



Secretary of Defense Corporate Fellows

Final Outbrief

Academic Year 2011-2012





Agenda

Secretary of Defense Corporate Fellows

- **Program overview**
- **Industry trends & recommendations for DoD**
- **Further discussion / Q&A**
- **Individual corporate experiences (Appendix)**



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SDCFP Background

Secretary of Defense Corporate Fellows

- **SECDEF concerns for future Service leaders**
 - Open to organizational and operational change
 - Recognize opportunities made possible by info tech
 - Appreciate resulting revolutionary changes underway
 - Affecting society and business now
 - Affecting culture and operations of DoD in future
- **Businesses outside DoD successful in:**
 - Adapting to changing global environment
 - Exploiting information revolution
 - Structural reshaping/reorganizing
 - Developing innovative processes



SDCFP Background

Secretary of Defense Corporate Fellows

- **DoD needs effective access to best executive level business practices applicable to operations & support**
 - Strategic Planning
 - Organization
 - Change Management
 - Human Resources
 - Information Technology
 - Supply Chain
 - Outsourcing
- **Infrastructure approximately 2/3 of DoD Budget**
 - Reforms generate savings
 - Savings applicable to operational shortfalls



SDCFP Organization

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- **Two or more officers from each Service**
 - High flag/general officer potential
 - O-6 or O-5
 - Senior Service College credit
- **Group Education**
 - Current political/military issues; leading edge technologies
 - Meetings with senior DoD officials, business executives, Members of Congress, the press, former sponsors, alumni
 - Graduate business school Executive Education
- **Nine - Twelve Months at Sponsoring Company**
- **Permanent Staff**
 - SDCFP Director
 - Deputy Chief Management Officer for oversight
 - National Defense University for Admin support
 - *www.ndu.edu/sdcfp/index.htm*



SDCFP Sponsors

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- **Prior Years**

3M, ABB, Accenture, Agilent Technologies, American Management Systems, Amgen, Apple, Boeing, Booz Allen, CACI, Caterpillar, Cisco, CNN, Deutsche Bank, DirecTV, DuPont, EADS, Enron, ExxonMobil, FedEx, General Dynamics, Google, Hewlett-Packard, Honeywell, Human Genome Sciences, IBM, Insitu Group, iRobot, Johnson & Johnson, Lockheed Martin, Loral, McKinsey & Co., McDonnell Douglas, Merck, Microsoft, Mobil, Netscape, Oracle, Northrop Grumman, Pfizer, Pratt & Whitney, PricewaterhouseCoopers, Raytheon, Sarnoff, Sears, Sikorsky, Southern Company, SpaceX, SRA International, Sun Microsystems, Symbol Technologies, Vertex Aerospace

- **Current Year (2011-12)**

3M, Booz Allen, CACI, Cisco, FedEx, Honeywell, Johnson & Johnson, Northrop Grumman, Oracle, Raytheon, Shell, Southern Company, SRI, Union Pacific

- **Next Year**

Accenture, Blackbird Technologies, Boeing, Caterpillar, Deutsche Bank, DuPont, EADS, ExxonMobil, General Dynamics, Google, iRobot, JPMorganChase, Lockheed Martin, Merck, NCR, Pratt & Whitney



SDCFP Products

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- **Build a cadre of future leaders who:**

- Understand more than the profession of arms
- Understand adaptive and innovative business culture
- Recognize organizational and operational opportunities
- Understand skills required to implement change
- Will motivate innovative changes throughout career

- **Report and Briefings directly**

- DEPSECDEF, VCJCS, Service Secretaries & Chiefs, 20+ others
- Business insights relevant to DoD culture/operations
- Recommended process/organization changes



SDCFP Results

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- **Program objectives fulfilled**

- Education

- DoD, individual officers, Sponsors

- More Sponsors than Fellows available

- Intra-group experience sharing

- Group visits with sponsor CEO's and senior leadership

- **Unique corporate experience**

- Strong corporate support

- Executive/operational level duty mix

- Mergers/restructuring

- Unexpected challenges, valuable insights



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“And we must transform not only our own forces, but also the department that serves them by encouraging a culture of creativity and intelligent risk taking. We need to promote a more entrepreneurial approach to developing military capabilities, one that encourages people--all people--to be more proactive and not reactive, to behave somewhat less like bureaucrats and more like venture capitalists...”

SECDEF Remarks

National Defense University

31 January 2002



Fellows and Sponsors

Secretary of Defense Corporate Fellows

LtCol Douglas Glasgow, USMC

CAPT Jeffrey Elder, USN

Lt Col Alvin Burse, USAF

COL Paul Owen, USA

CDR Christopher Middleton, USN

Lt Col Rebecca Gray, USANG

LTC John Muller, USARNG

CDR Daniel Evans, USN

Col Michael Koscheski, USAF

COL Charles Hamilton, USA

Lt Col Matthew Durham, USAFR

LtCol Matthew Baker, USMC

CAPT Michael Peoples, USN

Col Michael Greiner, USAF

3M Company, St. Paul, MN

Booz Allen Hamilton, McLean, VA

CACI International, Arlington, VA

Cisco Systems, Inc., San Jose, CA

FedEx Express, Memphis, TN

Georgia Power, Atlanta, GA

Honeywell Aerospace, Phoenix, AZ

Johnson & Johnson, New Brunswick, NJ

Northrop Grumman, Linthicum, MD

Oracle Corporation, Reston, VA

Raytheon Company, McKinney, TX

Royal Dutch Shell, Houston, TX

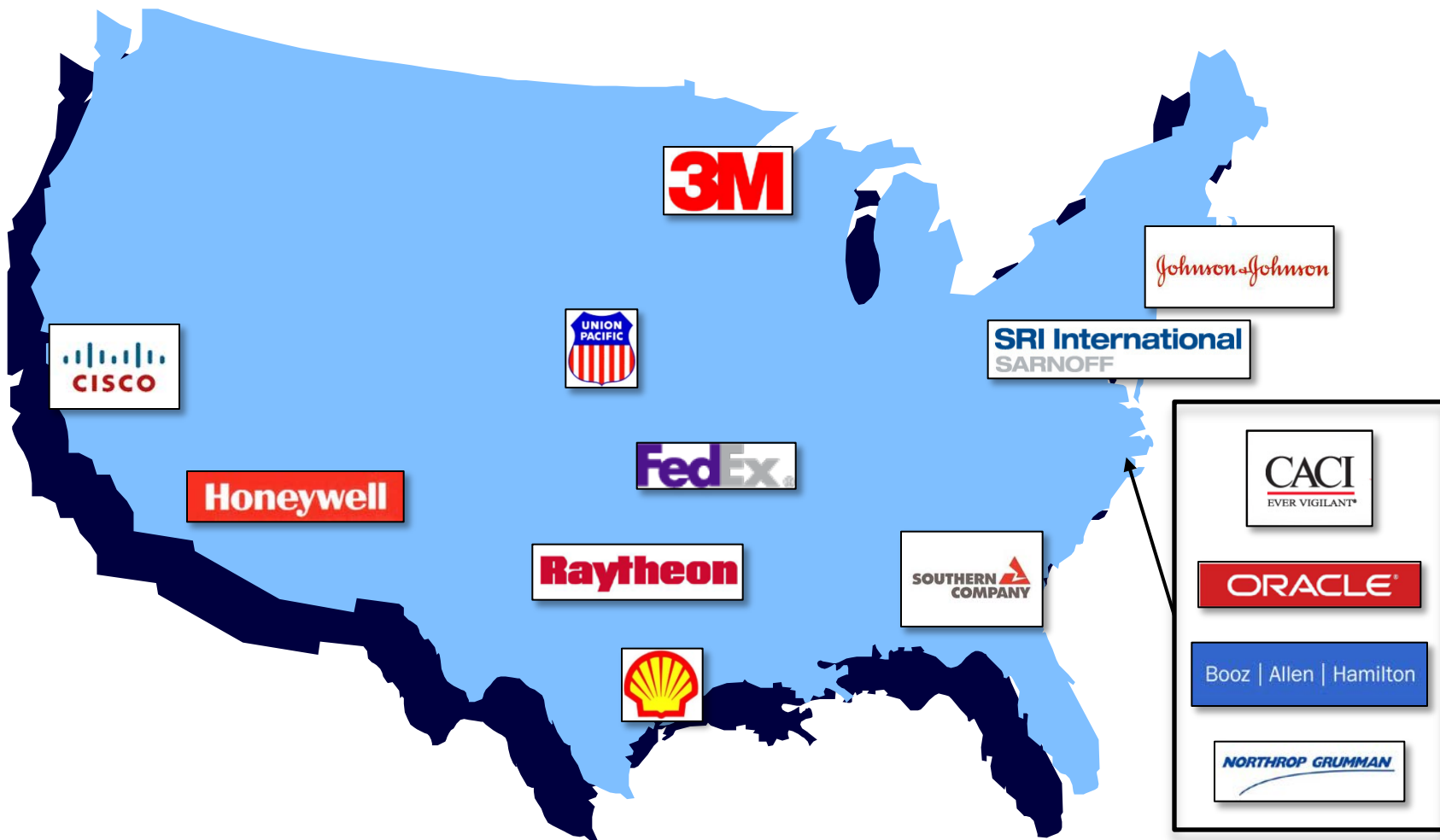
SRI International/Sarnoff, Princeton, NJ

Union Pacific Railroad, Omaha, NE



2011-2012 Corporate Sponsors

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Agenda

Secretary of Defense Corporate Fellows

- Program overview
- Industry trends & recommendations for DoD
- Further discussion / Q&A
- Individual corporate experiences (Appendix)



Focus Areas

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1

Developing Strategic Leaders

2

Veterans Employment

3

Federal Acquisition System



Developing Strategic Leaders

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **Highly competitive environment**

- Fortune 500 volatility dramatically increased since 1995
 - 87% of 1997 Fortune 500 companies no longer on it

- **Sustained success requirements**

- ***Innovation*** and ***Operational Excellence*** balanced
- Innovative leaders actively encouraged
 - Established HR programs
 - Rewards for diverse experiences
- High potential employees identified early
 - Development targeted



Developing Strategic Leaders

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Corporate Culture Drives Innovation

Formally Stated

VS.

Implied

C-LEAD AT-A-GLANCE

Leading a successful business in the face of chaos requires a unique combination of capabilities. These capabilities are defined in Cisco's C-LEAD.

Themes	Theme Definition	Competencies and Capabilities Definition
Collaborate	Connecting with customers, partners, suppliers, and colleagues – across functions as well as geographic to achieve significant results.	<ul style="list-style-type: none"> Working Across Boundaries: Involve customers, partners, suppliers, and groups from enterprise to develop strategy and maximize results. Engaging Others: Motivate others to align with and execute against the organization's objectives. Earning Trust: Earn the confidence of others through open communication and behavior.
Learn	Building Cisco's capabilities by continuing to develop own and others' skills.	<ul style="list-style-type: none"> Developing Self: Continue to develop the leadership and technical/functional capabilities needed to achieve results for Cisco. Developing Others: Help others develop the capabilities needed for individual career growth and effective leadership at Cisco.
Execute	Deliver by the team	<p>LIVE OUR CREDO</p> <p>Demonstrate and inspire the behaviors that reinforce Our Credo.</p> <ul style="list-style-type: none"> Serve as a role model for making Credo-based decisions Create a trusting, collaborative, and ethical work environment Maintain the highest standards of quality, compliance and accountability Champion programs and initiatives that support our environment and communities
Accelerate	Develop capabilities	<p>CONNECT</p> <p>Develop deep insights into the needs of our patients, customers, markets and communities.</p> <ul style="list-style-type: none"> Cultivate external relationships and partnerships Be insight-driven to uncover unmet needs Forge internal collaboration across all levels of the enterprise
Disrupt	Provoke change	<p>SHAPE</p> <p>Drive innovation, anticipate and shape industry and market changes to advance health care globally.</p> <ul style="list-style-type: none"> Translate insights into viable products and solutions that create value Challenge the status-quo; lead and Take and manage risks

Accelerate Disrupt

Johnson & Johnson

CONNECT

Develop deep insights into the needs of our patients, customers, markets and communities.

- Cultivate external relationships and partnerships
- Be insight-driven to uncover unmet needs
- Forge internal collaboration across all levels of the enterprise

SHAPE

Drive innovation, anticipate and shape industry and market changes to advance health care globally.

- Translate insights into viable products and solutions that create value
- Challenge the status-quo; lead and
- Take and manage risks

LEAD

Create an environment where development is top priority.

- Take ownership for talent acquisition, performance and development of self and others
- Maximize the power of diversity and inclusion
- Engage in transparent and constructive conversations

Shape

3M Innovation Story

3M 15% Time

- It is a culture/philosophy not a time sheet measurement
- Enables employees to explore new technologies and/or new markets
 - Usually related to existing work
- Enables employees to leverage technical specializations
- Does not need management approval
- Teaches employees leadership and new skills
- Diversity in how employees utilize their 15% time

Many innovative 3M products were initially developed with 15% Time

Free Time to Innovate

Additional Criteria for Evaluating High Potential Employees

Aspiration

The extent to which an employee wants or desires:

- Advancement and influence
- Financial rewards
- Work-life balance
- Overall job enjoyment

Engagement

Engagement consists of four elements:

- Emotional Commitment** – The extent to which employees value, enjoy and believe in their organization.
- Rational Commitment** – The extent to which employees believe that staying with the organization is in their best interest.
- Discretionary Effort** – Willingness to go above and beyond the call of duty.
- Organizational Identification** – The extent to which employees identify with the organization.

Ability

A combination of the innate characteristics and learned skills that an employee utilizes to carry out their day-to-day work. Innate characteristics include memory/cognitive ability and emotional intelligence while learned skills include technical, functional, and interpersonal skills.

Emotional Intelligence

Emotional intelligence is the ability to identify, understand, and manage one's own emotions and the emotions of others.

Questions to ask:

- Does the employee seem to assume more responsibility year after year?
- Is the employee willing to make difficult work-life tradeoffs to further the business?
- Does the employee strive to be recognized within and outside the organization?
- Does the employee display initiative to take on responsibilities outside their role?

Emotional Intelligence

Results the UP Way!

Engage

- Communicate
- Build common vision and commitment

Empower

- Define the limits
- Give responsibility and supply tools

Support

- Build the team
- Demonstrate respect

Standardize

- Create standard work – Leader, Team

Celebrate & Repeat

Standardized Work

Standardized Work

LOYALTY Bear true faith and allegiance to the U.S. Constitution, the Army, your unit, and other Soldiers.

DUTY Fulfill your obligations.

RESPECT Treat people as they should be treated.

SELFLESS SERVICE Put the welfare of the Nation, the Army, and subordinates before your own.

HONOR Live up to all the Army Values.

INTEGRITY Do what's right—legally and morally.

PERSONAL COURAGE Face fear, danger, or adversity (physical or moral).

Personal Courage



Developing Strategic Leaders

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **DoD unbalanced toward Operational Excellence**
- **Officer Experiences**
 - Operational Excellence = “Operator” / “DC Experience”
 - Innovation = “Strategist” / “Scholar”
- **Innovation/strategy experiences informally discouraged**
 - Emphasis on operational assignments
- **High Potentials channeled into operational assignments**



Developing Strategic Leaders

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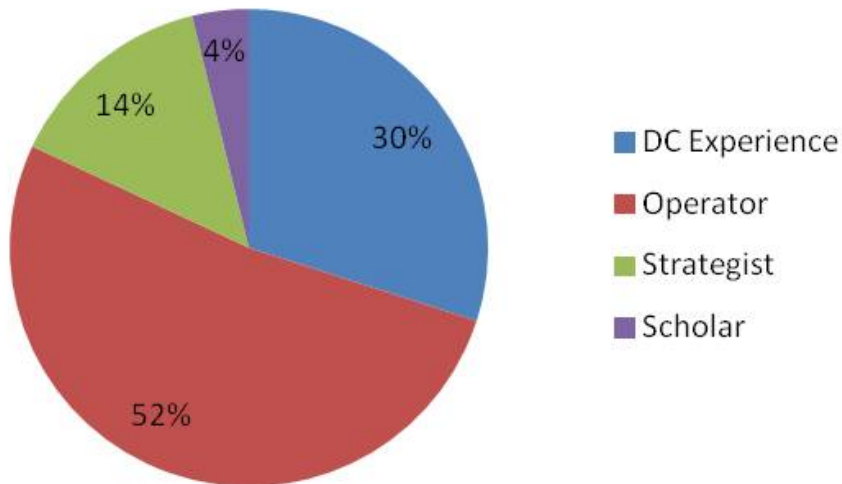
Industry Trends

DoD Practices

Recommendations

Impact of Implementation

Flag Officer Assignment Experience



- Operator focus trends across all services
- 82% Operator Leaders
- 18% Innovation Leaders

• Information derived from accessing Active Duty Flag Officers from General Officer Management Office website: <https://www.gomo.army.mil/ext/portal/ResumeArchive> (accessed multiple times between February and May 2012).



Developing Strategic Leaders

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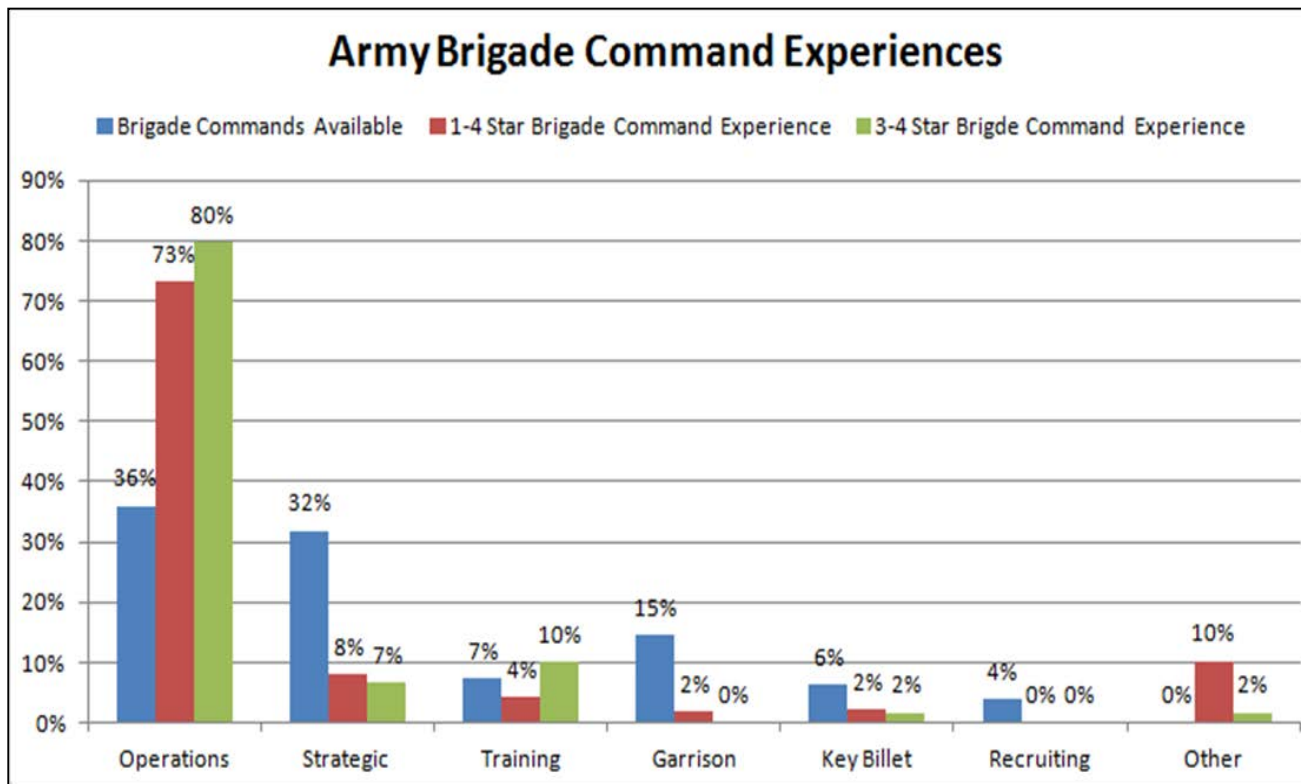
Industry Trends

DoD Practices

Recommendations

Impact of Implementation

- **Army GO population dominated by Operations Brigade Commanders**



• Information derived from General Officer Resumes, <https://www.gomo.army.mil/ext/portal/ResumeArchive.aspx> (accessed multiple times February 2-12 February 2012).



Developing Strategic Leaders

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **Identify “High Potential Leaders” early in career**
 - Less than 10 years of service
- **More “Broadening” assignments for High Potentials**
- **“World Class Warrior” operational excellence**
 - Must sustain as cultural foundation for Strategic Leaders in all Services
 - More Strategic Leaders with innovation experience needed
 - Now: 90% Operator, 10% Innovator
 - Goal: 75% Operator, 25% Innovator



Developing Strategic Leaders

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **More Strategic Leaders with innovation experience**

- Creates a more diverse corps of Strategic Leaders
 - More capable of identifying Transitions in Warfare
 - More credibility to drive innovative changes in the Force
- Enables a more innovative culture throughout the military
 - All levels of leadership
- Increases the probability of being prepared for future conflicts



Veteran Employment

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Industry Trends

DoD Practices

Recommendations

Impact of Implementation

- **Demand for talent**

- Aging workforce
- Technical training and experience / behavioral skills
- Diversity (military as an Affirmative Action Group)

- **Supply of talent**

- Out of position geographically
- Limited number willing to do “hard” work
- Behavioral skills wanting
- Limited technical/vocational system

- **Perception of Military**

- **WEAK** or need help (high unemployment, mental health issues)
- Lingering stereotypes; especially from HR community and older employees
- Major corporations focus on Junior Officers



Veteran Employment

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **Transition Assistance Program (TAP) Issues**

- All participants taught how to draw unemployment ... **AS A BENEFIT**
 - Many take in conjunction with GI Bill
 - Guard & Reserve also working employment issues
- All or nothing approach to employer access

- **Confusing number of websites and programs**

- Government, Private and Military Services . . .

- **Messaging to the public “Veterans and their spouses need help”**

- Unemployment figures doing more harm than good
- Vast majority are stronger for having deployed, not weaker

- **Education for employers absent**

- How to translate military resume into equivalent civilian jobs covered
- No effort to help companies translate their requirements



Veteran Employment

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **Transition Assistance Program**

- Immediately review unemployment compensation training syllabus
- Examine unemployment statistics and disseminate
- Encourage employer access as a training tool (for vets and employers)

- **Change DOD messaging – “Veterans are a NATIONAL ASSET”**

- **Website and program control:**

- VA lead (GI Bill tie in, background, official endorsement mandate)
- Joint Site serving all branches oriented on veterans

- **Education for employers**

- Instructional web site (Under VA control)
- Increased invitational events and targeted Mobile Training Teams

- **Prioritize civilian standards and certifications for military training**



Veteran Employment

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **Lower unemployment claims to the services**
- **Efficiency and cost savings**
 - Reduced number of initiatives will expand capacity
 - Existing Post 9/11 GI Bill benefits leveraged
 - Leverage existing Guard and Reserve programs
- **Recognition that veterans are a *NATIONAL ASSET***
- **America's corporations stronger and more diverse**



Defense Acquisition System

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **Common corporate characteristics**

- Survival depends on being efficient and effective
 - Delicate balance between Customers & Shareholders
- Streamlined and matrixed organizational structures
- Cultures promote innovation
- Focused on outcomes and the “bottom line”
 - Processes are flexible and agile
 - Corporate level integrated business solutions

- **Corporations that rely on federal contracts**

- Driven by federal acquisition processes and procedures
- Can handle smaller defense budgets, but not continued uncertainty



Defense Acquisition System

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **Lack of alignment and collaboration between key stakeholders**

- Acquisition/Requirements/Users/DCMA/DCAA
- Disagreement on priorities and requirements
- Contracting and Programmatic communities at crossed purposes

- **Rigid policies and processes impeding best business practices**

- Flexibility and agility in the acquisition system limited
- Cost overruns, slipped schedules and performance shortfalls
- Lock-in older, less efficient technology

- **Services contracts**

- Greater than 50% of all DoD contracts
- Government specifies FTE #'s vs. requirements, which increases costs



Defense Acquisition System

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **Development contracts**

- DoD says it wants “**best value**” solutions
 - But, contracts awarded based on “**lowest cost**”
- Contractors do not bid if no \$\$ benefit to winning a “lowest cost” contract

- **DoD wants high quality solutions for each acquisition process phase**

- But, winners barred from competing in consecutive phases
 - Drives inefficiency; increasing risk and cost
 - Drives decisions not to bid on system design and development contracts
 - Production and sustainment phases seen as paths to higher revenues



Defense Acquisition System

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Industry Trends

DoD Practices

Recommendations

Impact of Implementation

- **“Acquisition Reform” is not needed; “Acquisition Leadership” is...**
 - Change the culture and force key stakeholders to collaborate
 - Remove or rewrite policies that prevent best business practices
 - Build a partnership environment with end-to-end metrics
 - Emulate private sector focus on greater efficiency
- **Recognize the unintended consequences of policy and actions**
- **Modify budgets for services contracts**
 - Based on what DoD is willing to spend to achieve specific outcomes
 - Full-time equivalents should be a derived value, not a specified value
- **Leverage depot rebuilds**
 - Improve reliability, maintainability, sustainability and fuel efficiency



Defense Acquisition System

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Industry Trends

DoD Practices

Recommendations

Impact of
Implementation

- **Acquisition culture redefined**

- Clear strategies/goals to guide acquisition professionals
- Existing federal organizations collaboration agreements improved

- **Acquisition solutions that are enterprise solutions**

- Key acquisition milestone/requirements meetings modified
- Integrated solutions with each organization reporting ensured

- **Streamlined acquisition behaviors**

- Reduced decision times and increased budget savings

- **Realize fuel savings from new technologies**

- 25% possible for M1 series tank



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- **Program Overview**
- **Industry trends & recommendations for DoD**
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3M Company

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• Innovation Company

- Revenue - \$26.6B (65% International)
- Net Income - \$4.0B
- R&D Investment - \$1.4B (+15% of time)
- Employees - 80,000 across 65 Countries
- Six 'semi-autonomous' Businesses share forty-six technology platforms
 - Industrial & Transportation \$8.6B
 - Health Care \$4.5B
 - Display and Graphics \$3.9B
 - Consumer and Office \$3.9B
 - Safety, Security, and Protection Services \$3.3B
 - Electro and Communications \$2.9B

• Corporate Strategy

- Grow current core business
- Complimentary acquisitions
- Build new businesses
- International growth

• Assigned to Lean Six Sigma Operations



3M Observations

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- **Not just Post-it® Notes, Scotch® Tape, Sand Paper**
 - Precision abrasives, Adhesives, Films
 - Floating concrete, High tension power lines
 - Health care and Dental products and solutions
 - Customer Inspired Innovation
- **Business results are the defining measure**
 - Decisions are data driven
 - Must be able to pull the data – Antiquated computer system
- **Entitlement thinking**
 - How good can you be?
- **Government contracting difficult when not core competency**
 - Multiple stakeholders, different interests/sandboxes



DoD Recommendations

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- **Lean Six Sigma Delivers Results**

- \$9.5B savings over 10 years
- Initially a top-down push
- Dwindling number of ‘Belts’
 - Belts = high potential employees
- Full time job, two-year assignment for employees with ‘belts’
- Opportunities for DoD in “transactional” and depot environments

- **Performance Based Evaluations**

- Annual goals and periodic reviews
- 360° feedback
- Merit based compensation

- **Don’t forget the commercial marketplace**



Booz Allen Hamilton

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- **World-class consulting services creating “enduring value”**
 - Market Cap - \$2.2B
 - Revenue - \$5.6B FY11
 - Federal Government 98+%
 - Net Income - \$400M / \$84.4M
 - Employees - 25,000+
- **Strategy**
 - Match capabilities with government, commercial clients
 - Deliver excellence
- **Went public in 2008**
 - Split /sold off commercial business as Booz & Co.
 - Non-compete agreement ended in Aug 2011
 - Entering commercial and international markets



BAH Observations

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- **“BAH environment” altered circa 1995**
 - Half of Partners left firm
 - Other half transformed BAH into today’s company
- **Company extremely well aligned**
 - People, Process, Technology, Infrastructure
- **Matrixed organization**
 - Capabilities, Markets, Global Operations teams
 - Produce results for clients
- **Single BAH-wide profit and loss center**
 - Level performance incentives at grade
 - Diffuses desire to protect rice-bowls
 - What is best for BAH is best for me



DoD Recommendations

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- **Change ‘acquisition culture’**

- Focus on internal DoD business “environment”
- Networks
 - Use IT (cloud) as well as professional & personal
- Training
 - Require ‘training with teeth’
 - Acquisition, GS grades, Leadership
- Incentivize behavior
 - 360° feedback evaluations
 - **Measure performance against standards; provide structured feedback**
 - Pay for Performance for GS grades
 - Assignments

- **Leadership must have a clear vision of where it wants to go**

- Put in place the ‘environmental conditions’
 - Enable culture to move from A toward B in multiple increments
- Provide compelling argument to motivate peers
 - Follow the journey and achieve the vision



CACI International

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- **Provider of professional services and IT solutions**
 - Celebrating 50th year in business
 - Revenues - \$3.58B
 - Net Income - \$144M
 - Employees - ~14,300 in 120 offices worldwide
- **Business Strategy**
 - Help federal clients provide for national security
 - Improve communications/collaboration
 - Secure information systems and networks
 - Enhance data collection and analysis
 - Increase efficiency and mission effectiveness
- **Key advantage - World class solutions**
 - Defense, intelligence, homeland security, IT, Govt transformation



CACI Observations

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- **Government inability to award contracts impacts Corp strategy**
 - Delayed Request For Proposals causes major industry issues
 - Protracted purchase strategies increases costs/risk for Govt
- **Low Price Tech Acceptable (LPTA) has unintended result**
 - Should only be used for purchase of commodities
 - Not for highly complex technical solutions
 - Contract changes will lead to increase cost or reduced capacity
- **Industry caught between acquirers/users and requirements**
 - Inconsistent direction resulting in bad requirements
 - Increased cost and inadequate performance



DoD Recommendations

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- **Government's inability to award contracts impacts Corp strategy**
 - Process improvement needed to streamline Acquisition/contract efforts
 - Move decision making to lowest possible level
- **Low Price Tech Acceptable (LPTA) has unintended consequences**
 - Clearly define LPTA tenets and educate the workforce
 - Know when to use LPTA and when unacceptable
 - Make clear that low cost only isn't acceptable
 - Disincentivize behavior that produces low bids that are unexecutable
- **Industry caught between acquisition/users/requirements**
 - Implement joint forum of Senior leadership
 - Agree on a documented set of requirements prior to contract award
 - **Do not change!**
 - Implement Alpha acquisition and contracting strategies



Cisco Systems

Secretary of Defense Corporate Fellows

- **Industry Leader in Networking Equipment**

- Market Cap - \$96.3 billion
- Sales - \$11.3 B (Q1, FY 12)
- Net Income - \$1.8 B (Q1, FY 12)
- Employees - 63K in over 165 Countries
- Strategic Priorities
 - Core (network)
 - Data Centers/Cloud
 - Collaboration
 - Video
 - Architectures for Business Transformation
- 496 of Fortune 500 companies are Cisco customers

- **Vision - Changing the Way We Work, Live, Play, and Learn**

- **Business Strategy**

- Capture Market Transitions . . . Customer Innovation.
- Customer Driven . . . Customer Advancement.
- Build, Buy, Partner, Innovate
- Leadership/Innovation DNA . . . Must be #1 or #2 in the Market.
- Innovation and Operational Excellence . . . A Balanced Goal



Cisco Observations

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- **Structural Reorganization with focus on priorities**
 - Large structural changes in Summer 2011
 - Striving to be a “100-Year Company”
 - Ended “Boards and Councils” decision making methodology
 - Focused on increasing position as industry leader
 - Leadership continuously emphasizes Five Company Priorities
- **Open, Collaborative, Cooperative Working Environment**
 - Cutting edge collaboration tools and capabilities
 - Cisco Collaborative Workspace office environment
 - Global Access to Cisco “blizzard” wireless network
 - Very deliberate acquisition/integration planning and execution
- **Keys to success in 2012**
 - Differentiation of the Cisco Brand
 - Stay close to customers
 - Lead the network transition that is shaping the IT industry



DoD Recommendations

Secretary of Defense Corporate Fellows

- **Consider “Borderless” networks at DoD facilities**
 - Connect any authorized device from any location at any time
 - Wireless network an extension of the Wired Network
 - Facilitates virtual collaboration, use of Cloud based data centers

- **Improve collaboration tools**
 - Improve file sharing, laptop video, on-line meeting environment
 - VTC quality, reliability, and availability
 - Investment in quality, reliable collaboration tools
 - TDY savings

- **Help connect industry and unemployed Veterans**
 - Cisco a charter member in the President’s “100K Jobs” Initiative
 - Wants to hire more Veterans
 - Places a high value on military service
 - Has a strong Veterans Organization



FedEx Express

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- **Global Supply Chain Leader**

- Revenue - \$39B
- Income - \$1.4B
- Investments - \$3.4B
- Employees - 290K
- Pioneered modern air/ground express industry in 1971
- FedEx operating segments - Express (Air), Ground, Freight, Services
 - Portfolio of transportation, e-commerce, business services
- Express connects markets comprising 90% percent of the world's GDP
 - Operations - 220 countries, 10 hubs, 375 airports, 692 aircraft, 90K+ vehicles
 - Daily volume - 8.5 million shipments

- **Keys to success**

- Strong, loyal culture to company and customer service
- Operating companies are 'Joint'
 - Compete collectively, manage collaboratively, operate independently
 - Consistent approach to unions and federal regulation for cost avoidance
 - Consistent Year over Year procurements and upgrades to aircraft, facilities, IT
- Proprietary IT solutions for global operations and customers
- Promote from within
 - ALL executives started at customer interface



FedEx Express Observations

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- **Culture and Structure**

- Military model
 - Ops, Maintenance, Safety, Training, Services, HQ staff
- Culture/mission of customer service
- Workforce longevity
 - Work for FedEx for life
 - Loyal to company past retirement
- Intense focus on operating margin
 - Small margin easily consumed by fuel prices or litigation
 - Frugal, proactive fiscal policies to endure global economic slow down
- Consistent strategic investments in cargo and services networks
 - Asset heavy network of hardware, aircraft, vehicles and facilities
- Talent management focuses on next bench

- **Operations**

- Network fidelity - every box, every barcode, every second
 - Intense and persistent ops analysis functions (cargo status every 10 min)
- Globally adaptive - bold in new markets, keen focus on competition, expansion
 - Ocean solutions, customs brokerage, inventory solutions
- Shaped by regulation compliance and litigation avoidance
 - Railway Labor Act, NLRB, union pressures, FAA, OSHA, EPA, Customs



DoD Recommendations

Secretary of Defense Corporate Fellows

- **Expand training in corporate environment**
 - Strategic opportunity aligned with joint and interagency objectives
 - Experience broadens leader perspectives
 - Private sector willing to host
 - Requires DoD Executive stated expectations for placement level
- **Logistics innovation**
 - Interagency spanning supply chains
 - Solutions are federal enterprise and not Service specific until 'last mile'
 - Interagency (DoJ, LE, others) regulation for customs brokerage, etc.
 - Transform DoD Logistics beyond federal enterprise level
 - Private sector willing.
 - FedEx Smartpost for the 'last mile' could be FedEx Smartgov
- **Private Sector Veteran hiring**
 - Expand public-private collaboration
 - DoD blind to private sector recruiter's concerns (litigation and DoL EEO audits)
 - Private sector willing, but limited reach into VA and DoL



Georgia Power

Secretary of Defense Corporate Fellows

- **Market Cap - \$32B**
- **Revenue - \$8.3B**
- **Income - \$950M**
- **Investment (2010) - \$30B**
- **Employees - 9,000**
- **Customers - 2.4M in 155 of Georgia's 159 counties**
- **Largest subsidiary of Southern Company**
- **Investor-owned, regulated, tax paying public utility**
- **Vertically integrated**
 - Generation
 - Transmission
 - Distribution
 - Customer Service
- **Fortune's "Most Admired' Electric and Gas Utility for 2011"**



Georgia Power Observations

Secretary of Defense Corporate Fellows

- **Core Competencies**

- Build, operate electric power generating stations
- Delivery grids
- Manage regulatory and government issues
- Customer service

- **Business Model**

- Customers at center - high customer satisfaction
- Healthy capital spending
- Safety
- High reliability
- Constructive regulation - low prices

- **Key Advantages and Financial Strengths**

- Business model execution
- Strong plant operations
- R&D Tech Leader - power generation, clean coal, diversified energy
- Diversified energy sources - coal, nuclear, gas, oil, hydroelectric



DoD Recommendations

Secretary of Defense Corporate Fellows

- **Leverage DoD partnership with industry leaders**
 - Develop/refine policies for security, efficiency, clean energy
 - Senior military focus groups
 - Evaluate technical feasibility and economic benefits of policy
 - Energy training programs
 - Implement policy through industry partnerships at installations
 - Challenge - energy policies differ across Service branches
- **Connect with “Troops to Energy “**
 - Center for Energy Workforce Development
 - Utilities and educational partnerships
 - Why no military?
 - 40% of energy workforce retiring/attrition in next 5 yrs
 - 11% veterans unemployed
 - Need to connect with elite group of top military energy employers



Honeywell

Secretary of Defense Corporate Fellows

- **Great positions in good industries**

- Revenues - \$33.4B (52% outside of US)
 - Defense and Space - \$5.3B
- Income - \$2.0B
- Employees - 130K (53K US)
- Major Operating Segments
 - Aerospace
 - Automation and Control
 - Specialty Materials
 - Transportation Systems
- Locations - 1300 in 100 countries

- **Keys to success**

- Mix of commercial and government business
- Direct sales and support to multiple primes

- **Assignments**

- Defense and Space, Defense Aftermarket Americas Group



Honeywell Observations

Secretary of Defense Corporate Fellows

- **Organizational design**

- Change from product based organization to customer based
- Autonomous business segments

- **Human capital**

- Most Defense and Space leadership grown in the commercial business
- Most leaders started as engineers
- Ethical leadership
- Cross-functional teams still adjusting to customer based design

- **Keys to success in 2011**

- Expanding international business
- Leaders looking out for the good of Honeywell
 - Not just their own numbers
- Positions on mature DoD systems



DoD Recommendations

Secretary of Defense Corporate Fellows

- **Work with Congress to stabilize major defense programs**
 - Industry can live with smaller budgets
 - Uncertainty is reducing industry R&D investment
 - DCMA indicates most contractors having supply chain issues
- **Increase competition at component level for mature programs**
 - Paying premiums to prime contractors for old, less efficient technology
 - Focus on increased fuel efficiency and incremental capability
- **Acquisition culture and over regulation prevent savings**
 - Risk aversion often defines relationships as a zero sum game
 - Not rewarding R&D investments that could benefit the government
 - Fully leverage working capital funds
 - Incorporate proven new technologies during depot rebuilds



Johnson & Johnson

Secretary of Defense Corporate Fellows

- **World's Most Broadly Based Producer of Health Care Products**

- Revenues - \$61B+
- Employees - 120,000+ worldwide
- Operations - 57 countries; products sold in 200+ countries
- Highly respected
 - Forbes - #1 Brand Name in Consumer Perception/2011
 - Forbes - #5 American Top Green Companies/2011
 - Harris Interactive - #2 Corporate Reputation/2011
 - Barron's - "world's most respected companies": #1 in 2009, #2 in 2010, #25 in 2011

- **Three Major Market Segments**

- Consumer Products (\$14.6B)
- Pharmaceutical (\$22.4B)
- Medical Devices & Diagnostics (\$24.6B)

- **Key Priorities**

- Winning in health care
- Enhancing customer experience and regaining consumer confidence
- Collaboration and standardization where appropriate
- Organic and collaborative innovation; targeted acquisitions
- Accelerating growth in emerging markets
- Developing leadership and talent



Johnson & Johnson Assignment

Secretary of Defense Corporate Fellows

- **Worldwide Engineering & Technical Operations/Engineering Network**
 - Resides within the Global Supply Chain (GSC)
 - Review and standardize Technical Review Process
 - Intent is to create “how to” guide for Tech Review Coordinator and standardize the methods and tools used for Tech Review (similar to what was done for the Help Line)
 - Assist with Help Line Requests/Process
 - Implement a process for tracking & communicating key Help Line and Technical
 - Review usage and results metrics.
- **Leadership Engagement**
 - Meet with 20+ J&J Leaders across all three sectors
 - Pharmaceuticals, Consumer Healthcare, Medical Devices & Diagnostics
 - Garner the best of leadership practices and understand their challenges
- **Engaged with Veterans Leadership Council (VLC)**
 - Volunteer opportunities; Veteran’s Day Planning
 - Veteran’s Recruiting Programs



Johnson & Johnson Observations

Secretary of Defense Corporate Fellows

- **J&J Credo...deeply rooted corporate culture**

- Strategy, Vision, Moral Compass, & Statement of Heritage all in one!
- Responsibilities to: #1 Patients, #2 Employees, #3 Community, #4 Shareholders
- Credo-based Decisions
 - Tylenol Scare - Preservation of Reputation/Brand
 - McNeil Consumer Healthcare
 - Juarez Manufacturing Plant

- **Decentralization**

- Management responsibility placed at level closest to the customer
- Truly a “family of companies”
 - Drives decentralization’s “entrepreneurial spirit”
 - Credo serves as “Commander’s Intent”
- Challenge to standardize where it makes sense and efficiencies can be gained
 - IT, HR functions
 - Enterprise-wide supply chains
- Managing Change

- **Recruitment & retaining employees is superb**

- FlexPlace, IT tools, flexible work schedules, recognition
- Health and welfare, Human Performance Institute (Corporate Athlete)
- Sense of transforming lives



Northrop Grumman Corporation

Secretary of Defense Corporate Fellows

- **Sales** - \$28B (2010)
- **Revenues**
 - Aerospace Systems (38%)
 - Electronic Systems (24%)
 - Information Systems (28%)
 - Technical Services (10%)
- **Employees** - 75K in 50 states, 25 countries
- **Customers**
 - DoD - 70%
 - Other US Government - 11%
 - International - 6%
 - US Commercial - 4%
- **Leading Capabilities**
 - C4ISR, Cyber-Security
 - Defense Electronics
 - Homeland Security
 - Logistics
 - Space & Missile Defense
 - Unmanned Systems
 - Systems Integration
 - Information Technology & Networks
- **Vision**
 - Be the most trusted provider of systems and technologies that ensure the security of our nation and its allies



Northrop Grumman Observations

Secretary of Defense Corporate Fellows

- **Strengths**

- Engineering & Technology
 - NGC solves its customers' most difficult problems
- “Gallup-like” Human Resource & Talent Management Programs research
 - Employee Engagement
 - Strengths-Based Selection
 - Leadership & Succession
- Well-Balanced Defense Portfolio

- **Challenges**

- Strategic Planning
 - Quarterly Bottom Line vs. Top Line Growth
- Customer Requirements - Differentiation vs. Affordability
- International Markets
- Commercial Markets
 - Risk-Averse Culture
- Stove-Piped Sectors



DoD Recommendations

Secretary of Defense Corporate Fellows

- **Inject operational concepts into organize, train & equip functions**
 - Mission orders (*Auftragstaktik*)
 - Operational Auftragstaktik applied across the battlespace
 - **Why not across all DoD functions?**
 - Directed opportunism
- **Human Resource & Talent Management**
 - Apply “Gallup-like” research to DoD Civilian Personnel Management
 - **Military leadership assessment**
 - **Critical planning group construct awareness**
- **International Markets**
 - Re-think International Traffic in Arms Regulations
- **Efficiencies**
 - Align organizational incentives to drive innovation & efficiencies



Oracle Corporation

Secretary of Defense Corporate Fellows

- **Market Cap - \$132.83B**
- **Revenue - ~\$36B**
 - Americas - 47%
 - Europe, Middle East, Africa - 35%
 - Asia Pacific - 18%
- **Employees - 108K+ in 145 Countries**
- **70 acquisitions since 2005**
- **No longer just a database company**
 - End-to-end enterprise solution provider
 - Complete, Open, Integrated Hardware and Software Systems
 - Used by 100 of Fortune 100 companies
- **“Oracle's business is information - how to manage, use, share, protect it”**
 - Provide better performance, reliability, security, and flexibility
 - Lower the cost and complexity of IT implementation and management
 - Deliver greater productivity, agility, and better business intelligence
- **Assignment**
 - Public Sector License Sales/Business Development
 - North America (Federal, Civil, State & Local governments, Healthcare)



Oracle Observations

Secretary of Defense Corporate Fellows

- **Strong merger and acquisition strategy**
 - Buy slow-growing software, maintenance contract companies
 - Cut costs
 - Let profits roll in
- **Maintains a Strong Talent Pool**
 - Best paid executives in Corporate World
- **Continual top-down strategic positioning**
 - If an opportunity exists, then develop or buy a solution
 - Aligned behavior amid churn
 - Quarter-by-quarter growth
- Open standards seen as a business enabler
 - Avoid vendor lock-In for long-term cost savings



DoD Recommendations

Secretary of Defense Corporate Fellows

- **Execute national security mission as the unifying action driver**

- **Explore new ways to...**
 - Integrate strategic solutions initiatives
 - Rapidly roll successes across DoD and government
 - Decouple requirements definition from the real pace of technology
 - Often out of phase
 - Embrace enduring partnerships with industry
 - More return on DoD investments
 - More industry interest in DoD

- **Strong Wounded Warrior hiring initiative**
 - Very successful program



Raytheon Company

Secretary of Defense Corporate Fellows

- **Leading US Defense Contractor**

- Revenue - \$25.2B (2010)
- Net Income - \$1.8B (2010)
- Employees - 72K world-wide
- Business Units
 - Integrated Defense Systems
 - Intelligence and Information Systems
 - Missile Systems

- Network Centric Systems
- Space and Airborne Systems
- Technical Services

- **Organizational Design**

- Engineering Dominated Company
 - Focused on high-tech solutions
- Heavily matrixed organization

- **Assignment: Network Centric Systems**

- Research and Development, Strategy



Raytheon Company Observations

Secretary of Defense Corporate Fellows

- **Strategy**

- Rarely Prime on Large Platform Systems
 - Support multiple Primes
 - Focus on systems and sub-systems
- Exploring civil and international markets
 - Currently US Government Contracts are 95% of business

- **Keys to Success**

- Awareness of Time - what employees do and don't do
 - “Shop Hours” - metric for tracking employee productivity & efficiency
 - Means to determine if sections are properly manned & resourced
- Standardized approach to operations with Six Sigma
 - Raytheon Six Sigma
 - **Visualize, Commit, Prioritize, Characterize, Improve, Achieve**
 - Permits Enterprise Campaigns that span across six Business Units



DoD Recommendations

Secretary of Defense Corporate Fellows

- **Create DoD-wide standard for “Smart Operations”**
 - Everyone knows steps for success; spans services
 - Develops common culture and language across services

- **Track time worked at home station**
 - What are service members doing with their time?
 - Metric for determining efficient office manning & resources
 - As DoD budget shrinks, time worked an increasing factor
 - Maintain focus on value-added items
 - Means to identify cumbersome or redundant processes
 - Reduces cost of business
 - **Efficient use of time same as saving money**



Royal Dutch Shell

Secretary of Defense Corporate Fellows

- **National vs. Private Oil Companies**
- **Gas 51% of production in 2012**
 - Gas to Liquids (“Pearl” in Qatar)
 - Fracking for gas and light tight oil (US, China, Australia)
 - Liquid Natural Gas
- **Increased oil exploration**
 - We are nowhere near peak, but hard to drill and refine
 - Keystone Pipe Line, Oil Sands, Texas
 - Arctic
 - Deep Water - Gulf of Mexico, Brazil
- **Bio Fuels and Renewables**
 - Brazil as model
 - Wind
- **Refining**



Royal Dutch Shell Observations

Secretary of Defense Corporate Fellows

- **93,000 Employees**
 - Opportunity for Veterans in US
- **Energy Independence for United States**
 - Royal Dutch Shell - 51% Gas in 2012
 - Environment vs. national and economic security
 - Arctic
 - Pipelines
 - Gulf of Mexico
 - Do we still patrol Straits of Hormuz? Straits of Malacca?
 - If not us, then China?
 - Mexico, Venezuela, Brazil



DoD Recommendations

Secretary of Defense Corporate Fellows

- **Incorporate energy related issues into Strategic Planning**
 - Green Bases are good for PR
 - Failure to appreciate world oil/gas dynamic changes is catastrophic
 - *Have to get this right - Whole of Government approach needed*
- **Need to promote Veteran employment opportunities**
 - 35k US Army Veterans drawing unemployment
 - 15k veterans from other branches unemployed



SRI International/Sarnoff

Secretary of Defense Corporate Fellows

- **Revenue - \$53M**
- **Income - \$1.5M (-4.5M year previous)**
- **Employees - 166**
- **Developer/provider of technology solutions, products, services**
 - Government and commercial clients
 - CMMI Level III, ISO 9001 certified
- **Became fully integrated division of not-for-profit SRI in Jan 11**
 - Independent wholly own subsidiary for past 20 years



SRI/Sarnoff Observations

Secretary of Defense Corporate Fellows

- **New business model less than one year old**
 - Product & Services Division of a R&D centric not-for-profit
- **Struggled since late 90's to break even as a SRI subsidiary**
 - World financial crisis in 2009
 - Commercial contracts canceled
 - Government contracts grow to 85% of total business
- **Many challenges transforming R&D lab into P&S business**
 - Reorganization
 - Change Management
- **Perturbations from planned DoD and Government revenue**
 - Direct adverse unintended consequences
 - Second order affects as sub-contractor/supplier
- **DOD Acquisition system appeared frozen at times**
 - Excessive time to complete contract actions



DoD Recommendations

Secretary of Defense Corporate Fellows

- **Provide predictable revenue streams to acquisition organizations**
 - Foster efficiencies of funding-to-plan
 - Reduce CRA impacts
- **Enhance efficiency of contracting actions**
 - Staff and train sufficient contract specialist work force
 - Review and streamline/simplify the Defense Acquisition Regulations
 - Work to do same to Federal Acquisition Regulations
 - “Right size” oversight
- **Maintain awareness of indirect value of DoD sponsored R&D**
 - Contributions to the national economy
 - ~1/3 of Time Magazine’s top 50 inventions had DoD roots



Union Pacific Railroad

Secretary of Defense Corporate Fellows

- **Nation's Largest Class I Railroad**

- Market Cap - \$54B
- Revenue - \$19.6B (FY11)
 - FY11 record year
 - 112 consecutive years of dividend payouts
- Employees - 43K
- Rail miles - 32K in 23 western states & Mexico
- Business areas
 - Energy (23%)
 - Industrial (18%)
 - Chemicals (15%)
 - Intermodal (19%)
 - Agriculture (17%)
 - Autos (8%)
- Strong correlation between rail traffic & the state of the US economy

- **Many similarities with the military**

- Vision: Building America
- Mission: The Men and Women of Union Pacific are Dedicated to Serve

- **Business Strategy**

- Provide outstanding service...everything else follows



Union Pacific Observations

Secretary of Defense Corporate Fellows

- **IT Network Critical to System Operations**
 - Data-driven decision making drives need for robust IT systems
 - One of largest private telecommunications systems in US
 - 700 microwave sites, 34K miles of commercial fiber, 7700 locomotive radios
 - Small off-shore footprint - majority of systems/apps developed in-house
- **Safety Focus**
 - “Railroads are not inherently dangerous...just very unforgiving”
 - Total Safety Culture program focused on training, observation, feedback
 - Employees empowered to conduct formal/informal observations
 - FY12 YTD safety incident rate: 1.47/200k man-hours (12% better than FY11)
- **Strong Support for Hiring Veterans**
 - 19% of new hires (825) & 20% of total workforce (10K)
 - Ranked the #12 Military Friendly Employer by *GI Jobs*
 - Good paying jobs - *average* railroad employee earns \$107.5K
 - Personnel hiring challenges similar to DoD
 - Only ~35% of HS grads are qualified
 - **Overweight, prior drug use, no HS diploma, criminal record**



DoD Recommendations

Secretary of Defense Corporate Fellows

• Continuous Improvement

- Remain focused on finding efficiencies in DoD processes
- Develop programs to incentivize the workforce
- *The UP Way* is as much about the cultural shift as it is about the analysis
- Significant fuel savings since 2000 (19% reduction, 23% goal by 2015)
 - UP fuel costs/yr - \$2.5B
 - Reductions driven by improvements in technology, training (engineers & dispatchers) and incentives (Fuel Masters program)

• Need for Entrepreneurial Leadership

- Historical perception of RR industry similar to DoD
 - Limited agility, stodgy hierarchical structure
- Union Pacific case study revealed key findings
 - Build strong teams
 - Leadership matters
 - Lines of communication (in all directions) must be established and maintained
 - Develop an environment of optimism and enthusiasm