>> ALEC GALLIMORE: Okay, great, good evening. Welcome to today's policy talk featuring former Secretary of the Navy Dan winter. Special welcome to all of you who are serving or have served in our arm forces. Thank you for your service. I’m Alec D. Gallimore, Robert J. Vlasic Dean of Engineering, and I pleased to join our colleagues from the Ford School, of Public Policy and the Ross School of Business as co-sponsors of what promises to be an engaging evening. After his introduction, Secretary Winter will present his remarks. Then he and Ross School’s Dr. Mike Barger will have a dialogue about the topics raised. We will have some time toward the end for questions from the audience. Please hand your questions to the two Ford School students, who are collecting them. Please be sure to silence as your phones.

Don Winter served as a 74th Secretary of the Navy from January 2006 to March 2009. As Secretary of the Navy, he led America's Navy and Marine Core team, he was responsible for an annual budget in excess of 125 billion and nearly 900,000 people. Previously Dr. Winter held multiple positions in the aerospace and defense industry as a systems engineer program manager and corporate executive. From 2010 to 2012, Dr. Winter served as chair of the National Academy of Engineering committee charged with investigating the causes of the Deepwater Horizon Blowout for the Secretary of the Interior.

Today, he is an independent consultant and a professor of Engineering Practice at Michigan engineering. He teaches graduate level courses on systems engineering, space systems, and maritime policy. He consults in the US and overseas on defense and civil matters and serves on multiple corporate, civic, and academic boards.

He's chairman of the Australian naval ship building Advisory Board and is DOD senior defense, industry advisor to Ukraine. Dr. Winter is a recipient the Department of Defense Medal for Distinguished Public Service. He is a member of the National Academy of Engineering. Dr. Winter earned his Doctorate in Physics from the University of Michigan.

Please welcome, Dr. Don Winter.

[ APPLAUSE ]

>> DONALD WINTER: Thank you very much. It's good to be back, good to be back here.

Let me see if I can get this working right here.

Okay.

What I'm gonna try to do today is just provide you with a brief synopsis of a few thoughts that I've developed over the years of dealing with various organizations and trying to understand how those organizations are able to perform, and in particular the resiliency of those organizations as they face different challenges.

One of things I found in the process is that there are certain concepts here, concepts associated with the recognition of responsibility, the assignment of authorities and the whole concept of accountability, it really has a significant impact on how organizations are able to perform and how they're able to work through such matters.

One aspect that you can see here is that a these concepts are not all that well understood. I will have to say the whole idea of what is authority, what is responsibility, what is accountability not commonly understood and as a result, we wind up in many cases of having a different perspective on such matters. Well, see if I can get the computer here to work properly, for me.

Can we rent?

Okay, very good, okay.

What I was trying to get to here is that people don't have common understandings of what these concepts mean.

Have three postulates that I like to put forward that I think help explain what all of this means first of all, authority and power to execute Anthony's need to be delegated.

I've seen senior executives try to do everything themselves.

Invariably, a failure to one has to be able to delegate authority to be able to have an efficient operation when you're doing that, however, you don't delegate responsibility, you share responsibility with those people that you are delegating authority to... And oh, by the way, along with that responsibility comes the concept of accountability, and accountability has to be measure has to be appropriately structured in such a way as to further the objectives of the organization and should not be politicized although it often is one of the best examples I found a politicization has to do with the lack. Elly earthquake that occurred roughly 10 years ago, this earth, quite basically Eric or six earthquake, that occurred at 3-00 in the morning, killed over 300 residents of the town of lochiel.

They were killed because they were asleep in their beds, and the earthquake destroyed. Many of the structures in the town interesting thing was the government there decided to arrest and try six scientists on the grounds they have not properly predicted the earthquake and had not warned the people of Laila of the risks of going to sleep in their own homes, they were actually convicted. Initially, you have to ask whether that represented a misuse of the concept of accountability whether a concept of accountability even was appropriate given the limitations of science at the time.

One, an interesting footnote is that while the scientists were acquitted upon appeal, the Deputy Director of the civil protection agent SAE was not... And you actually serve time for providing overly aggressive assurances if you will, of the safety of the town and caution people failed to caution people about the risks associated with the tremors that it existed. Just before the... Now most of the time when we're dealing with the concept of accountability, we're typically not dealing with issues associated with natural disasters or were typically dealing with other safety incidents in particular major system failures that result in significant loss of life and many times have very high public perceptions arguably one of the best examples of this has to do with the loss of the challenge. The space shuttle Challenger back in 86, and this was a very traumatic incident. I have to tell you, not just for those of us who are working in space industry at the time, but I think for the general population at large, there had been such an attachment to the shuttle program as part of the US continued leadership in space President Reagan commissioned an investigation, a commission to investigate the matter and understand what had happened, make a determination of cause and identify who should be held accountable and as the former Sector State William Rogers to lead that commission actually, a very notable group of individuals included in a number of test pilots and astronauts as well as one Nobel Laureate, Richard Feynman who provided a degree of technical expertise to the panel.

I won't go into the details of the technical assessment for those of you were interested in that.

Please come by space 5-83. next term, we will go through all of this.

I will just say that the commission had very little difficulty in identifying the direct or what we sometimes referred to as the proximate cause of this, and it had to do with the way in which the Solid Rocket Boosters were assembled which was basically that they were built in pieces and put together with joints in between those pieces and the seal the critical seal of those joints was made using elastomers O-rings that were susceptible to low temperature conditions. In other words, they did not have the resiliency at low temperature, that was necessary to be able to seal properly, and this particular launch was the coldest launch, it was actually 20 degrees Fahrenheit cooler than any previous launch that had been done with the shuttle and it resulted those conditions in addition to very high crossings resulted in the tragedy in addition to assessing the direct cause one of the things that the Rogers Commission did was to assess what we call the contributing in the systemic factors that added to the problems associated with this disaster and in particular, there was a lot of focus on the decision to launch and this became an issue because of several considerations, one of which was that the engineers at the organization that designed and produced the sole rocket posters cycle advise NASA initially not to launch and in fact, several engineers, there were very vociferous. In your objections to launching based on the predicted temperature at the time of launch their objections were overruled by the co-management under pressure. from NASA. Tyco management initially was behind the engineers, but they basically were strong on by an as a marshal to resend their rejection and actually put their approval in writing by the way, in addition to the issues associated with the O-rings, one of the other issues that was raised. Just prior to launch, had to do with ice build-up in this case on service module, the service structure, the ice in particular, and that they included icicle of over a foot long, and to a certain extent, this posed another risk to the shuttle presenting, if you will, the loss of Columbia, later on both of these issues were raised at once called Level 3 in the review process associated with getting approval for launch in both cases, the issues were adjudicated at a low level and were never passed on to the higher levels and never made evident never made no to NASA leadership.

The commission basically said... Well, this was a problem with communication, this was a problem with the review process, had it should have been done differently but... Oh, by the way, the commission and strongly of the opinion and I can quote it exactly, but effectively, what they said was, We're comfortable that had that information been presented to NASA management they would not have approved the launch.

A failure of communications of failure culture basically an exertion if you will, of the NASA leadership at the time. I mention Richard Feynman fitment had a problem with all of this, he had such a problem with it that initially he refused to sign off on a commission report, which was a real issue for Rogers because not having a universally a commonly accepted report would be considered politically a disaster.

The compromise that was cut there was that Finland got to write an appendix which was added to the report and you can pick it up online if you're interested in it and basically find goes after NASA leadership and says, that your overall assessment of the Shuttle safety is off by roughly three orders of magnitude. Just a little detail and the whole idea that the shuttle is safe because it has to be safe, is part of your foundation here, and none of this is appropriate. And the whole approach of NASA to safety was inappropriate interesting who is able... Who is accountable for such matters. Let me switch to another example here. We're gonna talk about a condo, Well, commonly known as deep or Horizon the Botero is actually the name of the oil, drilling rig that was used to develop the Macondo well about 10 years ago, 11 workers were killed, when it was a blow out an explosion and fire associated with the Macondo well and is not only killed win people on rig but also 'cause just tremendous environmental, ecological and economic damage to the whole Gulf region.

This was an interesting challenge here in part, in terms of understanding how Aldis work was done and how I... By the way, my personal involvement in this was that as you heard, I got to chair the committee that oversaw the investigation here of the cause. One of the things we found was that we were challenged a challenge, win Department of Justice made a very public statement that they were going to try to figure out who should be jailed for this event who should be thrown into jail and all of a sudden all the witnesses that had previously offered to provide us with insight into what transpired and how all of this was occurred, those witnesses were unwilling to testify in any, in any proper form that said, we did find out what happened and not unlike the issues with challenge to this deal with decisions, decisions that were made at the tail end of the development of the Mandell. I don't wanna go through the technical details here. But effectively, the well had been drilled there was a decision made to do what's called a well-Sealing and abandonment with the idea that they would come back to the area after the infrastructure was installed, that would provide a mechanism of taking the oil from that area and sending it back to shore, the way of sealing the well was using cement that cement was tested multiple times and tenant was found to be wanting multiple times, nonetheless, the decision was made to go ahead and abandon the Well, that precipitated the start of hydrocarbon flow.

The crew did not respond to that effectively and the net was, we had a total loss of control or well, what's known as a blow out again contributing in systemic factors here you see the word Safety culture, what does culture is what you do and no one tells you what to do, why is that important when you're dealing in a world of regulations that are carefully prescribed you find that you can't anticipate all the different things that might happen. Prescriptive regulations are inherently incomplete and out of date, you need to have a culture to be able to deal with such matters, figuring out who is accountable in all of us. was complicated for the morbid. Just the business arrangements that are used off-short, it's a very complex business, there's a joint venture actually has the lease one of the members of the joint venture in this case B is deemed bad operating contractor that operating contractor hires a rig that is operated actually by the rig on, and about, away the operating company be paid hires the people that are going to do many of the other services like cementing. In which case, the subject was Halbert.

By the way, if you go and take a look at a typical rig you'll find is maybe 1-230 people on the rig of which typically no more than two represent the operating company.

So I who's accountable for this? While the focus was clearly gonna be on BP for a variety of reasons, not the least of which was the terrible experience that they had experience, just a few years earlier with the Texas City oil refinery disaster which killed 15 injured 180 people argue old worst industrial accident that's occurred in the oil and gas industry. I know about away BP is now wound up between the actual direct cost of dealing with the disaster, the liabilities and finds that they've paid, they paid roughly 65 billion and told a course fairly significant.

But we get into the question of, Well, who is really responsible. Is it just the company or is it the people in the company? And one of the things, if you go and take a look at BPS answer to this because they had their own report. First of all, their argument is the principal culpable individual principal individuals, that should be accountable for Halbert. The people that were doing the semantic and I'll be the way if there's anybody in BP, that's accountable, it's the two people that they had as representatives on the rig.

It's an interesting process. One of things I find fascinating is that if you take a look at the people on rig out of 130 some odd people, you might find a handful who have anything more than a high school education.

This is the highest compensated blue collar community in the United States, and arguably in the world, and they learn their jobs on the job. It's O-J-T-on-the-job training.

And yet they're making critical decisions. The decisions are made off shore and why is that? Well, some of this is just the history of what comes out in a maritime community. In the old days of ship it goes out of Port pretty soon it's over the horizon, and the mass voter ship is responsible for everything.

Now the way of dealing with it, and that concept initially came up in the offshore and gas industry. The people on vessel on the brig, have to have the total and complete control. And have all of the authorities necessary to conduct their business even though in many cases they really had limited formal education on many of the matters that they were dealing with at the time that this event occurred 10 years ago, we were starting to see a way out of all of this with satellite communications, it is possible to have real-time information associated with wells all over the world ship back to a common area where they can be overseen and where people can be brought in to be able to assist in any critical decision.

The real time operation center here are shown in the photo as shells, facility at the time, just after the depot horizon blowout. They were watching Wells uh, this was Shell, now was watching wells in the Caspian Sea from New Orleans. Easy to do, not all companies born into the idea, they didn't buy into it, for several reasons, one of which was they thought that having somebody overseen, what was going on in rig undercut the authority of the people out in the ring that people out in the rig would expect to get second guest and would not put their best thoughts into the matter also, quite frankly, I think it also detracted from some of the responsibility spreading that was endemic within the industry, the industry had gone from an area where vertically integrated oil and gas companies took full responsibility for all aspects associated with all exploration and development to an era where they were really just managing the process and having multiple subcontractors do the majority of the work in to a certain extent they liked that it was a spreading out of the liabilities associated with this type of a process.

And I think that, to a certain extent, one of the difficult aspects, of these real-time operation centers, is that all of a sudden it is possible to bring in senior management to help make decisions when you're having to trade off costs and schedule and safety.

A contrast is a lot bit with experiences that we have in the Navy and we're gonna talk about offshore activity as Ingrid to talk about the Navy commanding office or accountability.

It's a very simple concept in the US Navy.

That's a concept of strict accountability Sales, responsible and the discussion doesn't matter how long they've been in command? And as soon as that CEO says, I made, I am in command. They are responsible, they are accountable for everything that goes on, whether they're on the bridge, whether they're in a mess, whether they were sleep, it doesn't matter.

I had a few cases where I was asked by members of Congress actually challenged by members of Congress who were interested in supporting their constituents, and who asked seriously, whether it was fair.

My response to that was, very simply, it was fair to the NAA.

Okay, why was it fair to the Navy? Well, we made it very clear what the expectations were on the commanding officer. You can't go ahead and say, "Well we'll give you five minutes, we'll give you five hours, we'll give you five days we'll give you five weeks.

I do you do that. Who's responsible during that time period? You need to have somebody responsible and accountable.

Clearly, it was the CEO in command and oh, by the way, that motivated the commanding officer to as soon as he could or she could to determine what was the state of their ship, what was the state of their crew what was the state of?

So orders and to actually make decisions, recognizing those matters and those limitations and we actually have had cases where new CEOS have come in inside. No, I'm not in a position to get under weight, I can't do it sometimes that happens sometimes it doesn't happen, sometimes people do bad things and when it happens we wind up disciplining shoes and more senior officers.

And all of this happened in the aftermath and a McCain and Fitzgerald disasters that occurred recently, both of these and seventh fleet of operations, McCain of Singapore fits Gerald off of Japan.

So I, in sales were killed in the incident with McCann even with the the collision and the Fitzgerald.

One thing I find very notable there is, not only when the CO and the Executive Officer held accountable counsel was the squadron commander in the 7th Fleet command.

No question as to the hierarchy there and responsibilities that are shared as authority is delegated.

One of the things we find all the time is that organizations don't like that they don't want to identify their own leadership as being accountable for significant disasters if they do, they're basically begging for liability determination whether that is direct in terms of litigation or whether that's in direct in terms of the way to stock market values that corporation, they like to say suppliers, they like to have lower level people held accountable in a veritable well, very rarely do they hold their executives accountable.

Yes, Tony Heyward to CEO of BP loss job as a result of de-porters but I would argue that he really didn't lose his job because of the blow out, he lost his job because the way he managed the blow out and the very bad PR that he created for the BP organization, in all, by the way, the board of directors were never held accountable.

But you have to ask, shouldn’t the Board of Directors have the Texas City disaster? After being told that the cost of exploration and development that BP had was the lowest in the industry significantly lower than their competition, what risk they were taking by pursuing that very, very low cost activity.

These are questions that need to be asked because an organization has gotta make these trays whether you're dealing with an environmental health and safety issues, how to work off of trades with cost, what the priorities are for investment and what type of organization culture do you develop? And by the way as we look in the future at new roles perhaps for both government organizations in private industry, are we're gonna ask for accountability from those organizations or are we gonna ask for accountability of their executives? And can you have worn without the other?

Just a few thoughts and we can have a conversation now.

>> MICHAEL BARGER: Thank you sir.

[ APPLAUSE ]

>> MICHAEL BARGER: Which side would you prefer?

> > DONALD WINTER: I was told to take this side.

>> MICHAEL BARGER: Excellence. Fantastic.

> > DONALD WINTER: I'm not sure why, but it will work fine.

>> MICHAEL BARGER: Super. Well. Thank you for those opening comments and again, welcome everyone to Michigan Ross. It's good to have you all here. In the spirit of veterans' week I wanna open just by thanking all of our uniform that's in the audience for their service.

[ APPLAUSE ]

Thank you for that.

And certainly thank you to all of the non-uniformed vets from previous times like myself, so I was a naval aviator from 1986 to 1999, the F18s for a few years and then left the military, to start a little company called JetBlue. Maybe you heard of that, but I've spent the last 20 years exploring military leadership lessons and how they can be applied in the business environment and that's how I'm gonna frame up our conversation tonight. And in the spirit of thank yous, sometimes the non-uniform folks don't get the attention they deserve. So thank you, sir, for your service and leading the Navy. I'm a little disappointed I didn't have the opportunity to serve under you.

But that's something we can talk about another time.

So our agenda just to be clear, about to ROE. So for about 15 minutes or so, I've got some prepared questions that I'll ask Mr. Secretary, and I am hoping that the opening talk generated some thoughts in your minds and if it did, record the questions as... As you were asked to do. And we have folks walking around collecting those. If anything comes up in our conversation, or if you have any other question for the Secretary, please write it down on a note and we will spend the last 20-25 minutes or so of our conversation today with your questions, which is what we really wanna hear 'cause these are cars but these... I came up with these... So as we get started... So of all the things that you could have chatted about with us this seeing you chose these topics. Why?

> > DONALD WINTER: Well, two reasons: First of all, of all of the things that I've been involved in putting aside the issues associated with being in charge of a military organization at the time of war, dealing with the casualties that come back the next most significant thing that I dealt with had to do with accidents and loss of life of people who were not in the military.

I will argue that the state my absolute worst experience as Secretary, was having to fly out to California to pay a condolence call on the family that was devastated when an F18 again, their home, just outside of Miramar killed a mother-grandmother and to end and I had to apologize on behalf of the United States for what we had done to that family.

Those are things that really get you, and live with you forever, and I find that all too often matters associated with safety are taught with a little bit more of an academic and analytical perspective than is appropriate. When I've done my lectures on safety, I try to explain to my class that my principal objective is to hopefully help them avoid some of the situations that I felt myself get put into, and if I can do that, that would be great in the lectures, I typically give over college of engineering, more focused on the technical aspects, more of the procedural aspects. The management aspect, though, I think are equally important and the whole issue of how an organization deals with such matters, and how it establishes the appropriate culture and deals with these trade-offs is absolutely critical.

I one of the unfortunate experiences that I had dealing with Debora horizon dealing with some of the companies that thought they had good safety programs, but really didn't and invariably I was told we were told as a committee that... Oh, we never compromised safety.

Well, I'm sorry, the minute you start drilling a well a minute you send people off sure you're compromising safety. The question is, what is a reasonable compromise on safety, what are the standards that you wanna use?

So how do you establish those trade of loss?

We throw around buzz words like it's called A LARP as low as reasonably practicable. Okay, that's in regulations. Great phrase, what does it mean, how do you make a determination and who makes that determination and oh, by the way, sitting on corporate boards and now being responsible for organizations having one of those corporations have a fatality here recently, it kind of brings it to a head one more time. This is a continuing issue that needs to be addressed. So I'm pleased to be able to bring the issue here.

>> MICHAEL BARGER: Great... Well, I hope that, especially for our Ross students here - both our undergraduate BBA degree, our graduate MBA degree - we call those general management degrees and I'd like to think that the notions of accountability and authority, and responsibility, are front and center to those students that are achieving those degrees.

So I'll ask the audience here if they're interested in this question or we can move on.

Even having served myself for 13 years. I can't even fathom what it's like to live a day in the life of a military secretary. Would you be willing to share a couple of minutes of just what that experience is like? Is that something that would interest you?

Okay, I say at least three nods. That was my threshold. So three is good.

So what's it like should be secretary of the Navy?

> > DONALD WINTER: I was Gordon England's relief when Gordon became Deputy Secretary defense, and he told me that you gotta realize that with close to a million men and women under your authority, that's active duty Reserve civilian military, both Avian Marine corp. you're gonna My day always started out early in the morning, got picked up by NCIS, and in the car with three books that I was to go through very quickly on way into the Pentagon.

First book was the casualty reports from the day before this was in the middle of Iraq, I and by province were taking casualties. Every day, what happened, it was wounded. How they being traded Where are they physically at any given point in time? Really gets your head into what's really important of all of us.

Next book sit-rep situation reports, what's going on with the fleet, where the ships any mechanical casualties on ships, things of that nature. And the last is press clippings. Why is that important? Indicate building you're gonna be inundated with questions you gotta be able to deal with all of that.

That sound a day started. You never know how today is gonna end or what it's gonna end okay, and the calls keep coming late at night. Worst experience was a call at 2 o'clock in the morning, by the way, those calls at 2 o'clock in the morning or never because somebody wants to tell you how well things are going and I... But that call was a sir. We think we lost a sub. And by the time I got into the building which was 3-30, in the morning, they finally figured out that what we had lost was communications with the sub-not the sun itself, but about a way in that short interval, we already had the Brits are already getting ready to stage their part of the summary and rescue program that we do jointly with a number of countries. And it was amazing to see the response.

You never know what's gonna happen, you gotta just be resilient. I'll just say that when I went in, I thought I was reasonably well-prepared for the job. I had managed a 5-6 billion a year business before I went into the Pentagon, I had people all over the world, I knew how to deal with deployed organizations, and I knew the technology, so I thought I would be well-prepared for it.

The emotional side though, the dealing with the casualties, the dealing with the families totally different level. And that took some time. I'll just say that there are some goats on mothers that I still stay in touch with.

>> MICHAEL BARGER: Excellent. It sounds like every day was certainly an interesting, unique challenge. Was it satisfying? Were you able to sleep? Do you have feel-good looking back on it?

>> DONALD WINTER: Look, it's not a fun, fun job.

>> MICHAEL BARGER: Right.

>> DONALD WINTER: Okay, but it is without a doubt the most satisfying experience I've had professionally in my life. I would tell anybody who has that opportunity to take advantage of it.

>> MICHAEL BARGER: Yeah, well, if you knew that it was me that were handing a 30 million dollar plane to go fly around, I wouldn't have slept well either. So I get that. So I've got a couple of specific questions about leadership or just generally. So we talked about authority, accountability, and responsibility in your talk. As you… having led large organizations, both in the military and business, are there some… perhaps two or three suggestions that you have for business leaders, lessons that maybe you were able to hone in the military beyond the concepts that you talked about today. Just good leadership lessons that the shape who you are as a senior leader.

>> DONALD WINTER: I think first of all, having an organization that tests the boundaries of what might happen and understand the level of preparation that you have for dealing with any one of a number of incidents.

This was something we had to do all the time, and depended on because we really didn't know what was gonna be happening.

And it's easy to fall into the mode when you've got a business organization that's doing well, that's turning product that's cash flow is good, profits. Reasonable I have to like about this. I never get comfortable with that situation. Think about what might happen and think about the worst thing that might happen and it's gonna be worse than that.

And it may never occur, but if it does, you'll be much better prepared for it and being able to assess how your subordinates deal with all of that is an interesting process in and of itself.

One of the things I’m a very strong advocate of is something we call desk topping. It's an exercise and you just go, and you say 'good morning, gentlemen, guess what just happened today.’ Just as an example of one of the ones that I’m structuring or structured for a company on a board of... ‘Good morning, you've just got in an email. Your files have all been encrypted, and you are now requested to provide 100 Bitcoins to this address. What are you gonna do? Are you gonna call? How are you gonna manage the day? Tell me.’ And it's kind of an intro.

‘But we’ve done all of this stuff. We’ve prepared. We've got cyber security. We go, you know, all of this…’

‘No. This has happened to you. Tell me how you're gonna deal with it.’

‘Well, you can we talk about this later?’

‘No. 'cause it could happen tomorrow. You don't get a chance to repair.’

Try that out on the organization see how they respond to it.

>> MICHAEL BARGER: Excellent, what's interesting because one of the questions I had prepared, a he later on was — I teach a crisis leadership course here to MBAs, and I make the claim at the beginning of the class that my military experience taught me and my business experience validated that that crises are no longer if’s. They're when’s. They’re going to happen. So my question for you was, would you agree with that statement and how important is it to be prepared for the inevitable crisis?

>> DONALD WINTER: Look. It's been said many times that there are two types of organizations now in the world ‑ those that have been hacked and those that don't know that they've been hacked. And I think it's just getting worse, and it's very obvious that this is a problem that we're just starting to come to grips with. And the consequences of it, are gonna be even more so... More important in the future.

When we started talking about the Internet of Things, when we start talking about the potential networking of vehicles for autonomous operation... We talk about or autonomous aircraft the consequences a tremendous. And the consequences of somebody taking control of one of these vehicles, it's incredible.

Yeah, these crises are going to happen.

If you asked me if he asked anybody in the business 10, 15, 20 years ago would we be having ransomware attack? People get some kids living with their parents are operating out of their basements, playing around proving to their buds, that they can get into a computer. No, this is big stuff. And I don't think we've seen any small fraction of what's gonna be the problem in the future. So yeah. Be prepared.

>> MICHAEL BARGER: Good, I hope we have some questions, then I will ask one last one, and then we'll move to questions from the floor. This is a question about diversity and diversity of thought. So clearly, in organizations in military business all over are really focused on diversity as an objective.

I know, as I was concluding my time in the Navy, there were lots of early movements on diversity efforts and I’m certain, although I wasn't keeping close tabs on you, that was a major part of what you had to deal with on a regular basis. So how do you, from your experience, how do you think about not only the importance of diversity, but how organizations should go about it?

>> DONALD WINTER: I think organizations need to think about diversity relative to what their objectives are for diversity. Why are you doing diversity? What is your objective?

And it one of the things we used to focus on quite a bit when I was doing my Navy bit, particularly in the marine Corp, but also for the Navy, was making sure we could make the numbers. Okay, recruiting. And if we’re going to have an all-volunteer force, and we need to be able to have an “addressable” market, if you will, of recruits that represents the totality of the United States.

We can't be focused just in one general area.

And it was frustrating, I will tell you, we had members of Congress who would not nominate candidates to the Naval Academy. Did not feel it was appropriate for us. Tremendous loss of opportunity. We have geographical disparity. The proclivity to serve is so geographically distributed now, mal-distributed in the United States. It is very unfortunate.

I think when we went to the all-volunteer force, we did that also at the same time we adopted something called BRAC that I'm sure, you're aware of Base Realignment and Closure.

We used to have bases up and down the East Coast, of the United States, these facilities here in middle of Midwest, most of us have been closed. It's more efficient to have fleet concentration areas in tide water. Often Virginia, San Diego — very efficient operations. (at 48:45)

What it means is the vast majority of people in the United States, a no connection anymore, to the military. How do we work that? What's our objective? How do we get people that have the diverse backgrounds so that when you're going out and you're recruiting people say, "Oh hey, that person looks like me. Maybe I'll go and see if this works for me.”

And by the way, you get into other issues. We want language skills. Where are you gonna get some of the language skills?

Well, you got people, you know, not too far from Ann Arbor in Auburn – a little town called Dearborn who have more people who understand some of the languages that were interested in nowadays than any place else in the United States.

How many of them feel comfortable injoining the military?

So I like to think that... Yes diversity is a critical but we need to think about what is our end objective for that diversity and how do we accomplish that and I will just suggest that the measures you take to ensure you have diversity need to be tailored to what it is that you're trying to effect through that diversity.

>> MICHAEL BARGER: Excellent.

>> DONALD WINTER: Does that make me any sense?

>> MICHAEL BARGER: It makes total sense. And thanks for opening the old BRAC wound.

>> DONALD WINTER: Sorry about that.

>> MICHAEL BARGER: I was running the top gun in school in San Diego when we turn in Miramar over to the Marines and moved up to Fala, Nevada, which was a great place to fly. But that's about it. Anyway. That said, I would love to turn the Q and A over to our guests here from the Ford School. Yes, yes. And what's your name?

>> STUDENT: Hi. Good evening – thank you so much for being here, sir.

My name is Karina Nankumar and I'm currently a junior in the Ford BA program, I’m hoping to pursue career in national security and diplomacy. Just to start us off, I was wondering – what do you think are the advantages and constraints of the way that responsibility is structured in the Navy for example with the CO.? And do you think that this kind of accountability structure is implementable or should be implemented in other industries and organizations?

>> DONALD WINTER: So first of all, I think that there's two issues there, one of which is who accepts accountability. And I'm a very strong believer in strict concept of accountability. The commanding officer has to be held accountable from the moment they say I am in command to the moment that they are relieved.

Now, it's not just that Commanding Officer and there's also more senior officers as we saw with McCain and Fitzgerald that that passes up. But there also has to be a recognition of how do you use that concept of accountability? Mike Mullins who was a CNO, Chief Naval of Operations, and later on chairman of the joint chiefs, used to remind people that his ship had actually run aground at one point in time when he was a seal of that chip.

So, absolute accountability.

Are we gonna go ahead and say your career is over just because of that incident?

Not necessarily. Who's accountable, no question. The CEO is accountable, but how that accountability is used needs to be tailored to the severity of the event and the potential for use of that as a learning experience,as opposed to just a pure punishment aspect. There are cases where, yes, you wanna put on an expression and a head on the post outside the village gate okay. And make it very clear to everybody as to what is expected. And I note that of the three service secretaries who went in at the same time, myself and the secret army in secretary of the air force, I was the only one who was not asked to resign.

Okay, and those other two cases were arguably more about making a point than they were truly in punishment. So it's a matter of tailoring the issue. And I think that's really what needs to be done. How that applies to a corporate world is something that also has to be done in an appropriately tailored manner.

When you take an individual like Tony Hayward. And you give them a wonderful package to make it easy for him to resign by mutual agreement which was the phraseology. You know, at a way he didn't totally resign from BP became a remember the board of us of BP’s activity in Russia and got very nice years worth of compensation and all sorts of other things. What message are you're giving? What is the objective of holding somebody accountable? To what extent are you trying to send a message? To what extent you're trying to remove somebody who is shown bad judgment? To what extent are you trying to deal with the politics of the situation?

What are the objectives in structure your concept of accountability appropriately.

>> STUDENT: Thank you for being here with us this evening. My name is Ed Adelia, I'm a Masters of public affairs student at Ford School and before coming here, was working for several years in London, UK foreign policy issues. Just also to add for everyone on the way out, there's a whole bunch of information there on veterans here at University of Michigan so do grab some on the way out.

So my question is that you noted that Board of directors usually escape being held personally accountable but what occupies that role when it comes to the policy world? Are they more or less often held accountable and who occupies the equivalent role?

>> DONALD WINTER: There are, on occasion, boards that oversee government activities. Okay, that are responsible for policy making decisions. I will suggest that we have a similar problem in the government board structures that they are really held accountable and respond… and yet the responsibility that they often receive is very significant.

It is a challenge. People say, “Well why should I take a position on a board? Why should I take a overseeing responsibility?” There's a lot of professional risk, reputation risk, liabilities – although in almost all cases you have what's called DNO insurance, directors and officers insurance, that covers most of these matters.

For the most part, when you go into, say, the policy shop in the Pentagon, what is their accountability? Their accountability is their job as with any other job. They’re at risk there. Not in a sense of financial risk because we don't operate in government that way. The amount of discretionary compensation, variable compensation, government is nil, it’s a small amount, but it's really not significant.

And so basically, it's all through people being able to retain your job and people being able to move up into positions. Not particularly effective. But that's what it is.

>> AUDIENCE: Alright, thank you, the next question comes from the audience. You talked about the importance of culture in an organization as the leader of an extremely large organization such as the Navy. How do you identify and implement these culture changes?

>> DONALD WINTER: First of all, you gauge culture by seeing how the organization responds to challenges. And there are all sorts of challenges. There are challenges like what we've talked about today, there are challenges of individuals who do not do well within an organization, who do things that are improper.

And what you have to do is you take all of that in and you can make an assessment very quickly. I think of whether or not you've got an effective culture the type of culture that you want or a type of culture that is wanting and in need of improvement and a way in which you get the culture you want is basically by rewarding people for doing the right thing.

And yes, punishing people for doing the bad things, but I find that more times than not, rewarding somebody for doing something good, catching doing something good can be as beneficial as putting head on a pike outside of village gate. And so what you wanna do is you wanna try to tell people This is the behavior that we wanna see. This is good, we're gonna stand behind this individual.

And yes, this person violated the normal standards, but they did the right thing and we’ll stand behind them and will defend them.

Excellent, you're here.

>> AUDIENCE: So my question is in relation to a recent case rate to the US and UK and diplomatic immunity. And how an American woman who then was partner of someone all was working in the US Embassy in the UK was driving on the wrong side of the road and a killed a 19-year-old British citizen. In that case is because the structures, she left immediately back to the US and we haven't had that resolution from a responsibility bit. Where does that responsibility lie in those situations? And that's sort of specific example but I guess it can be expanded broad… more broadly to the concept of diplomatic immunity or other political immunities.

>> DONALD WINTER: That's a difficult situation. And I do recognize and I work with the people over at state all the time, and I expect that they're challenged in terms of trying to defend the concept of diplomatic immunity because of the potential downside. Should we start compromising? And it’s always this question of the slippery slope.

All of that said, it's very disappointing that somebody should try to escape that type of situation. I would have expected her to stay in the UK and face the music and not argue diplomatic immunity. That's what's expected of our people. They're expected to behave appropriately. Yes, diplomatic immunity is something that you rely on in some very difficult situations, especially in cultures that have very different mores and expectations and in particular in countries that will use reported criminal matters as a way of executing their own policy objectives. But when it comes to a matter like this. No, it's disappointing, very disappointing. Is state going to direct her to go back? I don't know, I'm not the right person to answer that question.

>> MICHAEL BARGER: We have time for one, maybe two questions if they're short.

>> AUDIENCE: Alright, this is a good one. Comes from Craig Potent, Navy vet in the audience. As AI proliferates in public and private organizations and makes more and more of our decisions, who is or should be accountable for the decisions that the systems make?

>> DONALD WINTER: That is really a fascinating question. We could spend the entire evening talking about that.

I had the opportunity to engage in some matters of dealing with automatic systems, and dealing with systems that perhaps could respond very quickly to challenges in the field. And one of the questions that always came up was, how can you be sure whether those systems are gonna work properly?

And so we always invariably result… came back to the position of saying, We need a human involved final decision to be a man, even recognizing the frailty of human behavior and never knowing what that human is going to do.

That's obviously getting encroached. More and more decisions of being made. I have to tell you, I worry about two aspects of all of that. I worry about not just whether or not the algorithms are being developed properly, but whether they're implemented appropriately. And the difficulties, the challenges of what we call verification and validation of complex software. It's just so tremendous, and you can see it right now, you take a look at the 737 MAX situation and all the issues that are coming up or associated with the verification validation, not just of the Incas, the specific software module that's under question here, but other related matters. It's really, really hard.

How many updates do you get to your operating system on your phone or your laptop?

People are finding mistakes problems, challenges, whether it's a coding error or whether it's just a vulnerability that was not for seeing ahead of time. These are happening all the time. We have to make a quantum leap in terms of how we do verification, validation to be able to really move to the next generation of software to dominated systems.

The other thing that I worry about is the whole question of cybersecurity and can you really trust an AI system? Can you trust that it's not gonna be impacted by somebody who doesn't want it to work properly or somebody who's just trying to see whether or not it can be affected?

These are tremendous challenges and I think they represent some of the most significant potential impediments associated with going to that next generation of autonomy, of AI of all of those potential advantages associated with the computing power which is just within reach right now.

>> MICHAEL BARGER: One more quick question.

>> AUDIENCE: Alright, so we'll ask one more quick question. But also, if everyone in the audience who questions haven't had a chance to be read, we will be sharing them with the secretary after the event. So this last question here is as served in the Navy, how did you balance delegation whilst also maintaining a level of accountability that you felt comfortable with?

>> DONALD WINTER: The critical issue for me in terms of delegation was being able to gauge the people that you were delegating authorities to.

And I will say that the most difficult decisions that I had was associated with putting the right people in the right positions and being able to assess how somebody is gonna be able to deal with a new situation is a very, very challenging problem.

But that's what you gotta do.

And yes, we wind up relieving a lot of individuals in command responsibility and who have significant command responsibilities, and that's because you can only do so much in terms of assessing how they will do.

I personally believe that our processes associated with officer promotion. All wanting. We've gotten so far into the mode of taking measures to avoid any potential misuse of the system with promotion boards and limiting the information that can be used by those promotion boards to make decisions that, in some cases, we're making it difficult to use that, which is… really should be available to be able to better access how an individual will be able to do at that next level. I've had to remove people. I've had to remove people in very senior positions. It is not fun, especially if you put them in that position in the first place 'cause you gotta get up and say, "I made a mistake.”

Oh, by the way, I never relieved anybody too early, okay. It was always later than it should have been. And that's not a good sign.

Okay, well, Sir, thank you very much for being with us tonight. It would have been a joy to spend another couple of hours here. Unfortunately, time is time. Any reflections from your conversation, your chat, your presentation, and the questions that have come up this evening – any closing thoughts that you'd like folks to take away from this discussion?

>> DONALD WINTER: No, I just think it's interesting that we have this activity co-sponsored by three different parts of the University of Michigan. And I will just say that I've had only a few activities, few opportunities to go outside of the College of Engineering.

I've enjoyed them all, even an interaction with the law school and don't always enjoy dealing with the lawyers as something associated with that. But I think this is good. I've enjoyed it. And I think we need to figure out other mechanisms of doing more of this sort of thing because it's so easy to just deal in a very simple structure of the colleges and schools, and oh by the way the departments within those colleges, and oh by the way, the courses within those departments that... And very soon, you get very narrow, very structured and you lose the value. Nothing else – to go back to your comment about diversity, one of the values here is getting a diverse conversation going, not just people that come to the problem from an engineering perspective or from a military perspective, but looking at it from a management perspective, a policy perspective, and sharing those different thoughts.

>> MICHAEL BARGER: Couldn’t agree more. Please join me in thanking secretary Winter for his time.