TRANSITION TOPIC: Review of Tooth-to-Tail

TASK: Review key findings and recommendations of the DBB’s 2007 report on Tooth-to-Tail, and alert incoming senior leadership of the urgency to shrink the Department’s overhead to free-up available resources to support critical Defense priorities.

TASK GROUP:
Henry Dreifus (Chair)    Michael Bayer
Kelly Van Niman (Executive Secretary)
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**23 OCT 2008**

2. REPORT TYPE

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**00-00-2008 to 00-00-2008**

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**Transition Topic: Review of Tooth-to-Tail**

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5b. GRANT NUMBER

5c. PROGRAM ELEMENT NUMBER

5d. PROJECT NUMBER

5e. TASK NUMBER

5f. WORK UNIT NUMBER

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14. ABSTRACT

15. SUBJECT TERMS

16. SECURITY CLASSIFICATION OF:  

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17. LIMITATION OF ABSTRACT  
**Same as Report (SAR)**

18. NUMBER OF PAGES  
**6**

19a. NAME OF RESPONSIBLE PERSON
ISSUE:

- Department’s spending on infrastructure has remained relatively constant at approximately 42% of DoD’s total spending

- In the private sector these expenses would be considered general overhead (“tail” to DoD) that management would work aggressively to continuously reduce to achieve greater efficiency

- It is not evident that DoD routinely goes to “war” on overhead to maximize its resources and gain efficiencies

- Current management tools are not effective at managing and reducing the Department’s “tail”

IMPORTANCE:

- DoD’s Total Budget Authority has increased 189% between 1980 and 2009 (not including Supplemental authorizations)

- DoD cannot afford a 42% overhead rate on a $694.2 Billion budget
  - The Secretary cannot delegate such a perilous threat

October 23, 2008
Characteristics by Presidential Administration

A logical question: How much defense do we get for $670 Billion per year?

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<tr>
<td>Total Budget Authority ($B - Constant $)</td>
<td>$412</td>
<td>$491</td>
<td>$412</td>
<td>$354</td>
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<td>Total Budget Authority ($B - Current $)</td>
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<td>$284</td>
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<td>$291</td>
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<td>Supplementals ($B)</td>
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<td>$0</td>
<td>$4</td>
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<td>Active Duty Personnel (K)</td>
<td>2,101</td>
<td>2,209</td>
<td>1,886</td>
<td>1,449</td>
<td>1,406</td>
<td>-33%</td>
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<td>Reserve and Guard Personnel (K)</td>
<td>851</td>
<td>1,158</td>
<td>1,135</td>
<td>865</td>
<td>843</td>
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<td>Civilian Personnel (K)</td>
<td>1,019</td>
<td>1,090</td>
<td>1,006</td>
<td>698</td>
<td>702</td>
<td>-31%</td>
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<td>Active in Commission Ships</td>
<td>521</td>
<td>573</td>
<td>471</td>
<td>341</td>
<td>236</td>
<td>-55%</td>
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<td>Army Divisions (active)</td>
<td>19</td>
<td>20</td>
<td>20</td>
<td>10</td>
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<td>-47%</td>
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<td>AF Fighter/Attack (Total Active Inventory)</td>
<td>2,789</td>
<td>3,027</td>
<td>2,000</td>
<td>1,666</td>
<td>1,619</td>
<td>-42%</td>
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DoD Infrastructure $(Billions) Remains Steady at ~42%
(Total Obligation Authority) source: PA&E

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<td>Other Infrastructure</td>
<td>4</td>
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<td>12</td>
<td>25</td>
<td>5</td>
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<td><strong>Total Infrastructure (% of DoD)</strong></td>
<td><strong>180</strong></td>
<td><strong>206</strong></td>
<td><strong>209</strong></td>
<td><strong>230</strong></td>
<td><strong>205</strong></td>
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RECOMMENDATIONS:

1. Secretary should conduct a review of all indirect and direct costs to determine if 42% is an appropriate amount of overhead and to identify opportunities to constantly reduce overhead
   - Set a goal to reduce “overhead”

2. The Secretary should mandate the use of management tools are based on an enterprise vision to drive down overhead spending
   - Metrics should focus on outcomes (not outputs) to provide strong measures of implementation and achievement of goals

Reference DBB Report FY08-2
“Task Group Review of Tooth-to-Tail Analysis” for greater detail
DISCUSSION

Industry Maximizes Resources and Efficiencies by Targeting Cuts

• Continuously goes to war on waste – focus on low value-add areas
  – “Value-chain” and “Activity Analyses” tools reduce inefficiencies/overlaps
  – Leverages technology to achieve better than 1:1 ratios in personnel conversions

• Designs organizations to facilitate and encourage prudent risk taking
  – Decentralize to encourage innovation; Centralize to eliminate duplication

• Continuously charts “core competencies and incompetencies”
  – Incentivize, measure and reward desired outcomes
  – Constantly monitor performance
  – Develop succession and promotion plans accordingly
  – Career map to core competencies – builds on people’s strengths

• Measures & analyzes human capital performance & engagement to drive a culture of excellence
  – Applies benchmarks and projects 3-4 years ahead (leads, not lags)
  – Compares results to competition and/or most efficient organization