

## **Script** **Developing 21<sup>st</sup> Century Leaders**

### Slide 1 – Cover Slide

### Slide 2 - Today's Discussion

- Today's presentation will help acquaint you with the Department's initiative to develop 21<sup>st</sup> century senior executive service leaders.
- We will set the context for this effort by sharing the imperatives for change, the Department's expectations for new leaders, what we learned from reviewing best practices in Government and industry, the way forward and our next steps.
- We will leave ample time for a dialogue.

### Slide 3 – Objectives

- We hope by the end of our time together, you will:
  - Understand the important, underlying imperatives that led us to think about instituting a framework for the deliberate identification, selection, assignment, management, and development of our DoD Senior Executive Service leadership, both current and future.
  - Understand the new initiative, “Developing 21<sup>st</sup> Century Leaders,” and the indicators, including your own input that formed the basis for ideas and concepts around this initiative.
  - Finally, we hope that you will help guide, lead and institutionalize the changes for the SES, who are a vital part of DoD's prized workforce--and, for good reason. The SES leaders have led through remarkable times and achieved extraordinary results. The important competencies and experiences that enabled their success were acquired, developed and sustained largely on their own. The system has not done an admirable job identifying and investing in their development. We hope this effort changes this paradigm.
  - The military and the best private sector companies learned a long time ago that organizations must make this investment to assure success and relevance in the market.

### Slide 4 – Purpose

- Our Department of Defense senior civilian leaders are more important than ever. Along with General and Flag Officers and political leadership, they are part of the

executive leadership team that must execute the Department's 21<sup>st</sup> Century strategy for the defense of this Nation.

- To this end, we must ensure that we have talent in the pipeline for senior leader positions as well as in our senior executive ranks and that they possess the capabilities needed to effectively execute that defense.
- Today, we are going to talk about a concept that will address this shortcoming. The Deputy Secretary of Defense is sponsoring the initiative to "Develop 21<sup>st</sup> Century DoD Senior Executive Leaders."

#### Slide 5 – The Imperative For Change – Environment

We categorized the evidence for change into three areas: Environment, Demographics and Benchmarks (or Best Practices). Let's start with the first imperative, the environment has changed.

- The world has changed dramatically since the end of the last century. The Department is changing with it—refocusing America's forces and capabilities for the future. As the DoD environment changes, it follows that the expectations for DoD leaders will too.
- In these times of rapid and complex change, the quality and caliber of executive leadership is a principle determinant of organizational success. Therefore, it is the responsibility of visionary leadership to ensure that the executive leadership is prepared and ready to succeed in support of the mission.
- We have a new world order, replete with asymmetric threats. We are beyond the Cold War where we knew our enemy. Today, there is no nation state sponsoring enemy engagement. Rather, it is ad hoc cells that are illusive and unmanageable.
- The demands on leadership are mounting. Engagements on multiple fronts characterize the mission requirements. We saw our forces fighting and supporting the global war on terror in Iraq and Afghanistan, while, at the same time, responding with alacrity and compassion to those affected by the tsunami, hurricanes, and earthquakes around the globe and here at home.
- These demands require leaders of the future civilian force to be able to quickly adapt to different operating environments, continually develop new skills or hone existing ones to execute these missions. Leaders must be able to partner, network and achieve results with partners across the Components, Federal agencies, and the globe.
- So many of our SES members have developed these competencies during their career. You may be among them. We want to make it easier now, as well as

systemic. We want to offer ALL SES leaders (and those in the pipeline), the opportunity acquire these important 21<sup>st</sup> century skills. We want to install processes that make the effort to align our leadership competencies with our mission requirements, on going and continual. We do not want to launch an initiative to do this. We want this practice to be embedded in the way we do business in the Department—like all good companies do.

#### Slide 6 – The Imperative for Change - Demographics

- Another facet of the environment is our demographics. These data indicate that we need to help grow and mentor leaders for the future. Look at the potential retirement wave in 2010 or shortly thereafter. In industry, senior executives are held accountable for mentoring talent. Not surprising, when your bottom line rests, in great measure, on the performance of a talented team, you can't afford to ignore or take casually the grooming of talent, including potential successors. That is the kind of mindset we need to create in the Department.
- As of July 2006, approximately 25% of SES leaders are eligible to retire voluntarily. 5.6% of whom are minority. This would be a significant loss of talent should they all retire today, or even within a few years. In fact, over the last three years, the average years of service an SES leader had when he or she retired was 30, at age 59. They retire between the ages of years of age. This suggests that are SES leaders are retiring when eligible.
- Our data also indicate that our executive force does not represent the nation we serve. Approximately, 20% of our executive staff are women and 8% are minorities. DoD lags behind the Federal workforce, which is nearly 26%<sup>1</sup>. Both DoD and the Federal workforce lag behind the nation, which comprises of nearly 39% women in comparable executive level positions.<sup>2</sup> In DoD, African Americans are most represented minority group, at 3%, as compared to the Federal representation at 6.50%, and the nation at 6.80%. Hispanics (DoD – 2%; Federal -3.43%; Nation – 6.2%). Asian Pacific-Islanders (DoD – 2%; Federal 3.17%; Nation – 3.6%) and Native Americans (DoD – 1%; Federal - .80%; Nation – not reported) are the most underrepresented.
- Diversity is a readiness issue and our solutions and advice to our leaders must be drawn from the perspectives of individuals from different backgrounds, cultures, races, and gender, as well as from those with varied and different types of experiences.

#### Slide 7– The Imperative for Change - Benchmarks

Many have urged changed.

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<sup>1</sup> DoD data based on DCPDS – May 2006; Federal data based on most recent EEOC data - 2004

<sup>2</sup> Based on most recent U.S. Census Data - 2003

- The Secretary directed that we prepare our senior and future leaders to lead in this new environment. He issued his “call to action,” as well as emphasized the need for a diverse executive cadre.
- As we said earlier, the Deputy Secretary of Defense is the sponsor of this initiative to develop 21<sup>st</sup> century SES leaders, and he is personally engaged in this effort to ensure continuity of leadership talent. Coming from industry, he and the Secretary know the importance of deliberating managing and developing executive leaders.
- The Deputy Secretary asked the Defense Business Board to offer the Department the best practices in industry and across government. They issued their report and recommendations on May 31, 2006. The report is on the SES website. I urge you to read it. There are some very interesting ideas. Our working group is looking at these recommendations now.
- The Department weighed in on this matter of leadership talent in both QDR 2001 and 2006. The Quadrennial Defense Review is DoD’s strategic plan. The 2006 QDR is the first conducted in an era of global terrorism. It considered the significant challenges facing our men and women in DoD.
- It puts forth the three principals outlined in the National Military Strategy – decisiveness, integration, and agility. It requires that leaders of the future force be developed through a well-thought-out sequence of competency-based, joint service and functional education, training, and experience.
- The QDR also emphasized the importance of the Department's ability to adapt to different operating environments, develop new skills and rebalance its capabilities and human resources if it is to remain prepared to meet the challenges of an uncertain future.
- It highlights the greater need for coordination across Services and Components, expands the definition of "joint matters" and types of operational partnerships, and describes a different workforce: "A mosaic not a melting pot" – not just a collection of Components but a coordinated constellation of capabilities."
- The Congress is also asking that civilian executives and military leaders understand the new era of leadership and the need to work across diverse environments.
- The Department’s report on how we are improving the performance of SES leaders, Non-Commissioned Officers, and Reserve members in joint matter is due to Congress in January 2007. This is the second of a two part effort. In 2005, Congress asked the Department to develop a strategic plan for Joint Officer

management and development, and was expanded to include officers on the Reserve Active-Status List.

- As a result of the Joint Officer management review, the military is proposing changes to title 10, U.S.C. to specifically change the definition of jointness to include matters related to the integrated employment of land, sea, and air forces, space, and cyber space; and working in multi-service, multi-agency, and multi-national areas.
- No matter what report you read, the bottom line is that we must create a deliberate approach to growing and developing our senior executive leaders.

#### Slide 8- What We Learned – Best Practices

- In industry and as well as in the military, top management is engaged in managing and developing leaders in its top positions. In fact, in some companies, the business lines do not own and manage talent in positions which have the most influence in carrying out the company's vision and priorities, e.g., IBM and General Electric. And we know that top DoD leadership and the Congress have a role in selecting certain General and Flag Officers.
- On the civilian side, top management either has no role or a minimal role in the identification, management and selection of our top civilian leaders. This is changing, to some extent, in some of our Components where efforts have been made to deliberately identify, develop and select their executive talent. We intend to emulate these best practices in our effort.
- In the best companies, leaders themselves take a proactive and deliberate approach to managing and planning for the succession and transition executive leadership. Executives are actively engaged in building talent. They are talent developers and coaches, high performance builders, and talent finders. As you might conclude from your own experience, generally, in DoD, executives are left to "fend for themselves."
- Private sector companies and our military executives accrue a variety of experiences. Both our military force and the private sector move more frequently and strategically. In the private sector, executives are exposed to both short term and longer term assignments. They are rotated in and out of assignments in which the executive demonstrates the necessary competencies for success. They create cross-business development opportunities. The average tenure in positions is 2-5 years.
- The key common dominator is that both the military and the private sector deliberately move executives through positions.

- Industry and the military identify high potentials and top talent. They conduct talent reviews and regular assessments at the highest levels of the organizations.
- They plan and manage the succession and transition of leadership talent. They review positions requirements and the talent pool. They fix gaps that may exist.
- They invest, invest, and invest.
- It might be worth mentioning some of the specific practices of GE and IBM, as they are similar in scope and diversity to the work as the Department. Their top executives are regarded as corporate assets and not assets of the division or business unit from which they became executives.
- Top management takes a personal responsibility for the ongoing development of top performers.
- The most senior executives are involved in decision around job assignments, promotions, and development of top performing executives.
- All executives are accountable for development of the next generation of executives. The accountability is reflected in annual performance plans and evaluations.
- Identify those with strong, functional skills who also have executive management potential.

#### Slide 9- What we Learned – DoD Expectations for 21<sup>st</sup> Century Leaders

- Assimilating these data, we believe that we have a proposed set of expectations for 21<sup>st</sup> Century SES. We are proposing that the Department needs 21<sup>st</sup> Century leaders who have the requisite adaptive leadership skill tested and proven in circumstances of discontinuous, disorienting, disruptive change; where the rules of the game are completely invalidated and new rules must be invented, applied, and modified continuously.
- A variety of experiences leading to an understanding of the interplay and interaction of operations and policy, and diversity in both person and skills.
- Enterprise-spanning perspectives; ability to operate across functional and organizational lines, ability to align local organizations with the enterprise perspectives.
- Skill in matters involving the integrated use of military forces relative to national military strategy; strategic and contingency operations; and command and control of operations. These operations may be under a unified command, which may be conducted with multi-service and or multi-national, interagency, and non-

governmental partners as well as under unified action across domains such as land, sea, air, space, and cyberspace—the new joint environment as proposed by DoD to apply to our military personnel, as well.

#### Slide 10 – A 6 Step Design Process

- We have a 6-Step Design Process to institute a career lifecycle framework for executives. Our effort will include a framework for current executives and the pipeline of talent for executive leadership positions. However, we are starting with the SES leaders first. The SL/ST and pipeline communities will come later in the second part of this effort.
- The process is not unlike any business engineering effort: Gather information, issue policy to authorize the effort and the direct the work, design the system, communicate, train, implement and assess. Throughout, those affected by the new system have a voice in the effort and we communicate to stay informed and refine our thinking. Our discussion to this point falls into several of these steps. In the next couple of slides, we will talk about our efforts in each of these phases.

#### Slide 11 – What Have We Done?

- To this end, we stood up a SES working group. In June, we expanded the SES membership. The membership represents the best and brightest career SES talent in the Department. The charter and membership of the group is on the DoD website and we encourage you to stay in touch with your representative to share your ideas.
- We hosted a focus group session of about 170 executives in May to help inform our ideas. There was a healthy dialogue and SES members expressed a desire to be fully engaged in creating a management and development framework.
- We conducted an environmental scan and benchmarked to best practices. I just shared our findings with you. We also developed and implemented a pilot program in the Combatant Commands for the centralized recruitment and selection of 10 SES positions. This pilot addresses specific concerns in the CcCOMs, but we embedded some of the new ideas that we learned from our research into the pilot to test some to them.
- As an example, we identified knowledge and capability in joint matters and enterprise-wide perspective as two key competencies. The Vice Chairman will send a letter to each SES leader inviting their candidacy for the positions and providing job information. We broadened rating and interview panels to include a variety of stakeholders, and introduced a validation of the selection by the Vice Chairman, and OSD leadership for those positions that are the most influential and critical in carrying out the Secretary's vision and strategic priorities.

- We drafted a DoD Directive, using input we received from our SES leaders during the focus group conference, to authorize the effort we are undertaking. The directive is in draft, and is written at a very high level. But, it puts the stake in the ground and requires and commits DoD to developing an executive career lifecycle management framework.
- You will have a chance to provide your feedback during the formal coordination process. We encourage you will do that. We will be discussing some of the concepts we are considering in just a minute.

#### Slide 12 – The Way Forward – What we Want to Achieve

- We have a seminal opportunity to fix the system that will grow, develop, and sustain our leadership talent. Those who look at these outcomes and see themselves, most likely got there with a self-developed roadmap. Now, it is our intent to provide the roadmap and take responsibility, as well.
- We know from our successful SES leaders that they possess extraordinary talent. We hope that our new system will continue to ensure a constant stream of extraordinary talent. We want all our executives to have the opportunity to be:
  - Executives who are a respected, valued and integrated part of DoD's executive leadership team.
  - Executives who are part of global, diverse team of executive leaders working across the Department and Federal Government.
  - Executives exerting influence and support in the most substantive national security matters.
  - Executives offering diverse perspectives through a portfolio of development experiences.

#### Slide 13 – Draft Guiding Principles

- We drafted a set of Guiding Principles to guide and measure our design elements and features and to ensure our outcomes for the system are achieved.
- A set of performance metrics will be developed to measure our progress and success in achieving our goals for the new system. They will be posted on the website for your review and comment, as well, when they are completed

#### Slide 14 – Way Forward – Draft DoD Directive – Key Concepts



- The draft DoD directive will be out this month for formal coordination, You will have an opportunity to comment through that process, or you may contact your representative on the SES Working Group.
- Feedback we received during the May 2006 focus group conference helped us frame and refine our thinking. The draft DoD Directive posits a new framework for the career lifecycle management of all DoD SES leaders. The career life cycle includes:
  - recruitment, selection and assignment
  - development, utilization, and performance
  - morale and sustainment
  - separation (retirements)
- The Directive proposes two management frameworks, one for all SES positions, and separate, more expansive one for those positions that have the most influential and critical in accomplishing the Secretary's vision and strategic priorities. We refer to these select positions as Enterprise Senior Executive Positions. They are relatively small in number, perhaps 200 out of the 1,200 SES positions we have today. The Directive also puts a stake in the ground regarding the talent pipeline, and will require that, through a deliberate process we create a bench or pipeline of talent for the SES positions.

#### Slide 15 – Way Forward – Draft DoD Directive – Key Concepts

- Shortly, as we begin the design effort for an instruction, and we will be reaching out to you, to help us put the substantive tactical implementation requirements. We will be working this effort in tandem with the Directive, so we can use the feedback from the Directive to help us craft the details.
- Let's look at the two frameworks that are being proposed. The first, for all SES members, will require DoD to create an executive management framework to manage the career lifecycle, including developing succession plans aligned with DoD and Component mission requirements, identifying competencies, and closing gaps.
- These policy requirements, of course, will cascade down to our pipeline. Again, at this particular time, we are dealing solely with the SES. We will take on a framework for developing other leaders, including those in our pipeline following this effort.
- The policy will require a roadmap for development that facilitates development of a portfolio of strategic experiences. We are largely talking about position mobility. We do not intend to require geographic mobility. But, this initiative would encourage and provide support for those leaders who want to expand their professional experiences to other parts of the United States or the globe—either on a project basis or longer term basis.

- The policy will ensure that there is institutional support structure (e.g. incentives, HR flexibilities) for executives. Generally today, if a DoD executive wants to serve the national security mission in another DoD Component or Federal agency for a short tour, he or she typically will leave the current DoD activity, permanently. We want to look at ways to continue to tether executives if you will, to the Department, while they are expanding their national security portfolio. We may need some new tools to do that and we are prepared to invest the time to develop them.
- The policy will require the identification of those positions that have the most influence on national security and DoD's strategic priorities.
- OSD does not intend to own these SES assets, if you will. We see them remaining with the Component, but developed and management within a DoD management framework.

**All SES Leaders will be:**

- For our SES leaders, the policy will ensure that our executives are vital part of the DoD integrated executive leadership team. We know that many are, but, still in many cases they do not have access to the top positions. One DoD Component has tried to address this issue, and adopted a "best athlete" concept. Typically, the best suited among career senior executives and General Officers is selected for non warfighting positions. These two cadres of executives are considered equally for positions that do not require exclusive military leadership.
- The policy will ensure that senior executives are drawn from the best of America's diverse population, and ensure a balance of internal and external recruitment sources. Diversity in the SES workforce is an imperative for the Department.
- The policy will encourage a portfolio of diverse experiences to broaden and shape perspectives. This may be acquired in many ways, both short term and long term, both experiential and educational. Developing the competencies is the emphasis...not the mobility.
- The policy will ensure competency in "joint matters." Again, this may be acquired in many ways, but we will ensure there are opportunities. We will try to eliminate the systematic barriers that prevent developing important perspectives gained from working on joint matters.

Slide 16 – Draft DoD Directive – Key Concepts – Enterprise SES Leaders

- We believe there are some executive positions which have significant influence on the national security mission and the implementation of the Department's strategic priorities.
- For these positions, which we believe will be relatively small in number, about 200 out of 1,200 strength, the DoD enterprise will have a stake in who is selected for these enterprise-wide positions, and subsequently developed and managed in these positions.
- The policy will establish a Defense Senior Advisory Board to make recommendations to the Deputy Secretary of Defense for the recruitment, assignment, development, utilization, etc. of executives selected into these positions. The Board will likely be involved in the identification of recruitment sources for these positions, and may serve on rating and interview panels with a variety of stakeholders to help determine the best candidate for referral to the selecting official.
- The policy will require either different competencies or a deeper level of proficiency than for the general SES positions.

#### Slide 17 – Get Engaged, Get Connected – Upcoming Events

- We encourage you to stay engaged. We are just beginning to form the important foundation for change and we want the SES community involved. There will be multiple venues for providing input. The website, [www.cpms.osd.mil/sespm/initiative](http://www.cpms.osd.mil/sespm/initiative) has a listing of working group members and will also provide important updates and information about the initiative.
- We will hold regional town hall meetings and webcasts as well to stay connected to you. We will ensure that both the SES community and DoD leadership are fully engaged and informed to provide important ideas and advice to guide our work and institute the changes.

#### Slide 18 – The Way Forward - Next Steps

- Our next steps, once again, will be to publish the DoD Directive to authorize the change. It will be available for comment during the months of September and October. Our goal is to have it published by the end of October.
- We will begin designing the executive management framework, “putting the meat on the bones” if you will, during the months of September – November.
- We are reaching out to our executives and hope that you will contact your representative on the working group with your ideas and concerns, use our website to communicate with us, attend our town hall meetings, or participate in

our webcasts. Stay connected and informed by visiting our website. We will socialize the concepts continuously.

We look forward to working with you on this important transformation effort.

Questions?