

Testimony of
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Chairman McCain, Ranking Member Reed, distinguished members of this committee, I am invigorated to testify before the Senate Armed Services Committee addressing the topic "Managing the DoD".

Upon graduating from a liberal arts college with a degree in economics in 1976 I entered the Marine Corps and spent six and a half years on active duty. I then transitioned out and entered the private sector building a career that was focused on finance and operations. In February of 2008, after regular prodding from fellow Marine and friend Sen. Jim Webb, I found myself in the SecDef's Conference room as a member of the Defense Business Board. The following six years proved to be one of the most exciting and educational experiences to which I have been exposed. I was involved with task group assignments ranging from logistics to technology to personnel. I was "lucky" enough to chair reviews of the uniformed members benefits and retirement systems. The outcomes range the full gambit from success to silence, but in every case the conversation was started, and as this committee hearing proves, the conversation continues.

You have asked what primary attribute makes outstanding organizations sustainable. In a recent task completed by the DBB two years ago we interviewed about 20 Fortune 250 CEO's who had lead critical turn arounds for their respective companies. In the clear supermajority of cases they stated that their success was based upon a laser like focus on the mission of the organization. When it comes to the subject of enhancing the operation of the Department of Defense my point of view is concentrated on one thing: the mission. The mission of the Department of Defense is to provide the military forces needed to deter war and to protect the security of our country. The Department is charged to protect the citizens of the United State of America. The Department is not an entity to support full employment, nor is it a petrie dish for managerial or social experiments, and today it certainly cannot afford to be all things to all people as it strives to support its mission. When corrective or constructive actions are applied within the Department we must keep the mission clearly in focus. Recent studies have show that there are numerous operational areas within the DoD

where equal if not better external solutions can be provided more effectively and more efficiently, but they will involve heavy lifting and in many cases unsavory political decisions. From my point of view fortitude and leadership are the two most important ingredients needed to enhance the operation of the DoD.

As an early outsider, attempting to understand “The Building” and the attendant issues of an ecosystem so immense in size, diversity and span was akin to drinking from a fire hydrant. One walked away with an appreciation for the organization’s communication, neuro, digestive and equally important immune systems. What impressed me the most, both historically and presently, is the core competency of the Department’s ability to solve problems associated with it’s mission. Since inception the Department has been tasked with the execution and support of daunting goals. In the early years they were trail blazers, providing unique, successful solutions for their organization that was similar to none. But therein lies the rub today. Progress in the private sector increased at a logarithmic rate. The solutions, in many cases, were immortalized with no call for current benchmarking or impact assessment, and as the private sector became equally as good if not better industry specific problem solvers there was little ability in the Building nor cultural inquisitiveness to compare core competencies. Cases in point: the Commissary system was a solution to provide basic consumables to bases and posts that were off the beaten path, DoD Education was a solution for dependent education during the days of segregation, DLA was born from a diverse cabal of buyers and distributors of resources, maintenance depots created to repair unique systems, research labs, personnel management the cases are numerous. That was then, this is now.

Rather than attempt to boil the ocean lets look at a few examples of actions that can be taken internally and externally. You heard earlier this month that one should not expect candlestick makers to develop electricity. In many cases external forces are needed to motivate organizations to change. There are few examples of group’s that have voluntarily downsized themselves or self selected to cease doing

business. This committee and the Congress have the ability to provide some elegantly clean solutions to certain issues at hand while freeing resources to be used in more meaningful initiatives within the DoD. Here are some topics to consider:

Depot Maintenance - The uniqueness of depot maintained equipment has been devolved to the sum of the standardized systems (the engine in a tank, the transmission in a tug). Let those organizations having expertise in the systems provide the needed maintenance. The mission of the DoD is security not repair.

Commissaries - The attachment is a response from one retailer who was asked if they could provide a sustainable solution for the Commissary network in CONUS. Here is an example of an organization with a well developed core competency being able to offer an equal if not better service more efficiently than the existing system. The mission of the DoD is defense not retailing.

Defense Logistics Agency - Arguably one of the better run organization in the DoD community, but there is room for improvement. The DBB task group addressing DOD Logistics interviewed a multitude of organizations that were highly dependent upon their supply chain (retailers, manufacturers, assemblers) and their responses were constant; supply chain management is a critical contributor to the value of the enterprise. As example, upon restructuring their supply chain and instituting strategic sourcing IBM believes their logistical efficiency adds \$16B in value to the enterprise while providing a competitive advantage over others in their industry. In every case we saw that there was one person ultimately responsible for the organization's logistics. The DoD should strive for the same efficiencies and have a Chief Logistics Officer combining both the acquisition and distribution of resources under one command. The mission of the DoD is to deter war not retain the status quo.

DOD Education Activity (CONUS) - It can be said that DoDEA (CONUS) is the largest school district in the country. It has served its

purpose well, but is it needed now? The argument has been put forward that there would be mutual benefit in the having military families integrated with their civilian counterparts. The mission of the DoD is security not education.

BRAC - Any time the DoD is need to dispose of assets it should be considered and acted on appropriately. It is the right thing to do. The DoD mission is protect the citizens of the United States not provide local employment.

Let me quickly address, what I believe is, one of the largest internal issue within the Department. Successful organizations state that the quality of their employees is the driver for their performance. Human capital is a critical component of success. DoD, still using the 1950 departmental title of Personnel, needs to address this issue in earnest. I do not want to steal any thunder from my colleague from CVS who is an expert in this area, but we owe it to the Department to put a light on topic. On the civilian side we need to adopt meaningful management performance measurement tools, and education managers on how to use the tool in order to craft a high performance GS and SES cadre. To quote a hard charging GS-14 we interviewed "How can the Building compete for the best and brightest if the strategy for long term success and promotion is "Just Don't Die"? On the uniformed side P&R needs to provide the tools and technology, such as performance based benefits optimization, to the services so they have ability to understand and react to the needs of the service member on a real time basis just as the private sector does today.

These topics are simply the tip of the iceberg. We must move the conversations to action in order for the Department to efficiently and effectively support their mission. I stand by to assist in any way possible.