

DEFENSE BUSINESS BOARD

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Department of Defense  
OFFICE OF PREPUBLICATION AND SECURITY REVIEW



# Defense Logistics Agency and Defense Information Systems Agency Assessment

November 10, 2020

# Task

Deputy Secretary of Defense asked the DBB to:

1. Examine chartering documents and provide private industry perspective of responsibilities and authorities of Defense Logistics Agency (DLA) and Defense Information Systems Agency (DISA)
2. Review previous studies/reports and assess recommendations
3. Share private sector examples and business practices
4. Recommend options for transforming performance
5. Any other related matters relevant to this task

# The Task Group

## DBB Team

Paul S. Madera

Dr. Kiron Skinner

David J. Venlet (Study Chair)

## Staff

Web Bridges

CAPT Jeff Plaisance, US Navy

# Process and Methodology

- 12 weeks of team study and analysis:
  - Interviewed 35 DoD leaders, private industry/think tank executives
  - Sent questionnaires to Military Departments
  - Compared DoDD 5105 charters for DLA and DISA
  - Conducted literature review of **105** past studies and reports
  - Categorized prior report **85** recommendations for improving Defense Agencies and Field Activities (DAFA) business operations

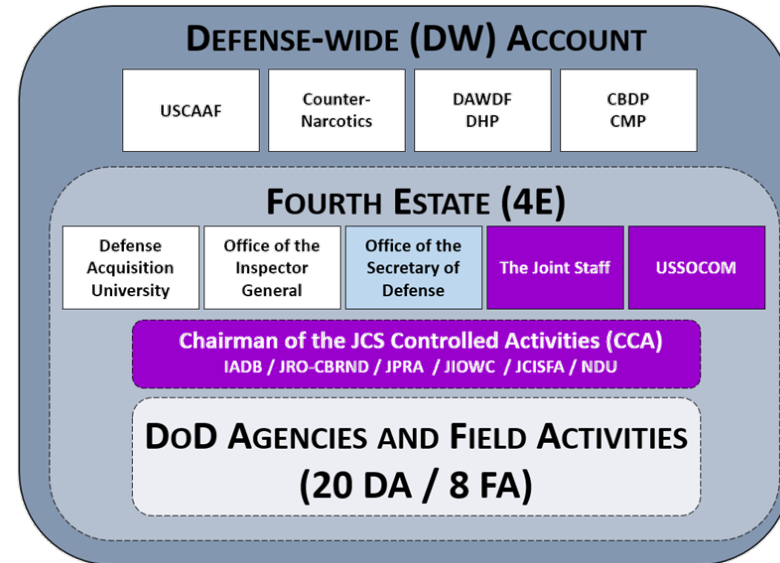




# DLA and DISA Study Context



- **National Defense Strategy (NDS)**
  - Enterprise-wide business reform as third line of effort
  - DoD Reform Focus in 2020 – SecDef, January 6, 2020
  - CMO lead Defense-Wide reform DepSecDef, January 24, 2020
  - Greater performance and affordability in Fourth Estate
- **DoD currently operates 28 separate support entities**
  - Categorized as Defense Agencies and Field Activities (DAFA)
  - DAFA constitute a major part of the Fourth Estate
  - Resourced predominantly through Defense-Wide accounts
- **Defense Logistics Agency (DLA)**
  - **\$42.7B** budget and **26,000 people**
- **Defense Information Systems Agency (DISA)**
  - **\$12.2B** budget and **9,000 people**
- **DepSecDef directed DBB examine DLA and DISA**
  - Examine chartering documents
  - Private industry perspective of responsibilities and authorities
- **Recommendations to DepSecDef 13 Nov 2020**

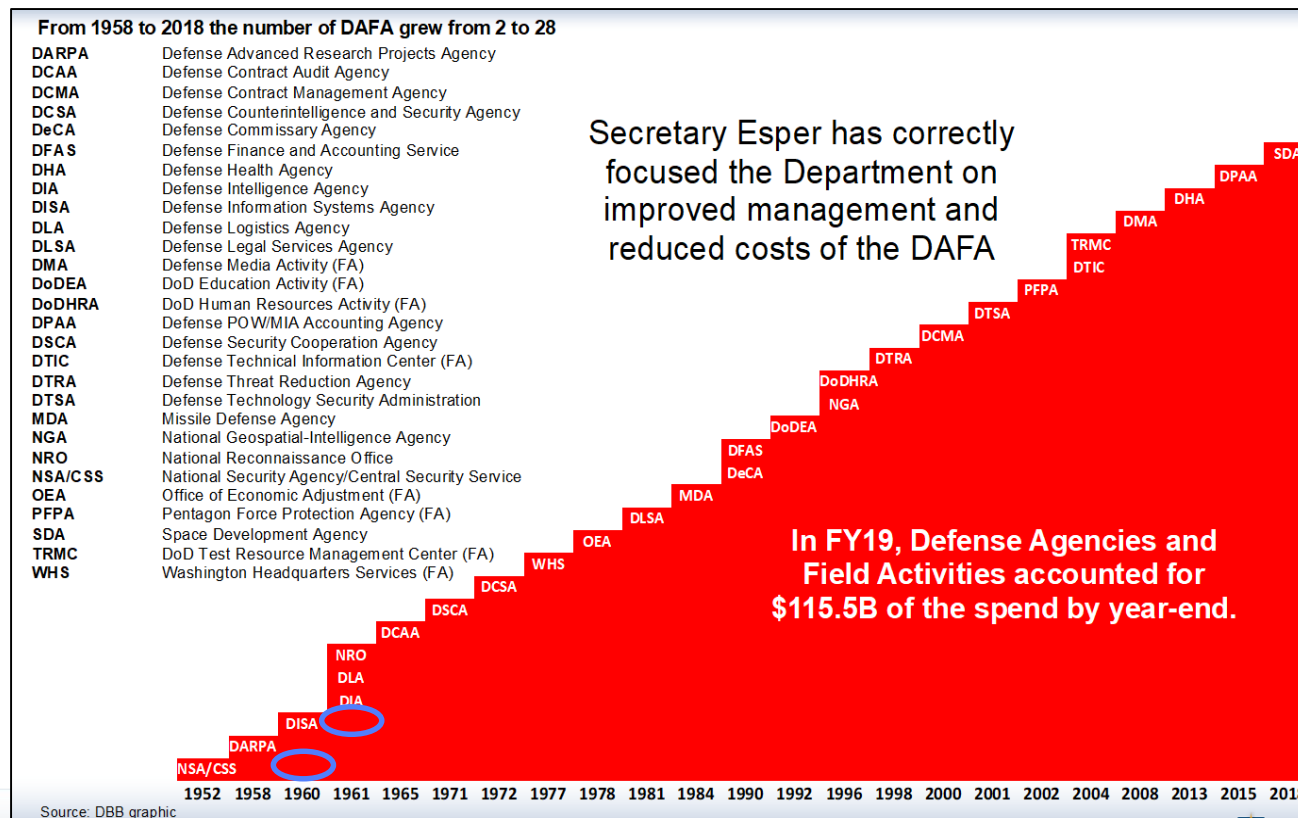


**“I see progress, it’s not fast enough. We need to do better and I want to move as quickly as the private sector.”**  
 ~ Secretary of Defense Mark Esper

*BLOOMBERG GOVERNMENT, SEPT. 24, 2020*

# DAFA Background

- From 1958 to 2018 the number of DAFAs grew from 2 to 28
- In FY19, DAFA accounted for **\$115.5B** of spending, 16.8% of the total DoD budget
- DLA and DISA combine for **48%** of DAFA spend – good choice to study these two
- These totals do not include the classified intelligence spending



# Observations

1. There is dramatic growth in missions, responsibilities and authorities for DLA and DISA over 30 years, justified by the historical eras when growth occurred.
2. Private sector equivalents for DLA and DISA in breadth and depth of responsibilities are scarce.
3. An extensive body of studies on DLA and DISA contain myriad cost reduction, effectiveness, and efficiency recommendations.

## Bottom Line Up Front

The National Defense Strategy defines a strategic environment and resultant objectives that **need a new DLA and DISA** much different than what they grew to be over the decades post Cold War. **Mere cost reduction alone** in **today's DLA and DISA** organization/mission structure is **not likely** to deliver assured logistics/C3 **in contested domains of great power competition.**

# Response to the Requested Task

## **There is more to consider than what was asked.**

- DLA/DISA are critical combat support to the Joint Lethal Force

## **There are bigger and more important questions.**

- Are they built today to deliver logistics and C3 combat support in highly contested domains today and tomorrow?
- What should they BE and what should they DO differently now?

## **A new vision and new structure are urgently required.**

- Re-Form DLA and DISA beyond just cost reduction of current organization and mission structure.





# DLA Background

## Defense Supply Agency (DSA) 1961-1977

Established by Sec. Robert McNamara to manage common supplies

By 1963: Clothing; construction; general, electronic and industrial supply; medical; petroleum; subsistence; traffic mgt.; logistics services; cataloging; standardization; defense utilization; disposal; industrial plant equipment (9 supply centers, \$2.5B inventory, 1M items)

1963: Wholesale Distribution/ DSA Depot Network

1965: Defense Contract Administration Services (included MILSVCS, new weapons systems)

1972: DoD manager for bulk petroleum and coal

1972: Defense Property Disposal Service

1973 Worldwide food mission and commissaries

1977: 1.9M items, \$3.1B

## Defense Logistics Agency (DLA) 1977-1986



Defense Supply Agency (DSA) redesignated as Defense Logistics Agency

Under ASD for Manpower, Reserve Affairs, & Logistics

1979: DLA Office of Small Business

1980: Hazardous and toxic material disposal

1983: DLA Europe Headquarters



## DLA: Combat Support Agency 1986-1993



1986: Goldwater-Nichols Act identifies DLA as a CSA

1988: Defense National Stockpile Center (from General Services Administration)

1989: Defense Management Review Decision: Consumable Item Transfer (Secretary Cheney)

1990: Defense Contract Management Command

1990: Operations Desert Shield and Desert Storm

## DLA: Post-Desert Storm 1993-2005

1991: Transferred out: Defense Information Systems Agency, Defense Finance and Accounting Service

1992: Distribution depot consolidation/CONUS & OCONUS network

1992: First "Prime Vendor"

1993: Base Realignment and Closure (BRAC): Several subordinate commands merged, realigned, or closed

1993: From 42 to 6 direct reporting organizations

1995: Standard Procurement System/ Business Systems Modernization

1996: Defense Automated Printing Service

1998: DoD cataloging and map products

2001: Defense Contract Management Agency established as a separate agency



## DLA: 21st Century 2005-Present

Operations Iraqi Freedom, Enduring Freedom and Resolute Support

2005: BRAC: Depot-level repairable, privatize commodity contract mgt. and on-site support to industrial depots transferred to DLA. Business Transformation Agency (portions).

2006: Enterprise Business System

2008: Joint Contingency Acquisition Support Office

2010-2018: Over 20 global Humanitarian Assistance/Disaster Relief support missions

From:  
- 64K to 27K employees  
- 29% to 11.6% cost recovery rate  
- 100M to 30M sqft





# DISA Background



## History and Mission Overview

*Defense Communications Agency (DCA) was established May 12, 1960 to “create an integrated telecommunications system that will economically, efficiently and effectively satisfy national defense requirements...”<sup>1</sup>*

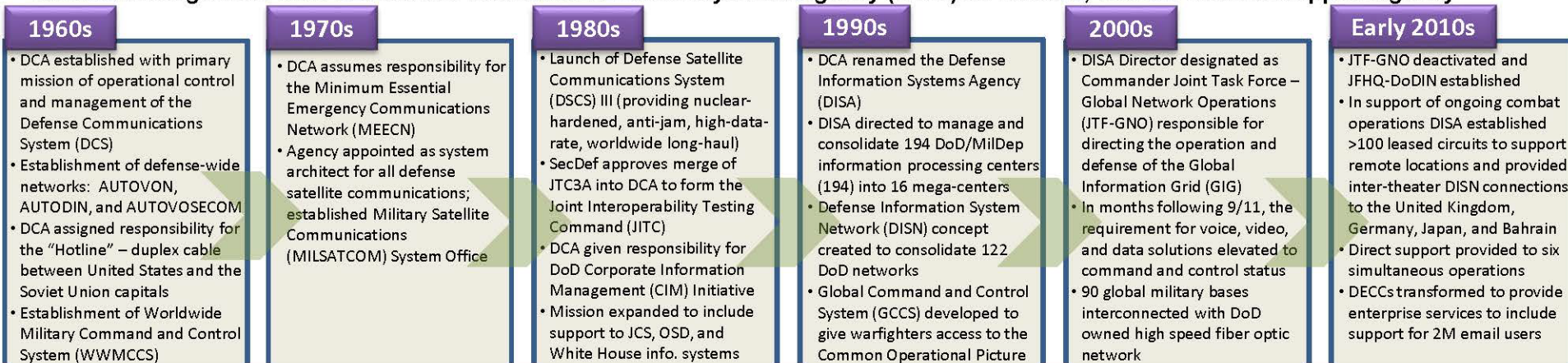
### National Security Act of 1947 -

- Established the Secretary of Defense and directed (he) take appropriate steps to eliminate unnecessary duplication or overlap

### Defense Reorganization Act of 1958

- Military Services continue development of respective communications systems with reliance on doctrine of dedicated communications
- JCS requested SD approve concept for joint military communications network to be formed from consolidation of communications facilities of the Military Services
- Secretary of Defense Thomas Gates established the DCA to create a centralized organization with the primary mission of operational control and management of the Defense Communications System (DCS)

### DCA was reorganized and renamed the Defense Information Systems Agency (DISA) on June 25, 1991 as Combat Support Agency

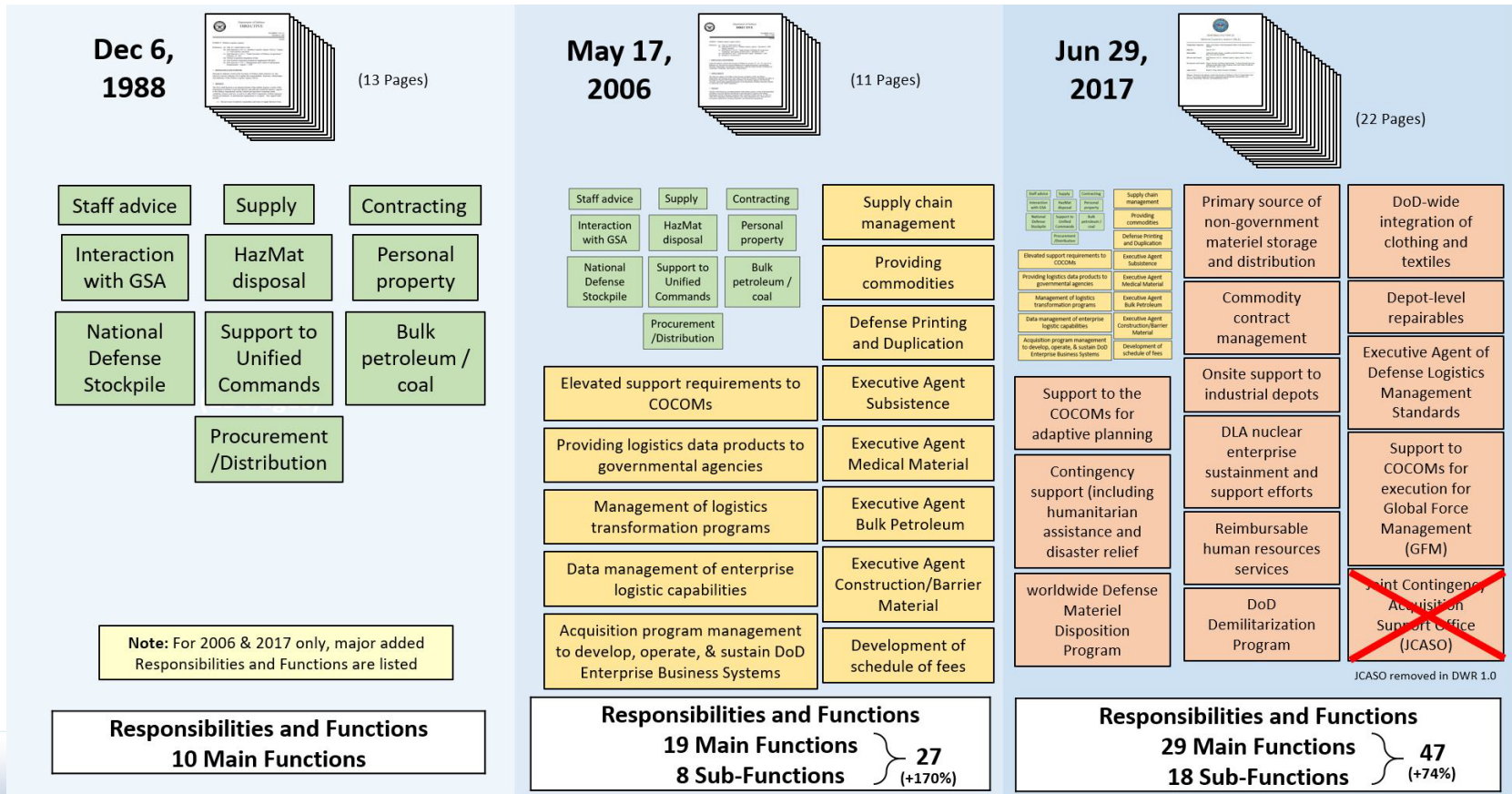


**DISA continues to evolve to meet the needs of the Joint Warfighter and the National Defense Strategy**



# DLA Charter Comparison

- From 1961 to 1988, the Defense Supply Agency's, and eventually DLA's (1977), responsibilities and functions were relatively constant
- From 1988 to 2017, the responsibilities and functions increased by 370%
- By 2020, the responsibilities and functions had increased further (Iceberg Chart)



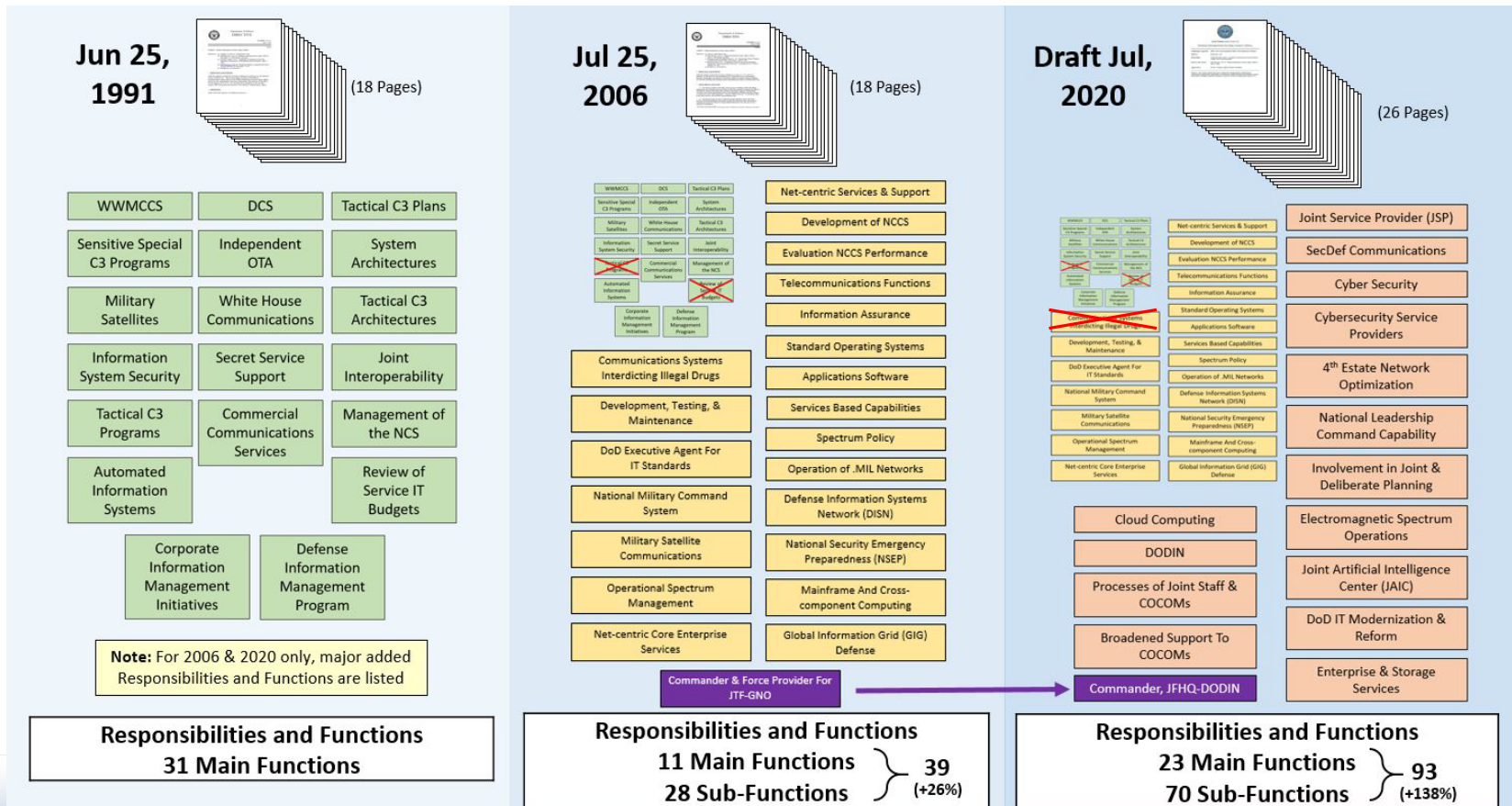
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# DISA Charter Comparison

- From 1960 to 1991, when the Defense Communications Agency was redesignated DISA, DISA's responsibilities and functions were relatively constant
- From 1991 to 2020, the responsibilities and functions increased by 200%



# Literature Review

- The team reviewed 105 think tank reports, internal DoD Assessments, commercial case studies, GAO reports, and other evaluations
- Viable recommendations were combined into themes, source, implementation status, organizational requirements, and comments
  - Supply Chain/Logistics (21)
  - IT/Networks (18)
  - Defense Working Capital Fund (DWCF) (10)
  - Management/Oversight (10)
  - Statutory/Strategic (7)
  - Data/Metrics (6)
  - Forecasting/Planning (5)
  - Contracting (5)
  - Fuel/Energy (3)
- 85 Recommendations included in Report Appendices

# Interview Business Practices

- Twelve industry Business Practices emerged during interviews.
- Practices apply not only to DLA and DISA, but to all DoD.
  - Practice #1: Engagement Managers to Reduce Contractual Risk
  - Practice #2: Zero-Based Budgeting
  - Practice #3: Automated Factory for Reporting
  - Practice #4: Expediting Invoices with Detective Controls
  - Practice #5: Automated Detective Data Controls free travel expense reports
  - Practice #6: Leverage the Power of Incubation/Pilots
  - Practice #7: Conway's Law influence on org design/micro service architecture
  - Practice #8: IT Sustainability
  - Practice #9: Instituting a "Break Glass" Re-Form mindset
  - Practice #10: Delaying – Spans and Layers
  - Practice #11: Enterprise Relationship Management
  - Practice #12: Cautionary awareness of risk in diseconomies of scale
- Detailed write-ups are included in Report Appendices

# Observation #1

- Dramatic growth in responsibilities and authorities for DLA and DISA
  - Manage extensive mix of combat and non-combat support
  - Both doing what they are tasked to do by directive and statute
  - Originally established to increase effectiveness and improve efficiencies for logistics and command, control, and communications
  - Growth, justified on a basis of the era, produced overlap and duplication
  - Both provide services for customers who fund and operate similar categories of services for themselves, all justified by Title 10 authorities
  - Long enduring fights about the overlap and cost of services never resolve

# Observation #2

- Private sector equivalents for DLA and DISA to emulate with their currently assigned breadth of missions are few
  - Yes, there are logistics/information companies and various business models
  - Presumptions persist that commercial analogs provide efficiency guidance
  - People policies are not attracting effective, experienced leaders at all levels
  - Basic business practices that pertain to value creation are elusive in DoD
  - A business healthy “refresh cycle” questions and affirms “core”, then relentlessly measures outcomes and cost in a culture of continual optimization
    - Clean sheet budgeting **follows** core affirmation, not the other way around.
    - Getting this right is not evident in historical defense department governance
  - These realities devolve into modest cost savings that substitute for reform



# Observation #3

- DLA and DISA have been studied extensively, often in a narrow focus, leading to siloed efficiency recommendations
  - DoD, Government Accountability Office, Congressional Research Service, Center for Strategic and International Studies, RAND Corporation, Institute for Defense Analyses, DBB, McKinsey & Co., Boston Consulting Group, others
  - Reviews produced multitude of recommendations and the significant ones are highlighted in appendices
  - DoD reported its implementation of previous study recommendations to Congress as recently as July 2019
  - Working harder reducing the cost of present mission load leaves the consequences of total mission growth less or completely unanalyzed
  - Total cost growth pressure has not abated and draws broad criticism

# Recommendation #1

- Determine what DLA and DISA MUST BE and DO to support the peer contested, lethal Joint Force – it is **Job One**
  - **Focus on Contested Logistics and C3** that enable domain information dominance and increasingly lethal fires for **NDS environment and objectives**
  - Strategic Re-Form and Joint Integration must be elevated and prioritized
  - Significant organizational change will be challenging to deliver. Do not delegate another study about it. Just do the hard work to accomplish it.
  - Historical Principal Staff Assistant (PSA) governance will not create the needed change
  - **CJCS/VCJCS, COCOMs and Service Chiefs** war game the logistics and C3 they need in contested domains and **define requirement for the BE and DO**
  - **Secretary of Defense and Service Secretaries govern the Re-Form**



# Recommendation #2

- **Focus** on **Job One** and **transfer other** DLA and DISA missions and tasks
  - **Measure Job One** to increase value in military and fiscal sense
    - Create **new measures** of external results and traits **tied to new mission**
    - Measure **cost of delivery** of those **results for the new mission**
    - Make accountable leaders drive outcome measures up and cost down year over year as expected duty, not forced by the budget process.
    - Cost management driven by budget process is transactional and unfulfilling compared to healthy enterprise leadership behavior
    - Seriously consider Naval Reactors leadership extended term model
  - Create new and much shorter charters for DLA and DISA
    - Write charters “for them” not “by them”
    - Put “the rest” in non-combat support places. Consider other than DAFA.
    - Avoid inside preservation of the present
  - Do not staff this out to “reform teams”

# Recommendation #3

- Ensure DLA and DISA have the relevant technical skills to do **Job One**
  - Determine who is capable to deliver a responsive and adaptable “new next” logistics and C3 for contested domains
  - It **does not follow** that operators of the present are suited to conceive, create, test and deliver the “new next”
  - This study makes no judgment of today’s DLA and DISA technical and functional skills. We did not analyze it. But it must be skeptically analyzed and correctly judged.
  - Being wrong about it will be disastrous in lost time, wasted resources and results.
  - It may not be organic in DLA or DISA, or in DoD.



# Summary

1. Determine what DLA and DISA must BE and DO to support the Joint Force in great power contested domains – it is **Job One**.
  - Integrated Logistics and C3 must enable information dominance and integrated fires today and in tomorrow’s contested domains.
  - Strategic DLA/DISA “Re-Form” must match the Services’ pursuit of advanced integrated capabilities and be synchronized at highest levels.
2. Focus DLA/DISA. Transfer non-combat support missions and tasks.
  - Measure **Job One** to increase value in military and fiscal sense.
  - Put the rest in non-combat support places. Consider other than DAFA.
3. New DLA and DISA need new methods and means to do **Job One**.
  - Determine who is the best provider of technical solutions for “new next”

# Interviews

**Mr. Mattijs Backx**, Senior Vice President & Head of Global Business Services, PepsiCo

**Mr. Peter Bechtel**, Director, Supply Policy and Programs, G-4, Headquarters, Department of the Army

**Mr. Manny Cardenas**, Lead for DISA Clean Sheet Review, Office of the Director, Cost Analysis and Program Evaluation (ODCAPE)

**LtGen Charles Chiarotti**, USMC, Deputy Commandant for Installations and Logistics (I&L), Headquarters, Marine Corps

**Mr. Michael Conlin**, DoD Chief Business Analytics Officer (CBAO), Office of the Deputy Chief Management Officer (ODCMO)

**HON Dana Deasy**, DoD Chief Information Officer

**Ms. Kristin French**, Chief of Staff, DLA

**Mr. Daniel Fri**, Assistant Deputy Chief of Staff for Logistics, Engineering and Force Protection, HAF A-4, Headquarters, Air Force

**LTG Duane Gamble**, USA, Deputy Chief of Staff, G-4, Headquarters, Department of the Army

**Mr. W. Jordan Gillis**, Assistant Secretary of Defense for Sustainment, Office of the Under Secretary of Defense for Acquisition & Sustainment (OUSD(A&S))

**Mr. Marc Gordon**, Chief Information Officer, AMEX

**HON John Hamre**, President and CEO, Center for Strategic & International Studies (CSIS); 26th Deputy Secretary of Defense; former Under Secretary of Defense (Comptroller)/Chief Financial Officer

**Ms. Linnie Haynesworth**, Sector Vice President and General Sector Vice President and General Manager Cyber and Intelligence Mission Solutions, Northrop Grumman

**BG Jered Helwig**, USA, Director, Logistics and Engineering, J-4, U.S. Indo-Pacific Command (USINDOPACOM)

**Mr. Tom Henry**, Lead for DLA Clean Sheet Review, ODCAPE

**Ms. Erin Hill**, Chief Administrative Officer, Bank of New York Mellon

**Mr. Andrew Hunter**, Senior Fellow, International Security Program and Director, Defense-Industrial Initiatives Group, CSIS; former Chief of Staff, Office of the Under Secretary of Defense for Acquisition & Logistics

**Mr. Jeff Jones**, Vice Director, Command, Control, Communications, and Computers (C4)/Cyber and Deputy Chief Information Officer, J-6, Joint Staff (JS)

**Ms. Lauren Knusenberger**, Deputy Chief Information Officer, SAF/CN, Office of the Secretary of the Air Force

**Mr. Bryson Koehler**, Chief Technology Officer, Equifax Inc.

**Ms. Ruth Youngs Lew**, Program Executive Officer for Enterprise Information Systems (PEO EIS), Department of the Navy

**MGen David Maxwell**, USMC, Vice Director for Logistics, J-4, JS

**Mr. Tony Montemarano**, Executive Deputy Director, DISA

**VADM Nancy Norton**, USN, Director, DISA

**Mr. Peter Potochney**, Principal Deputy Assistant Secretary of Defense for Sustainment, Office of the Under Secretary of Defense for Acquisition and Sustainment

**MGen Arnold Punaro**, USMC (ret.), Chief Executive Officer, The Punaro Group; Chairman, Reserve Forces Policy Board

**Mr. Michael Scott**, Vice Director, DLA

**ADM Gary Roughead**, USN (ret.), Robert and Marion Oster Distinguished Military Fellow at the Hoover Institution; 29th Chief of Naval Operations

**HON Alan Shaffer**, Deputy Under Secretary of Defense for Acquisition and Sustainment, OUSD(A&S)

**Maj Gen Robert Skinner**, USAF, Director, Command, Control, Communications and Cyber (C4), J-6, USINDOPACOM

**VADM Michelle Skubic**, USN, Director, DLA

**Mr. Atul Vashistha**, Chairman, Supply Wisdom & Neo Group

**Mr. Rob Williamson**, Acting Director, Defense Wide Program Office (DWPO), ODCMO

**HON Robert Work**, Senior Counselor for Defense and Distinguished Senior Fellow for Defense and National Security, Center for a New American Security (CNAS); 32nd Deputy Secretary of Defense; 31<sup>st</sup> Undersecretary of the Navy



# Deliberations and Vote DLA & DISA Charter Review Study