



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

AUG - 3 2022

MEMORANDUM FOR DEFENSE BUSINESS BOARD

SUBJECT: Terms of Reference — Business Health Metrics

On February 4, 2022, I issued a memorandum outlining how the newly created Chief Digital and Artificial Intelligence (AI) Officer will support Department of Defense (DoD) efforts to set up a strong foundation for data analytics and AI-enabled capabilities.

While I am encouraged by the progress DoD has made sourcing and cataloging enterprise-wide data and identifying business health metrics, we must continually evaluate industry best practices to determine: (a) if the right data is being collected; (b) if DoD has the right metrics to drive desired outcomes; and (c) how these metrics turn into actionable information used to improve the DoD.

Therefore, I direct the Defense Business Board (the Board), through its Business Transformation Advisory Subcommittee (the Subcommittee), to identify enterprise-level business health metrics that top-level executive (i.e., Chief Executive Officer), functional head level (e.g., Chief Financial Officer, Chief Information Officer, Chief Human Capital Officer, Chief Technology Officer), and private industry leaders leverage to inform decision-making and maximize the efficacy and effectiveness of their business operations. Specifically, the Board, through its Subcommittee, will focus on the following actions:

- Identifying private industry best practices as it relates to the selection and use of performance metrics, benchmarks, and targets at the enterprise (i.e., Deputy Secretary of Defense) and functional level (e.g., Under Secretary of Defense (Comptroller), Under Secretary of Defense for Acquisition & Sustainment, Under Secretary of Defense for Personnel & Readiness, Under Secretary of Defense for Research & Engineering, Chief Information Officer of the DoD, Under Secretary of Defense for Policy), used to manage business operations for:
 - Acquisition and Contracting
 - Digital Modernization and Information Technology
 - Energy, Installation, and Environment
 - Financial Management
 - Human Resources
 - Health (Medical)
 - Innovation
 - Logistics
 - Policy
 - Resource Planning
 - Security
- Providing recommendations on the lagging and leading private sector metrics (input, output, efficiency, and outcome) that would benefit Department leaders.



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- Providing recommendations for how best to utilize metrics to change behavior at the business unit and executive levels.
- Any related matters the Board determines relevant to this task.

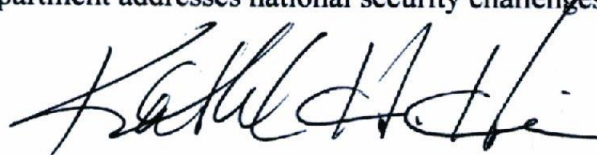
I direct the Subcommittee to submit its independent recommendations to the full Board for its thorough consideration and deliberation at a properly noticed and public meeting, unless it must be closed pursuant to one or more of the Government in the Sunshine Act exemptions. The Board shall submit its final, approved assessment and recommendations to the Secretary of Defense and the Deputy Secretary of Defense no later than November 30, 2022. Sufficient time shall be scheduled between the public meeting and the due date listed herein to enable revision based on Board deliberation.

In support of this Terms of Reference (ToR) and the work conducted in response to it, the Subcommittee and the Board have my full support to meet with Department leaders. The Board staff, on behalf of the Board and the Subcommittee, may request the Office of the Secretary of Defense and DoD Component Heads to timely furnish any requested information, assistance, or access to personnel to the Board or the Subcommittee. All requests shall be consistent with applicable laws, applicable security classifications, DoDI 5105.04, "Department of Defense Federal Advisory Committee Management Program," and these ToR. As special government employee members of a DoD federal advisory committee, the Board and the Subcommittee members will not be given any access to DoD networks, to include DoD email systems.

Once material is provided to the Board and the Subcommittee, it becomes a permanent part of the Board's records. All data/information provided is subject to public inspection unless the originating Component office properly marks the data/information with the appropriate classification and Freedom of Information Act exemption categories before the data/information is released to the Board. The Board has physical storage capability and electronic storage and communications capability on both unclassified and classified networks to support receipt of material up to the Secret level.

The Board and Subcommittee will operate in conformity with and pursuant to the Board's charter, the Federal Advisory Committee Act, the Government in the Sunshine Act, and other applicable federal statutes and regulations. The Subcommittee and individual Board members do not have the authority to make decisions or provide recommendations on behalf of the Board nor report directly to any federal representative. The members of the Subcommittee and the Board are subject to certain Federal ethics laws, including 18 U.S. Code § 208, governing conflicts of interest, and the Standards of Ethical Conduct regulations in 5 C.F.R. Part 2635.

Thank you in advance for your cooperation and support to this critical undertaking to inform subsequent decisions on how the Department addresses national security challenges in the coming decades.



cc:
 Senior Pentagon Leadership
 Directors of Defense Agencies
 Directors of DoD Field Activities
 Advisory Committee Management Officer, DA&M