



RESEARCH  
AND ENGINEERING

## DEPUTY UNDER SECRETARY OF DEFENSE

3030 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3030

January 4, 2024

### MEMORANDUM FOR CHAIR, DEFENSE INNOVATION BOARD

SUBJECT: Terms of Reference – Aligning Incentives to Drive Faster Tech Adoption

The Department of Defense must maintain its technological edge to sustain and strengthen U.S. deterrence against aggression from strategic competitors. The 2022 National Defense Strategy (NDS) underscores that the Department must act as a swift adopter of both leading edge and commercial technologies, while continuing to incubate innovative ideas and empowering its innovation talent. Creating an environment that promotes the rapid development, adoption, and fielding of innovative technologies often requires that individuals embrace a growth mindset, understand, and take prudent risks, are comfortable with failure and take action to deliver at scale and at the speed of need.

Feedback from DoD innovators indicates that one of the primary obstacles to speeding up the development, adoption, and fielding of new technology may be a misalignment in the way individuals and organizations are incentivized to take prudent risks. While many stakeholders have stated that there is a need for new authorities to address this issue, the internal motivations and incentives appear to vary significantly across the Department. While new initiatives are being undertaken within the DoD to increase the speed and scale of innovation adoption, addressing the alignment of incentives and risk will be a significant challenge.

Therefore, I hereby task the Defense Innovation Board (“the Board”) to deliver a study on how the Department should align incentives in order to drive faster technological adoption. This study should produce recommendations that outline how the Department can calibrate and align its incentive structures, disseminate, and scale the implementation of such incentive structures, and track the progress thereof. The recommendations should aim to promote an ecosystem which enables the Department to incentivize the stakeholder community to embrace prudent risk while adopting new technologies with speed and agility. The Board should also:

1. Identify the gaps between the current DoD incentive structure and relevant industry incentive structures.
2. Distill elements and practices that could be adopted and adapted to the DoD incentive structure to close such gaps.
3. Design a communication and roll-out plan to disseminate and scale such incentives alignment structures.
4. Develop metrics for tracking progress in aligning incentive structures across different stakeholders.
5. Address related matters relevant to this task.

In support of this Terms of Reference (ToR) and the work conducted in response to it, the Board has my full support to meet with Department leaders. The Board staff, on behalf of the Board, may request the Office of the Secretary of Defense and DoD Component Heads to timely furnish any requested information, assistance, or access to personnel to the Board. All requests shall be consistent with applicable laws; applicable security classifications; DoD Instruction 5105.04, "Department of Defense Federal Advisory Committee Management Program," dated August 6, 2007; and this ToR. As special government employee members of a DoD federal advisory committee, the Board will not be given any access to DoD networks, to include DoD email systems.

Once material is provided to the Board, it becomes a permanent part of the Board's records. All data/information provided is subject to public inspection unless the originating Component office properly marks the data/information with the appropriate classification and Freedom of Information Act exemption categories before the data/information is released to the Board. The Board has physical storage capability and electronic storage and communications capability on both the unclassified and classified networks to support receipt of material up to the Secret level.

The Board will operate in conformity with and pursuant to the Board's charter, the Federal Advisory Committee Act, the Government in the Sunshine Act, and other applicable Federal statutes and regulations. The individual Board members do not have the authority to make decisions or provide recommendations on behalf of the Board nor report directly to any Federal representative. The members of the Board are subject to certain Federal ethics laws, including 18 U.S. Code § 208, governing conflicts of interest, and the Standards of Ethical Conduct regulations in 5 C.F.R., Part 2635.

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David A. Honey, PhD.

cc:  
Department of Defense Advisory  
Committee Management Officer