior leadership roles, provided an assessment of the legislation in question, explored talent considerations, and sought prevailing views in support and opposition of the proposed position.

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### A. LEADERSHIP ROLES

The task group examined the current roles and responsibilities of the DSD, the DCMO, and the DoD CIO and found the following:

1. Deputy Secretary of Defense
  - a. The responsibilities of the DSD in the past have varied based on personal interest, skill sets, and the desires of the SD. DSD duties are very broadly and succinctly outlined in DoD Directive 5105.02, "Deputy Secretary of Defense." This directive is updated when a new SD or DSD is appointed and confirmed.
  - b. The DSD serves as the Chief Management Officer (CMO) of the DoD, pursuant to § 132 of Title 10, U.S.C.; and as the Chief Operating Officer (COO), pursuant to § 1123 of Title 31, U.S.C in addition to functioning as the Department's "second-in-command."
  - c. The scope of responsibilities for both the SD and the DSD are broad and have become increasingly more complex for a variety of reasons:
    - i. Threats to national security have become both more variable and asymmetric.
    - ii. The need for interagency and international coordination is greater even as the mechanisms to exercise that coordination are increasingly complex and time consuming.
    - iii. Rapidly developing technology has changed and complicated the security operating environment.
    - iv. Emerging social issues have challenged current administrative policy.
    - v. Growing organizational structures have increased the number of direct reports to both the SD and DSD.

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- vi. The organizational structure of the Department has grown in size and complexity.
- d. The prevailing view of those interviewed was that the ideal model, while not defined in statute, is one in which the SD is focused externally, primarily on policy, while the DSD is tasked with focusing internally, as CMO.
- e. The effectiveness of the DSD in the past, as the CMO/COO, has been adversely impacted by other responsibilities and demands on the official's time.

### 2. Deputy Chief Management Officer

- a. The DCMO is the PSA to the SD and DSD for matters relating to their management and improvement of DoD business operations.<sup>1</sup>
- b. The DCMO office is organized functionally into five major directorates: Planning Performance and Assessment; Defense Business Management, Analysis, and Optimization; Oversight and Compliance; Administration; Organizational Policy and Decision Support.
- c. The DCMO office supports the DSD in their role as CMO.
- d. The DCMO supports the DSD in optimizing the business environment across the enterprise by:
  - i. Providing strategic business planning, performance management, and oversight.
  - ii. Implementing and overseeing defense business systems.
  - iii. Conducting effective business portfolio and investment management.

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<sup>1</sup> Department of Defense Directive 5105.82, "Deputy Chief Management Officer (DCMO) of the Department of Defense," October 17, 2008.

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- iv. Implementing rapid and agile business solutions for the warfighter.
- v. Providing end-to-end business process optimization, integration, and alignment.
- vi. Supporting effective decision-making with business intelligence.

### 3. Chief Information Officer

- a. The roles and responsibilities of the CIO are distinctly different from the DCMO and should require differing educational and career experiences.
- b. The CIO is the PSA and senior advisor to the SD for information technology (IT) (including national security systems and defense business systems), information resources management and efficiencies.<sup>2</sup>
- c. The CIO is responsible for all matters relating to the DoD information enterprise including communications, spectrum management, network policy and standards, information systems, cybersecurity, positioning, navigation, and timing (PNT) policy, and the DoD information enterprise that supports DoD command and control (C2).
- d. The CIO has both policy and operational responsibilities, including IT, communications, spectrum management, cyber, PNT, and nuclear C2.
- e. The CIO's duties are focused on support to the warfighter as well as information technology systems, processes, and applications. Specific responsibilities include:
  - i. Develop, maintain, and manage the implementation of a sound, secure, and integrated DoD IT architecture, ensure the interoperability of IT throughout the DoD,

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<sup>2</sup> Department of Defense Directive 5144.02, "DoD Chief Information Officer (DoD CIO)," November 21, 2014.

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and prescribe IT standards, including network and cybersecurity standards.

- ii. Ensure compliance by the Military Departments' CIOs associated with their responsibilities.
- iii. Maintain a consolidated inventory of DoD mission-critical and mission-essential information systems, identify interfaces between these systems, and develop and maintain contingency plans for responding to disruptions in the operation of any of these information systems.
- iv. Monitor and evaluate the performance of DoD IT investments through applicable performance measurements and advise the SD and relevant PSAs on whether they should continue, modify, or terminate those investments.
- v. Review and provide recommendations on DoD IT budget requests and management of information resources.
- vi. Provide for elimination of duplicate DoD IT (including systems, applications, and infrastructure) within and among the DoD Components and interagency partners, and identify opportunities for improving IT efficiencies.
- vii. Develop and maintain, in coordination with the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)), a process for maximizing the value of, and assessing and managing the risks related to, DoD IT acquisitions.

## B. LEGISLATIVE ASSESSMENT

The task group examined some of the most significant impacts of the legislation and made the following observations:



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1. The legislation will result in a major structural change to the DoD hierarchy, and will impact both the formal and informal structure of the Department.
2. The legislation creates the position as an Executive Level II, currently only the DSD and the USD(AT&L) are Executive Level II.
3. The USD(BM&I) “will take precedence in the Department of Defense after the Secretary of Defense and the Deputy Secretary of Defense.”<sup>3</sup> This elevates the official within the DoD order of precedence to be third, ahead of the three Service Secretaries, the Chairman of the Joint Chiefs of Staff (CJCS), and the USD(AT&L). The DCMO currently ranks twelfth in line after the five under secretaries of defense (USD).<sup>4</sup> Within this issue are the following concerns:
  - a. Elevating the DCMO as the USD(BM&I) materially alters the authority and responsibilities of the other USDs.
  - b. The new position adds additional responsibility with little additional authority; the role basically serves as a ‘span breaker’ to the DSD.
  - c. With the USD(BM&I) as third in precedence, the authority, influence, and decision-making of the other USDs is diminished.
  - d. Placing the DoD CIO function within the USD(BM&I) effectively removes a critical direct reporting link between the DoD CIO and the SD and DSD for mission and warfare accountabilities.
  - e. Micromanagement at Office of the Secretary of Defense (OSD) level staff organizations (i.e. USD(BM&I) as a new staff organization) presents a strong probability of slowing

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3. § 901(a)(1) of the National Defense Authorization Act for Fiscal Year 2015 (Public Law 113-291), December 19, 2014.

4 “Revised Department of Defense (DoD) Order of Precedence,” Office of the DCMO Memorandum, November 10, 2014.

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and confusing activity and decision-making throughout the DoD hierarchy.

- f. The creation of another USD would likely result in more distributed decision-making, adversely impacting speed and clarity.
- g. USD(BM&I) role combines two dissimilar functions that have limited overlap or operational synergies.
- h. Creation of the position would likely result in additional bureaucratic layers, increased headcount, separate budgets and technical personnel, thereby making the organization larger than the sum of its separate parts.
- i. Time management and focus for the USD(BM&I) will be very difficult to effect the changes and intended performance that Congress is expecting of the role.

### C. TALENT CONSIDERATIONS

The task group looked at the talent considerations relevant to this new position and made the following observations:

1. The DoD faces talent issues that are far more challenging than those found in the private sector.
2. The current ethics laws, financial divestiture requirements, and the confirmation process regarding DoD appointments makes it extremely difficult to attract the most qualified and experienced candidates.
3. The DoD currently experiences a high rate of PAS turnover with median tenures of approximately 2.5 years. The private sector enjoys much longer senior executive tenures, resulting in far less leadership turbulence.

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### D. SUPPORTING AND OPPOSING VIEWS

The task group sought both supporting and opposing views of the legislation and highlighted the most prominent:

#### 1. Supporting Views

- a. Creation of the USD(BM&I) role may enable the DoD to recruit talent of 'higher caliber' because of the position elevation.
- b. The new position could send a strong public message that the management function is highly important within DoD.
- c. Creation of the position could also send a strong internal message that increased focus and resources will be applied toward business management throughout the Department.
- d. The GAO views the legislation as a step in the right direction.
- e. The legislation reflects Congress' view of insufficient attention at the OSD-level for supervising business issues and the internal management function.

#### 2. Opposing Views

- a. There is a very low probability of finding a single individual with the experiences and talents necessary to effectively execute both the DCMO and CIO roles.
- b. Finding a CIO to work under the USD(BM&I) will make the current CIO talent challenge untenable.
- c. While the consolidated USD(BM&I) role may attract a talent of higher caliber, attraction of other USDs could become more challenging due to the hierarchical shift the role would create.

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- d. The current ethics laws, financial divestiture requirements, and confirmation process regarding DoD appointments will make finding the right talent for this role very difficult.
- e. A candidate with strong business experience will most likely not possess adequate technical skills to lead the equally critical 'information' aspects of the USD(BM&I) role, thereby preventing the legislation's intent to improve business practices within the Department.

### RECOMMENDATIONS

The DBB provides the following recommendations on the establishment of the USD(BM&I) in the DoD.

1. The Department should request Congress remove the USD(BM&I) language from Title 10 and provide flexibility for alternative solutions for the intended aim of § 901(a) of Public Law 113-291 in improving DoD's enterprise level management.
  - a. The rationale for creating this position was to improve business management and transformation; however, there are better ways to accomplish these objectives.
  - b. The management focus of the Department should be on integrating functions and operations, not creating new offices.
  - c. The Department needs a mandate to get smaller – and OSD should lead this effort from the front.
  - d. The DCMO position should remain an Executive Level III.
2. Explicitly state the DSD's primary role is to function as the Department's CMO. The CMO should spend the majority of time on management issues in the Pentagon, and not be seen as the SD's, or the Department's 'second-in-command.'
  - a. Congress should change the title of the DSD to Chief Management Officer/Deputy Secretary of Defense

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(CMO/DSD) in order to publically, and statutorily, emphasize the significance of the management CMO role.

- b. The CMO/DSD should strive to minimize commitments outside of the Department, spending the majority of time on DoD's management issues within the Pentagon.
  - c. The CMO/DSD should continue in the role as co-chairing the current Deputy's Management Action Group.
  - d. The CMO/DSD should delegate to the USD for Policy (USD(P)), and the USD for Personnel and Readiness (USD(P&R)) (and other officials where feasible), the role of interagency coordination.
    - i. USD(P) for external agency coordination whenever feasible.
    - ii. USD(P&R) to coordinate with the Department of Veterans Affairs.
    - iii. USD(Comptroller) to the Office of Management and Budget and GAO.
3. Affirm and emphasize that the DCMO is the Deputy to the Chief Management Officer.
- a. The DCMO should continue current responsibilities filling a support role for business management and transformational efforts – with a primary focus on instituting rigorous and effective management systems and processes, including streamlining and delayering of the OSD.
  - b. The DCMO position should be changed to be a non-PAS, with a 5-7 year term to facilitate both attracting and retaining the necessary talent while allowing sufficient tenure for leading effective transformational change.
  - c. The DCMO should be placed on the Department's organization hierarchy as reporting to the CMO/DSD.

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4. Maintain CIO's current direct reporting relationship in the functional structure as a PSA to the SD and DSD. However, the CIO position does not require a mandated longer tenure which would run the risk of diminishing technological relevancy.
5. Support critical talent attraction through simplified ethics rules and confirmation process for DoD PAS positions.
  - a. The current process requires a total divestiture with no continuing financial interest in anything related to the Department and is intended to eliminate any perception of a conflict of interest; yet it is far more restrictive than what is required under Title 18, U.S.C.
  - b. The Congress should allow for:
    - i. Blind trusts.
    - ii. Longer divestiture times.
    - iii. More favorable tax treatments.
  - c. Ease financial restrictions and ethics rules to increase candidates' willingness to stay in the position longer.
  - d. Obtain a commitment from senior appointees to stay for a full term.

## CONCLUSION

It is the DBB's view that attempting to improve business management within the DoD by creating a USD(BM&I) position will not likely deliver the organizational management changes the legislation intended. It would most likely produce the opposite effect by adding even greater complexity and layers of bureaucracy. The majority of experienced business executives and senior government officials interviewed for this study agree with this view.

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The DBB believes alternative solutions should be seriously considered rather than establishing the USD(BM&I) position. The DBB also believes the legislation could have the unintended effect of damaging the effectiveness of the CJCS, the Service Secretaries, and the other USDs as they carry out their responsibilities. The proposal runs the strong risk of adversely impacting the effectiveness of the DoD CIO function in its operational mission.

On behalf of the Chairman and the Defense Business Board this study is respectfully submitted,

A handwritten signature in cursive script that reads "Mark H. Ronald".

Mark H. Ronald







# **Defense Business Board**

## **TAB A**

TERMS OF REFERENCE



DEPUTY SECRETARY OF DEFENSE  
1010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1010

AUG 10 2015

MEMORANDUM FOR CHAIRMAN, DEFENSE BUSINESS BOARD

SUBJECT: Terms of Reference – Evaluation of Position of Under Secretary of Defense,  
Business Management and Information

Section 901(a) of the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2016 enacts 10 U.S.C. 132a that establishes a new Executive Level 2 leadership position in the Department of Defense (DoD) called the Under Secretary of Defense for Business Management and Information that consolidates and elevates the Deputy Chief Management Officer and Chief Information Officer functions.

The law directs the conversion of the position of Deputy Chief Management Officer to position of Under Secretary of Defense for Business Management and Information, effective on February 1, 2017. Therefore, I am establishing a Task Group under the DBB to study and provide recommendations on whether the position should be consolidated and elevated, assess the advantages and disadvantages of doing so, and such other matters as the DBB determines relevant.

The DBB will provide its findings and recommendations to the Secretary of Defense or the Deputy Secretary of Defense no later than October 22, 2015.

As a subcommittee of the DBB, and pursuant to the Federal Advisory Committee Act of 1972, the Government in the Sunshine Act of 1976, and other appropriate federal statutes and regulations, this Task Group shall not work independently of the DBB's charter and shall report its recommendations to the full DBB for public deliberation and approval. The Task Group does not have the authority to make decisions on behalf of the DBB, nor can it report directly to any federal representative. The members of the Task Group and the DBB are subject to 18 US Code Section 208, which governs conflicts of interest.



OSD009467-15/CMD012413-15



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## **TAB B**

PUBLIC MEETING BRIEFING

PROVIDED TO THE DEFENSE BUSINESS BOARD



## DEFENSE BUSINESS BOARD



# An Assessment on the Creation of an Under Secretary of Defense for Business Management & Information

April 21, 2016

# Task Group

## The Members

- Mr. Mark Ronald (Chair)
- Ms. Cynthia Trudell
- Mr. Howard Cox
- Capt James D'Itri, Jr., USMC (DBB staff)

## The Task

“...establishing a Task Group under the DBB to study and provide recommendations on **whether the position should be consolidated and elevated, assess the advantages and disadvantages of doing so, and such other matters as the DBB determines relevant.**”

- USD(BM&I) TOR, signed 10 Aug 15

The driver behind this exploration was §901(a) of the National Defense Authorization Act for Fiscal Year 2015 (Public Law 113-291)

# Background

- **The issue surrounding performance management and business transformation within the Department of Defense is not new – various internal and external reviews (i.e. DBB, GAO, IDA, etc.) and prior attempts at legislation date back over a decade**
- **The current iteration is Public Law 113-291:**

“...combine the Deputy Chief Management Officer and the Chief Information Officer positions into a new Under Secretary of Defense position placed in the order of precedence before the Under Secretary for Acquisition, Technology and Logistics.”

*- Joint Explanatory Statement, Public Law 113-291*

- **The legislation directs implementation effective February 1, 2017**
  - Beginning of a new administration
  - Explicitly allows for leadership continuity
  - Implicitly allows DoD enough time to “get it right”

# Origins

## DoD is responsible for 17 of 32 items on GAO's High Risk List:

	HIGH RISK AREA	DESIGNATED
SOLE RESPONSIBILITY	DoD Approach to Business Transformation	2005
	DoD Support Infrastructure Management	1997
	DoD Business System Modernization	1995
	DoD Financial Management	1995
	DoD Contract Chain Management	1992
	DoD Supply Chain Management	1990
	DoD Weapon Systems Acquisition	1990
SHARED RESPONSIBILITY	Improving the Management of IT Acquisition and Operations	2015
	Managing Risks and Improving VA Health Care	2015
	Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change	2013
	Mitigating Gaps in Weather Satellite Data	2013
	Ensuring the Effective Protection of Technologies Critical to U.S. National Security	2007
	Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland	2005
	Improving and Modernizing Federal Disability Programs	2003
	Managing Federal Real Property	2003
	Strategic Human Capital Management	2001
	Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information	1997

Source: GAO-15-290, February 2015

**The accumulation of these concerns has created the motivation to streamline, execute and manage the transformation initiatives.**



# Design Principles

**Modifying the leadership structure of an organization as complex and multidimensional as the DoD is challenging, and should strive to:**

- Align with the Department's current drive for efficiency and effectiveness by ***reducing the overall size and number of layers*** within the bureaucracy
- Enable ***tighter alignment and greater responsiveness*** with other government agencies and institutions
- Achieve the right ***balance between leverage and agility***

# Approach

## **To fully explore the advantages and disadvantages of the legislation, the Task Group worked to:**

- Understand the existing DoD structure, and how it evolved to-date
- Understand private sector best-practices/schools of thought relating to organizational management and business transformation
- Analyze applicability to the DoD model
- Formulate findings and recommendations

# Interviews + Research

- **Professor Ethan Bernstein**, Harvard Business School
- **Lt. Gen. Charles Croom, AF (ret.)**, former DISA Director / VP Cyber Security Solutions, Lockheed Martin
- **Hon. Rudy deLeon**, 27<sup>th</sup> U.S. Deputy Secretary of Defense
- **Hon. Eugene Dodaro**, U.S. Comptroller General
- **Hon. Gordon England**, 25<sup>th</sup> U.S. Deputy Secretary of Defense
- **Hon. Michèle Flournoy**, CEO, Center for a New American Security / former U.S. Under Secretary of Defense for Policy
- **Hon. Robert Gates**, 22<sup>nd</sup> U.S. Secretary of Defense / former President, Texas A&M University
- **Mr. Terry Halvorsen**, Chief Information Officer, U.S. Department of Defense
- **Hon. John Hamre**, President & CEO, Center for Strategic and International Studies / 26<sup>th</sup> U.S. Deputy Secretary of Defense
- **Ms. Amy Kates**, Managing Partner, KatesKesler Organizational Consulting

- **Hon. Kenneth Krieg**, former U.S. Under Secretary of Defense for Acquisition, Technology, and Logistics
- **Hon. Peter Levine**, Deputy Chief Management Officer, U.S. Department of Defense  
*\*recused himself due to former position as SASC Staff Director at the time this legislation was developed*
- **Hon. William Lynn III**, Chairman & CEO, DRS Technologies / 29<sup>th</sup> U.S. Deputy Secretary of Defense
- **Ms. Indra Nooyi**, Chairman & CEO, PepsiCo
- **Ms. Phebe Novakovic**, President & CEO, General Dynamics
- **Hon. William Perry**, 19<sup>th</sup> U.S. Secretary of Defense
- **Mr. Robert Rangel**, Senior Vice President of Washington Operations, Lockheed Martin
- **Mr. David Tillotson**, Assistant Deputy Chief Management Officer, U.S. Department of Defense
- **Hon. David Walker**, former U.S. Comptroller General
- **Hon. Robert Work**, 32<sup>nd</sup> U.S. Deputy Secretary of Defense

# Findings: Current Organization

## Key Role Highlights

- ***Though not specified in statute, many of those interviewed suggested the ideal model is that in which the Secretary is focused externally, primarily on policy, while the Deputy Secretary is tasked with focusing on their role as Chief Management Officer***
- ***The scope of both the Secretary and Deputy Secretary roles are increasingly more complex:***
  - The threats to national security have become increasingly variable
  - Emerging social issues challenge current administrative policy
  - International and interagency coordination are much more complex
  - Rapidly developing technology further complicates the operating environment
  - The number of direct reports to the Secretary/Deputy Secretary has significantly increased
- ***This has resulted in the Deputy Secretary role having multiple competing demands both internal and external to the building, thereby compromising their ability to be effective as the Chief Management Officer***
- ***Significant variability has existed in management focus from Deputy to Deputy; largely driven by personal interests and skill sets versus the enduring management needs of the Department***

**The Deputy Secretary's management time as Chief Management Officer is adversely impacted by all of the other responsibilities and demands of the office.**

# Findings: Current Organization

## Key Role Highlights (continued)

### ■ **DCMO:**

- The current DCMO office is largely a support function to the Deputy Secretary in his/her role as Chief Management Officer
- DCMO office has five discrete directorates: Planning Performance & Assessment; Defense Business Management, Analysis, & Optimization; Oversight & Compliance; Administration; Organizational Policy & Decision Support
- DCMO is the principal office for the Deputy Secretary to optimize the business environment across the Defense enterprise

### ■ **DoD CIO:**

- The current DoD CIO is a unique position comprised of both policy and operational responsibilities: information technology; communications; spectrum management; cyber; positioning, navigation, & timing; and nuclear command & control
- Has a critical direct reporting relationship to the Secretary and Deputy Secretary
- 30% of the role is IT processes systems and applications
- 70% of the role focuses on mission and warfare
- \$38.2 billion in budget responsibility

**Only 30% of DoD CIO's accountabilities are synergistic with those of the DCMO.**

# Findings: Current Organization

***Upon examination, the roles of the DCMO and DoD CIO are distinctly different:***

## DCMO

- DoD business strategic planning, performance management, and oversight
- Successful implementation and oversight of defense business system
- Effective business portfolio and investment management
- Rapid and agile business solutions provided for the warfighter
- Delivering the business enterprise architecture, standards, and technology innovation
- End-to-end business process optimization, integration, and alignment
- Business intelligence for effective decision-making

Source:

<http://dcmo.defense.gov/About/CoreServiceOfferings.aspx>

## DoD CIO

- Modernizing the networks
- Sharing with mission partners by establishing the Mission Partner Environment
- Reducing the cost of DoD IT through a review directed by the Deputy Secretary of Defense
- Managing DoD's data by partnering with industry to migrate data to the cloud
- Defending against cyber attack
- Empowering mobile data access through people and information across the Department
- Maximize Spectrum Access to Enhance Operational Effectiveness in an increasingly congested and contested environment
- Nuclear Command and Control

Source:

<http://dodcio.defense.gov>

**The skillset requirements of the DCMO and DoD CIO roles require vastly differing education and career experiences.**

# Findings: Current Organization

## Current Hierarchy (Prior to Legislation Effectivity Date)

- USD(AT&L) is 3<sup>rd</sup> in precedence within OSD (7<sup>th</sup> in DoD), as prescribed by the Packard Commission
- Remaining four USD roles have unique and defined authority, responsibility, and accountability
- DCMO is 8<sup>th</sup> in precedence within OSD (12<sup>th</sup> in DoD)
- DoD CIO is 22<sup>nd</sup> in precedence within OSD (~107<sup>th</sup> in DoD)

## Legislative Impact

- “The Under Secretary of Defense for Business Management & Information takes precedence in the Department of Defense after the Secretary of Defense and the Deputy Secretary of Defense.”  
- Public Law 113-291
- Elevates the position to an ***Executive Senior Level II***
- ***USD(BM&I) will outrank:*** Chairman/Vice Chairman of the Joint Chiefs of Staff, Service Secretaries/Under Secretaries, Service Chiefs/Vice Chiefs, and the USD(AT&L)

**The legislation will result in a major structural change to the DoD hierarchy, and will impact both the formal and informal structure of the Department.**

# Findings: Current Organization

## Talent Highlights

- Frequently, the DoD, often directed by Congress, adds structure without addressing other pertinent organizational issues
- The current ethics laws, financial requirements, and confirmation process regarding DoD appointments makes it extremely difficult to attract the ***most qualified and experienced*** candidates
- The DoD experiences a high rate of turnover (short tenure) with political appointees
  - The average tenure of an appointed senior executive is approximately two years, whereas the private sector experiences much longer tenure

**DoD faces talent issues that are more challenging than those found in the private sector.**



# Findings: The Legislation

## Claimed Advantages of the USD(BM&I) Role:

- Creation of the USD(BM&I) role *may enable the DoD to recruit a talent of 'higher caliber'* because of the position elevation
- Sends a *strong public message* that the management function is important within DoD
- Sends a *strong internal message* that increased focus and resources will be applied toward business management throughout the Department
- The **GAO** views the legislation as a step in the right direction

The legislation reflects Congress' view of insufficient attention at the OSD-level for supervising business issues and the internal management function. There is no explicit reference regarding Congress' satisfaction with the DoD CIO function.

# Findings: The Legislation

## Perceived Disadvantages: (slide 1 of 3)

### ■ *Talent Considerations*

- There is a very low probability of finding a single individual with the experiences and talents necessary for both the DCMO and CIO roles
- Finding a DoD CIO to work under the USD(BM&I) will make the current CIO talent challenge untenable
- While the consolidated USD(BM&I) role may attract a talent of higher caliber, attraction of other USDs could become more challenging due to the hierarchy shift the role creates
- The current ethics laws, financial requirements, and confirmation process regarding DoD appointments will make attraction of the right talent for the role very difficult
- With the intended purpose of the legislation being to improve supervision of business issues within the Department, a candidate with strong business experience will most likely not possess adequate technical skills to lead the as critical 'Information' part of the BM&I role

# Findings: The Legislation

## Perceived Disadvantages: (slide 2 of 3)

### ■ *Hierarchy Considerations*

- Elevating the USD(BM&I) **materially changes the authority and responsibility** of the other USDs
  - The new position fundamentally changes the role to one of increased responsibility with little additional authority – the role basically serves as a **'span breaker'** to the Deputy Secretary
  - With the USD(BM&I) as 3<sup>rd</sup> in precedence, the authority and decision-making of the other USDs is diminished
- Placing the DoD CIO function within the USD(BM&I) effectively removes the critical direct reporting relationship between the DoD CIO and the Secretary / Deputy Secretary for mission and warfare accountabilities
- Micromanagement at OSD-level staff organizations (i.e. USD(BM&I) new staff organization) presents the **strong probability of slowing and confusing activity and decision-making** throughout the DoD hierarchy
- From interviews, a broad concern emerged that the creation of another USD would result in **more distributed decision-making**, adversely impacting speed and clarity

# Findings: The Legislation

## Perceived Disadvantages: (slide 3 of 3)

### ■ *Scope of Role Considerations*

- USD(BM&I) role combines ***two dissimilar functions*** that have ***limited overlap*** or operational synergies
  - Will most likely result in ***additional bureaucratic layers, headcount, separate budgets and technical personnel***, thereby making the organization larger than the sum of its separate parts
  - Time management and focus for the USD(BM&I) will be very difficult to affect the changes and performance expectations that Congress is expecting of the role

# Findings Conclusions

- We ***do not believe*** solving the business management issues within the DoD through the creation of the USD(BM&I) role will deliver the changes the legislation intended
- The vast majority of very senior business executives and government officials with experience at the highest levels interviewed believed that the creation of the USD(BM&I) role ***will not produce the intended results***
- The creation of USD(BM&I) ***will not improve*** the management of DoD, and ***will most likely make matters worse*** through added complexity and bureaucracy
- The legislation ***may harm the effectiveness*** of the Chairman/Vice Chairman of the Joint Chiefs of Staff, Service Secretaries/Under Secretaries, and the Service Chiefs/Vice Chiefs
- The new organizational structure runs the ***strong risk of adversely impacting*** the effectiveness of the DoD CIO function in its operational mission
- Other ***alternative solutions should be seriously considered*** before implementing the USD(BM&I) role

# Recommendation #1

**Request that Congress remove the USD (BM&I) role from Title 10 and provide flexibility for alternative solutions for the implementation aim of §901(a) of Public Law 113-291.**

- **The rationale for creating this position was to improve business management and transformation, but there are better ways to accomplish this objective (as described in the forthcoming recommendations)**
- **Focus on integrating functions and operations, not creating new offices**
- **What the Department needs is a mandate to get smaller – and OSD should lead this effort from the front**
- **Return the DCMO position to Executive Senior Level III**

# Recommendation #2

## Explicitly indicate the Deputy Secretary of Defense's role as the Department's **Chief Management Officer**.

- **Congress should change the title of the Deputy Secretary to Chief Management Officer / Deputy Secretary of Defense (CMO / DepSecDef) in order to publically emphasize the significance of the role**
- **The CMO / DepSecDef should strive to minimize commitments outside of the Pentagon**
  - Deputy should continue with their role on Deputy's Council
- **CMO / DepSecDef should delegate to USD Policy, and USD P&R (and others where feasible), the role of interagency coordination\*:**
  - USD(Policy) for external coordination whenever feasible
  - USD(P&R) to coordinate with the Department of Veterans Affairs
  - USD(Comptroller) to OMB and GAO

**\*Matching titles with the DoD is not realistic**

**The CMO / DepSecDef should spend the vast majority of their time on management issues, and be present in the Pentagon.**

# Recommendation #3

## **Affirm and Emphasize** that the DCMO is the Deputy to the Chief Management Officer.

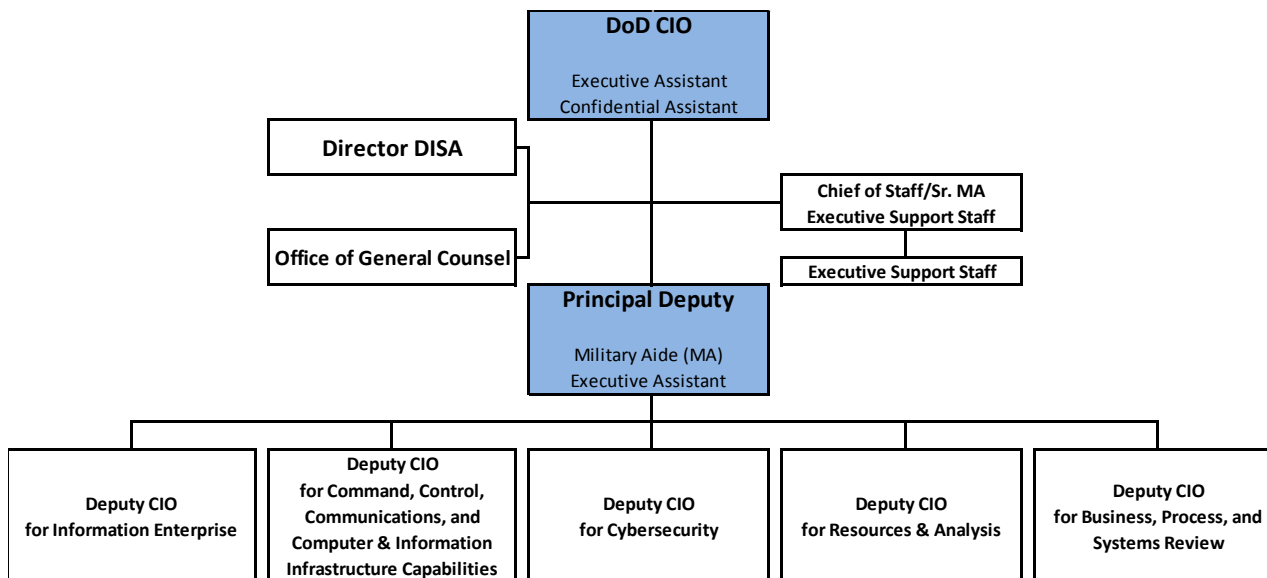
- **DCMO should continue in the current structure as a support role for business management and transformational efforts – with a primary focus on instituting rigorous and effective management systems and processes, including streamlining and delayering of the OSD**
- **Non-political appointment for DCMO, with a 5-7 year term to facilitate attracting and retaining the necessary talent and affect transformational change**
- **Place under the CMO / DepSecDef on the Department's wire diagram, and physically locate the DCMO in close proximity to the CMO**



# Recommendation #4

**Maintain DoD CIO's current functional structure and **direct reporting relationship to the Secretary / Deputy Secretary.****

- **Maintain the DoD CIO's organizational structure and location as it currently exists:**



- **The DoD CIO position does not require a mandated longer tenure – which would run the risk of diminishing technological relevancy**

# Recommendation #5

## Support critical talent attraction through **simplified ethics rules and confirmation process** for DoD appointed positions.

- **The current process requires a total divestiture with no continuing financial interest in anything related to the Department – eliminating any perception of a conflict of interest**
- **More restrictive than what is required under Title 18, U.S. Code**
- **Allow for:**
  - Blind trusts
  - Longer divestiture times
  - More favorable tax treatments
- **Easing financial restrictions and ethics rules will likely increase candidates' willingness to stay in the position longer**
- **Obtain a commitment from senior DoD appointments to stay for a full term**

# Study Conclusions

The USD(BM&I) role will not increase the management effectiveness of the Department, and will most likely have a harmful impact. As such, the DBB believes the aforementioned recommendations are in the Department's best interest.

1. Request that Congress **remove the USD(BM&I)** role from Title 10.
2. Explicitly indicate the Deputy Secretary of Defense's role as the Department's **Chief Management Officer**.
3. Affirm and emphasize that the **DCMO is the Deputy to the Chief Management Officer**.
4. Maintain DoD CIO's **current structure and direct reporting relationship**.
5. Support **critical talent attraction** through simplified ethics rules and confirmation process.





# **Defense Business Board**

## **TAB C**

PUBLIC COMMENTS

SUBMITTED TO THE DEFENSE BUSINESS BOARD



## Defense Business Board

### **PUBLIC COMMENTS**

As of the date of this study being published no public comments were received by the Defense Business Board for inclusion.



## **Defense Business Board**

### **TAB D**

DoD COMPONENT RESPONSES  
PROVIDED TO THE DEFENSE BUSINESS BOARD



## Defense Business Board

### **RECLAMAS**

As of the date of this study being published no Department of Defense component responses were received by the Defense Business Board for inclusion.







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