

2016



FOCUSING A TRANSITION

Challenges Facing the New Administration

A Report by the Defense Business Board

This report, DBB Report FY16-5, is a product of the Defense Business Board.

The Defense Business Board is a Federal Advisory Committee established by the Secretary of Defense in accordance with the provisions of the Federal Advisory Committee Act (FACA) of 1972 (5 U.S.C., Appendix, as amended) and 41 C.F.R. § 102-3.50(d), to provide independent advice and recommendations on best business practices to improve the overall management of the Department of Defense. The content and recommendations contained in this report do not necessarily represent the official position of the Department of Defense.



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Introduction

The Defense Business Board is honored to provide our observations and recommendations designed to inform and assist the 2017 Presidential change of administration at the Department of Defense.

Our four chapters address distinct issues:

- Items requiring immediate attention
- Near-term obstacles that could hamper long-term success
- Organizing the Department for sustained change
- Necessities for a successful legacy

A good deal of the beginning chapters focus on establishing the elements of a smooth transition, and the need to identify and prepare the incoming Defense team so it can hit the ground running as soon as the President takes office. Beyond the immediate transfer of responsibility, we identified key enterprise-level, transition-related topics and developed a series of concrete recommendations in the following categories, all of which are designed to improve the performance of the Department:

- Institutionalize the role of the Deputy Secretary as the Chief Management Officer
- Provide direct support to the Deputy Secretary from the Deputy Chief Management Officer
- Alter the institutional culture by making speed and cost valued commodities
- Reduce layers and breadth of decision making and increase accountability at the lowest levels by tracking performance
- Fix an unaffordable structure of personnel costs and benefits

The recommendations are offered to assist the new Secretary in building a strong leadership team that will organize and manage the Department of Defense to successfully face the challenges of the future. Three letters that precede the report text highlight key recommendations for the Transition Team, the Secretary Designee and the Deputy Secretary Designee.

From April to September 2016, the Defense Business Board members studied topics and drafted recommendations. The format for the Transition Report was deliberated and approved by the full Board during the public session of its July 2016 quarterly meeting.



Michael J. Bayer
Chairman, Defense Business Board



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1 September 2016

A Letter to the Head of the Transition Team:

The Department of Defense faces a number of challenges, many of which will take years to address. The Transition Team, however, faces a different set of challenges, all of which require immediate attention and a sense of urgency. Nearly all the previous transitions failed to quickly put in place the people and policies that were necessary for the incoming Secretary to hit the ground running.

Today, much of the current political team at DoD is (likely) preparing to leave, and many will try to depart before the new President is inaugurated on January 20th. The Board's first recommendation to you is to decide in the coming weeks which of the new team is expected to arrive and when; and then which of the current team you want to hold over until all the new appointees are cleared and confirmed. The Transition Team must communicate this promptly to the sitting Secretary to assure a smooth handover.

Our adversaries are unlikely to wait long to test the new Administration. Each of the last nine Presidential handoffs was followed by a substantive National security crisis within 270 days. Today, our world is even more unsettled. We offer a number of recommendations designed to get your Defense team ready from day one – with the right people and plans of action.

Even before the election, with guidance from the Presidential candidate, the Transition Team should work with the Secretary designee to develop guidance reflecting the outcomes sought in the first term. It is this guidance that will shape the candidate search criteria for key DoD positions including: Deputy Secretary as Chief Management Officer; three Service secretaries; five undersecretaries (for Personnel and Readiness, Acquisition, Technology and Logistics, Chief Financial Officer/Comptroller, Policy, Intelligence); Deputy Chief Management Officer; Principal Deputy Acquisition, Technology and Logistics; and General Counsel.

An on-boarding process for new team members is critically important and requires careful planning and execution. For the Transition Team, that on-boarding process must begin soonest, with a clear focus on ensuring that all the nominees have a clear understanding of the issues and challenges facing the organization. This is enhanced by investing the time to build skills and align the relationships within the senior leadership team starting with their selection and continuing through their confirmation. In the past, the on-boarding focus has been on policies, but an effective team needs to be built on skill, experience, and the capacity to complement each other's strengths.

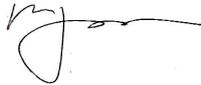
In our report, the Board urges a major shift in the management of the Department. We detail the urgent need to redefine the role of the Deputy Secretary. In the past, it has been quite normal for the Deputy to spend significant time away from the Pentagon, either "filling in" for the Secretary or on matters requiring coordination with other agencies, international partners, or the White House. The adverse consequence of this has been an insufficient attention to the important primary function of managing the Department. The management challenges of this, the largest institution on the planet, require the full-time attention of a Chief Management Officer. Our report describes those management challenges that require attention and the role that we recommend as the sole assignment for the Deputy Secretary.

The Transition Team must also develop for the incoming Defense team the goals and objectives they must focus on in order to reflect faithfully the President's priorities. That means determining what should stay in place and what must change immediately after taking office. The Transition Team also must assist the new Secretary in crafting the written instructions to all direct reports that specify what outcomes are expected, and when they are to be achieved.

The final (and perhaps most important) issue for the Transition Team to consider is the budget. The FY2018 budget is being developed now and we strongly recommend that a team be assembled to understand and monitor its progress. At the same time, thoroughly review the FY2017 budget submission in order to formulate any amendments that might be needed, for submission no later than March 31, 2017.

We stand ready to assist.

On behalf of the Members,

A handwritten signature in black ink, appearing to read 'Michael J. Bayer', with a long horizontal flourish extending to the right.

Michael J. Bayer
Chairman, Defense Business Board



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WASHINGTON, DC 20301-1155

1 September 2016

A Letter to the Secretary Designee:

Congratulations – you’ve been given the honor of leading the greatest organization on the planet.

Bottom line up front, it is critical that the entire enterprise knows and understands your strategic objectives. As soon as possible, articulate your vision for the Department and clearly enumerate your priorities and objectives. Assign clear responsibilities and timelines for major initiatives. Ensure they are routinely communicated through multiple channels, using the full array of communication tools and platforms, reaching out both to internal and external audiences of the Department. Follow this with rigorous analysis to ensure the message is getting out and reflects the President’s priorities.

In addition to this, our report focuses on two recommendations, both of which are key to your success.

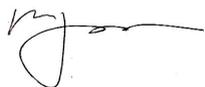
Hit the ground running. Nearly all the previous transitions failed to quickly put in place the people and policies that were necessary for the incoming Secretary to hit the ground running. Our adversaries are unlikely to wait long to test the new Administration. Each of the last nine Presidential handoffs was followed by a substantive National security crisis within 270 days. Today, our world is even more unsettled.

The initial recommendation is to decide in the coming weeks which of the new team you are expecting to arrive and when; and then which of the current team you want to hold over until all of their replacements are cleared and confirmed. The Transition Team must communicate this promptly to the sitting Secretary to assure a smooth handover. Even before the election, with guidance from the Presidential candidate, the Transition Team should work with you to develop guidance reflecting the outcomes sought in the first term. It is this guidance that will shape the candidate search criteria for key DoD positions including: Deputy Secretary as Chief Management Officer; three Service secretaries; five undersecretaries (for Personnel and Readiness, Acquisition, Technology and Logistics, Chief Financial Officer/Comptroller, Policy, Intelligence); Deputy Chief Management Officer; Principal Deputy Acquisition, Technology and Logistics; and General Counsel.

Run the Department like a modern business. Critical to success is management of an enterprise that is too costly, too slow, and often unable to devote the resources required to enhance modernization and readiness. Our report describes the challenges that require attention and our key recommendation is that the Deputy Secretary serves as the Chief Management Officer of the Department. The Deputy Secretary will be responsible for managing an enterprise that can no longer depend on ever increasing budgets, one that must confront the growth of overhead, personnel and benefits, and unnecessary work. This challenge is not only one of cost but of speed and efficiency. Without a disciplined effort to rein in costs and overhead, the Department will not only be unaffordable, it will be unable to swiftly and shrewdly adapt to maintain superiority over determined

adversaries. Without major surgery, our overhead and personnel costs will continue to eat away at our modernization and readiness. This is not about policy; it is about running the Department like a modern business.

On behalf of the Members,

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1 September 2016

A Letter to the Deputy Secretary Designee:

Congratulations – you’ve been given the honor of helping to lead the greatest organization on the planet.

In our report, the Board recommends a major shift in the management of the Department. We detail the urgent need to redefine your role. In the past, it has been quite normal for the Deputy to spend significant time away from the Pentagon, either “filling in” for the Secretary or on matters requiring coordination with other agencies, international partners, or the White House. The adverse consequence of this has been insufficient attention paid to the important primary function of managing the Department. The largest organization in the world requires the full-time attention of a Chief Management Officer. Our report describes the management challenges that require attention and the role we recommend as the sole assignment for the Deputy Secretary.

This enterprise can no longer depend on ever increasing budgets and must confront the growth of overhead, personnel, and benefits. This challenge is not only one of cost but of speed and efficiency. Without a disciplined effort, the Department will not only be unaffordable, it will be unable to swiftly and shrewdly adapt to maintain superiority over determined adversaries. Overhead and personnel costs will continue to grow at the expense of modernization and readiness.

The Board strongly believes that the Department must move beyond pushing out decisions (waiting for budget increases) or making marginal reductions. Organizations, contracts, activities, etc. must be eliminated. Reducing activities at the margin only leaves the door open for adding them back during the next budget cycle. Complete elimination makes a re-start much harder. Head counts and the associated costs must come down.

Organizational inertia and resistance within the Department is real and will be extremely difficult to overcome. Success will only occur if there is a profound, emphatic, and outcomes-based program of change developed and aggressively executed.

Succeeding in this environment will require you to manage the Department more like a business. Intense, constant fiscal discipline is critical, and is not a strength or core competency generally found within the Department. Processes must be streamlined to be more agile and responsive, while also contributing to cost effectiveness. If the Secretary designee takes our recommendation in this regard, you will lead this critical effort as the Chief Management Officer for the Department. For all intents and purposes, this is a turn-around job that our national security demands.

Our report offers a series of concrete recommendations in the following categories:

- Institutionalize the role of the Deputy Secretary as the Chief Management Officer
- Provide direct support to the Deputy Secretary from the Deputy Chief Management Officer
- Alter the institutional culture by making speed and cost valued commodities
- Reduce layers of decision making and increase accountability at all levels by tracking performance
- Tackle an unaffordable health care system and pension benefits

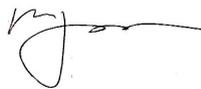
The Deputy Secretary must drive the Department to continue to shrink overhead and free-up resources to generate new capabilities that support critical Defense priorities. This drive must endeavor to create a total team commitment to designing and sustaining an approach that addresses this reality.

The tasks to be accomplished are many. For example, our report recommends that the Deputy Secretary establish and monitor the written goals and objectives of the Department's senior leaders, for which they will be held accountable. Individual Services, Defense agencies, and headquarters organizations all need to have leaders who agree to invest the time and personal credibility necessary to drive the required changes in culture and behavior. These leaders will have to collectively drive tradeoffs that support the Department's National security priorities, often at cost to their individual organizational priorities.

We recommend periodic reviews of senior leaders to track and ensure progress toward the Secretary's goals. We recommend that Service secretaries engage collectively as an Executive Committee to ensure alignment with the Secretary's priorities. We also recommend a "zero baseline" effort to identify and then eliminate (or substantially reduce) duplicative functions and redundant capabilities in Defense agencies and field activities. The goal is to provide more funding for modernization and readiness, and metrics will be needed to identify, on an annual basis, how much funding has been moved from growing overhead, personnel costs and unnecessary infrastructure. We recommend all of this be done transparently so progress can be tracked effectively, monitoring dollars and headcounts.

The Defense Business Board stands ready to assist.

On behalf of the Members,



Michael J. Bayer
Chairman, Defense Business Board



Items Requiring Immediate Attention

FOCUS THE TRANSITION

At noon on January the 20th 2017, the President-elect will be sworn in and assume the duties of President of the United States. While the President is feted with an Inaugural Parade and many formal balls, the new Secretary of Defense immediately begins a day filled with briefings, staffing decisions, war-plan reviews, and meetings with the Chair and Vice Chair of the Joint Chiefs of Staff and the combatant commanders. That long day and all those to follow leave little time for the Secretary to set a strategic agenda. If there is to be one, it should be ready before day one. The only time to do that work is between the Secretary Designee's selection and the swearing-in ceremony.

The Secretary's first days in office are further complicated by the fact that, in most previous transitions, there were many vacancies among the senior political appointees, leaving insufficient numbers of people in the Pentagon with statutory authority to make decisions and keep the Department operational and running on course. The outgoing Administration's political appointees typically expect to be replaced and have for some time been preparing for life after the Pentagon. Without clear signals of intent from the Transition Team, many of the very best will have found jobs and departed before January 20th, leaving gaps in the Secretary's leadership team.

Even as the new team ramps up, many past Secretaries have found themselves initially surrounded by more people with backgrounds focused on developing policy, than with the backgrounds in strong leadership and management; skills that are necessary to manage the Department. This is because the transition is often built from the policy-experienced individuals that support the campaign issue teams. The managerial talent necessary to run the details of an enterprise the scope and scale of the Department are typically only sought later in the campaign or after the election.

Most importantly, based on history, it is likely the incoming team, however staffed, will be required to respond to its first crisis within 270 days after the inauguration (Figure 1-1).

The Board offers the following recommendations:

1. The Transition Team should decide which members of the outgoing administration they wish to hold over or remain permanently.
2. The Transition Team should strive to recruit its management and policy teams simultaneously, so as to have both confirmed and on the job as soon as possible.

3. The Transition Team should designate a team to consider the potential near-term likely challenges or crises and develop the plans of action necessary to counter them.
4. The Transition Team should prepare and exercise that team to respond to a crisis in the earliest days of the new Administration.

Administration's First 270 Days



Figure 1-1. Disruptive events in the First 270 Days

DOD'S UNIQUE MANAGEMENT CHALLENGES

Intense scrutiny will surround the new team with the Nation expecting specific actions from the new Administration. It is hard to over-emphasize the importance of being ready to operate on day one. This requires detailed and clear alignment between the Department's new leadership and the President's objectives. The good intentions and best efforts of the new team are not enough to satisfy public expectations – that can only be done by the prompt articulation and subsequent execution of pre-determined goals and objectives.

The new Administration will face immediate geopolitical national security challenges (i.e., Iran, North Korea, global terrorism, failing states, nuclear threats, cyber security, etc.) as well as longer term threats to our national security, such as the return of great power competition and the emergence of the second and third order implications of the information technology revolution. These challenges are amplified in a world of shifting borders and allegiances, where nation-states and their interests are at risk from decentralized and distributed centers of power. In that context, the Secretary of Defense will need to enumerate the national security threats by their frequency, concurrency, intensity, and complexity. Much thinking on these topics, not all of it good or necessarily aligned with the thoughts of the incoming Administration, resides in the leading minds on national security in industry, academia, and think tanks. The Secretary Designee and the Transition Team should take full advantage of these valuable resources and, before taking office, receive briefings (both from within and outside the government) on their very best work. With the benefit of this information, the new team can develop clear forward-looking strategies to deal with the current and expected national security challenges. Plans should also include the necessary institutional support required to successfully execute those strategies.

The Board offers the following recommendations:

1. The Transition Team should quickly convert the President's priorities into national security and defense goals so the new Defense team clearly understands their objectives.
2. From those goals, the Transition Team should develop the top DoD objectives necessary to support implementation of the President's top national security goals.
3. The Transition Team should also reaffirm existing top level Departmental goals and priorities that will remain unchanged.
4. The Transition Team should assemble and confirm a team of experienced executives and policy experts specifically aligned to the Secretary's priorities and ensure they are prepared to execute aggressively on January 20, 2017.

BUDGET CONSIDERATIONS

The new team will face significant challenges as it grapples with a limited budget that is often not aligned with the strategic priorities of the Department. So, in addition to policy and strategy decisions, there are some urgent fiscal and budgetary issues that will require the incoming team's immediate attention. Given the budget cycle, the Transition Team should quickly assemble a special budget team to review the current Fiscal Year 2017 (FY17) budget submission and the final defense and military construction appropriations bills. Working closely with the Department's Comptroller staff, the Transition Team should review the FY17 budget to formulate any amendments that would better support the Secretary's priorities by March 31, 2017.

Of greater importance is the budget team's review of the proposed budget for Fiscal Year 2018 (FY18), in conjunction with Resource Management Decisions (RMD), as they are released. Again, the members of the budget review team should work closely with DoD Comptroller's staff to ensure that the Transition Team has a complete understanding of all major budget programs, including classified programs (reviewed by members of the team who have appropriate clearances). Given that the majority of RMDs would be approved by mid-December, the Transition Team should be able to develop a clear understanding of the focus of the FY18 budget by that time. This timing allows sufficient time for the Transition Team to prepare adjustments that would be proposed either as budget amendments and/or as a budget supplemental before congressional committee mark-ups that will begin as early as May 2017.

Finally, the momentum of a transition offers the opportunity to identify programs, activities, offices, and infrastructure that could be eliminated. While reviewing the budget, the team should develop a list of items to propose for immediate termination.

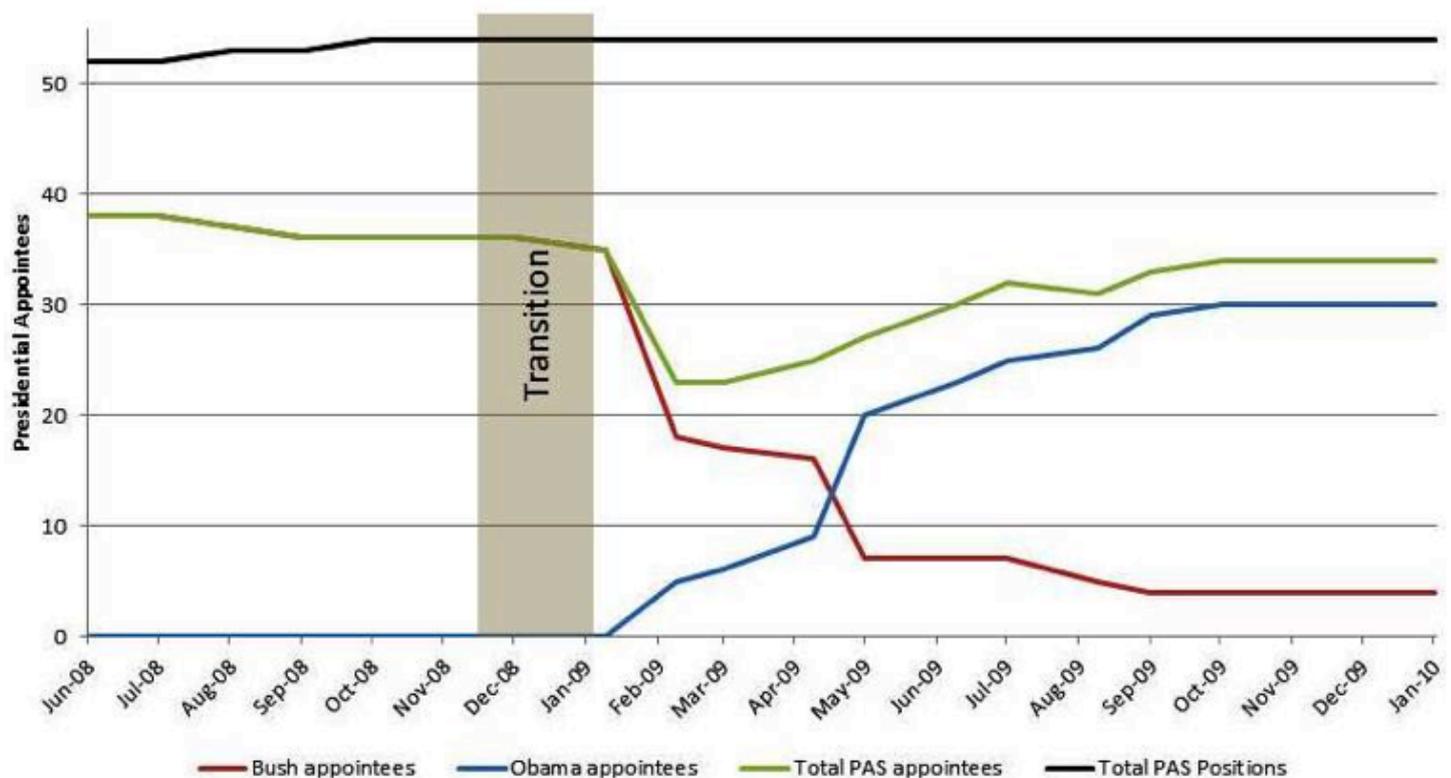
The Board offers the following recommendations:

1. The Transition Team should assemble a budget team to begin the formulation of budget amendments to FY17 budget and adjustments to FY18 budget submissions to support the new Administrations priorities.
2. The Transition Team should prepare a list of any programs, staff, or infrastructure to be terminated.

BUILD THE STRONGEST TEAM

The incoming Administration should be ready to govern immediately upon taking office and to respond to any national or international crisis. Yet historically, incoming Secretaries have been forced to operate for months without a complete team. Given the complexity of today's Defense enterprise, with forces actively engaged in combat and

support operations across the globe, it is simply untenable to run the Department for months without a competent and complete senior leadership team actively leading and managing it. It is imperative that the Secretary and the Transition Team move quickly to assemble a team of subordinates with the executive competency and expertise to execute programs and missions on the first day. This can only occur if it begins early in the Transition Team's existence. This immediate start is necessary to avoid leadership gaps (Figure 1-2).



Sources: ODCMO PAS Tracker and Department of Defense Key Officials 1947-2012, Historical Office, OSD, May 2012

Figure 1-2. DoD Presidential Appointees

Political Transition	Corporate Transition
Insert several new leaders, one at a time, over many months	Insert one new leader into a large existing team
Usually an outside candidate	Often an in-house candidate
Focus is on "learning" the role/organization	Focus is planning for execution
Limited goals first year	Aggressive goals for the first 6 to 12 months
Second tier leadership in for the duration (goal is 4 years)	Second tier rotates regularly to prevent going "native"
Gaining "control" is key	Changing direction is key
Transitions without sufficient succession planning	Early, in-depth succession planning
Many leaders replaced at the same time	One leadership position replaced at a time/promotion typically from within
Focus on one candidate at a time	Two to three candidates identified for each position
Insufficient vetting of external hires	External hires carefully vetted
New leaders expected to "hit the ground running" without formal executive training and support	New leaders receive special attention/offered the services of executive coaches and industrial psychologists
New leaders often not offered substantial support	New leader given clear show of support from top management
Leadership vacuum is created due to many top leaders leaving simultaneously	Executive team stays in place during top leadership transition. New team is built slowly – over 3 to 12 months
On a set schedule (every 4 to 8 years)	Unknown when leader is changing

Figure 1-3. Brief Comparison of Political and Corporate Transitions

Leadership transitions are not unique to government (Figure 1-3). Global businesses also face the task of leadership transition - whether through mergers or acquisitions, or other disruptive conditions. Consequently, those commercial transitions offer some valuable perspectives and lessons-learned for application within the Department. In every business case, the new management team (including those to be held-over) is identified, briefed, and made ready to go before day one. A first 100-day plan is often used to drive focus and effect change. An on-boarding process for new team members is carefully planned and executed. That on-boarding begins with a clear focus on understanding the issues and challenges facing the organization. It is critically important for the Transition Team to invest a sufficient amount of time to build insights and context for each leader and align relationships within the senior leadership team.

The Board offers the following recommendation:

The Transition Team and Secretary should work to have, at a minimum, the following top 12 Presidential appointments prepared and confirmed to begin work immediately after the Inauguration on January 20th 2017:

- Deputy Secretary of Defense as Chief Management Officer
- Secretary of the Navy
- Secretary of the Army
- Secretary of the Air Force
- General Counsel of the Department of Defense
- Under Secretary of Defense for Personnel and Readiness
- Under Secretary of Defense for Acquisition, Technology and Logistics
- Under Secretary of Defense Chief Financial Officer/Comptroller
- Under Secretary of Defense for Policy
- Under Secretary of Defense for Intelligence
- Deputy Chief Management Officer
- Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics

SELECTION CRITERIA & POSITION PAIRINGS; REDEFINE THE ROLE OF THE DEPUTY SECRETARY

In building the staffs, the Transition Team should consider the value of individual experience and qualifications leveraged in team pairs when assessing potential candidates for senior positions. These pairings, especially at the most senior levels, such as between the Secretary and the Deputy Secretary, Deputy Secretary and Vice Chair of the Joint Chiefs, should combine personal and professional traits to create a unified set of skills that will achieve strategic objectives. These pairings enhance management, division of labor, lines of authority, and unity of purpose. When selecting candidates for Presidentially appointed, Senate-confirmed positions, the opportunity to exploit these leadership pairs should not be overlooked.

We detail in the subsequent chapters the urgent and daunting management challenges that face the Department. Accordingly, the most important appointments and pairing are the Secretary and the Deputy Secretary of Defense. Their division of labor and complimentary skills and personalities should be thought through carefully even before the search begins for both positions. Most successful Chief Executive Officers (CEO) of large institutions focus their attention on maintaining a strategic direction for their company. They spend thoughtful time ensuring that competent executives are selected for key positions; establishing a simple, but effective, management process to ensure proper oversight on a regular basis; delegating authority and responsibility for performance; and holding them accountable for achieving desired results.¹ This mirrors the key realm of the Secretary of Defense: focusing on the global strategic challenges facing the Nation's security; selecting and mentoring the very best team of civilian and military leaders to populate the staffs, the military services, and the combatant commands; delegating the necessary authority and responsibility to deliver the President's aspirations in outcomes; and enabling the management processes necessary to hold leadership accountable for results.

It is also imperative that an organization the size of the Defense Department have a dedicated Chief Management Officer to drive improvements in the performance and reliability of the supporting business operations. Large organizations consisting of different complex functions require an effective and efficient supporting business operation to ensure mission success. DoD's Chief Management Officer is comparable to the Chief Operating Officer of a large, complex, highly decentralized global corporation. Effective change management strategy impacts multiple resources and systems, and requires integration and coordination from the top down, especially during times of fiscal and resource constraint.

The Board offers the following recommendations:

1. The Transition Team should be diligent in ensuring the leadership team is selected for results, aligned with the Secretary's priorities, and when relevant, appropriately paired, especially at the highest levels.
2. The Transition Team should understand the vastly different roles of the Secretary and Deputy Secretary to ensure the Deputy Secretary is appropriately paired with the Secretary and properly aligned to the responsibilities of the Chief Management Officer.

DEVELOP MEANINGFUL SELECTION CRITERIA FOR THE KEY POSITIONS

The Secretary of Defense and the Transition Team should personally focus the transition effort to build, on-board, and lead a strong and aligned senior leadership team. It will require the Transition Team to proactively reach out to those with significant leadership experience in both the private and public sector. For the most senior positions, these individuals should have significant experience in leading large, global organizations. They should be forward thinking

and have experience navigating in challenging environments. The Department needs critical thinkers that exercise sound judgment when executing complex programs, and who have a bias towards action, coupled with a willingness to take calculated risks to achieve results. Ideally many of the new senior leaders should have prior federal government or large corporation management experience, particularly in the case of the Under Secretaries for Personnel and Readiness, Acquisition, Technology and Logistics, Chief Financial Officer/Comptroller, and the Deputy Chief Management Officer.

The Secretary should invest the time to set the criteria for these critical leadership assignments and select and motivate quality people to agree to serve in these key political positions. It will be equally crucial for the Secretary to maintain their loyalty and alignment beyond the opening months of the new administration if the new team is to achieve results. All too often, the service secretaries (and other members of the Secretary's team), will "go native" and substitute priorities of the bureaucracies they manage visé those of the new Secretary. The Deputy Secretary and the Secretary's chief of staff should work to prevent this drift. Given the complexity and interconnectedness of the unique management challenges of the Department, it is critical for the Secretary to maintain frequent and close communication with the senior leaders of the Department.

Deputy Secretary of Defense

The role of Deputy Secretary of Defense is not specifically defined in Title 10. This lack of a statutory duty description results in a wide variation of focus by those who fill the position. In general, the emphasis has been on a very broad range of activities, sometimes driven by the desires of the Secretary, and others by the proclivity of the person appointed. Historically, Deputy Secretaries spend significant time away the Pentagon either "filling in" for the Secretary or serving on behalf of the Secretary on matters requiring coordination with other agencies, international partners, or the White House and the National Security Council. The adverse consequence of this has been insufficient attention to the more critical primary function of managing the Department.

When considering candidates for the second most senior position in the Department, the new Secretary should direct the Deputy Secretary to truly focus and serve as the Chief Management Officer. The Board strongly believes the ideal model to address this management challenge is one in which the Secretary is focused externally, as the Department's CEO, while the Deputy Secretary is focused exclusively on internally managing the Department as its Chief Management Officer. In other words, there is a very "bright line" separating their areas of focus. The Deputy would no longer shadow the Secretary and therefore, no longer spend time preparing to fill in for the Secretary at a moment's notice. To truly manage the Department, there simply is not time in the Deputy's day-to-day schedule for those activities – that is the job

of the Under Secretary of Defense for Policy (or Acquisition, Technology and Logistics, Personnel and Readiness, Chief Financial Officer, etc.) and other senior leaders. The responsibilities of the Chief Management Officer in an organization the size of the Department demands a full-time focused effort.

In this model, the Secretary should strive to delegate to the Deputy only those matters relevant to the managing the institution and holding its leaders accountable. For matters outside of the Pentagon, the Secretary should delegate (and set the expectations accordingly with the White House and the Interagency) to the Under Secretary of Defense for Policy who is naturally prepared for these fill-in tasks by their day-to-day responsibilities. Other matters of interagency coordination could be likewise delegated -- so to the Under Secretary of Defense for Personnel and Readiness for coordination with the Department of Veterans Affairs or to the Under Secretary of Defense Chief Financial Officer/Comptroller for interactions with the Office of Management and Budget and the Government Accountability Office.

This redefinition of the role of the Deputy into Chief Management Officer and Deputy Secretary demands that the nominee for this position have deep experience in the management of large enterprises, be capable of delivering outcomes, and experienced with sufficient political insights and capacity to successfully translate policy and programmatic decisions into reality. This individual should have demonstrated proficiency with aligning resources to strategic initiatives and goals. They should have experience in creating and sustaining management systems required to lead a large enterprise, and the ability to drive the day-to-day operations of the organization -- all typical roles and responsibilities of a corporate Chief Operating Officer (COO).

As Chief Management Officer, the Deputy Secretary has dedicated resources to support these responsibilities, chief among them is the Deputy Chief Management Officer responsible for:

- DoD business strategic planning, performance management, and oversight
- Successful implementation and oversight of defense business systems
- Effective business portfolio and investment management
- Providing rapid and agile business solutions 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

It is the view of the Board that the position of the Deputy Chief Management Officer can be further empowered by making the Deputy Chief Management Officer the de facto deputy to the Chief Management Officer/Deputy Secretary, thereby placing the Deputy Chief Management Officer directly under the Chief Management Officer /Deputy Secretary on the Department's wire diagram, and physically locating the office of the Deputy Chief Management Officer in close proximity to the Chief Management Officer/ Deputy Secretary. The Deputy Chief Management Officer 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. The Board also believes the Deputy Chief Management Officer position should be a non-political appointment, with a 5- to 7-year term to facilitate attracting and retaining the necessary talent to affect transformational change.ⁱⁱ

The Board offers the following recommendations:

1. The Secretary should title the Deputy Secretary position as the Chief Management Officer/ Deputy Secretary and fill the position accordingly.
2. The Deputy Chief Management Officer should be designated the deputy to the Chief Management Officer/ Deputy Secretary.
3. The Transition Team should seek a change to statute to create a non-political appointment for the Deputy Chief Management Officer with a longer term to facilitate attracting and retaining the necessary talent to produce true transformational change.

Under Secretary of Defense Comptroller and DoD Chief Financial Officer

When considering candidates for Under Secretary of Defense Comptroller and DoD Chief Financial Officer, the Secretary Designee and the Transition Team should ensure that the relative roles of Comptroller and Chief Financial Officer (CFO) are placed on a more equal footing, to amplify the role of a CFO.

In the business world, the role of the CFO is considered far more important than the comptroller. The CFO is often the third most senior person in the company after the CEO and the COO. While authorities and responsibilities vary in the corporate world, the CFO manages cash and adjusts dollar allocations to different accounts depending on spending rates. Many CFOs have the discretion, within limits, to reallocate funds as necessary.

In the Department, the role of the comptroller has greater emphasis than that of the CFO role. Historically, the comptroller's focus has been on developing a budget and getting it through Congress, while the Principal Deputy

has addressed the accounting operations of the Department (financial statement preparation and audit-readiness). However, the budget the comptroller develops is in effect only a target. Under congressional rules, any changes in spending allocations (i.e., reprogramming) requires prior approval, and is capped at \$4 billion -- less than three-quarters of one-percent of the entire DoD budget.

Because of the importance of congressional approvals, past comptrollers have been largely individuals with Hill experience, usually with experience on the House or Senate Appropriations Committees. As a result, comptrollers often have little understanding of, or interest in, financial management, in the true sense of the word. This includes the production of meaningful financial statements and clean audits, as well as the management and rationalization of financial systems. Given the challenging fiscal issues facing the Department, along with the ongoing fact that cost management systems are inadequate for DoD's needs, it is critical that the Under Secretary of Defense Comptroller/DoD CFO plays a larger role in the accounting and cost management areas than they have historically.

Furthermore, DoD is at the center of financing both increased international programs (Title 1206: Train and Equip Foreign Military Forces), which involve complex financial negotiations, and increased overseas base expansion agreements. DoD has been, and will likely continue to be at the center of fundraising from, and with, coalition partners to support contingency efforts, whether in Afghanistan or elsewhere. Because of the significant importance of these financial transactions, the Comptroller should have a leading role in all fiscal matters affecting the Department.

The Board's view is that the Comptroller and CFO should come from the financial industry with a proven track record of global financial management experience, which is critical for the efficient and credible management of Department expenditures. While the Comptroller and CFO would certainly benefit from some congressional experience, that gap could be mitigated if paired with a strong principal deputy with appropriations committee staff experience who is well-versed in legislative matters as an essential complement.

Finally, given the broad range of responsibilities and the increased importance of the CFO role, it is the Board's view that the position should be titled, Under Secretary of Defense Chief Financial Officer and Comptroller.

The Board offers the following recommendations:

1. The position of Under Secretary of Defense Comptroller should be renamed to Under Secretary of Defense Chief Financial Officer/Comptroller to reflect the importance of the CFO role.

2. The Under Secretary of Defense Chief Financial Officer/Comptroller should be drawn from either from the financial industry (to include accounting), or from persons with significant corporate CFO or board-level audit committee experience.
 - a. The key skill-set required is global financial management experience.
 - b. Financial management is critical for the efficient and credible management of expenditures.
 - c. Some congressional experience would be helpful, but not critical.
 - d. A strong principal deputy, well-versed in legislative matters, can be the essential complement for any lack of congressional experience on the part of the CFO.
3. The Under Secretary of Defense Chief Financial Officer/Comptroller responsibilities should be globalized to include all DoD-related international financial negotiations.

Under Secretary of Defense for Personnel and Readiness

The Under Secretary of Defense for Personnel and Readiness has the policy oversight for almost half of the Department's budget; nearly \$250B in total costs are attributed to pay and benefits (both military and civilian) which is over 47% of the base budget (Figure 1-4). Because of that, the Board regards this position as the third most important political selection the Secretary Designee will identify. The rest of the new Secretary's appointees will spend the money remaining after the personnel bills are paid.

When considering selectees for the position of Under Secretary of Defense for Personnel and Readiness, the Secretary Designee should work with the Transition Team to identify candidates who can effectively deal with the issue of increasing costs of personnel accounts. This should be done in order to reverse the Department-wide erosion of modernization and operations and maintenance accounts. This erosion, in current and future capability, can no longer be deferred, and the root cause of this problem (the cost of people, to include healthcare) mandates that Under Secretary of Defense for Personnel and Readiness should play a very different and far more active role in establishing policies to modernize and restructure personnel costs.

Military Pay and Benefits (\$B)	FY 2001 Actual	FY2012 Actual	FY 2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Enacted	FY2017 Requested
Military Pay and Benefits Funding	99.5	183.9	175.0	178.5	176.0	177.5	177.9
Civilian Pay and Benefits Funding	39.8	69.6	68.4	68.4	69.6	71.8	72.9
Total Pay and Benefits Funding	139.3	253.4	243.5	246.8	245.5	249.3	250.8
Total Pay and Benefits as a % of DoD Base Budget	48.5%	47.8%	49.1%	49.7%	49.4%	47.8%	47.9%

- *Military Pay includes pay & allowances, PCS move costs, retired pay accruals, unemployment compensation, etc*
- *Civilian Pay & Benefits amounts exclude costs in funded in the DHP, DoDEA, Family Housing and Commissary Subsidy Programs.*
- *Source: Office of the USD (Comptroller) Chief Financial Officer Defense Budget Overview (Feb 2016)*

Figure 1-4. Pay and Benefits

These difficult challenges should be addressed by the new Under Secretary of Defense for Personnel and Readiness and pursued with urgency, creativity, credibility, and above all, strong leadership to successfully over-ride often fierce resistance from veteran service organizations, military service organizations, and Congress.

The Secretary Designee should ensure this fundamentally re-thought approach to the Under Secretary of Defense for Personnel and Readiness's role and responsibilities comes with clear lines of authority and accountability. The new Secretary should empower the Under Secretary of Defense for Personnel and Readiness to create a clear path for success in addressing the critical challenges inherent in transforming the size and cost of the workforce. Action plans with specific measurable goals and milestones should be defined for a limited set of objectives to ensure the most critical challenges are addressed and focus is maintained.

The Board offers the following recommendations:

1. The Secretary Designee and Transition Team should seek candidates for Under Secretary of Defense for Personnel and Readiness capable of altering the trajectory of the cost, mix and utilization of DoD's personnel.
2. The Secretary Designee should ensure the entire senior leadership team - civilian and military - is fully prepared to actively support the Under Secretary of Defense for Personnel and Readiness's plans and policies to accomplish this change.
3. The Secretary Designee should invest sufficient personal time and commitment early in the Administration to enable the Under Secretary of Defense for Personnel and Readiness's plans and policies to become reality in time to free sufficient resources to enable the president's national security agenda.

Under Secretary of Defense for Acquisition, Technology and Logistics

The Nation is at the opening stages of two near-peer competitions whose long-term outcomes will be determined, in part, by the ability of DoD to deliver cutting-edge innovation to its warfighters far faster than it has ever done. The Nation's last peer competition was with a ponderous Soviet Union, advantaged in mass, but badly equipped to out innovate the US and its allies. Today's peers are supra technically informed and shaped by decades of global competitive experience in markets ranging from cutting edge information consumer goods to large scale commercial and industrial products.

The Board believes that for this long peer-on-peer competition, the Department's top acquisition and technology leadership is crucial. For this era, the Under Secretary of Defense for Acquisition, Technology and Logistics should be the Department's Chief Innovation Officer and Defense Acquisition Executive. DoD's acquisition enterprise is large, with thousands assigned to the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics to manage acquisition, but Department-wide leadership in innovation is the currently purview of the Under Secretary.

Thus the ideal candidate for this position should possess significant experience in the management and oversight of large-scale technology development operations. They should have a deep understanding of the trajectory of many of the technologies necessary for the Department to win this competition, and possess contacts among the best

performing enterprises outside the traditional defense aerospace sectors. This individual should have a proven record of global acquisitions management experience in technology-rich enterprises. These backgrounds are critical criteria for the efficient and credible management of the Department's acquisitions enterprise.

The Board offers the following recommendations:

1. The Secretary Designee should work with the Transition Team to identify matched pairs of candidates for the Under Secretary and the Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics.
2. The Transition Team should provide pairs that are capable of delivering Department-wide leadership on technology and innovation while delivering time, schedule, and performance excellence.

Service Secretaries (Army, Navy, and Air Force)

The military departments - Army, Navy and Air Force - are the line organizations of the Department and collectively manage the largest percentage of the DoD budgets; have the overwhelming number of military, civilian, and contractor personnel; and own the largest number of facilities, installations, and maintenance and repair facilities. Further, they have the largest share of the research and procurement budgets.

Everything and everyone in these components are subject to the civilian control of the service secretaries who, in turn, are members of the Secretary's enterprise team. These individuals are subject to the Secretary's authority, direction and control. By statute, the service secretaries are charged with organizing, training, equipping, supplying, mobilizing, demobilizing, and administering their departments. The uniformed service chiefs are members of the Joints Chiefs of Staff and as such serve in an advisory capacity to the President and the Secretary. However, in their service roles they do not have individual authority beyond what flows from their service secretary.

Individuals who can lead and manage these large complex world-wide organizations should have a combination of national security experience, proven management and leadership skills associated with running high-tempo organizations, and decision-making skills based on sound analysis and good judgment. They should have both the respect of the senior military and the ability to put the enterprise goals ahead of service goals. They need to be strong communicators, both internally and externally.

The Secretary Designee needs to specify an engagement model for the three individuals who will lead the four military services. The service secretaries have too often served as brand managers of their enterprise, focused on maximizing their service's share of Departmental resources. They should be, first and foremost, part of the Secretary's senior

management team, and only after act as line managers of their service. Another important Secretary decision is their term of service. The best practice private sector organizations regularly rotate their most senior line managers to broaden their development and to reinforce the importance of total enterprise focus. Too often in the history of the Department, the divisions between the Department and the military services have inhibited innovation or efficiency. These divisions are often advanced when senior leaders adopt parochial positions, opposing their peers or the Secretary's staff. Given that the majority of the Department's other senior political appointees barely serve two years in their jobs, rotations among the three service secretaries would re-set perspective and bring a healthy, different focus. Such a rotation plan would also necessitate "generalist" vice the traditional service-centric backgrounds in all the candidates.

The Board offers the following recommendations:

1. The Board strongly believes the highest priority tasks facing the service secretaries is reducing the cost of the institutional enterprises, which will include reducing the numbers of personnel (military, civilian and contractors) assigned in those activities.
2. The Transition Team should therefore seek individuals that are proven leaders capable of putting Department priorities ahead of service priorities and with a history of team vice individual effectiveness.
3. The new Secretary and the Transition Team should work with the new Administration to ensure the flexibility to plan to rotate them to a different military department on a two year cycle.

SEARCH FOR THE BEST TALENT

The complexity of the Department and today's global conditions demand leaders arrive with the skills, executive leadership, and competencies to tackle the Department's toughest challenges. The Transition Team should assemble an Executive Personnel Team to search for the right talent (Figure 1-5). Its task is to develop a framework to determine the skills and experience necessary to form the basis for selection of prospective candidates. The framework should clearly identify the desired values, necessary ethics, professional skills, and applicable competencies for each key position. Next, the Executive Personnel Team should expand the framework to add priorities and objectives for the organization, and then evaluate candidates based on that framework. Given the range of appointments within the DoD, candidates not selected for Office of the Secretary of Defense-level positions may be excellent choices for service-level positions. For example, candidates under consideration for Under Secretary of Defense for Acquisition, Technology and Logistics can and should also be considered for service-level acquisition positions.

Potential Sources of Advice on Recruiting Civilian Talent

- CEOs, COOs, CFOs, Senior Operating Executives and Board Members of Fortune 500 companies, leading financial institutions and auditing firms
- Cabinet-level appointees in previous administrations
- Current and previous members of the DoD Federal Advisory Committees, e.g. Defense Business Board, Defense Science Board, Defense Policy Board, CNO's Executive Panel, Service Secretaries Board and Defense Department Advisory Committee on Women in the Services
- Alumni of the White House Fellows Program, Congressional Fellows Program, etc.
- Minority alumni associations from leading business schools, law schools and schools of government; minority professional organizations, e.g. Executive Leadership Council, and The Alumni Society

Figure 1-5. Recruiting Civilian Talent

It is often difficult and time-consuming to attract well-qualified candidates due to the onerous nature of the selection and confirmation process. Additionally, well-qualified candidates are dissuaded by the highly charged political environment and the imposed financial restrictions. The process of vetting nominees is another factor in the extended confirmation process (i.e., financial and personal history forms, FBI checks, and political clearance). Further complicating this issue, Congressional reviews are often slow and duplicative.

The Secretary Designee should strongly advocate for prioritizing Defense nominees in the clearance process ahead of those from other Executive Departments by requesting a larger percentage of the pre-cleared allocations available. By the measure of the Department's proportion of the federal budget, it is not unreasonable to request a larger number of the available pre-cleared slots. Further, given the responsibility for national security, it would not be unreasonable for the Transition Team, in partnership with the National Security Council and Department of Homeland Security to present a well-crafted argument to the White House that as much as 15 percent of the top 100 pre-cleared candidates should go to national security positions.

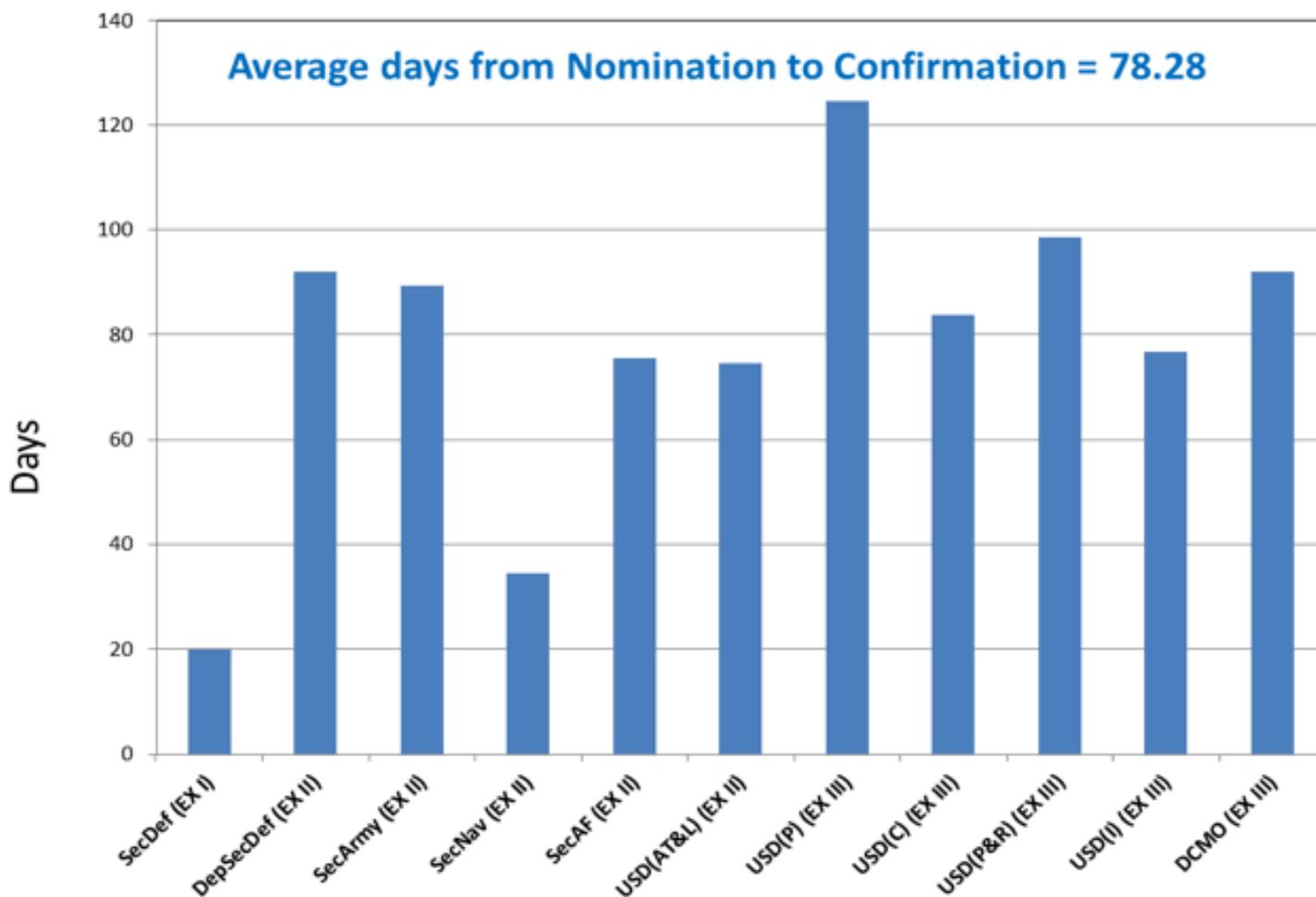
Even after pre-vetting, qualified candidates for the top leadership positions typically take another nearly 80 days to be confirmed and thus available to begin performing the duties of the position (Figure 1-6). Depending on the job responsibilities, it can take as much as 120 days to begin performing the duties of these top jobs. Consider the Under Secretary of Defense for Policy in the chart below. These extended times of transition make it all the more important to consider the qualified "hold-overs" from the outgoing Administration to ensure capable talent resides in these key positions while the new Administration's nominee waits to be confirmed.

The Executive Personnel Team should also focus on nominees for the second tranche of leaders, such as Director of the Cost Assessment and Program Evaluation; Service Under Secretaries; Director, Operational Test and Evaluation; Principal Deputy Under Secretaries; Assistant Secretary of Defense for Legislative Affairs; and the Assistant to the Secretary of Defense for Public Affairs.

It will also prove helpful to identify multiple candidates for key positions before the election so that the incoming Secretary has strong alternatives in the event problems arise during vetting that could disqualify a candidate, or if the lead candidate withdraws from consideration. It is far better to be prepared for a surprise situation than to have to rush for a replacement and not have time to properly think through the job position and required qualifications. The Executive Personnel Team should initially be searching for candidates for key positions with the essential qualifications and less on sorting those eager for appointments.

While searching for top-level talent, the Executive Personnel Team should be mindful of the importance of building a strong bench for the future. It will take a large and talented team to run such a large enterprise for the duration of an Administration. The new Secretary will need to have capable mid-level leaders that can be developed to assume more senior positions in the out-years.

Days from Nomination to Confirmation



Analysis of Senate Nomination to Confirmation Timelines for Selected PAS Officials in the Department of Defense 2000-2016 performed by the Office of the Secretary of Defense, Office of the Deputy Chief Management Officer, Organizational Policy and Decision Support Directorate, 2016.

Figure 1-6. Days from Senate Nomination to Confirmation, 2000 - 2016

The Transition Team should carefully consider the military assistants that will be selected to serve alongside the political appointee. A “rightly paired” military assistant is a powerful asset for the new Secretary and all the political appointees in that the military assistants provide the critical operational perspective that helps the senior leader understand context and make better-informed decisions. Finally, to minimize the number of empty seats on day one, as previously stated, the Transition Team should develop early a slate of potential “hold-over” candidates to assist the new Secretary in the early days of the transition. “Hold-over” candidates are those members of the outgoing Administration who have well-executed their duties and are educated and familiar with the internal operation processes of the OSD and able to make trusted decisions during transition. It is important for the Transition Team to avoid only considering a hold-over candidate for the job they currently reside. Often, strong performers in one position are sufficiently capable of performing the duties of a different position and can be a significant help for the new Secretary during the leadership vacuum that occurs in the first 180 days of a new Administration.

The Board offers the following recommendations:

1. The Transition Team should immediately establish an Executive Personnel Team to manage the job specification, recruiting, screening, and application process.
2. The Secretary Designee should provide the Transition Team with key guidance on the types of individuals to be sought and the priority of fill.
3. The Secretary Designee should advocate to the President-elect for prioritizing Defense nominees ahead of those of other Departments.
4. The Transition Team should develop a bench of future leaders and prepare succession plans early to ensure continuity.

ON-BOARDING NEW APPOINTEES

In transitions, candidates eventually become nominees and nominees eventually become Senate-confirmed “appointees.” Until recently, the Department paid little attention to properly on-boarding appointees; a missed opportunity to prepare them for what is likely the biggest job of their lifetime. An effective on-boarding program can prevent a new appointee from running into a landmine early in their tenure. Today, some on-boarding resources exist at DoD, but each Transition Team should design, build, and resource its own specific on-boarding process.ⁱⁱⁱ

The on-boarding process should be quickly initiated and carefully structured so that once appointees have been approved, the process can begin. Even before arriving at the Department, the process should start with welcome letters and calls providing useful information that will help them in their transition. Providing reference and reading materials by former position holders and information about DoD governance, organization, and structure can also be useful and contribute to an effective transition.

Upon arrival, the Transition Team should have established a program of instruction that provides new senior leaders with an understanding of the priorities and programs of the Department. It should assist each new leader to understand (1) the statutory governance that connects the Office of the Secretary of Defense, the Joint Staff, the military services, and the combatant commanders, (2) their role, authority, and mission, (3) the resources available to them to perform their duties, and (4) how to effectively execute their duties. There should also be emphasis on how decision-making processes in government are different from those in the private sector, and how to effectively manage within those differences.

The Board offers the following recommendations:

1. The Transition Team should carefully build an on-boarding process -- start as early as possible.
 - a. Provide a strategy to guide key changes in policy/programs
 - b. Focus particular attention to early challenges/immediate issues
 - c. Identify potential “landmines”
2. The on-boarding process should utilize focused, short briefing papers.
 - a. One-pagers on key issues requiring early attention/decisions
 - b. Provide background, options, timelines (no recommendations)
 - c. More in-depth discussions will take place during the confirmation process
3. The Transition Team should outline key responsibilities of the positions.
 - a. Brief summary of functions and key roles/relationships
 - b. Introductions to the senior career officials
 - c. Introductions to the senior uniformed officers of their enterprise
4. The Transition Team should carefully select briefers for prospective appointees.
 - a. Independent, creative thinkers – military and civilian
 - b. Look beyond prior administration policies/programs

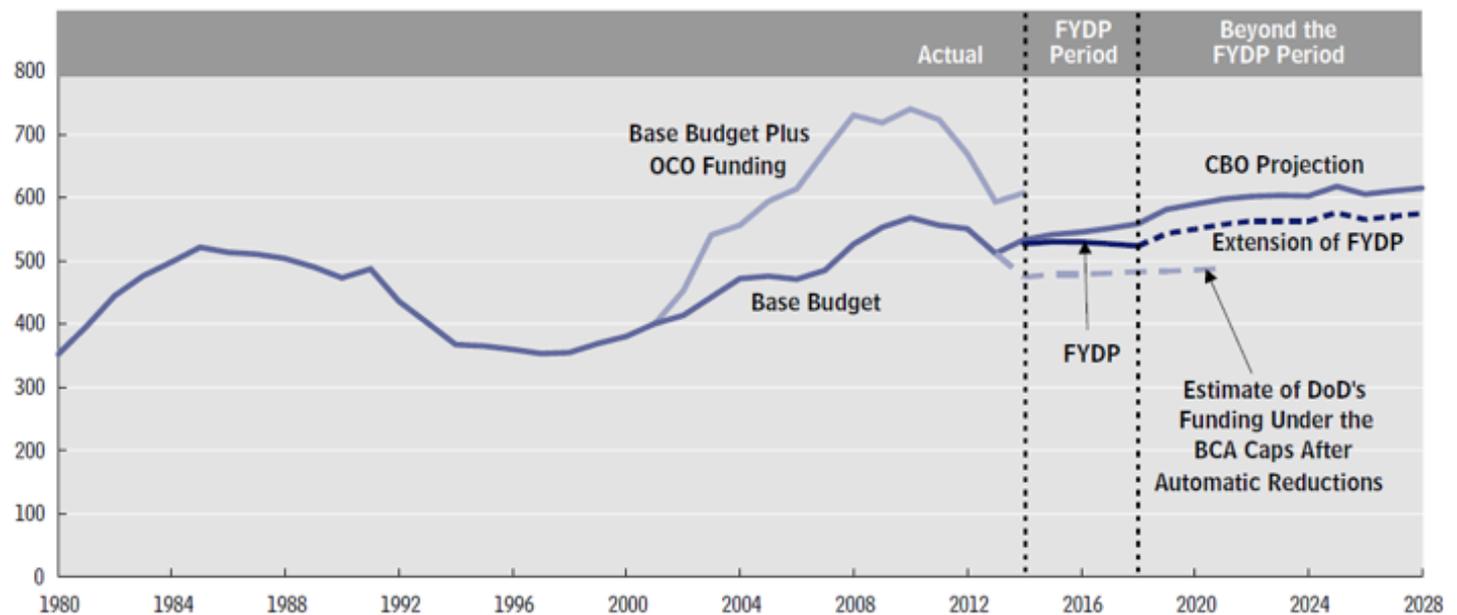
Near-term Obstacles that Could Hamper Long-Term Success

LEADING IN A FISCALLY CONSTRAINED ENVIRONMENT

Today, DoD faces not one, but two increasingly capable global peer competitors, in addition to ongoing regional challenges. The incoming Secretary and senior leader team should promptly focus on tomorrow's challenges on day one in office. Ironically, while DoD is operating under a relatively flat top line budget and reducing both force and base structure, our peer competitors are spending increasing amounts of money on their military^{iv}. This is unlikely to change throughout what appears to be a prolonged period of fiscal constraint in the US, driven by increasing deficits and non-discretionary spending pressure government-wide (Figure 2.1).

This fiscal environment necessitates greater agility and flexibility in dealing with the most urgent of the Department's management challenges. Bold action is needed to confront the increasing cost of personnel, operating expenses, overhead, and unnecessary infrastructure in order to redirect resources towards modernization and readiness.

(Billions of 2014 dollars)



Source: Congressional Budget Office.

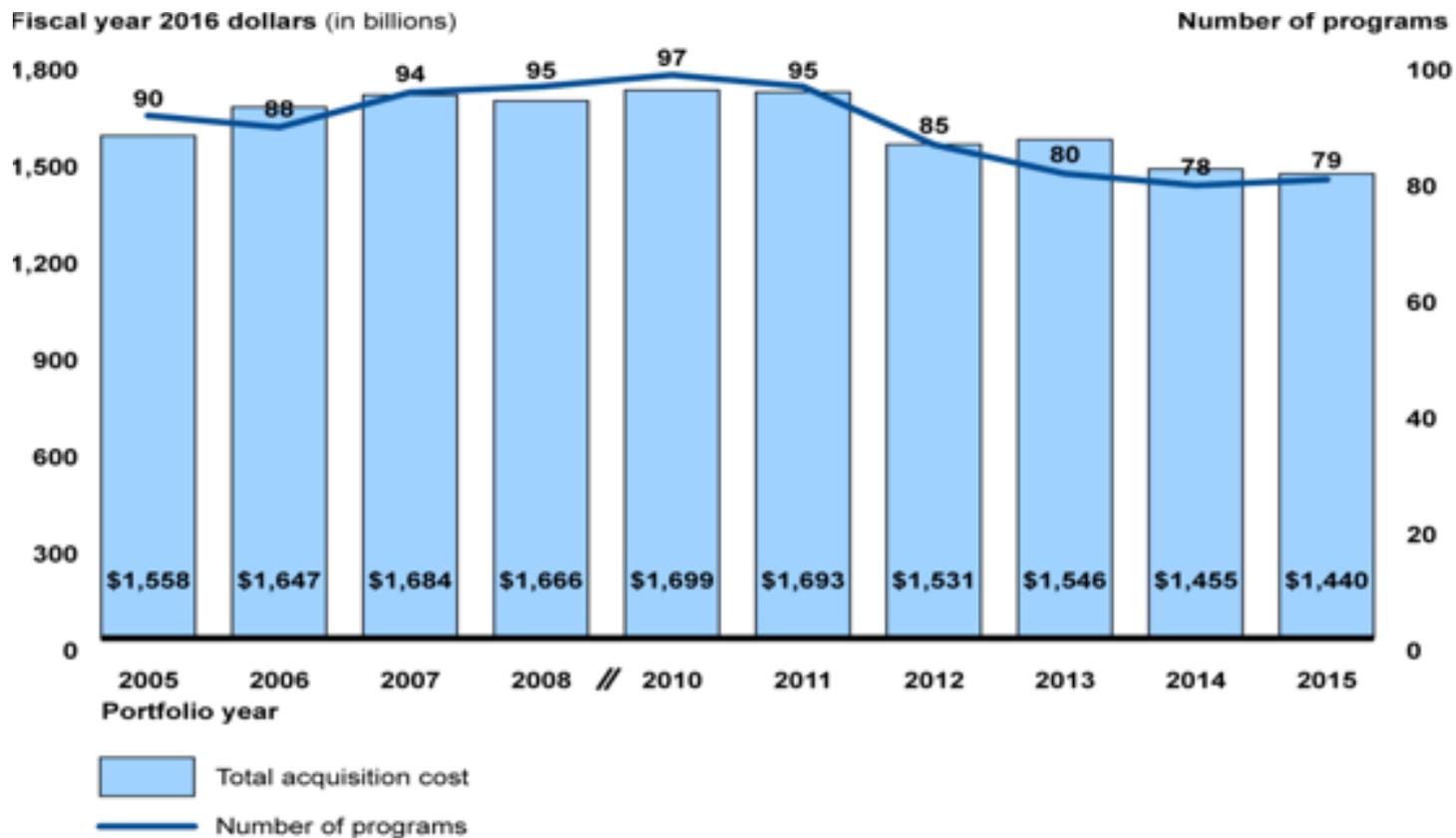
Figure 2.1 Historical Funding for DoD Activities and Projected Costs of DoD's Plans

Thus, as the new Department leadership should undertake a significant wave of spending on new capabilities, it will search for the necessary resources amongst a Departmental eco-system that makes it difficult to implement the necessary reforms and budget reallocations. Given this tough environment, the Secretary Designee and the Transition Team should instill an understanding in every senior subordinate political leader that “business as usual” puts the Nation at risk. To counter this attitude, the new Secretary’s leadership team should dedicate significant time to improving the economic efficiency of the Department. This can only be accomplished by leaders who establish and operate within a management structure that clearly defines objectives and expectations, holds direct reports accountable, adopts modern management systems, aligns organizational activities with budgets, and provides best-in-class feedback mechanisms and metrics to gauge progress.

The Department is not keeping pace with increasingly rapid developments in the private sector, particularly in software and cyber security.^v Some improvements have been made; however, the process is still too long and frequently causes DoD to miss important opportunities. The number of acquisitions programs (and their associated costs) is trending down (Figure 2.2). The new USD AT&L should continue to reform the current one-size-fits-all acquisition process with the objective of significantly reducing the time from “request for proposals” to “fully operating capability.”

Since the Budget Control Act of 2011, the Department has, on an ad hoc basis, incrementally adjusted budget cuts to meet the “then year” needs. Over the past year, the Department has made impressive strides in cutting costs in the Fourth Estate, including the staff of the Office of the Secretary of Defense. However, this is only a thin portion of the overall budget (i.e., approximately 2%). The time has come for the Department to move beyond pushing out tough decisions or making only marginal reductions and take decisive action enabled by a true system of management accounting for the large costs centers in the Department. For example, a true management accounting review should look closely at areas that the Department has long considered “off limits” such as intelligence, classified programs (and their overhead), combatant commands, and the military services. Such a review would likely lead to recommendations that eliminate entire organizations, activities, contracts, etc. Simply reducing activities on the margins only leaves the door open for growing them back during future budget cycles. Complete elimination makes a re-start much harder.

Even though DoD is a public entity, it should manage itself more like a business (whenever it can) to make significant progress in cutting costs. Intense and continuing fiscal discipline is critical; unfortunately, this is not a core competency generally resident within the Department. Organizational inertia and resistance within the Department is real and will be extremely difficult to overcome. Success will only occur if there is a profound, emphatic, and outcomes-based program of change.



Source: GAO analysis of DOD data. | GAO-16-329SP

Figure 2.2 DoD Portfolio Cost and Size, 2005 to 2015

The Department should bring in specialized expertise from outside the government to lead a re-structuring review that would look into the previously considered “off limit” areas of its vast enterprise and reduce redundancies in mission, manpower, and contracts through shared services and introduce strong management disciplines targeted for efficiencies^{vi}.

The Transition Team should make it a priority for the incoming Secretary to focus on a strategic plan to address costs and commit to streamlining the Department’s operations to make them more agile and responsive, while contributing to the overall effectiveness of the Department. As noted previously in this report, the Chief Management Officer/Deputy Secretary should lead this type of review and re-structuring effort.

The Board offers the following recommendations:

1. The new Chief Management Officer/ Deputy Secretary should direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to continuously review the acquisitions process to streamline procedures, cut costs, and reduce acquisition times.
2. The new Chief Financial Officer/Comptroller should develop a management accounting system that accurately tracks and accounts for all costs across the Department.
3. The new Chief Management Officer/ Deputy Secretary should direct a review of previously considered off-limit areas of the enterprise to identify redundancies in mission, manpower, and contracts.

DRIVE SCARCE RESOURCES AWAY FROM OVERHEAD, PERSONNEL, AND INFRASTRUCTURE TO MODERNIZATION AND READINESS

Overhead and Infrastructure

The Department is currently in the midst of a readiness crisis^{vii}. In response, it has sought to realign resources from areas of excess (or unneeded overhead or indirect support) capacity to mission critical activities that directly support the warfighter. While some progress has been made, there is still much room for improvement. Excess overhead not only limits resources for mission critical activities, it delays effective and rapid decision-making and has a pernicious effect on organizational effectiveness.

Overhead is defined in different ways; for business it is direct costs minus indirect costs. For the Department, it is more complicated since Congress requires DoD to be ready to perform so many missions and to be accountable for so many responsibilities in an unnumbered variety of contingency scenarios. DoD must always be ready; that readiness comes with a price. The management and oversight bureaucracy that maintains that readiness is immense. Therefore, it is unrealistic to hold the Department to an overhead rate comparable to industry; however, there are applicable management practices that DoD could use to help eliminate wasteful spending on redundant and overlapping missions.

For example, a large private sector company has on average, 10-12 layers from the CEO to the front-line operations. Within the DoD bureaucracy, there are instances where that number is more than double when counting down from the Secretary to an action officer in an operational unit. This demonstrates that enormous opportunities exist for the Chief Management Officer/ Deputy Secretary to consolidate similar missions, delayer organizations (like the recent initiative in the Fourth Estate), and to reduce redundant efforts without compromising the workforce's ability to perform the DoD mission.

Beginning in 2013, the Department took action to address the bloated bureaucracy through a "delayering" initiative. This initiative, managed by the Deputy Chief Management Officer, directed the Fourth Estate to reduce all leadership positions to a span of control of no less than 1:7 (a ratio commensurate with private sector best practice) and to eliminate same-grade reporting. To date, the Department has eliminated approximately 11,000 billets from the headquarters staff. While this effort has made significant progress, the incoming Chief Management Officer/Deputy Secretary should initiate similar actions in the military services, component commands, and combatant commands and include offices with classified programs and those labeled "warfighter" or "warfighter support."

The Department's challenge to synchronize strategic intent and force structure has for decades been burdened by excessive overhead. To tackle the high overhead will require an all-in, highly focused effort that aligns priorities against available budgets and reduces and/or eliminates the work, processes, people and facilities that are not aligned with Departmental priorities.

Reducing the Department's overhead rate is as much a cultural challenge as a management issue.^{viii} The cultural impediments can only be lessened with a sustained messaging campaign from every senior appointee and flag/general officer that the current overhead of the Department puts the very Nation at risk.

The Chief Management Officer/Deputy Secretary should drive the Department to continue to shrink this overhead and free-up resources to generate new capabilities that support critical Defense priorities. This drive must create a total team commitment to designing and sustaining an approach that addresses this reality. The military services, combatant commanders, Defense agencies, field activities, and headquarters organizations all need to have leaders who agree to invest the time and personal credibility necessary to drive the required changes in culture and behavior. Leaders of all DoD organizations should collectively decide to drive tradeoffs that support the Department's (and thus the Nation's) security priorities, even at the cost to individual organizational priorities. Expanded and sustained efforts to target cuts on low value-added areas are essential. The Department could benefit from applying "Value-chain" and "Activity Analyses" tools to reduce those inefficiencies and overlaps.^{ix}

These are decades-long issues that have occupied and frustrated at least the last three administrations. Success will require more than just Department leaders making tough decisions; success will require support and authorities from Capitol Hill (and in the larger political realm) to facilitate and encourage system redesign and prudent risk taking.

Current personnel costs consume almost half the Department's resources^x. Furthermore, diligent and disciplined headcount management has been a challenge within the DoD for the past several years^{xi}. In the private sector, companies found that personnel headcount became bloated when headcount management was not strictly enforced. The excessive growth in headcount was in part due to: (1) the installation of horizontal coordinating functions within a traditional vertical organization structure that resulted in redundant and unnecessary layers of management within the overall organization and (2) the lack of a rigorous and disciplined job evaluation process resulting in significant grade creep, low spans of control, and overall higher compensation costs^{xii}. Many of these conditions, including excess layers and bloated headcounts, are also issues for private companies. However, best in class companies use delayering and re-engineering of work approaches that frequently deliver 30% reduction in headcount.^{xiii}

While the Department has made some progress in delayering, further implementation of work redesign is imperative. Eliminating work that is no longer necessary or that fails to support strategic goals, eliminating redundancy, and thinning out the remaining layers of management have the potential to yield considerable savings for the Department. The Board believes the Chief Management Officer/ Deputy Secretary can achieve similar reductions using these methods.

It is equally important for the Department to go beyond basic headcount tracking. Recognizing that all personnel costs are not equal, the cost and value differential between staff positions and fielded forces is significant. On a one-for-one basis, the average senior commissioned officer assigned to a staff position is considerably more expensive than the

average junior enlisted service member serving in a front line troop position^{xiv}. The opportunity to realign the savings gained from overhead reductions to operational functions is well worth the delayering effort.

New “temporary” organizations and commands often led by one or more general/ flag officers (or senior service executives) and the associated growth of their support staff have also substantially added to personnel headcount and cost, all at the expense of readiness, research and development, and new equipment. These costs can no longer be ignored in an environment where every dollar spent on personnel is taking another away from a much needed higher priority elsewhere. While only a small part the total savings required, leaner, empowered staffs are a first step to driving down personnel costs.

Non-cash and deferred compensation of active duty military personnel have been shown to be significantly higher than those for private sector companies with large front-line populations^{xv}. Some recent changes to military retirement have been a positive step forward in shrinking the tail of the Defined Benefit (DB) pension liabilities while at the same time providing a transportable benefit for military personnel.

DoD’s vast infrastructure consumes substantial resources that, if better managed, could realize savings that could be redistributed towards readiness and modernization. With increasing demands on the defense budget the Department cannot afford unnecessary infrastructure. A recent report by the Department documents 22 percent excess infrastructure for what is needed to support the programmed force structure through FY 2019 (Figure 2-3).

Department	Estimated Percentage of Excess Capacity (above 1989 baseline)
Army	33
Navy	7
Air Force	32
Defense Logistics Agency	12
Total DoD	22
DoD Infrastructure Capacity Report (March 2016)	

Figure 2-3. DoD Excess Infrastructure Capacity

It has been 14 years since Congress authorized the Department to conduct a BRAC round. Congressional inaction on the Department's requests for additional BRAC rounds should prompt the new Secretary to initiate an internal zero basing analysis of potential actions that DoD could take within its existing authorities to reduce infrastructure-related costs and unleash resources for higher-priority needs.^{xvi}

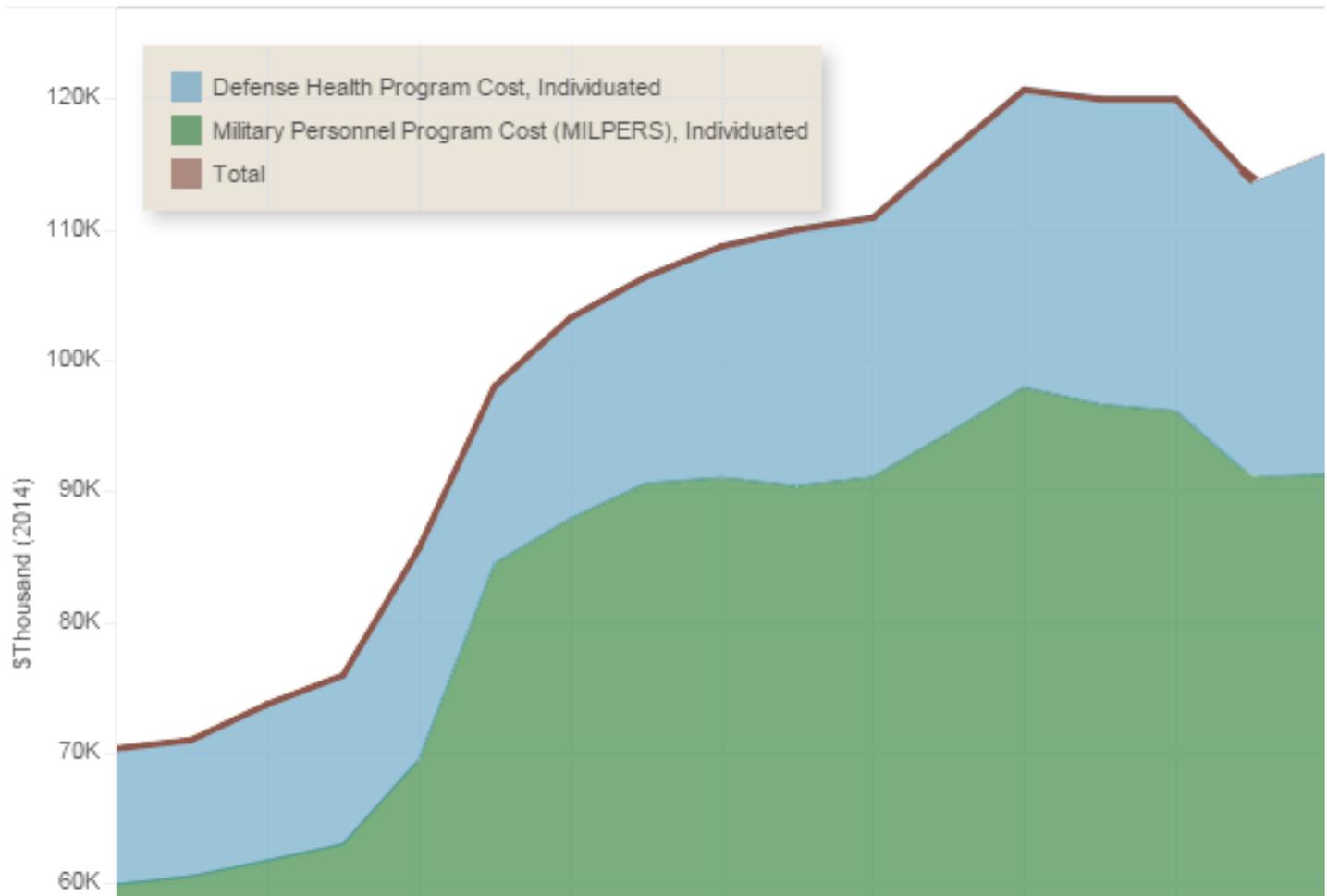
The Board offers the following recommendations:

1. The Secretary should clearly articulate the priority of re-deploying overhead funding to modernization and readiness necessary to meet the Nation's security priorities.
2. The Secretary should empower the Chief Management Officer/ Deputy Secretary to implement the business processes to reduce overhead.
3. The Chief Management Officer/ Deputy Secretary should obtain a commitment from leaders at all levels within the Department to reduce overhead as a major priority.
4. The Chief Management Officer/ Deputy Secretary and the senior leadership team should identify and implement necessary cost reductions in the first year. The uniformed leadership should fully embrace this as well.
 - a. Include items previously viewed as "non-discretionary," e.g., pay, entitlements, and infrastructure costs reduced by non-BRAC means.^{xvii} These can no longer be sacrosanct and should be resolved.
 - b. The total expenditures spent on headquarters should receive special scrutiny with a focus on removing work, layers, and low priority headquarters.^{xviii}
5. The Chief Management Officer/ Deputy Secretary should continue delayering the organization and increasing the span of control and authority of middle and lower-level managers and eliminate low priority functions and work.
6. The Chief Management Officer/ Deputy Secretary should periodically zero-base each entity, as a basis to drive continuous improvement including those programs/entities that have historically been exempt from such efforts (i.e., intelligence and classified programs).

Personnel and Benefits

Within the force, the fully loaded personnel costs consume nearly half of the baseline budget. The latest data shows that present military manpower cost approaches \$120,000/person/year (Figure 2-4). Healthcare costs are approaching

Personnel Costs Per Active Duty U.S. Service Member, 1998-2014



Snapshot of a graph depicting the growth of per-soldier costs over time. The cost of an active duty U.S. service member nearly doubled between 1998 and 2014. (Emerson Brooking/Defense in Depth, Council on Foreign Relations)

Figure 2-4. Personnel Costs Per Active Duty U.S. Service Member, 1998-2014

\$60 billion/year for current healthcare and future retirees.^{xix} These costs are increasing as a percentage of available funding, and at a faster rate within an increasingly constrained budget.

Reducing personnel costs has been part of the agenda of senior Defense officials for many years, but net results to date are limited. This is the cultural challenge facing the new administration - the advocacy for these changes must be extended beyond the Secretary of Defense to become job one for every top leader of the Department.

Over the past several years, Fortune 100 global companies have relentlessly focused on cost reduction to enable them to fund their innovation and growth opportunities. Incoming senior leaders at the Department need to do the same.

Healthcare

Healthcare is a good example of the challenges associated with driving down overall personnel costs. The sustained failure to gain support and advocacy from the leadership of the military services and from Congress to slow the growth of Defense healthcare costs is the heart of the problem (Figure 2-5). The Board is convinced this is much more a cultural problem than a management issue and reversing it will require focused leadership from the Secretary by holding subordinates accountable for real change.

The Department has a comprehensive, but complex system for delivering medical care. It is a very important, very costly benefit. While private sector employers and insurance companies alike make frequent adjustments to their programs to ensure sustainability, DoD has been unable and in many cases is actually prohibited by Congress, from making even modest changes to contain costs^{xx}. Given the scale of the Department's healthcare enterprise, even small adjustments to coverage or fees can quickly affect the overall costs to the Department.

Healthcare costs are driven by the number of enrollees, utilization rate, and vendor delivery effectiveness and cost efficiency. The increased costs from 2002 for DoD Healthcare has predominantly been a result of new and expanded TRICARE benefits that have added more beneficiaries and expanded access for existing ones (i.e., TRICARE Reserve Select and TRICARE for Life)^{xxi}. Of the approximate 9 million people enrolled in TRICARE, 4.8 million are in TRICARE Prime^{xxii}. In FY 2015, funding for healthcare accounted almost 10% of DoD's base budget^{xxiii} versus 4-6% average in the private sector (Figure 2-6). The share of healthcare costs that TRICARE users pay is much lower than the costs paid by civilian consumers who use private or employer based health insurances^{xxiv}.

Lower out-of-pocket costs in TRICARE have resulted in more eligible users switching from more expensive health plans to TRICARE. As a result, the consumption of health services has significantly increased^{xxv}.

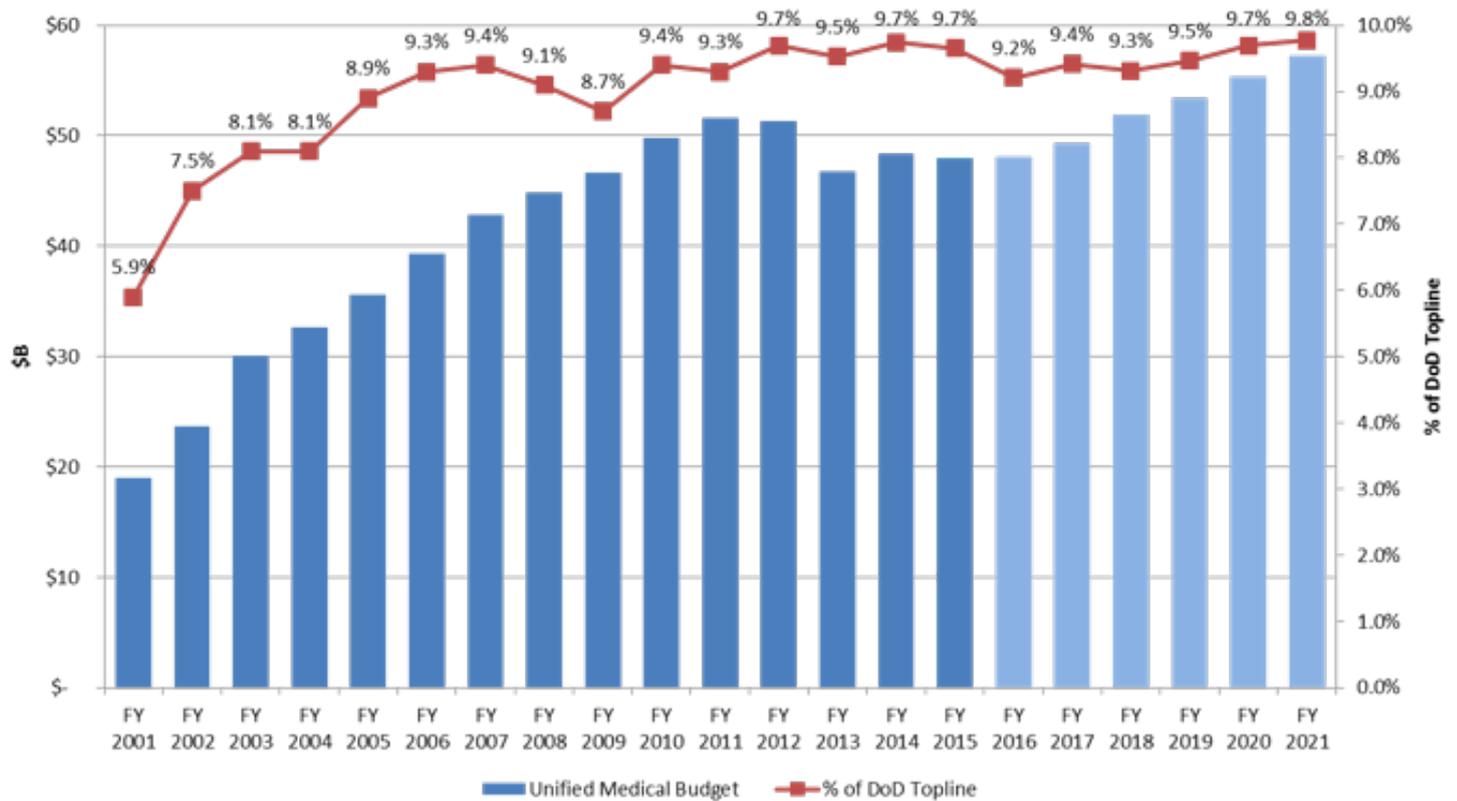
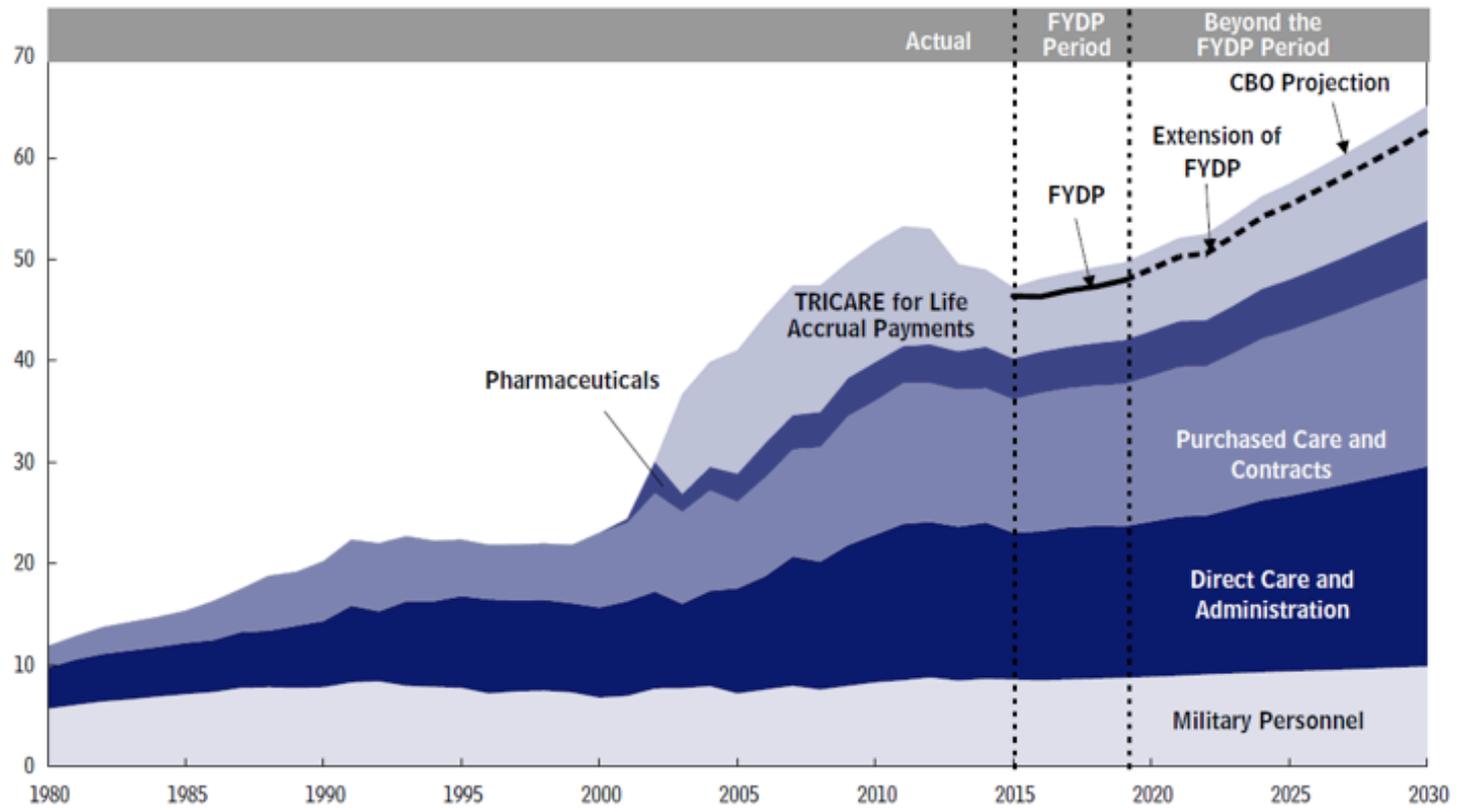


Figure 2-5. Total Medical Budget as Percent of DoD Topline

Billions of 2015 Dollars



Source: Congressional Budget Office.

Figure 2-6. Costs of DoD's Plans for its Military Health System

The Board offers the following recommendations:

1. The Secretary Designee should select and empower a strong, experienced executive to lead Personnel and Readiness as it oversees a significant portion of the Department's resources.
2. The Secretary Designee should engage and hold accountable the senior military and civilian leadership to sustained advocacy for reduced personnel spending.
3. The Chief Management Officer/Deputy Secretary should calculate and track fully burdened and life cycle costs of military, civilian, and contracted personnel, in both institutional and operational organizations. The lack of complete personnel cost data often leads to sub-optimized decisions.
4. The Chief Management Officer/Deputy Secretary should continue the delayering of staffs, reduce density of staff entities, and increase spans of control.



Organizing the Department for Sustained Change

IMPROVE THE SPEED AND EFFECTIVENESS OF THE BUSINESS ENTERPRISE

The nature of the military challenges to our national security has dramatically changed since the beginning of this decade. Those new challenges mandate the Department's warfighting enterprises are fast, agile, efficient, effective, and responsive. For those enterprises to succeed, they should be supported by Departmental business operations that mirror that speed, agility, and responsiveness.

This will require the Secretary of Defense and the Chief Management Officer/ Deputy Secretary to make hard choices amongst the Department's business resources. These choices will also demand tremendous political savvy to gain the support of key constituencies: Congress and the military/civilian workforce. They should also take a hard look at reconfiguring the Department's operations to drive down decision-making authority, empower subordinates, and reduce excessive layers of management.

Today's best practices companies have proven that management by committee does not work well and only adds to the time it takes to get things done. Speed must be a valued commodity if the Department's business operations' flexibility and agility are to be improved. In any leadership transition, business enterprise management systems and structure should be evaluated for speed, effectiveness, and currency. An optimal management model will anticipate and respond to key national security and management challenges and expand the Department's organizational capacity, while being flexible enough to accommodate diverse leadership styles and approaches of the new Secretary. Recent independent reviews further reveal that DoD is at increased risk of not achieving its financial management improvement and audit readiness goals (Figure 3.1). The Chief Management Officer/ Deputy Secretary, assisted by the Deputy Chief Management Officer, should review and update management and information systems (finance, personnel, and logistics) with the goal of increasing speed of decision making and better cost estimating.

To run the Department more effectively and efficiently, each senior leader's key objectives and their concomitant authority, responsibility, and accountability must be made clear, in writing. Each senior leader's progress on those objectives should be formally and regularly reviewed with rapid action taken when progress is off the mark or too slow. As we have noted in Chapter 1, these reviews should be the province of the Chief Management Officer/ Deputy Secretary.

The Board offers the following recommendations:

1. The Chief Management Officer/ Deputy Secretary should take a systems management approach to improvements across DoD, including benchmarks for continuous process improvement and accountability.

GAO's High Risk List

Strengthening the Foundation for Efficiency and Effectiveness
<ul style="list-style-type: none"> Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks Management of Federal Oil and Gas Resources Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance^a Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability^a Funding the Nation's Surface Transportation System^a Strategic Human Capital Management Managing Federal Real Property Improving the Management of IT Acquisitions and Operations (new)
Transforming DOD Program Management
<ul style="list-style-type: none"> DOD Approach to Business Transformation DOD Business Systems Modernization DOD Support Infrastructure Management^a DOD Financial Management DOD Supply Chain Management DOD Weapon Systems Acquisition
Ensuring Public Safety and Security
<ul style="list-style-type: none"> Mitigating Gaps in Weather Satellite Data Strengthening Department of Homeland Security Management Functions Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information^a Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests^a Improving Federal Oversight of Food Safety^a Protecting Public Health through Enhanced Oversight of Medical Products Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals^a
Managing Federal Contracting More Effectively
<ul style="list-style-type: none"> DOD Contract Management DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management NASA Acquisition Management
Assessing the Efficiency and Effectiveness of Tax Law Administration
<ul style="list-style-type: none"> Enforcement of Tax Laws^a
Modernizing and Safeguarding Insurance and Benefit Programs
<ul style="list-style-type: none"> Managing Risks and Improving VA Health Care (new) Improving and Modernizing Federal Disability Programs Pension Benefit Guaranty Corporation Insurance Programs^a Medicare Program^a Medicaid Program^a National Flood Insurance Program^a

Source: GAO. | GAO-15-290

^aLegislation is likely to be necessary to effectively address this high-risk area.

Figure 3-1. GAO High Risk List Series

2. The Secretary should clearly define the “Delegation of Authority and Accountability” for the Chief Management Officer/ Deputy Secretary and under secretaries to establish speed, empowerment, and effectiveness metrics.
3. The Chief Management Officer/ Deputy Secretary should establishing written goals and timelines for major objectives and projects.
4. The Chief Management Officer/ Deputy Secretary should establish monthly reviews with each direct report to ensure progress in implementation of actions to achieve their set of objectives.
5. The Secretary and the Chief Management Officer/ Deputy Secretary should meet quarterly with each Executive Level II to discuss progress toward objectives and ensure accountability.

FOCUS THE SECRETARY’S TIME ON THE MOST STRATEGIC OBJECTIVES

While there are vast differences between a CEO’s key outside relationships and those of the Secretary of Defense, there are important similarities. A CEO deals with the board of directors, shareholders, industry partners and the public. A Secretary of Defense must deal with Congress in oversight and the White House in execution. The Secretary must also ensure coordination with Cabinet peers such as State, Treasury, Energy, and Homeland Security, and deal with partner nations, and the public. Another key similarity in both roles lies in the significant time and energy required to focus outside the organization.

CEOs of major corporations spend the majority of their time identifying strategic priorities, building their teams, and ensuring alignment with all key elements and stakeholders outside of their organization. Similarly, these three important areas are an important focus of the Secretary. As recommended in Chapter 1 and here, the Chief Management Officer/ Deputy Secretary should be empowered to run the day-to-day activities of the Department, freeing up the Secretary to focus on these broader roles.

It is critical that the entire enterprise knows and understands the Secretary’s strategic objectives. As soon as possible, the Secretary should articulate a vision for the Department and clearly delineate the resultant priorities and objectives. This should include assigning clear responsibilities and timelines for major initiatives. These should be routinely communicated through multiple channels, using the full array of communication tools and platforms to both internal and external audiences of the Department. It should be followed up by rigorous analysis to ensure the message is getting out across the Department.

The Board offers the following recommendations:

1. The Secretary should regularly communicate strategic priorities and progress to the entire Department.
2. The Secretary should regularly ensure subordinates are aligned to the strategic priorities and management focus.
3. The Secretary should empower the Chief Management Officer/ Deputy Secretary and align responsibilities accordingly.

TRACK PERFORMANCE TO IMPROVE ACCOUNTABILITY

The next Secretary will be faced with a continued constrained fiscal environment, thereby creating tremendous pressure to make strategic trade-offs. Managing the Department's very large and complex organization, with its conflicting internal and external interests, requires a performance-management process that cascades critical objectives down the organization, translates them into measurable metrics, and provides for periodic reports back for evaluation and feedback.

Unfortunately, the Department management systems need to better define objectives and expectations, better align leaders and organizations according to management and budget responsibility, and better gauge progress by utilizing feedback mechanisms and metrics.

Organizations do best that which is measured. High level goals are fine, and are often the fundamental themes of transition white papers. Policy statements of "changing the culture" or "improving efficiency" are frequently part of thoughtful transition goals. The challenge for execution is to state what specific outcomes should be accomplished and then invest the time to craft metrics that measure whether the executive team is on the path to achieve the goals.

These measurements must be actionable. They should be items upon which the senior leadership agrees are the necessary steps to meet the new administration's goals. Vague goals or inputs measurements like "develop a plan" create imprecise expectations. The measurements should also be granular and rooted in desired outcomes. As Chief Management Officer, the Deputy Secretary should set milestones to ensure that senior leaders are on the right course and that their specific goals will be met. Dates need be set and each success level needs to be defined. If course corrections are needed, the Chief Management Officer and the culpable senior leader can discuss and make adjust before it is too late.

Identifying and managing risk is a fundamental part of productive goal setting and accountability. Thinking big does not mean having to bet big. Risk can be managed, allowing loftier goals to be considered and potentially realized. There are four aspects of risk to consider. First, the level of risk for any given goal should be understood (i.e. high-medium-low). Second, the means by which to minimize a risk should be vetted. Third, the people who will manage and be accountable for a risk should be identified and given agreed upon authority and resources. Fourth, a mitigation strategy should be set in case initiatives do not go according to plan.

With the right objectives and metrics measurements, accountability can be established in a healthy manner. Senior leadership and their direct reports should agree on the same metrics for success. Each leader should understand their part of the deliverables, their responsibility, and their scope of authority.

Performance reviews are critical to achieving the vision, improving performance, and accomplishing the goals and objectives set forth by the Secretary. Unfortunately, at the most senior levels in the Department, formal performance counseling has often been overlooked or not conducted particularly well (if at all). Putting such a system in place is a prime responsibility of the Chief Management Officer/ Deputy Secretary, aided by the Deputy Chief Management Officer. The reviews for the most senior leaders should be conducted by the Chief Management Officer with the Deputy Chief Management Officer ensuring that the balance of the enterprise is rigorously conducting its reviews. Summary reports should be submitted to the Secretary on a quarterly basis on the progress against the Secretary's key objectives.

The Board offers the following recommendations:

1. The Secretary should adopt a substantive performance management system (developed by the Chief Management Officer/ Deputy Secretary) and apply it to every senior political appointee and senior flag officer as an integral part of managing the Department.
2. The performance system should set clear and specific performance goals and objectives (and dates) for both individuals and organizations. It should include a risk plan that comprehends risk assessment, management, and potential mitigation strategies.
3. The Chief Management Officer/ Deputy Secretary should have regular reviews (at least quarterly) to assess achievements, challenges, risks, and performance (or lack of it) against performance plans.
4. The Chief Management Officer/ Deputy Secretary should require detailed metrics and the regular progress reporting necessary for success, and should require recovery plans where progress falls short.
5. The Chief Management Officer/ Deputy Secretary should share successes publicly across the organization.

ALIGN THE SERVICES AND DEFENSE AGENCIES TO THE SECRETARY'S AGENDA

Unlike the corporate world, the Secretary of Defense doesn't customarily get to select all of the Department's leadership team. There are 55 Presidentially appointed, Senate-confirmed positions on the Department of Defense executive schedule as set out in the following chart:

While all of these appointments are made at the recommendation of the Secretary of Defense, the decision to appoint rests solely with the President and can be subject to the influences of the White House staff. By contrast, in the corporate world, the new CEO often has the broad latitude, with the support of the Board of Directors, to assemble a leadership team to meet specific goals and objectives.

The start of a new administration offers an opportunity for the Secretary of Defense to amass and focus the management talent necessary to ensure success. To that end, involving and actively cultivating alignment of the Secretary's most senior direct reports from the outset can help lead to greater organizational effectiveness. To be most effective, the Secretary should fully engage all "direct reports" to accomplish the agenda, even while they remain otherwise decisively engaged in their titled roles.

The military services, Defense agencies, field activities, and headquarters organizations etc. have a natural tendency to want to protect their programs and people, often at the expense of Departmental goals. In a fiscally-constrained environment, it will take the entire leadership team to drive the essential behaviors to be successful. Together, the leadership team will have to drive the necessary trade-offs between Department priorities and individual organizational desires. Collaboration inside and outside the Department is also vital for success. Congress, as well as industry, will only become important partners in achieving desired goals if the cultivation and sustainment of those relationships is a priority.

The Secretary's investment of time early with the service secretaries can sustain a true team relationship that will enable their focus and commitment in achieving the priorities and goals. Furthermore, hard decisions, particularly when there is overall budgetary pressure, tend to strain alignment and increase friction between the service secretaries and the Office of the Secretary of Defense. The true senior leadership team spirit that exists at the onset of a new administration can quickly erode, enabling subordinate leaders to become overly focused on their component's perspectives at the expense of alignment with the Secretary of Defense's agenda.

The three service secretaries properly aligned with the Chief Management Officer/ Deputy Secretary, can also be a key asset at solving Department-wide challenges by virtue of their own extensive expertise, enhanced by the analytical and management resources extant in their organizations. Much as the Joint Chiefs of Staff collectively provide the



DoD Presidentially Appointed, Senate-confirmed (PAS) Positions * *Executive Schedule Level (EX) – August 2015*

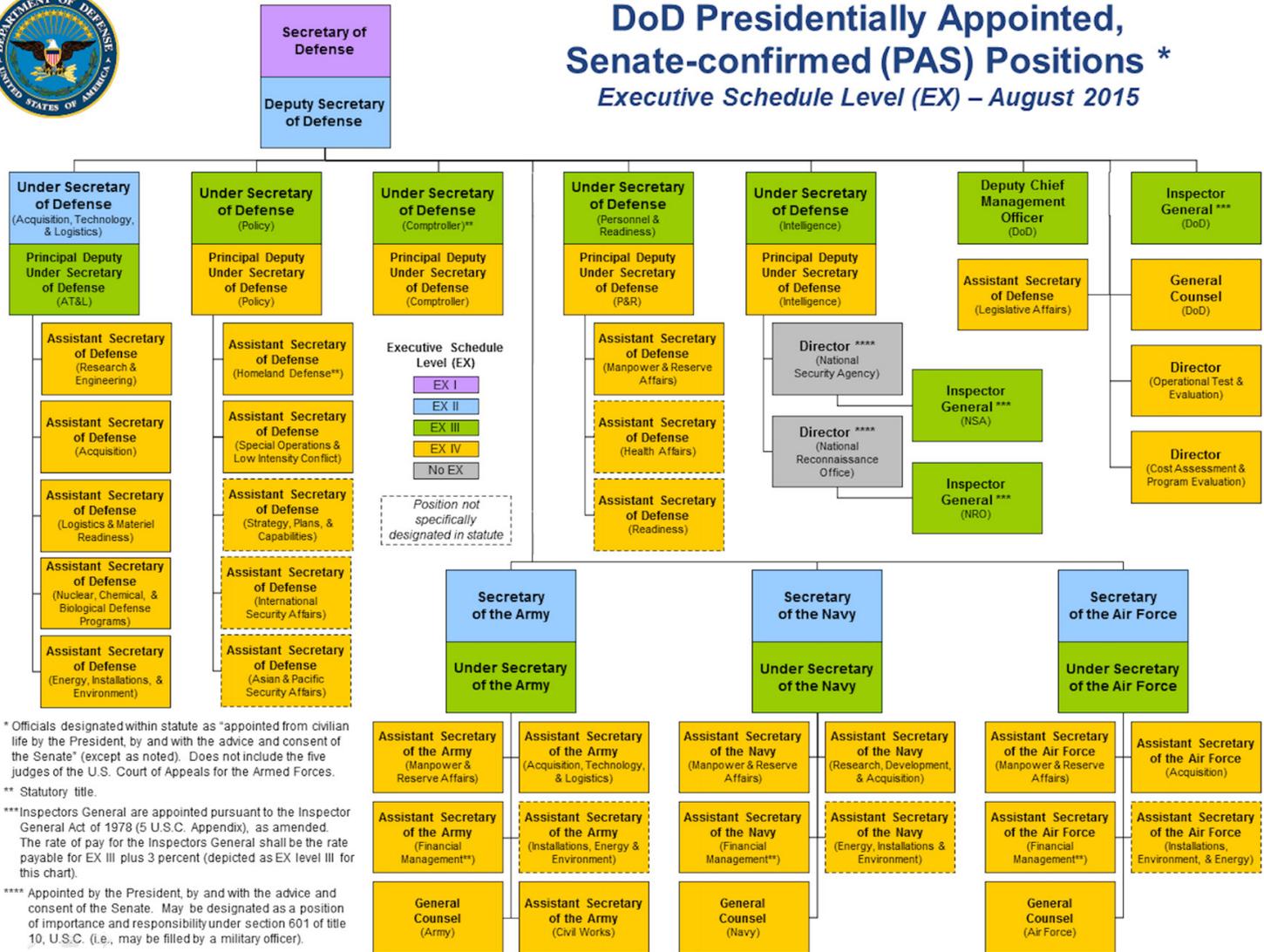


Figure 3-2. DoD Presidentialy appointed, Senate-confirmed Positions

most senior military advice to the Secretary and President on cross-cutting, political, and military issues, so could the service secretaries provide the most senior management advice and actions for cross-cutting management and fiscal challenges.

The Board offers the following recommendations:

1. The Chief Management Officer/ Deputy Secretary should create an Executive Committee where the service secretaries collectively engage on the Secretary's agenda, enabling them to work together on assigned enterprise-wide problems.
2. The Secretary should direct the Chief Management Officer/ Deputy Secretary to conduct one-on-one performance sessions with the individual service secretaries and publicize organizational success within the Department.
3. The Secretary should direct the Chief Management Officer/ Deputy Secretary to conduct one-on-one performance sessions with key Defense agency and field activity leaders and sponsors, utilizing cascaded scorecards, and publicize outcomes within the Department.

CREATE A COST AND PERFORMANCE CULTURE

The Department of Defense is the Nation's largest enterprise, possessing such an important public trust that it cannot afford, either literally or figuratively, any fiscal irresponsibility. In many ways the Department behaves more like an economy than a corporation – it would be the 17th largest nation globally if its expenditures were gross national product. With over 1.3 million men and women on active duty, and more than 700,000 civilian personnel, and approximately 600,000 contractors, the Department is the Nation's largest employer. Another 1.1 million serve in the National Guard and Reserve forces. About 2 million military retirees and their family members receive earned benefits. However, it is difficult for the Department to synchronize these elements and make effective trades, due to the lack of knowledge regarding costs and value .

Periods of unpredictability or fiscal constraint require business leaders to act quickly in taking critical steps to address their company's challenges. While there are clear differences between the private and public sectors, successful leaders all share certain commonalities in their approaches – paramount of which is the establishment of strategic objectives that promote a cost-conscious culture while still meeting or exceeding mission requirements. Implementing a cost-conscious culture will require that DoD identify and pursue every opportunity to economize and increase the efficiency and effectiveness of its business operations, both short and long-term, while at the same time maintaining military readiness and a capable civilian workforce.

Transparency is critical for management visibility and promotes accountability. Driving processes, systems, and controls that improve accuracy, reliability, and reporting must be the basis of a cultural alignment amongst all of the leadership stakeholders in audit readiness and sustained compliance. Cultural change must be at the heart of any effort to successfully achieve improvements in cost tracking and management, and sponsorship by senior leadership is essential to drive and sustain cultural change. The ability to plan for and control the major cost drivers in the Department is essential to avoiding budget overruns.

The Department's leadership should define desired 'cost management' behaviors and outcomes, incorporate them into the core competencies of relevant personnel and organizations, and use them as a performance benchmark – this is critical to tracking and sustaining real change.

The Chief Management Officer/ Deputy Secretary is the senior-most official responsible for acting as the Department's business transformational change agent. The time allocation and focus necessary to affect sustainable cultural change requires the intense day-to-day focus of the Chief Management Officer/ Deputy Secretary, with direct support from the Deputy Chief Management Officer. The Under Secretary of Defense Chief Financial Officer/Comptroller should highlight costs heretofore buried in larger accounts, in support of the Chief Management Officer/ Deputy Secretary's efforts to rationalize DoD activities, as well as to enable the Department to produce audit quality financial statements, in conjunction with such rationalization.

The Board offers the following recommendations:

1. The Chief Management Officer/ Deputy Secretary should direct a zero basing effort led by the Under Secretary of Defense Chief Financial Officer/Comptroller that identifies and provides recommendations to eliminate (or substantially reduce) duplicative functions and redundant capabilities in Defense agencies, field activities, and headquarters agencies, etc.
2. The Chief Management Officer/ Deputy Secretary should make financial transparency mission-critical to maximize cost management visibility.
3. The Chief Management Officer/ Deputy Secretary should develop joint, transparent management tools to fix and manage the authority, responsibility, incentives, and accountability across the relevant parts of the Department.
4. The Chief Management Officer/ Deputy Secretary should develop specific metrics that identify on an annual basis how much more funding – and from what source – has been moved to modernization and/or readiness as a result of these efforts.

Necessities for a Successful Legacy

A VISION FOR THE FUTURE OF DoD

Effective leaders drive successful organizations by articulating an aspirational vision that motivates the constituent parts to work together for the larger good, and then communicating and reinforcing it continuously. A clear vision that is broadly promulgated unites an organization – even one as large as DoD. It drives excellence in policy, strategy, and performance. A well-understood vision aligns the disparate interests of the senior leadership team and drives their performance. It brings purpose and clarity to the members of the organization and has the added effect of empowering individuals to make decisions at a lower level.

The Secretary Designee should drive DoD to greater success by crafting a realistic vision for the Department to embrace the recommendations presented in this report. That overall vision would animate the whole of the Department to embrace efficiency as a key enabler in delivering affordable peace and security for the American people. It would further ensure that, like Robert McNamara's management systems and approaches, another secretarial legacy would be established for future generations.

The Board offers the following recommendation:

1. The Secretary and Chief Management Officer/ Deputy Secretary should craft a vision statement for the Department to motivate, guide and sustain the long-term drive for greater efficiency.

CREATE AN INNOVATIVE CULTURE

In an agile and rapidly changing world, the most innovative organizations rely on their workforce to identify opportunities and solve problems, thus accelerating innovation. This is being done broadly with minimal investment in the private sector, while garnering great benefits. The Department has a unique opportunity to harness what is arguably the greatest workforce in the world; a workforce that wants to contribute ideas and engage in problem solving. However, the Department also has many barriers that prevent them from engaging on the Department's most pressing problems. Leaders should encourage and support innovative ideas and workforce engagement. Young men and women, military and civilian, are generally innovative in spirit and motivated to take on some of the biggest challenges, but the DoD bureaucracy and outdated policies often prevent it. Too often, promotion policies and leadership styles force people to comply rather than innovate. To harness this innovation capability, the barriers that inhibit or prevent it must be removed.

That said, the Department has a few organic innovation efforts underway, some of which use tools like online collaboration and interest-driven networking. These forums serve as a mechanism to engage the workforce in innovation by soliciting ideas and engaging in problem solving, irrespective of rank and service.^{xxxvi} Good examples of programs like these already exist in the military departments but need to be scaled up to reach the entire DoD workforce, including civilians. Programs that are making an impact include: The Center for Strategic and International Studies' Joint Service Innovation Discussion Program, Navy's Hatch, Air Force's Airmen Powered by Innovation Program, Special Operations Command's Ghost Program, and the Defense Entrepreneur's Forum.

Other initiatives could build off these program examples. The Department could also benefit greatly from an innovation network, where leaders can virtually post a problem or an idea and anyone across DoD can engage in a manner that unleashes their creative skills to solve it rapidly. Launching this kind of virtual consultancy program early to tackle a key secretarial initiative would send a clear message to the workforce that leadership values its input and recognizes its important role in enabling innovation.

The Board offers the following recommendations:

1. The Chief Management Officer/ Deputy Secretary should support and facilitate efforts to build innovation capacity throughout DoD.
2. The Chief Management Officer/ Deputy Secretary should integrate best practice innovation in workforce lifecycle management practices.
3. The Secretary of Defense should launch a virtual consultancy challenge early on to tackle a key secretarial initiative.

BUILD A TALENT BENCH

To effectively tackle the 21st century's tough strategic challenges, all levels of the incoming national security team must possess superior leadership skills, not just the top. Like the private sector, the Department requires leaders garnered both from long serving employees (e.g. the proverbial "from mail room to CEO" type) and from outsiders who bring fresh, new perspectives to the enterprise. The Secretary of Defense should invest the time to attract, retain, and motivate quality people for both career and political positions. This is particularly critical at the deputy assistant secretary, and special assistant levels. Many people filling these positions will become future leaders in national security at higher levels of responsibility.

While DoD was once a model for developing and training quality civilian political personnel, this is no longer the case. The need to improve and develop DoD's political and civilian leadership management bench is even more glaring as DoD requirements continue to outpace available resources. The Secretary will need a plan for holistic development of these present and future managers if DoD is to meet the challenges it is expected to face for the foreseeable future. The day-to-day oversight of developing and implementing this plan should be vested with the Under Secretary of Defense for Personnel and Readiness.

Best practices within the private sector should be used to help improve DoD's development and training of its mid- and junior political managers. For example, cross training and rotational assignments are a routine practice of most large companies (and for uniformed U.S. military personnel). High potential employees are identified and encouraged to work in multiple functions and/or segments of a company so that they will become effective leaders who can pull together multiple entities within a company to accomplish enterprise objectives. These high potential employees often also receive leadership and other specialized training and their career progress is routinely tracked by senior management, as development of future leaders is considered a senior management responsibility.

Industry takes these steps to identify, develop, and improve managerial talent because most companies recognize that their future performance will be directly correlated to the quality of its managers. As a result, taking a holistic approach to manager development is a relatively standard practice in the private sector. DoD needs to develop a plan to take a similar, holistic approach to training managers in its civilian workforce and move away from models that do not encourage (or even worse, discourage) cross-training across an organization. Industry CEOs do this for their managers and the success of their companies.

Another aspect of developing and improving managers in the private sector is a more strict and direct correlation between performance and accountability. If a leader of a business in a company consistently does not meet performance requirements, they are typically replaced or reassigned. Relying solely on seniority for placement of managers is essentially unheard of in private industry, yet it remains a common and significant practice for the government's civilian workforce.

The Board offers the following recommendations:

1. The Secretary should direct the Under Secretary of Defense for Personnel and Readiness to lead an effort to develop a holistic approach to increasing/improving the capabilities of DoD managers.

2. The Under Secretary of Defense for Personnel and Readiness should establish a robust senior level mentoring program across DoD to identify, groom, and manage Department-wide “high-flyer managers” as future senior leaders to accelerate growth of existing and new talent.
3. The Chief Management Officer/ Deputy Secretary should establish a program to rotate junior civilian political and career management talent to new assignments every two years (like their military counterparts) and ensure a broad range of experiences to develop their managerial talent.

Closing Comment

A Presidential transition is like no other. It literally involves thousands of new leaders across the government, with an impact on millions of others who serve the Nation.

But it is always the small fraction of this new leadership that actually makes the greatest difference. It is a truism that the top 1% drives the kind of change necessary to steer the proper course for the rest and thereby achieve the leadership's vision. This Transition's new leadership team is especially critical, given the Department's ongoing worldwide challenges and the urgent need to prepare and invest effectively in a time of emerging peers.

The members of the Defense Business Board believe the global business best practices recommendations we have offered will provide both the Transition Team and the Department's newest leaders with specific courses of action to enhance the Department and ensure an enduring legacy. The Nation and the world depend on its success.



- ⁱ See Defense Business Board reports *Performance Based Management* (2005), *Governance - Alignment and Configuration of Business Activities* (2006), and *Focusing A Transition* (2008)
- ⁱⁱ See Defense Business Board report *An Assessment on the Creation of an Under Secretary of Defense for Business Management & Information* (2016)
- ⁱⁱⁱ See Defense Business Board reports *Focusing A Transition* (2008) and *Selection of Senior Officials in the Acquisition Workforce* (2016)
- ^{iv} Defense Intelligence Agency. Worldwide Threat Assessment (FEB 2015). Testimony of Director, DIA. (LtGen Vincent R. Stewart, USMC)
- ^v See Defense Business Board report *Information Technology Modernization* (2012)
- ^{vi} See Defense Business Board report *Focusing a Transition* (2009)
- ^{vii} See The Heritage Foundation report Backgrounder: *The Impact of a Declining Defense Budget on Combat Readiness* (Richard J. Dunn, III)
- ^{viii} See Defense Business Board reports *A Culture of Savings* (2011), *Corporate Downsizing Applications for DoD* (2011), and *Reducing Overhead and Improving Business Operations* (2010)
- ^{ix} See Defense Business Board report *Implementing Best Business Practices for Major Business Processes in the Department of Defense* (2014)
- ^x DoD Office of the USD Comptroller/Chief Financial Officer Defense Budget Overview (Feb 2016)
- ^{xi} See Defense Business Board report *Corporate Downsizing Applications for DoD* (2011)
- ^{xii} See Deloitte report: *Relieving the Overwhelmed Organization: How measuring supervisory burden in your organization structure can boost performance.* (2015) and Harvard Business Review *When You've Got to Cut Costs—Now* (2010)
- ^{xiii} See Defense Business Board report *Corporate Downsizing Applications for DoD* (2011)
- ^{xiv} See Defense Business Board *Focusing a Transition* (2009)
- ^{xv} Congressional Budget Office report *Replacing Military Personnel in Support Positions with Civilian Employees* (2015) and Congressional Budget Office report *Costs of Military Pay and Benefits in the Defense Budget* (2012)
- ^{xvi} See Government Accountability Office report *Military Bases: Opportunities Exist to Improve Future Base Realignment and Closure Rounds* (GAO-13-149)
- ^{xvii} Modernizing the *Military Retirement System* (2011) and *Public-Private Collaboration in the Department of Defense* (2012)
- ^{xviii} See DBB reports *Corporate Downsizing Applications for DoD* (2011) and *Reducing Overhead and Improving Business Operations* (2010) and Government Accountability Office reports *Defense Headquarters: DOD Needs to Reassess Personnel Requirements for the Office of Secretary of Defense, Joint Staff, and Military Service Secretariats* (GAO-15-10) and *Defense Headquarters: DOD Needs to Reevaluate Its Approach for Managing Resources Devoted to the Functional Combatant Commands* (GAO-14-439)
- ^{xix} See Congressional Budget Office report *Approaches to Reducing Federal Spending on Military Health Care* (2014) and *Defense Health Program Fiscal Year (FY) 2017 Budget Estimates* (2016).
- ^{xx} Center for a New American Security. H Hugh Shelton, Stephen Ondra and Peter Levin *Reforming the Military Health System* (2014)
- ^{xxi} Congressional Budget Office *Approaches to Reducing Federal Spending on Military Health Care* (2014)
- ^{xxii} Tricare Beneficiary Breakout. (2016) http://www.tricare.mil/About/Facts/BeneNumbers?sc_database=web

- xxiii Congressional Budget Office *Long-term implications of the 2016 Future Years Defense Program* (2016)
- xxiv Ibid
- xxv Congressional Budget Office report “*Approaches to Reducing Federal Spending on Military Health Care*” (2014)
- xxvi U.S. Government Accountability Office High-Risk Series (an update) GAO-15-290 (2015)
- xxvii See Defense Business Board report *Focusing a Transition* (2008)
- xxviii See Defense Business Board report *Enhancing the Department’s Management Capabilities* (2010)
- xxix See Defense Business Board report *Applying Best Business Practices from Corporate Performance Management to DoD* (2013)
- xxx As of August 2015. Chart provided by Office of the Deputy Chief Management Officer’s Policy and Decision Support Directorate
- xxxi See Defense Business Board report *Focusing a Transition* (2008)
- xxxii <http://www.defense.gov/About-DoD>
- xxxiii U.S. Government Accountability Office *Defense Headquarters: Improved Data Needed to Better Identify Streamlining and Cost Savings Opportunities by Function* GAO-16-286 (2016)
- xxxiv See Defense Business Board report *Fostering an Innovative Culture Through Corporate Engagement and Partnership* (2015)
- xxxv Ibid
- xxxvi See Defense Business Board report *Innovative Culture, Part II: Virtual Consultancies – Engaging Talent* (2016)

Summary of Recommendations

Chapter 1. Items Requiring Immediate Attention	
Focus the Transition	<ol style="list-style-type: none"> 1. The Transition Team should decide which members of the outgoing administration they wish to hold over or remain permanently. 2. The Transition Team should strive to recruit its management and policy teams simultaneously, so as to have both confirmed and on the job as soon as possible. 3. The Transition Team should designate a team to consider the potential near-term likely challenges or crises and develop the plans of action necessary to counter them. 4. The Transition Team should prepare and exercise that team to respond to a crisis in the earliest days of the new Administration.
DoD's Unique Management Challenges	<ol style="list-style-type: none"> 1. The Transition Team should quickly convert the President's priorities into national security and defense goals so the new Defense team clearly understands their objectives. 2. From those goals, the Transition Team should develop the top DoD objectives necessary to support implementation of the President's top five national security goals. 3. The Transition Team should also reaffirm existing top level Departmental goals and priorities that will remain unchanged. 4. The Transition Team should assemble and confirm a team of experienced executives and policy experts specifically aligned to the Secretary's priorities and ensure they are prepared to execute aggressively on January 20, 2017.
Budget Considerations	<ol style="list-style-type: none"> 1. The Transition Team should assemble a budget team to begin the formulation of budget amendments to FY17 budget and adjustments to FY18 budget submissions to support the new Administrations priorities. 2. The Transition Team should prepare a list of any programs, staff, or infrastructure to be terminated.

Chapter 1. Items Requiring Immediate Attention

<p>Build the Strongest Team</p>	<p>1. The Transition Team and Secretary should work to have, at a minimum, the following top 12 Presidential appointments prepared and confirmed to begin work immediately after the Inauguration on January 20th 2017:</p> <ul style="list-style-type: none"> • Deputy Secretary of Defense as Chief Management Officer • Secretary of the Navy • Secretary of the Army • Secretary of the Air Force • General Counsel of the Department of Defense • Under Secretary of Defense for Personnel and Readiness • Under Secretary of Defense for Acquisition, Technology and Logistics • Under Secretary of Defense Chief Financial Officer/Comptroller • Under Secretary of Defense for Policy • Under Secretary of Defense for Intelligence • Deputy Chief Management Officer • Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics
<p>Selection Criteria and Position Pairings; Redefine the Role of the Deputy Secretary</p>	<p>1. The Transition Team should be diligent in ensuring the leadership team is selected for results, aligned with the Secretary's priorities, and when relevant, appropriately paired, especially at the highest levels.</p> <p>2. The Transition Team must understand the vastly different roles of the Secretary and Deputy Secretary to ensure the Deputy Secretary is appropriately paired with the Secretary and properly aligned to the responsibilities of the Chief Management Officer.</p>
<p>Develop Meaningful Selection Criteria for the Key Positions: Deputy Secretary of Defense</p>	<p>1. The Secretary should title the Deputy Secretary position as the Chief Management Officer/ Deputy Secretary and fill the position accordingly.</p> <p>2. The Deputy Chief Management Officer should be designated the deputy to the Chief Management Officer/ Deputy Secretary.</p> <p>3. The Transition Team should seek a change to statute to create a non-political appointment for the Deputy Chief Management Officer with a longer term to facilitate attracting and retaining the necessary talent to produce true transformational change.</p>

Chapter 1. Items Requiring Immediate Attention

<p>Develop Meaningful Selection Criteria for the Key Positions: Under Secretary of Defense Comptroller and DoD Chief Financial Officer</p>	<ol style="list-style-type: none"> 1. The position of Under Secretary of Defense Comptroller should be renamed to Under Secretary of Defense Chief Financial Officer/Comptroller to reflect the importance of the CFO role. 2. The Under Secretary of Defense Chief Financial Officer/Comptroller should be drawn from either from the financial industry (to include accounting), or from persons with significant corporate CFO or board-level audit committee experience. <ol style="list-style-type: none"> a. The key skill-set required is global financial management experience. b. Financial management is critical for the efficient and credible management of expenditures. c. Some congressional experience would be helpful, but not critical. d. A strong principal deputy, well-versed in legislative matters, can be the essential complement for any lack of congressional experience on the part of the CFO. 3. The Under Secretary of Defense Chief Financial Officer/Comptroller responsibilities should be globalized to include all DoD-related international financial negotiations.
<p>Develop Meaningful Selection Criteria for the Key Positions: Undersecretary of Defense for Personnel and Readiness</p>	<ol style="list-style-type: none"> 1. The Secretary Designee and Transition Team should seek candidates for Under Secretary of Defense for Personnel and Readiness capable of altering the trajectory of the cost, mix and utilization of DoD's personnel. 2. The Secretary designee should insure the entire senior leadership team - civilian and military - is fully prepared to actively support the Under Secretary of Defense for Personnel and Readiness's plans and policies to accomplish this change. 3. The Secretary designee should invest sufficient personal time and commitment early in the Administration to enable the Under Secretary of Defense for Personnel and Readiness's plans and policies to become reality in time to free sufficient resources to enable the president's national security agenda.
<p>Develop Meaningful Selection Criteria for the Key Positions: Under Secretary of Defense for Acquisition, Technology and Logistics</p>	<ol style="list-style-type: none"> 1. The Secretary designee should work with the Transition Team to identify matched pairs of candidates for the Under Secretary and the Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics. 2. The Transition Team should provide pairs that are capable of delivering Department-wide leadership on technology and innovation while delivering time, schedule, and performance excellence.

Chapter 1. Items Requiring Immediate Attention	
Develop Meaningful Selection Criteria for the Key Positions: Service Secretaries (Army, Navy, and Air Force)	<ol style="list-style-type: none"> 1. The Board strongly believes the highest priority tasks facing the Service secretaries is reducing the cost of the institutional enterprises, which will include reducing the numbers of personnel (military, civilian and contractors) assigned in those activities. 2. The Transition Team should therefore seek individuals that are proven leaders capable of putting Department priorities ahead of Service priorities and with a history of team vice individual effectiveness. 3. The new Secretary and the Transition Team should work with the new Administration to insure the flexibility to plan to rotate them to a different military department on a two year cycle.
Search For The Best Talent	<ol style="list-style-type: none"> 1. The Transition Team should immediately establish an Executive Personnel Team to manage the job specification, recruiting, screening, and application processes. 2. The Secretary Designee should provide the Transition Team with key guidance on the types of individuals to be sought and the priority of fill. 3. The Secretary Designee should advocate to the President-elect for prioritizing Defense nominees ahead of those of other Departments. 4. The Transition Team should develop a bench of future leaders and prepare succession plans early to ensure continuity.
On-Boarding New Appointees	<ol style="list-style-type: none"> 1. The Transition Team should carefully build an on-boarding process -- start as early as possible. <ol style="list-style-type: none"> a. Provide a strategy to guide key changes in policy/programs b. Focus particular attention to early challenges/immediate issues c. Identify potential "landmines" 2. The on-boarding process should utilize focused, short briefing papers. <ol style="list-style-type: none"> a. One-pagers on key issues requiring early attention/decisions b. Provide background, options, timelines (no recommendations) c. More in-depth discussions will take place during the confirmation process 3. The Transition Team should outline key responsibilities of the positions. <ol style="list-style-type: none"> a. Brief summary of functions and key roles/relationships b. Introductions to the senior career officials c. Introductions to the senior uniformed officers of their enterprise 4. The Transition Team should carefully select briefers for prospective appointees. <ol style="list-style-type: none"> a. Independent, creative thinkers – military and civilian b. Look beyond prior administration policies/programs

Chapter 2. Near-Term Obstacles That Could Hamper Long-Term Success

<p>Leading in a Fiscally Constrained Environment</p>	<ol style="list-style-type: none"> 1. The new Chief Management Officer/ Deputy Secretary should direct the Under Secretary of Defense for Acquisition, Technology and Logistics to continuously review the acquisitions process to streamline procedures, cut costs, and reduce acquisition times. 2. The new Chief Financial Officer/Comptroller should develop a management accounting system that accurately tracks and accounts for all costs across the Department. 3. The new Chief Management Officer/ Deputy Secretary should direct a review of previously considered off-limit areas of the enterprise to identify areas of redundancy in mission, manpower, and contracts.
<p>Overhead and Infrastructure</p>	<ol style="list-style-type: none"> 1. The Secretary should clearly articulate the priority of re-deploying overhead funding to modernization and readiness necessary to meet the Nation's security priorities. 2. The Secretary must empower the Chief Management Officer/ Deputy Secretary to implement the business processes to reduce overhead. 3. The Chief Management Officer/ Deputy Secretary must obtain a commitment from leaders at all levels within the Department to reduce overhead as a major priority. 4. The Chief Management Officer/ Deputy Secretary and the senior leadership team should identify and implement necessary cost reductions in the first year. The uniformed leadership must fully embrace this as well. <ol style="list-style-type: none"> a. Include items previously viewed as "non-discretionary," e.g., pay, entitlements, and infrastructure costs reduced by non-BRAC means. These can no longer be sacrosanct and must be resolved. b. The total expenditures spent on headquarters must receive special scrutiny with a focus on removing work, layers, and low priority headquarters. 5. The Chief Management Officer/ Deputy Secretary should continue delayering the organization and increasing the span of control and authority of middle and lower-level managers and eliminate low priority functions and work. 6. The Chief Management Officer/ Deputy Secretary should periodically zero-base each entity, as a basis to drive continuous improvement including those programs/entities that have historically been exempt from such efforts (i.e., intelligence and classified programs).

Chapter 2. Near-Term Obstacles That Could Hamper Long-Term Success

Personnel and Benefits

1. The Secretary Designee should select and empower a strong, experienced executive to lead Personnel and Readiness as it oversees a significant portion of the Department's resources.
2. The Secretary Designee should engage and hold accountable the senior military and civilian leadership to sustained advocacy for reduced personnel spending.
3. The Chief Management Officer/Deputy Secretary should calculate and track fully burdened and life cycle costs of military, civilian, and contracted personnel, in both institutional and operational organizations. The lack of complete personnel cost data often leads to sub-optimized decisions.
4. The Chief Management Officer/Deputy Secretary should continue the delayering of staffs, reduce density of staff entities, and increase spans of control.

Chapter 3. Organizing the Department for Sustained Change

<p>Improve the Speed and Effectiveness of the Business Enterprise</p>	<ol style="list-style-type: none"> 1. The Chief Management Officer/ Deputy Secretary should take a systems management approach to improvements across DoD, including benchmarks for continuous process improvement and accountability. 2. The Secretary should clearly define the “Delegation of Authority and Accountability” for the Chief Management Officer/ Deputy Secretary and undersecretaries to establish speed, empowerment, and effectiveness metrics. 3. The Chief Management Officer/ Deputy Secretary should establishing written goals and timelines for major objectives and projects. 4. The Chief Management Officer/ Deputy Secretary should establish monthly reviews with each direct report to ensure progress in implementation of actions to achieve their set of objectives. 5. The Secretary and the Chief Management Officer/ Deputy Secretary should meet quarterly with each Executive Level II to discuss progress toward objectives and ensure accountability.
<p>Focus the Secretary’s Time on the Most Strategic Objectives</p>	<ol style="list-style-type: none"> 1. The Secretary should regularly communicate strategic priorities and progress to the entire Department. 2. The Secretary should regularly ensure subordinates are aligned to the strategic priorities and management focus. 3. The Secretary should empower the Chief Management Officer/ Deputy Secretary and align responsibilities accordingly.
<p>Track Performance to Improve Accountability.</p>	<ol style="list-style-type: none"> 1. The Secretary should adopt a substantive performance management system (developed by the Chief Management Officer/ Deputy Secretary) and apply it to every senior political appointee and senior flag officer as an integral part of managing the Department. 2. The performance system should set clear and specific performance goals and objectives (and dates) for both individuals and organizations. It should include a risk plan that comprehends risk assessment, management, and potential mitigation strategies. 3. The Chief Management Officer/ Deputy Secretary should have regular reviews (at least quarterly) to assess achievements, challenges, risks, and performance (or lack of it) against plan. 4. The Chief Management Officer/ Deputy Secretary should require detailed metrics and the regular progress reporting necessary for success, and should require recovery plans where progress falls short. 5. The Chief Management Officer/ Deputy Secretary should share successes publicly across the organization.

Chapter 3. Organizing the Department for Sustained Change

Align the Services and Defense Agencies to the Secretary's Agenda	<ol style="list-style-type: none">1. The Chief Management Officer/ Deputy Secretary should create an Executive Committee where the Service secretaries collectively engage on the Secretary's agenda, enabling them to work together on assigned enterprise-wide problems.2. The Secretary should direct the Chief Management Officer/ Deputy Secretary to conduct one-on-one performance sessions with the individual Service Secretaries and publicize organizational success within the Department.3. The Secretary should direct the Chief Management Officer/ Deputy Secretary to conduct one-on-one performance sessions with key Defense agency and field activity leaders and sponsors, utilizing cascaded scorecards, and publicize outcomes within the Department.
Create a Cost and Performance Culture	<ol style="list-style-type: none">1. The Chief Management Officer/ Deputy Secretary should direct a zero basing effort led by the Under Secretary of Defense Chief Financial Officer/Comptroller that identifies and provides recommendations to eliminate (or substantially reduce) duplicative functions and redundant capabilities in DoD's Defense agencies, field activities, and headquarters agencies, etc.2. The Chief Management Officer/ Deputy Secretary should make financial transparency mission-critical to maximize cost management visibility.3. The Chief Management Officer/ Deputy Secretary should develop joint, transparent management tools to fix and manage the authority, responsibility, incentives, and accountability across the relevant parts of the Department.4. The Chief Management Officer/ Deputy Secretary should develop specific metrics that identify on an annual basis how much more funding – and from what source – has been moved to modernization and/or readiness as a result of these efforts.

Chapter 4. Necessities for a Successful Legacy

A Vision for the Future of DoD	The Secretary and Chief Management Officer/ Deputy Secretary should craft a vision statement for the Department to motivate, guide and sustain the long-term drive for greater efficiency.
Create an Innovative Culture	<ol style="list-style-type: none">1. The Chief Management Officer/ Deputy Secretary should support and facilitate efforts to build innovation capacity throughout DoD.2. The Chief Management Officer/ Deputy Secretary should integrate best practice innovation in workforce lifecycle management practices.3. The Secretary of Defense should launch a virtual consultancy challenge early on to tackle a key Secretarial initiative.
Build a Talent Bench	<ol style="list-style-type: none">1. The Secretary should direct the Under Secretary of Defense for Personnel and Readiness to lead an effort to develop a holistic approach to increasing/improving the capabilities of DoD managers.2. The Under Secretary of Defense for Personnel and Readiness should establish a robust senior level mentoring program across DoD to identify, groom, and manage Department-wide “high-flyer managers” as future senior leaders to accelerate growth of existing and new talent.3. The Chief Management Officer/ Deputy Secretary should establish a program to rotate junior civilian political and career management talent to new assignments every two years (like their military counterparts) and ensure a broad range of experiences to develop their managerial talent.

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Related Defense Business Board Products

Chapter 1

- Selection of Senior Officials in the Acquisition Workforce (2016)
- An Assessment on the Creation of an Under Secretary of Defense for Business Management and Information (2016)
- Focusing A Transition (2008)
- Strengthening the DoD Enterprise Governance (2008)
- Governance - Alignment and Configuration of Business Activities (2006)
- Performance Based Management (2005)

Chapter 2

- Implementing Best Business Practices for Major Business Processes in the Department of Defense (2014)
- Information Technology Modernization (2012)
- Public-Private Collaboration in the Department of Defense (2012)
- A Culture of Savings (2011)
- Corporate Downsizing Applications for DoD (2011)
- Modernizing the Military Retirement System (2011)
- Managing DoD Under Sustained Topline Pressures (2010)
- Reducing Overhead and Improving Business Operations (2010)

Chapter 3

- Applying Best Business Practices from Corporate Performance Management to DoD (2013)
- Enhancing the Department's Management Capabilities (2010)
- Focusing a Transition (2008)

Chapter 4

- Innovative Culture, Part II: Virtual Consultancies – Engaging Talent (2016)
- Fostering an Innovative Culture Through Corporate Engagement and Partnership (2015)

Biographies - Defense Business Board Members

The Honorable Michael Joseph Bayer Chairman, Defense Business Board

Michael J. Bayer is the President and CEO of Dumbarton Strategies, Washington, D.C.. Combining deep geographic experience, intimate sector knowledge and clear insights, Dumbarton provides the senior levels of large corporate entities creative, discrete strategic value accretive solutions.

Mr. Bayer also serves as Director of Siga Technologies Inc., ATAC Inc., and DOSS Aviation Inc. His previous board service includes among others, EG&G, Inc., Duratek, Inc., Athena, Inc., Stratos Global, Dyncorp International Inc., and Vangent Holding Corp.

Mr. Bayer was appointed Chairman of the Defense Business Board in April 2015. The Defense Business Board provides the Secretary of Defense and other senior leaders with independent advice, reflecting an outside private sector perspective, on proven and effective best business practices for application to the Department. He previously served as Chair from 2007-2011.

In addition, Mr. Bayer serves as a Member of the Defense Science Board, the Chief of Naval Operations Executive Panel, and chairs the Business Executives for National Security Advisory Board.

Mr. Bayer's previous U.S. Government service included appointments as a Member of the Sandia National Laboratory's National Security Advisory Panel, a Member of the Sandia Nuclear Weapons External Advisory Board, a Member of the Board of Visitors of the United States Military Academy, Chairman of the U.S. Army Science Board, a Member of the U.S. Naval War College Board of Visitors, Chairman of the Secretary of the Air Force's Advisory Group, and a Member of the U.S. European Command, Senior Advisory Group.

Mr. Bayer's education includes a Bachelor of Science in International Economics, a Master of Business Administration and a Juris Doctor. He is a resident of Georgetown, D.C., U.S.A.

Nancy Killefer, Vice Chair

Nancy Killefer served as a Senior Director at McKinsey & Company, an international management consulting firm. Nancy was elected Director in 1992 and retired on August 31, 2013.

Ms. Killefer joined McKinsey & Company in 1979 and has served in a number of leadership roles, including as a member of the Firm's governing board. She led the Firm's recruiting and chaired several of the Firm's personnel committees. From 2000 to 2007, she ran McKinsey & Company's Washington, DC office.

From 1997 through 2000, Ms. Killefer served as Assistant Secretary for Management, CEO and CEO at the U.S. Department of the Treasury.

In 2000, she returned to McKinsey & Company to establish and lead the Firm's Public Sector Practice. She also served as a member of the IRS Oversight Board from 2000 to 2005 and as chair of that body from 2002 to 2004.

Ms. Killefer received a B.A. degree from Vassar College and an M.B.A. from the MIT Sloan School of Management.

The Board selected Ms. Killefer because of her long-standing service in numerous important leadership capacities with a leading management consulting firm, where she has developed extensive knowledge with respect to strategy, marketing, and organizational effectiveness and efficiency issues.

Dr. Cynthia M. Trudell, Vice Chair

Cynthia M. Trudell is executive vice president, Human Resources and chief HR officer of PepsiCo.

Dr. Trudell assumed this role in February 2007 and is responsible for PepsiCo's global Human Resources function. She oversees the company's human capital management strategy, partnering with PepsiCo's businesses around the world to develop the talent and leadership needed to foster innovation and drive sustainable growth. A key area of focus is harnessing PepsiCo's capabilities and knowledge globally, while ensuring strong local teams who understand and meet the needs of the communities the company serves.

Prior to joining PepsiCo, Dr. Trudell served as president of Sea Ray Group, a subsidiary of Brunswick Corporation, from 2001 to 2006. She previously worked for General Motors (GM) in the general management roles of vice president; chairman and president Saturn Corp., a wholly owned subsidiary of GM; and president of IBC Vehicles, a joint venture between GM and Isuzu, in Luton, England. Earlier in her career with General Motors she held a variety of engineering and manufacturing supervisory roles, including plant manager at the Wilmington Car Assembly Center in Delaware. She began her career with the Ford Motor Co. as a chemical process engineer.

Dr. Trudell currently serves on the ISS Board of Directors, a global outsourcing service provider headquartered in Copenhagen, Denmark. She served on the PepsiCo Board of Directors from 2000 to 2007 (when she resigned to accept her current position); the Canadian Imperial Bank of Commerce Board of Directors from 2005 to 2007; and the Pepsi-Cola Bottling Group (PBG) Board of Directors from 2008 to 2010, prior to PBG's merger with PepsiCo.

Dr. Trudell is based in Purchase, N.Y.

The Honorable Mahlon (Sandy) Apgar IV

Sandy Apgar advises senior leaders of companies, institutions, and governments on development strategy and operations. In consulting, public service, teaching and research, he positions global infrastructure and real estate as strategic assets, combining innovative policies and business practices.

As a Principal of Apgar and Company, and a former partner of McKinsey & Company and the Boston Consulting Group (BCG), Mr. Apgar has advised over 150 organizations on some 500 projects in 13 countries. He led McKinsey's practice in Saudi Arabia, including Aramco's headquarters expansion and the national blueprint for urban management; advised the US Treasury on General Motors' facilities reductions and realignments; and established BCG's infrastructure and real estate practice. He was awarded a US patent for a system to evaluate headquarters and branch portfolios, and pioneered applications for "Space Budgeting," "Location/Layout/Leasing," and "Space/Functions/Time."

President Clinton appointed Mr. Apgar as Assistant Secretary of the Army for Installations and Environment, with responsibility for global infrastructure, housing, energy, and base closures/realignments. He conceived the Residential Communities Initiative (RCI) and led its design, launch and pilot projects. RCI has privatized 86,000 units (98%) of Army family housing, improved soldiers' quality of life, and extended the public-private partnership template to temporary lodging and single-soldier housing. Mr. Apgar also led reforms in military contracting, toxic site repurposing, and historic properties management. He received the Army's Decoration for Distinguished Civilian Service and the Chairman's Award of the President's Advisory Council on Historic Preservation. He served as an intelligence officer on the former East-West German border during the Cold War.

Mr. Apgar earned a BA from Dartmouth College and an MBA from the Harvard Business School. An author or co-author of numerous publications, he is a Fellow of the Royal Institution of Chartered Surveyors, the Institute of Directors, and the Royal Society of Arts; a Governor of the Urban Land Institute Foundation; and co-founder of a non-profit to restore Baltimore's Federal Hill Park.

Denis A. Bovin

Denis A. Bovin is a Senior Advisor at Evercore Partners, a leading global independent Investment Banking and Strategic Advisory Firm.

He is Chairman of the MIT Investment Management Company, which oversees the investment of MIT's approximately \$17 billion endowment and is a member of the MIT Executive Committee. He is also a member of the Council on Foreign Relations; Vice Chairman of Business Executives for National Security, Inc., a Vice Chairman of the Intrepid Foundation; and serves on the Board of the Center for a New American Security and the MIT Lincoln Laboratory. Mr. Bovin is listed in Who's Who in Finance and Industry.

Mr. Bovin received his B.S. degree from the Massachusetts Institute of Technology and an M.B.A. degree from the Harvard Business School. He has more than 40 years of experience advising Senior Managements and Boards of Directors of domestic and international companies and government agencies.

Mr. Bovin is a member of the Defense Business Board, which advises the military and civilian Defense leadership on strategies for adopting best business practices, and has served as a representative to the Defense Policy Board. Mr. Bovin received a Presidential appointment to the President's Intelligence Advisory Board, which directly provides the President with non-partisan, objective and expert advice on the conduct of US Intelligence. He was a member of the Defense Science Board, whose members are selected based on their preeminence in science, technology and the military acquisition process. He has also served on the Senior Advisory Groups for both the United States Southern Command and the United States European Command.

Mr. Bovin has been awarded both the Office of the Secretary of Defense Medal for Exceptional Public Service, as well as the Department of Defense Medal for Distinguished Public Service. He is a contributor to the book, "Keeping the Edge: Managing Defense for the Future" and has taught at MIT's Sloan School of Management and the U.S. Military Academy at West Point. Defense Daily named Mr. Bovin as one of the world's 40 Most Influential People in global defense, aerospace and national security, Defense News has named him one of the 100 Most Influential People in US defense and early in his career was selected by Institutional Investor magazine as one of the country's twelve most outstanding young investment bankers.

Howard E. Cox, Jr.

Howard Cox is a Special Limited Partner of Greylock, a national venture capital firm. Greylock with committed capital of over \$2 billion under management has been an active investor in enterprise software, consumer internet and healthcare. Over 170 Greylock companies have gone on to become publicly held and more than 120 have successfully merged with other leading companies. Recent Greylock companies that have issued IPOs include LinkedIn, Facebook, Palo Alto Networks and Workday. Mr. Cox has been a director of more than 30 companies including three listed on the New York Stock Exchange. He is also a trustee of various Fidelity Mutual Funds. Prior to joining Greylock, he served in the Office of the Secretary of Defense.

Mr. Cox's non-profit activities include Director, Secretary of Defense Business Board, Executive Committee In-Q-Tel; director, Business Executives for National Security; director, The Brookings Institution; member Council on Foreign Relations; director World Economic Forum's Young Global Leaders Foundation; Investment Committees of Partners Healthcare, Dana-Farber Cancer Institute, Museum of Fine Arts, Kleberg Foundation; Board of Fellows Harvard Medical School; Dean's Council Kennedy School, Trustee St. Andrew's Dune Church, Southampton, New York, member of the Harvard Business School Board of Dean's Advisors and past Chairman National Venture Capital Association.

Mr. Cox received his AB from the Woodrow Wilson School at Princeton and his JD from Columbia Law where he was an International Fellow. He earned his MBA from Harvard Business School and was a 2003 recipient of the Alumni Achievement Award which is the highest honor the School can give to an alumnus. Upon graduation from Princeton Mr. Cox was commissioned a 2d Lieutenant Artillery where he was a Distinguished Military Graduate of the Army R.O.T.C. program. Various members of his family have been active in the US military including General Richard Delafield for whom Delafield Pond at West Point is named.

Roxanne J. Decyk

Roxanne Decyk retired in 2010 from the position of Executive Vice President, Global Government Relations for Royal Dutch Shell.

Previously, she was a member of the Executive Committee of Royal Dutch Shell Plc, and served as Corporate Affairs and Sustainable Development Director, Chief of Staff for Shell Oil Company, and head of strategy for Royal Dutch Shell.

Ms. Decyk has also held senior positions with Amoco Oil Corporation and Navistar, formerly International Harvester Company. Early in her career, she practiced law with a major U.S. firm and worked in the advertising and public relations fields.

Active in a number of international industry and community organizations, Ms. Decyk has served on the boards of several companies in both the U.S. and the U.K., and currently is a non-executive director of Digital Globe Inc., Orbital ATK, and EnscO Plc. Ms. Decyk currently chairs the Orbital ATK compensation committee and the Digital Globe risk committee and has, in the past, chaired remuneration/compensation, governance, nominating and audit committees. Ms. Decyk has been awarded the Directors Choice Award.

In 2013, Ms. Decyk was appointed to the Defense Business Board, a civilian advisory board to the Department of Defense, and has served on the Subcommittee for Capacity Building and Skills Training of the International Council on Women's Business Leadership for the U.S. State Department. She is a member of the Council on Foreign Relations, the Chicago Council on Global Affairs and the committee of 200. Ms. Decyk also serves as president of the Georgia O'Keeffe Museum in Santa Fe.

Ms. Decyk graduated from the University of Illinois with degrees in English Literature and Advertising, and from Marquette University with a Juris Doctor.

In addition to her portfolio of international corporate and philanthropic boards, Ms. Decyk continues her research and lecturing on comparative international governance and sustainable development topics, and is a Ford Scholar at the Ford Center for Global Citizenship at Northwestern University.

Ms. Decyk and her husband, Lew Watts, live in Chicago and Santa Fe.

Taylor Glover

Taylor Glover is President and CEO of Turner Enterprises, Inc. (TEI), a private company that manages the business affairs of R.E. "Ted" Turner. Mr. Glover has oversight of TEI's landholdings, financial investments and business interests, including Ted's Montana Grill. Additionally, he works closely with Turner's philanthropic and charitable organizations, serving as an advisor to the board for the UN Foundation, Nuclear Threat Initiative, and the Turner Foundation.

Prior to joining Turner Enterprises, Mr. Glover was senior vice president of the Private Client Group at Merrill Lynch, where he retired after nearly 30 years.

Mr. Glover is Chairman of the Board of Cousins Properties, Inc. and Vice-Chairman of Cox Enterprises, Inc. He also serves on the board of the Metro Atlanta Chamber of Commerce and the Board of Councilors for The Carter Center in Atlanta, GA. In addition, he is a Rotary Club of Atlanta member. Mr. Glover and his wife, Shearon, currently serve as Chairpersons of the Capital Campaign for the Atlanta Botanical Gardens.

Past affiliations include the Buckhead Bank (acquired by Bank of America) and WebMD. Mr. Glover was a founding director of the Upper Chattahoochee Riverkeeper, and served on the board of trustees for Davidson College, the Nature Conservancy of Georgia, Presbyterian College, The Westminster Schools, the Woodruff Arts Center, The University of Georgia Foundation and the Cousins Family Foundation. Mr. Glover was also a member of the board of directors for CARE Atlanta, chairman of the board for The Schenck School, chairman of the investment committee for Columbia Seminary, member of the finance and investment committee for Ducks Unlimited, member of the board of curators for The Georgia Historical Society, member of the Deans Advisory Council for the Terry College of Business at the University of Georgia, member of the national board of the Smithsonian National Air & Space Museum and served a two year term as Chairman of Central Atlanta Progress.

A recipient of numerous awards and accolades, Mr. Glover was honored with a proclamation from the Atlanta City Council in 2006 for his part in spearheading the effort to provide City of Atlanta police officers with line-of-duty life insurance.

A native of Newnan, Georgia, Mr. Glover holds a bachelor's degree in accounting from the University of Georgia. He enjoys hunting, fishing and golf. Mr. and Mrs. Glover have two adult sons (Frank and Christopher) and three grandchildren (Meredith, Ryan and Greer).

Dr. Robert “Bob” Holland, Jr.

Mr. Holland currently is an active corporate director for two publically traded companies, and a Managing Partner and Advisory Board member of ESSEX Lake Group, LLC, a profit enhancement firm, with offices in China, India, and New York, specializing in the application of granular-level modeling and analytics techniques to “Big Data.” Just prior to these initiatives, he was a General Partner with the private equity firm CSW in NYC. Until April 2001, he was CEO and sole owner of WorkPlace Integrators (WPI), a Southeast Michigan company (and turn-around challenge), acquired in June 1997 and sold in April 2001.

Prior to WPI, Mr. Holland was President and CEO of Ben & Jerry’s, the Vermont-based ice cream maker. Mr. Holland previously served as CEO of Rokher-J, Inc. a New York based holding company for participating in business development projects and providing strategy development assistance to senior management of major corporations. Prior to Rokher-J, he was CEO and a major stock holder of Gilreath Manufacturing, Inc., an automotive parts supplier, and CEO and principal owner of City Marketing, a corporation whose primary business was a successfully restructured beverage distribution company in southeast Michigan.

Earlier, Mr. Holland was an Associate and then Partner with McKinsey & Company, Inc. During that time he worked with a variety of industrial and consumer goods clients (e.g., steel, inorganic chemicals, machinery, railroads, and consumer packaged goods), primarily to develop long-term growth strategies or to achieve a turnaround in performance. Based in New York, he spent extensive time in McKinsey’s Amsterdam, London, and Cleveland offices, and extended engagements in Mexico and Brazil.

Mr. Holland is former Chairman of the Board of Trustees of Spelman College, Atlanta, Georgia, where he served as a trustee for 25 years, and former member of the Board of Trustees of the Cranbrook School and the Henry Ford Health System; the Children’s Aid Society of NY and former member of the Advisory Board to the NCAA, and of the Board of the Research Corporation (a foundation based in Tucson, AZ devoted to the advancement of science and technology). He is currently vice chairman of the board of the Harlem Jr. Tennis & Education Program, and chairman of the board of the Mount Vernon Science Center.

He holds three honorary degrees: Doctorates of Laws from Union University, Schenectady, N.Y. and University of Vermont; and a Doctorate of Business from Bryant College in Providence, R.I.

The Hon. Jerry MacArthur Hultin

Jerry Hultin is an authority on innovation and smart cities and the role of each in creating a more dynamic 21st century global economy. He is the Chair of the Global Futures Group, LLC, a company that promotes technology's role in improving the quality of life and inclusiveness of cities around the world. He is also Chair of the Global Advisory Board of the Smart City Expo World Congress in Barcelona, the world's largest smart city event in the world.

Mr. Hultin recently completed fifteen years of academic leadership in New York City, including the creation of business incubators, student competitions, angel funding, media labs, game design centers, and more. Working closely with Mayor Michael Bloomberg, Mr. Hultin, through his role at Polytechnic Institute of NYU, helped transform NYC into one of the world's leading high-tech economies.

From 2013 to 2015, Mr. Hultin served as Senior Presidential Fellow for global innovation at New York University and from 2005 to 2013 as president of Polytechnic University (now NYU Tandon School of Engineering.) From 2000-2005, Mr. Hultin was dean of the school of technology management at Stevens Institute of Technology.

From 1997 to 2000, Mr. Hultin was President Clinton's Under Secretary of the Navy. In this role, he was Secretary of Defense Bill Cohen's adviser on innovation and business transformation at the Pentagon.

In addition to his role on the Defense Business Board, Mr. Hultin is currently an urban strategy and technology adviser to the World Economic Forum (Davos), UN Habitat, Global Youth Innovation network, and Smart Cities Initiative for Africa. He is also Chair of the Board of Educational Housing Services, and a former science and technology expert for Malaysia's Global Science and Innovation Advisory Council.

Mr. Hultin is a graduate of Yale Law School, Ohio State University and Harvard University's new presidents program.

Mr. Hultin has a Juris Doctor from Yale Law School, and a B.A. (Political Science, History and Economics) from Ohio State University.

David H. Langstaff

Mr. Langstaff serves as Chairman of the Board of Monitor 360, a narrative analytics company that tracks changes in socio-cultural beliefs, and is Chairman of the Proxy Board of MorphoTrust, a leading biometric identification company. Previously, he served as President & CEO of TASC, Inc. from March 2011 through November 2013. He served as Chairman of the Board of Directors of TASC, Inc. upon its acquisition by General Atlantic Partners and KKR in December, 2009. TASC, with over 4,000 employees and revenue in excess of \$1.3 billion, was the premier, independent company offering advanced enterprise and systems engineering services, integration and decision-support and other technical services across the intelligence community, Department of Defense and civilian agencies of the federal government.

Previously, Mr. Langstaff was President, CEO and Director of Veridian Corporation from its formation in 1997 until its sale to General Dynamics in August 2003. Veridian was an advanced technology company that specialized in mission-critical national security programs primarily for the intelligence community, military and other U.S. Government agencies involved in law enforcement and homeland security. Veridian was regarded as one of the preeminent companies in its field with a strong values-based culture, and its IPO was recognized by the Financial Times as one of the ten best global IPOs in 2002. Mr. Langstaff served as CFO, COO, and CEO of predecessor companies including Calspan and Space Industries International since 1984. Mr. Langstaff also served as CEO and co-chairman of The Olive Group, a global integrated security company with offices in Dubai, London and Washington, DC, from August 2006 through December 2007.

Mr. Langstaff is a senior seminar moderator on values-based leadership with The Aspen Institute, chairs the Advisory Board of the Aspen Institute Business and Society policy program, and is a Trustee of the Committee for Economic Development, The Hitachi Foundation, and the Wolfrap Foundation. He was named to the Board of Directors of Premier, Inc., effective September 2016. Since 2009, he has served on the Defense Business Board, which provides independent advice to the Secretary and Deputy Secretary of Defense. From 2004-2010, Mr. Langstaff served on the Board of Directors of SRA International (NYSE: SRX), where he chaired the Committee on Compensation & Personnel and the Long Range Planning Committee. He served on the Board of Directors of QinetiQ Group PLC (LSE: QQ) from 2009-2011, where he was a member of the Audit, Remuneration, and Governance Committees.

Shelly Lazarus

Shelly has been working “In the business I love” for more than four decades, almost all that time at Ogilvy & Mather.

Shelly rose through the ranks of Ogilvy & Mather assuming positions of increasing responsibility in management of the company, including president of O&M Direct North America, Ogilvy & Mather New York and Ogilvy & Mather North America. She was named worldwide CEO of Ogilvy & Mather in 1996 and Chairman in 1997, becoming Chairman Emeritus in July 2012.

Shelly started at Ogilvy at a time when the agency’s legendary founder David Ogilvy still walked the halls, and personally preached the purpose of advertising was to build great brands. Under Shelly’s leadership, that essential mission has remained the centerpiece of the company’s philosophy, extending across regions and marketing disciplines, and attracting some of the world’s largest and most respected brands including American Express, BP, Coca-Cola, IBM and Unilever, among many others.

Shelly has been a frequent industry honoree. Advertising Women of New York selected Shelly as its Woman of the Year in 1994. She was honored by Women in Communications with their Matrix Award in 1995, named Business Woman of the Year by the New York City Partnership in 1996, and Woman of the Year in 2002 by the Direct Marketing Association. She has appeared numerous times in Fortune magazine’s annual ranking of America’s 50 Most Powerful Women in Business. Shelly was the first woman to receive Columbia Business School’s Distinguished Leader in Business Award as well as the Advertising Educational Foundation’s Lifetime Achievement Award. She was inducted into the American Advertising Federation Hall of Fame in 2013 and is a member of the DMA’s Hall of Fame. In May 2015, Shelly was inducted into the Marketing Hall of Fame.

Shelly serves on the boards of several corporate, philanthropic, and academic institutions: The Blackstone Group, FINRA, General Electric, Merck, New York Presbyterian Hospital, Committee Encouraging Corporate Philanthropy, World Wildlife Fund, Partnership for New York City, Lincoln Center, and the Board of Overseers of Columbia Business School, where she received her MBA in 1970. She served for five years as Chairman of the Board of Trustees of Smith College, her alma mater. She is a member of Advertising Women of New York, The Committee of 200, Council on Foreign Relations, The Business Council, and Women’s Forum Inc. She has also served as Chairman of the American Association of Advertising Agencies.

Lon C. Levin

Lon Levin is an executive and entrepreneur with over 30 years of experience in new media, telecommunications, and aerospace industries. Lon is the President and CEO of GEOshare, a wholly owned satellite company of Lockheed Martin. Prior to joining GEOshare, Lon was the President of SkySevenVentures, which invested in, operated, and advised new technology companies including businesses in cyber security, Internet music streaming, Internet video messaging, launch vehicles, and investment banking. Lon speaks at industry, academic, and government conferences on technology business management, policy, and finance.

Lon is the cofounder of XM Satellite Radio and played an integral executive role in the formation and development of other media, satellite, and wireless companies including Mobile Satellite Ventures, XM Canada, Motient Corporation, American Mobile Satellite Corporation, and TerreStar Networks. Before his corporate career, Lon was a partner in the law firm of Gurman, Kurtis, Blask & Freedman, where he specialized in media, aerospace, and wireless matters. He started his career as an attorney at the Federal Communications Commission. Throughout the 1990s, Lon served as a U.S. Delegate negotiating technology treaties at many United Nations International Telecommunication Union conferences. Lon holds five communication satellite patents.

Lon is a member of the Defense Business Board of the Department of Defense and a member of the Human Exploration and Operations Committee of the NASA Advisory Council. Lon is the Treasurer and member of the Board of Directors of the Planetary Society, and is Director Emeritus and former Chairperson of the Board of Directors of the Space Foundation. He is a founding board member of the Satellite Industry Association and was its co-chairperson from 1996-1998. Lon was on the Board of Directors (2001-2008) of the Cultural Development Corporation of Washington, DC, which helps artists secure affordable housing and work places. Lon is a member of the New York State and Washington, D.C. Bars.

Emil Michael

Emil Michael is the Senior Vice President of Business at Uber Technologies, Inc., an Internet start-up based in San Francisco, CA. In addition, he is an investor/advisor in and to several other technology companies, including: Boku, Bureau of Trade, ChatID, Codecademy, Evolv, Flipborad, Fonality, IfOnly, GroupMe (sold to Skype), IfOnly, Jawbone, Jelli, Lithium Technologies, Lookout, Picadee, RingCentral, Rockmelt, SignNow, Sniplt, SweetGreen, Swipely, Taser, ThinkFuse (sold to Salesforce.com), Xobni and ZocDoc.

Previously, Mr. Michael was the CEO and member of the Board of Directors of Klout, Inc., Senior Vice President of Field Operations at Tellme Networks, Inc. (sold to Microsoft in 2007) and an associate in Goldman Sachs' Communications, Media and Entertainment Group in New York City.

Mr. Michael served as a White House Fellow to the Secretary of Defense from 2009 through 2011.

He is a graduate of Harvard University with an AB degree in Government and Stanford Law School where he received a JD.

Emil currently lives in San Francisco.

John M. B. O'Connor

John M. B. O'Connor is Chairman of J.H. Whitney Investment Management, LLC (a company which specializes in financing sustainable and resilient energy technologies and projects), a position he has held since January 2005.

From January 2009 through March 2011, he served as CEO of Tactronics Holdings, LLC (a Whitney Capital Partners portfolio holding company that provided tactical integrated electronic systems to U.S. and foreign military customers as well as the composite armor solutions for military vehicles through its Armostruxx division). Previously, Mr. O'Connor was Chairman of JP Morgan Alternative Asset Management, Inc. (part of the investment manager arm of JP Morgan) and an Executive Partner of JP Morgan Partners (a private equity firm). He was also a member of the Risk Management Committee of JP Morgan Chase, which was responsible for policy formulation and oversight of all market and credit risk taking activities globally.

Mr. O'Connor earned a bachelor's degree in economics from Tulane University and a master's in business administration degree from Columbia University Graduate School of Business.

Mr. O'Connor is on the Advisory Committee of NY Green Bank, centered on advancing New York's clean energy investment opportunities and is also a member of the board of directors at Integrigo, Inc. (a privately held specialized composite products manufacturer). He also serves on the advisory boards of Cornell University College of Veterinary Medicine, Grayson-Jockey Club Research Foundation and New York Green Bank. He is also Chairman of the American Friends of the Clock Tower Fund (a not-for-profit organization that supports active duty UK 22-SAS regiment members and their families) and treasurer of the UK Game Conservancy and Wildlife Trust.

Mr. O'Connor serves as a special consultant in a pro-bono capacity for the U.S. Department of Defense and is an appointed special consultant to the Department of Defense Business Board. Mr. O'Connor has been appointed to be the Civilian Aide to the Secretary of the Army (CASA) for New York (South). He is a member of the Air Force Chief of Staff Civilian Leaders Board. He was also a member of the Senior Advisors Panel of both the United States European Command and the United States Southern Command. Olin director since January 2006; member of the Audit Committee and the Directors and Corporate Governance Committee.

Mr. O'Connor's hedge fund and investment banking experience allow him to contribute broad financial and global expertise.

Philip A. Odeen

Phil Odeen served as non-executive Chairman of AES, Convergys, Avaya Inc., and Reynolds & Reynolds. Previously, Mr. Odeen was Chairman and CEO of TRW, and earlier, President and CEO of BDM, which TRW acquired in 1997. Before joining BDM in 1992, Mr. Odeen was Vice Chairman Management Consulting Services at Coopers & Lybrand, where he directed a practice of 2,500 consultants across the United States.

Mr. Odeen has served in senior positions within the Office of the Secretary of Defense and the National Security Council staff. He was Principal Deputy Assistant Secretary of Defense (Systems Analysis) and later led the Defense and Arms Control staff for then-National Security Advisor, Henry Kissinger.

Mr. Odeen is active in various government advisory groups, primarily in defense and national security. He was a member and Vice Chairman of the Defense Science Board. He has chaired various Defense Business Board and Defense Science Board task forces focused on defense industry, logistics, and outsourcing, as well as the DSB's 2004 Summer Study on Post-Conflict Operations. In addition to the DBB, Mr. Odeen is currently a member of the Chief of Naval Operations Executive Panel.

He is a Fellow of the National Academy of Public Administration and serves on the Board of Directors of Booz Allen Hamilton, a leading technology consulting firm, and Globant, an Argentine-based IT company, both listed on the New York Stock Exchange. He serves on the proxy Board of Directors for DRS, a government technology company; is active in business and community activities; and chairs the Henry M. Jackson Foundation, which supports defense related medical research by the DoD Uniformed Services Medical University Walter Reed Hospital, and Bethesda Naval Hospital.

A native of South Dakota, Mr. Odeen graduated Phi Beta Kappa with a B.A. in government from the University of South Dakota. He was a Fulbright Scholar to the United Kingdom and earned a master's degree in 1959 from the University of Wisconsin, after which he was commissioned in the U.S. Army as an Infantry officer.

William R. Phillips

Mr. Phillips is the former Principal in Charge of KPMG's Federal Advisory unit, located in McLean, Virginia. In this role he was responsible for the development and execution of the unit's business strategy, client services and business operations. His teams supported clients across the Federal Government, representing most all agencies, including the Departments of Treasury, Energy, Defense, and Homeland Security, in addition to the intelligence community. Services included financial management improvement, strategy, IT security and internal controls, and supply chain management. Prior to joining KPMG, Mr. Phillips was a Vice President at IBM responsible for their services to the global defense community. This included defense ministries, multi-national organizations such as NATO, and teaming partners from the aerospace and services industries.

Mr. Phillips has provided consulting services to Department of Defense since 1978. He has personally focused on financial management operations improvements, CFO Act compliance, financial systems implementation, and general business operations. His clients have included the U.S. Army, U.S. Navy, U.S. Air Force, DFAS, DLA, and the Army/Air Force Exchange Service. He has also provided support to former Secretary Rumsfeld's Financial Transformation Task Force in 2001. Mr. Phillips led PricewaterhouseCoopers Consulting defense practice prior to its acquisition by IBM in 2002.

Mr. Phillips earned a Masters degree in Business Administration from the College of William and Mary, and received his undergraduate degree from Dickinson College. He is the co-author of two books: *Public Dollars, Common Sense: New Roles for Financial Managers* (Coopers & Lybrand 1996) and *Public Dollars Transformation* (IBM 2002). He is a Certified Government Financial Manager, and a member of the Association of Government Accountants, and the American Society of Military Comptrollers.

Arnold L. Punaro

Arnold Punaro is chief executive officer of The Punaro Group, LLC, a Washington-based firm he founded in 2010 specializing in federal budget and market analysis, business strategy and capture, acquisition due diligence, government relations, communications, sensitive operations, business risk analysis and compliance, and crisis management. He consults for a broad array of Fortune 100 companies and has been recognized by Defense News as one of the 100 most influential individuals in U.S. Defense.

He is the Chairman of the Reserve Forces Policy Board, the Secretary of Defense's independent advisor on reserve and National Guard matters. He served as Chairman of the National Defense Industrial Association, the country's largest defense industry association with over 1,600 corporate and 91,000 individual members. A member of the Pentagon's Defense Business Board, he previously served as executive vice president at Science Applications International Corporation (SAIC) and as Senator Sam Nunn's Staff Director of the Senate Armed Services Committee for 14 years.

A retired U.S. Marine Corps Major General, he served as the Commanding General of the 4th Marine Division. He served on active duty as an Infantry Platoon Commander in Vietnam where he was awarded the Bronze Star for valor and the Purple Heart.

He has Masters of Arts degrees from both the University of Georgia and Georgetown University and serves on the boards of the University of Georgia's School of Public and International Affairs, Syracuse University's Maxwell School of Government, and Georgia Tech's School of International Affairs. He is a member of the Advisory Board at the Center for New American Security, a visiting scholar at the Bipartisan Policy Center, and a senior fellow at the Center for Strategic and International Studies. He is the author of the forthcoming book, *On War and Politics: The Battlefield Inside Washington's Beltway*, that will be published by the Naval Institute Press in October 2016.

Mark H. Ronald

Mark Ronald is a management consultant specializing in strategic issues, organizational alignment and executive leadership development.

Mr. Ronald serves on the Board of Directors of Cobham plc, DRS North America, and Anaren LLC. He is a member of the US Department of Defense Business Board. He is a Senior Advisor to Veritas Capital and to the Center for Strategic and International Studies.

Mr. Ronald retired from BAE Systems where he held the positions of CEO and member of the Board of Directors of BAE Systems plc, a \$25 billion global aerospace and Defense Company; and President and CEO of BAE Systems Inc., the Company's wholly-owned U.S. subsidiary. He was responsible for building a business which grew to over \$10 billion in revenue with operations in the United States, United Kingdom, Sweden, Israel and South Africa.

Prior to joining BAE Systems, Mr. Ronald was President of AEL Industries in Lansdale, PA. He previously spent ten years with Litton Industries rising to the position of Vice President, Program Management.

Mr. Ronald was awarded the Honorary Commander of the Most Excellent Order of the British Empire (CBE), in recognition of the services he rendered to furthering closer transatlantic cooperation between the U.S. and U.K. He was honored by the US Marine Corps Scholarship Foundation with the Semper Fidelis Award for his efforts in support of the men and women of the U.S. Armed Forces and their families. He was awarded The Curtis Sword Award by Aviation Week and Space Technology in recognition of his leadership in the Anglo-American aerospace industry.

Mr. Ronald is a graduate of Bucknell University, where he received a Bachelor of Arts and a Bachelor of Science in Electrical Engineering. He received his Master of Science in Electrical Engineering from Polytechnic Institute of New York University and currently serves on its Board. He has received the Distinguished Engineering Alumni Award from both institutions.

Mr. Ronald is an active member of the community participating in various educational, civic and charitable organizations.

William H. Swanson

William H. Swanson is a retired Chairman and CEO of Raytheon Company serving as Chairman and CEO from January 2004 to March 2014. He retired from Raytheon in September 2014, finishing a 42-plus year career.

Mr. Swanson is also a member of the NextEra Energy, Inc. board of directors and chairs its Audit Committee; chairman of the Massachusetts Competitive Partnership; vice chairperson of the JFK Library Foundation board of directors; chairman of the California Polytechnic State University Foundation board of directors, member of the Cal Poly President's Cabinet; and member of the University of Massachusetts President's Advisory Council. Swanson also served as honorary chair of MATHCOUNTS® from 2009 to 2014.

Swanson is chairman emeritus of the Aerospace Industries Association and a fellow of the American Institute of Aeronautics and Astronautics. He's a member of the Air Force Association; Association of the United States Army; Navy League; CIA Officers Memorial Foundation board of advisors; and the President's National Security Telecommunications Advisory Committee.

Swanson has often been honored: As Outstanding Industrial Engineering Graduate; Honored Alumnus from California Polytechnic State University School of Engineering; Outstanding Alumni Award from the American Association of Community Colleges; a Semper Fidelis Award from the Marine Corps Scholarship Foundation; a Laurel Award from Aviation Week and Space Technology; named the "California Manufacturer of the Year" by the California Manufacturing and Technology Association; and a fellow of the Royal Aeronautical Society (United Kingdom).

Swanson has received the Navy League Fleet Admiral Chester W. Nimitz Award; the NDIA James Forrestal Industry Leadership Award; AUSA's John W. Dixon Award; a Diversity Best Practices CEO Diversity Leadership Award; the Institute of Industrial Engineers' Captains of Industry Award; the International Society of Six Sigma Professionals Six Sigma Premier Leader Award; a Woodrow Wilson Award for Corporate Citizenship; and the Kennedy Greenway Vision Award.

Swanson graduated magna cum laude from California Polytechnic State University with a bachelor's degree in industrial engineering and holds a masters in business administration from Golden Gate University. He has been awarded an honorary Doctor of Laws degree from Pepperdine University and an honorary Doctor of Science degree from California Polytechnic State University.

Atul Vashistha

Atul is the Founder and Chairman of Neo Group, a firm he founded in 1999. Neo is recognized as a leading global services and sourcing data, analytics, monitoring and advisory firm.

Prior to founding Neo, Atul was Senior Vice President of International at Cardinal Health where he led the international operations of the Fortune 25 Company. Atul and his seasoned team at Cardinal expanded profitable operations to Australia, New Zealand, Spain, UK, Singapore, Brazil, Mexico, Japan and other global locations. More importantly, his in-depth international experience earned him the admiration and respect of global CEOs and investors.

Atul is recognized globally as one of the leading experts on globalization, sourcing and governance. Consulting Magazine named Atul as one of the “Top 25 Most Influential Consultants” and “Top 6 IT Powerbrokers”. Globalization Today recognized Atul as an Industry Most Influential Powerhouse 25. Near Shore Americas recognized him as one of the Power 50. Neo Group has also been recognized multiple times as one of World’s Best Advisors by IAOP.

Atul is the author of three books: Globalization Wisdom, Outsourcing Wisdom and The Offshore Nation. Atul also writes ongoing columns for Outsourcing, Global Decisions, Pulse and Global Services.

Media and Wall Street analysts at CNN, ABC, CNBC, Wells Fargo, Goldman Sachs, Fortune, Forbes, Business Week, Wall Street Journal, Investors Business Daily, Economist, CIO, CFO, IAOP, SIG and other global organizations seek Atul’s expert opinion. Atul continues to be a vocal proponent of globalization and has taken on the critics, such as Lou Dobbs and his former “Exporting America” segment on CNN. He is also a frequent contributor to other magazines such as Fortune, CFO, WSJ and Business Finance.

He serves on the Boards of US Department of Defense’s Defense Business Board, Nearshore Executive Alliance, Sourcing Industry Group, Shared Assessments and IAOP. Atul is a Former Chair and current member of the Young Presidents’ Organization and also supports numerous economic development, youth development and corporate social responsible initiatives such as Echoing Green, GreenStart, World Education Foundation, One Girl and Jnana Mandira.

Atul and his firms are redefining how corporations create competitive advantage and how nations and individuals can leverage this mega-trend to build better futures for all.

Kevin E. Walker

Kevin Walker is the Founder and CEO for TurtleWise, Inc., an online advice exchange.

He was formerly the CEO of Iberdrola USA, and the Senior Vice President and Chief Information Officer for American Electric Power (AEP), responsible for development and support of AEP's software applications and operation of AEP's information technology infrastructure. Previously, Mr. Walker was President and CEO for AEP Ohio, serving approximately 1.44 million customers in Ohio and the northern West Virginia panhandle.

Before joining AEP in 2004, Mr. Walker was Vice President, Maintenance and Construction Services, for Consolidated Edison of New York where he directed efforts to ensure the efficient delivery of maintenance and construction services throughout the Consolidated Edison service territory, including the five boroughs of New York City and Westchester. He was instrumental in directing recovery of energy service following the collapse of the World Trade Center on September 11, 2001. Mr. Walker spent 13 years with Consolidated Edison in various leadership positions, He served as Waterside Plant Manager; Steam Operations Department Manager, and, as New York City public affairs liaison, was the primary interface with the New York City mayor's office during the administration of former Mayor Rudi Giuliani.

He served for more than six years in the U.S. Army including as a Captain in field artillery leadership positions in Augsburg, Germany, at Fort Bragg, N.C., and during peacetime and wartime conditions in support of Operation Desert Storm in Iraq.

Mr. Walker graduated in 1985 from the United States Military Academy with a Bachelor's of Science in civil engineering. He has a Master's of Business Administration from the University of Pennsylvania's Wharton School. Mr. Walker served for more than six years in the United States Army including as a Captain in field artillery leadership positions in Augsburg, Germany, at Fort Bragg NC, and during peacetime and wartime conditions in support of Operations Desert Storm in Iraq.

The Honorable Daniel I. Werfel

Daniel (“Danny”) Werfel is a Director in the Public Sector practice of The Boston Consulting Group (BCG). In this role, he helps the firm’s government clients overcome challenges to achieve lasting improvements in organizational and operational effectiveness and efficiency.

Mr. Werfel joined BCG in March 2014 from the Internal Revenue Service (IRS), where he was personally selected by President Barack Obama and Secretary of the Treasury Jack Lew to serve as Acting Commissioner in the wake of the agency’s recent organizational crisis. In that role, he oversaw the implementation of the nation’s tax system, navigating an array of challenges and tasks, including the appointment of the IRS’s first chief risk officer, the deployment of an agency-wide risk management program, and the execution of necessary steps to restore public trust.

Prior to the IRS, Mr. Werfel spent 16 years with the US Office of Management and Budget (OMB), where he provided leadership for policy and implementation in all aspects of federal financial management, eventually taking on the role of Federal Controller—the government’s CEO. After that, he assumed the responsibilities of the Deputy Director for Management at OMB, where he was responsible for leading a broad array of management initiatives across government in areas such as information technology, procurement, performance management, and personnel policy.

Mr. Werfel is a fellow at the National Academy of Public Administration and formerly was a member of the IRS Oversight Board, the Government Accountability and Transparency Board, and the Federal Accounting Standards Advisory Board. In 2013 he was named Government Computer News’s “Government IT Executive of the Year,” as well as being named one of the “Federal 100” by Federal Computer Week.

He holds a Bachelor of Science in Industrial and Labor Relations (with honors) from Cornell University, a Juris Doctor (with honors) from the University of North Carolina, Chapel Hill, and a Master of Public Policy from Duke University.

Joseph R. Wright

Joseph R. Wright currently serves as Chairman of the Board of Tempus Applied Solutions Holdings, Inc., Senior Advisor to Chart Capital Partners, The Chart Group and The Comvest Group, and is Chairman of the Investment Committee of the ClearSky Fund.

Prior to this, Mr. Wright was Chairman of Intelsat, CEO of PanAmSat, Chairman of GRC International, Executive Chairman of MTN Satellite Communications and CEO of Scientific Games Corporation - all who provided communication and other services to governments around the world. He was also Co-chairman of Baker & Taylor Holdings and EVP/Vice Chairman of W. R. Grace & Company, and Senior Advisor of Providence Equity LLC.

In the 1980's, he served in the U.S. Government under President Reagan as Director and Deputy Director of the Federal Office of Management and Budget, was a member of the President's Cabinet and was Deputy Secretary of Commerce. He received the Distinguished Citizens Award from President Reagan and was appointed to the President's Export Council by President H.W. Bush as Chairman of the Export Control Sub-Committee; then to the President's Commission on the U.S. Postal Service Reform and the National Security Telecommunications Advisory Committee (NSTAC) by President W. Bush, and currently serves on Secretary of Defense Carter's Defense Business Board.

He is currently on the Boards of the Cowen Group, Inc., Adayana, Priority Holdings, and EBIX, and is a member of the Council of Chief Executives, Council on Foreign Relations, Economic Club of New York, and Committee for a Responsible Federal Budget.

Prior to the 1980's, Mr. Wright was President of several credit card subsidiaries of Citibank, was Vice President/Partner of Booz, Allen and Hamilton, and held several senior economic and management posts in the Federal Departments of Commerce and Agriculture. As well as those companies mentioned above, he has also served on other public/private Boards of Directors of Travelers, Harcourt Brace Janovich, Kroll, Titan, Federal Signal, EDMC, Hampton University, and others.

The Honorable Dov S. Zakheim

Dov S. Zakheim is Senior Fellow at CNA, a federally-funded think tank, and Senior Advisor at the Center for Strategic and International Studies. Previously he was Senior Vice President of Booz Allen Hamilton, where he led support of US Combatant Commanders. From 2001 to 2004, Dr. Zakheim served as the Under Secretary of Defense (Comptroller) and Chief Financial Officer for the Department of Defense. From 2002 to 2004 he also was DoD's coordinator of civilian programs in Afghanistan. From 1987 to 2001 he was a Senior Vice President at SPC, a research and technology firm, and CEO of its international subsidiary. From 1985 to 1987, Dr. Zakheim was Deputy Under Secretary of Defense for Planning and Resources. He held several other DoD positions as a member of the Senior Executive Service from 1981 to 1985. Prior to 1981 he served as a Principal Analyst at the Congressional Budget Office.

Dr. Zakheim is a member of the Defense Business Board which he helped create, the Chief of Naval Operations Executive Panel, and the United States Naval Academy Athletic Association. He also serves on several corporate boards. Previously he was a member of the Military Compensation and Retirement Modernization Commission, and of the Commission on Wartime Contracting in Iraq and Afghanistan, and chaired the National Intelligence Council's International Business Practices Advisory Panel.

Dr. Zakheim is Vice Chairman of both the Foreign Policy Research Institute and the Center for the National Interest, and has been an Adjunct Senior Fellow at the Council on Foreign Relations and an Adjunct Professor at several universities. He earned his B.A. summa cum laude from Columbia College and his doctorate from the University of Oxford. He is a Member of the Council on Foreign Relations and a Fellow of the Royal Swedish Academy of Military Sciences. The author of numerous books, monographs and articles on national security issues, he has appeared frequently before Senate and House committees and sub-committees as an expert witness and lectures on national security matters both domestically and internationally.

Jack C. Zoeller

Jack Zoeller has 35 years' experience as a CEO in the start-up and turn-around of companies in the financial services industry.

Currently he is CEO of Purefy Inc. an online student loan refinancing lender, formerly a subsidiary of Cordia Bancorp which he co-founded in 2009. He stepped down as Chairman of Bank of Virginia and as CEO of Cordia Bancorp in 2016. Previously he served as CEO of E.F. Hutton Indemnity Group, Capital Risk Management Corporation, ComFed Bancorp, North American Company Health & Life Insurance Company, and AtlantiCare Risk Management Corporation.

Mr. Zoeller is an expert on corporate governance, health care benefits and compensation, and has served on 24 boards of directors. He is a Visiting Research Professor at George Washington University specializing in 17th century American colonial history.

After graduating first in his Army Ranger class, Captain Zoeller served as an infantry company commander in the 82nd Airborne Division and managed the Division's training program for 16,000 soldiers. He was subsequently assigned to Program Analysis and Evaluation in the Army Chief of Staff's Office in the Pentagon, where his responsibilities included Army air defense programs, recruiting, and force structure issues associated with the "hollow Army" of the late 1970s.

Mr. Zoeller holds a Bachelor of Science from the U.S. Military Academy at West Point, where he graduated first in his class. He also earned a Master's Degree in Public Policy from the Harvard Kennedy School, where he concentrated in Defense Policy and consulted for the Director of the Defense Intelligence Agency. He was elected a Rhodes Scholar from New York and earned a Master's Degree from Oxford University for his thesis, "Decision-Making in the Committee on Armed Services of the U.S. House of Representatives."

Neil F. Albert

Mr. Neil Albert serves as a consultant to the Defense Business Board. Mr. Albert is an independent advisor for companies supporting the federal market. In that capacity he provides consulting services including strategic planning, program management support, business strategy and development, acquisition support, and risk analysis. He is currently Vice Chairman of MCR, LLC. Mr. Albert worked at MCR for over 28 years in various positions, most recently as its President/CEO from 1999-2012 and Vice Chairman/CEO from 2012-2016. Prior to MCR, Mr. Albert was the Director of Cost Estimating and Analysis at Textron Defense Systems where he was responsible for life cycle cost analysis, economic analysis, subcontractor cost estimating and pricing for all Defense programs. During his career, Mr. Albert has supported, in various corporate capacities, numerous Federal organizations including the Department of Defense, Department of Energy, Corps of Engineers, NASA, Department of Homeland Security, and the Federal Aviation Administration

Mr. Albert has more than 38 years supporting the professional community. He was one of the founding members of the Defense Business Board in 2001 and served until 2008. He returned to the Board as a Senior Fellow from 2010 – 2014. In 2009, he was elected to the Board of Directors of the Professional Services Council (PSC) and in 2012 became a member of their Executive Committee. In 2014, he became Chair of the Defense and Intelligence Executive Advisory Board for PSC. In 2008, Mr. Albert was elected to the Executive Committee of the National Defense Industrial Association's (NDIA) Integrated Program Management Division and in 2010 was a founding member of NDIA's Industrial Committee on Program Management. He was on the Board of Trustees of Fountain Valley School from 2008 to 2014. Mr. Albert is a Past President of the Society of Cost Estimating and Analysis (SCEA) (now International Cost Estimating and Analysis Association) and the College of Performance Management (CPM).

In 2013 Mr. Albert received the "Hans Driessnack Distinguished Service Award" from CPM for making major contributions to project and performance management, policy, concepts, and practices that have national and global implications. In 2010, he received the Freiman Award from the International Society of Parametric Analysts (ISPA); it highest honor. In 2003 he received the "Lifetime Achievement" award, the highest honor from SCEA. He is a Certified Cost Analyst/Estimator (CCEA).

Sally Donnelly

Sally Donnelly serves as a consultant to the Defense Business Board. She is the Founder and CEO of SBD Advisors, an international consulting firm that provides strategic advice to companies, organizations, and family offices with policy, communication or regulatory interests. SBD Advisors also represents senior national security officials on their transition from public service to the private sector. Ms. Donnelly is a Senior Advisor to C5, a London-based investment firm that focuses on the safety and security sectors. She is also a board member of the American Friends of Black Stork, a U.K.-based charity dedicated to the treatment and rehabilitation of military veterans.

Prior to founding SBD Advisors, Ms. Donnelly served as head of Washington's office for US Central Command, which covers operations and engagements across 20 countries in the Middle East. Ms. Donnelly was a key advisor to General Jim Mattis on policy issues, Congressional relations, communications, and engagements with foreign governments. Prior to that, she was a Special Assistant to the Chairman of the Joint Chiefs of Staff, Admiral Mike Mullen. She advised the Chairman on a range of internal and external issues and traveled widely with the Chairman. She helped the Chairman establish the CJCS task force on wounded troops, and served on the Secretary of Defense's Review panel on the Ft. Hood shootings.

Before joining the Chairman's personal staff, Ms. Donnelly worked at Time Magazine for twenty-one years, including tours in the Los Angeles, Moscow, and Washington bureaus. Ms. Donnelly has a Master's degree in Russian politics from the London School of Economics and a B.A. (cum laude) in History from Hollins College. She completed an executive education course at the Haas School of Business at the University of California, Berkeley.

Alan R. Schwartz

Alan Schwartz serves as a consultant to the Defense Business Board. He is Principal Officer and co-founder of PolicyFutures LLC, and provides analytic and strategic advice to the U.S. Government and the private sector. Mr. Schwartz teaches advanced analytic tools and techniques to analysts in the Intelligence Community and military organizations. He designs and facilitates analytic workshops on subjects ranging from Iraq stability to Russia's intervention in Ukraine.

Mr. Schwartz served as a member of the Army Science Board, where he chaired its Force Protection Interface Panel, and has served on a number of Defense Science Board and Defense Business Board studies. He previously served as Counsel to the President's Commission on Aviation Security and Terrorism and as Adjunct Professor at Georgetown University's Public Policy Institute.

Mr. Schwartz received his LL.M. in Administrative Law from the Georgetown University Law Center and his J.D. from the University of Pennsylvania Law School.

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