



**Report to the Senior Executive Council,
Department of Defense**

MANAGEMENT AGENDA TASK GROUP

Report FY04-4

- **Recommendations related to business management priorities for the Secretary of Defense**

February 2005

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MANAGEMENT AGENDA TASK GROUP REPORT

TASK

In support of the Department's ongoing transformation efforts, and at the request of the Director, Program Analysis and Evaluation, and the endorsement of the Under Secretary of Defense (Comptroller), the Defense Business Board (DBB) formed this Task Group to assess and make recommendations to the Department of Defense on management priorities for the next four years. The ultimate objective of this work is to provide the Department's leadership with a prioritization of management initiatives that will contribute to the continuing process of defense transformation well into the future.

The Task Group should deliver the following:

1. A comprehensive prioritization of the most critical areas/initiatives requiring management attention in the Department of Defense during the next four years. This list should be drawn from the four primary areas of DBB focus over the past three years: human resources, financial management, acquisition reform, and general management.
2. Recommendations on the most effective way to address/resolve each of the critical areas cited above. This should include broad recommendations related to organizational design, leadership and accountability, and realistic expectations for progress.

Task Group Chairman: Denis Bovin

Task Group Members: Neil Albert, Fred Cook, James Kimsey, Arnold Punaro,
Dov Zakheim, Mort Zuckerman

Task Group Sponsor: Ken Krieg, Director, Program Analysis and Evaluation

Task Group DoD Liaison: Ken Krieg, Director, Program Analysis and Evaluation

Task Group Executive Secretary: Thomas B. Modly, DBB

PROCESS

The Task Group held a kick off meeting on October 6, 2004 in New York to gather background information from prominent individuals and organizations which have studied and analyzed the problems facing the Department. The Task Group extends its sincere gratitude to Mr. Clark Murdock and his colleagues from the Center for Strategic and International Studies for sharing their analysis and recommendations from their study, “Beyond Goldwater-Nichols: Defense Reform for a New Strategic Era Phase 2 Status Report.” The Task Group also extends its appreciation to General Chuck Boyd (USAF, ret.) and his colleagues from Business Executives for National Security for sharing their views of the key management agenda topics facing the Department.

The Task Group presented an outline to the Deputy Secretary of Defense in November 2004 that highlighted six main topic areas at the core of transformational change in the Department. They were:

- Governance and Organization
- Human Resources
- Management Information/Financial Operations
- Base Realignment and Closure (BRAC)
- Supply Chain/Acquisition Reform
- Proactive Management of Healthcare

The Board reviewed these six main topic areas, and briefed the Deputy Secretary of Defense in February 2005 on three fundamental priorities that it believes will drive transformational change for the Department and that will require the Secretary’s personal attention and highest priority.

RECOMMENDATIONS

The DBB reviewed the six main topic areas, and believes there are three fundamental priorities that will drive transformational change for the Department and that will require your personal attention and highest priority. Details of these recommendations can be found in the attached final presentation.

- **Fix the Department's Organizational Structure**

- Assess the current functional management challenges of the Department of Defense with the goal of establishing clear lines of authority, responsibility and accountability for OSD, the Joint Staff, and the Military Departments.
- Examine and decide what changes in the Department's current governance structure are required to transform DoD into an operating organization with clear implementation authorities to achieve strategic objectives that you have defined for the Department.

- **Drive Key End-to-End Business Process Improvements Across each of the Five Business Missions of the Department**

Personnel Management
Weapons Systems Acquisition and Sustainment
Real Property Lifecycle Management
Materiel and Service Supply Management
Financial Management

- Consistent with ongoing operational transformation to achieve joint warfighting capabilities, require the leaders for each business mission area to prioritize and implement measurable, end-to-end business process improvements within their respective areas that will support the warfighter.

- **Transform the Management of the Civilian Workforce**

- Develop and implement a new model for managing civilian personnel to include Department-wide recruiting, succession planning, career development, performance management and pay-for-performance for SES and upper-level GS employees that cascades departmental objectives into all levels of the organization.

Defense Business Board

As stated in the DoD 2003 Transformation Planning Guidance, “we must envision and invest in the future today, so we can defend our homeland and freedoms tomorrow.” The DBB believes that the preceding three issues are the most critical to this process. By clarifying the lines of authority and responsibility within the Department, orienting business process improvements towards enhancing warfighter effectiveness, and modernizing the management of the Department’s professional civilian force, the Secretary will lay a strong foundation for building a “culture of continual transformation.” Specific action plans with clear accountability and metrics should be developed in these areas.

Respectfully submitted,

Denis A. Bovin
Task Group Chairman

Attachments:
As stated



DEFENSE BUSINESS BOARD

Management Agenda Task Group

**Final Report
February 2005**



DBB Task Group

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In support of the Department's ongoing transformation efforts, the DBB was asked to assess and make recommendations to the Department on management priorities for the next four years.

Terms of Reference Objectives

1. A comprehensive prioritization of the most critical areas/initiatives requiring management attention in the Department of Defense during the next four years. This list should be drawn from the four primary areas of DBB focus over the past three years: human resources, financial management, acquisition reform, and general management.
2. Recommendations on the most effective way to address/resolve each of the critical areas cited above. This should include broad recommendations related to organizational design, leadership and accountability, and realistic expectations for progress.



DEFENSE BUSINESS BOARD

Task Group Objectives **Process** Observations Recommendations Next Steps

- October 6, 2004 Task Group kick-off meeting and briefings in NYC
 - Center for Strategic and International Studies
 - Business Executives for National Security
- November 17, 2004 presentation to the Deputy Secretary of six main topic areas at the core of transformational change in the Department
- February 10, 2005 presentation to the Deputy Secretary of three fundamental priorities that it believes will drive transformational change for the Department and that will require the Secretary's personal attention and highest priority



- The Secretary will lay a strong foundation for building a “culture of continual transformation” by:
 - Clarifying the lines of authority and responsibility within the Department
 - Orienting business process improvements towards enhancing warfighter effectiveness
 - Modernizing the management of the Department’s professional civilian force
- Specific action plans with clear accountability and metrics should be developed in these areas



Recommendations



Critical Areas Requiring Management Attention

- **Governance and Organization**
- **Human Resources**
- **Management Information Systems/Financial Operations**
- **Proactive Management of Healthcare**
- **Supply Chain / Acquisition**
- **Base Realignment and Closure**



GOVERNANCE AND ORGANIZATION

Goal: *Establish clear lines of authority, responsibility and accountability for OSD, the Joint Staff, and the Military Departments and identify a senior leader with the authority to manage the day-to-day business operations of the Department.*

Key Objectives for the Next Four Years to achieve this goal:

- Assess the current functional challenges of the Department of Defense
- Pursue a theme of tiered accountability between Component & OSD-level responsibilities with the goals of improving joint interoperability and reducing duplicative support staff functions
- Examine and decide what changes in the Department's governance structure would achieve the above-stated goals
- Consider the following scenarios, collectively and on individual merit:
 - Creation of a Chief Management Officer
 - Reorganization of DoD around investment/execution; policy; and finance functions
 - Broadening of the roles of the Service Secretaries to include certain cross-Departmental responsibilities and staff them accordingly
 - Broadening of the jurisdiction of the newly legislated Defense Business Systems Management Committee to lead Department-wide business transformation efforts



HUMAN RESOURCES

Goal: *Match the transformation of the military with a more agile, innovative, high-performing and results-oriented civilian leadership and workforce.*

Key Objectives for the Next Four Years to achieve this goal:

- Effectively and expeditiously implement NSPS legislation
- Develop and implement an objectives-based performance management system for DoD's civilians that is tied to organizational goals set by the Secretary of Defense
- Institute Department-wide civilian personnel capabilities assessment and succession planning for GS-13 and above
 - Consider raising the performance bar for those in mission-critical positions and foster expedited career development for high performers
 - Develop a more effective process for identifying poor-performing employees, informing them of their need for improvement, and then either helping them meet job requirements, moving them to another more suitable position, or separating them in a fair manner, with transitional assistance to other employment or to retirement



MANAGEMENT INFORMATION SYSTEMS / FINANCIAL OPERATIONS

Goal: *Implement a Department-wide strategy to modernize management information systems to ensure timely and accurate asset, financial and human resource visibility across DoD.*

Key Objectives for the Next Four Years to achieve this goal:

- Clarify the mission, goals and objectives of BMMP and communicate these across the Department
- Implement a process for senior-level control over information technology investments – to include the creation of a business-oriented Chief Information Officer (not a CTO) with stronger oversight responsibility for business systems investments across the Department
- Define “financial success” in relation to near-term, manageable progress that can be leveraged to achieve longer-term goals



PROACTIVE MANAGEMENT OF HEALTHCARE

Goal: *Maintain the efficiency and reduce the cost of DoD's health care for reservists, retirees and their dependents.*

Key Objectives for the Next Four Years to achieve this goal:

- Stabilize and clarify funding (current mix and future) for the Department's growing health care costs, especially for retirees and their dependents and for reservists
- Chart the growing complexity of mandates for health coverage under Tricare for retirees and reservists and provide a clear understanding to decision-makers regarding the financial implications of those mandates
- Develop alternative models for the delivery and financing of health care for the department of defense
- Explore recommendations for closer collaboration and partnerships with the Veterans Administration for a more overall efficient and cost effective health care for retirees, reservists and veterans



SUPPLY CHAIN / ACQUISITION

Goal: *Collect and promote across the Services the sharing of leading edge commercial tools, philosophies and measurements to improve product development, quicken product deployment and reduce overall product life-cycle costs.*

Key Objectives for the Next Four Years to achieve this goal:

- Identify a single point-of-contact for the leadership of the DoD supply chain
- Implement LEAN Management principles throughout the Department's supply chain
- Implement new acquisition rules for the purchase of commodities, commercial-off-the-shelf-solutions (COTS) and services



BASE REALIGNMENT AND CLOSURE

Goal: *Continue to aggressively explore methods for more efficiently and effectively identifying, managing and using the Department's fixed assets.*

Key Objectives for the Next Four Years to achieve this goal:

- Provide Congress a BRAC list that reflects both current warfighting requirements, as well as, future transformation needs, i.e., taking into consideration areas that could benefit from MIS improvements and that effectively utilize capabilities-based planning
- Implement a coordinated strategy for constructive engagement with Congress, state governments, local community leaders and businesses, and local base commanders and outplacement assistance firms
- Develop a plan and mechanism to track investments and resources that will be required to close facilities, to capture long-term net savings to the Department