SMP

Strategic Management Plan

The Business of Defense FY2014 - FY2015

July 1, 2013

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Introduction

The Strategic Management Plan (SMP) sets forth the Department of Defense (DoD) strategy for delivering effective business operations to support and enable the Warfighter. The objective of the SMP is to align and improve business operations across the Department's Business Functions as required by the 2008 National Defense Authorization Act (NDAA).[1] The SMP establishes the goals, key initiatives, outcomes, performance measures, and guiding principles for the Department's business mission area. It communicates the strategic business direction for the Department as well as the approach for assessing progress toward achieving the Department's business goals.

The SMP business goals are aligned to the Department's overall strategy as outlined in the 2010 Quadrennial Defense Review (QDR). The QDR goals set the strategic priorities for the Department, including a number of business and management improvements. The 2012 Defense Strategic Guidance (DSG), which reflects the President's strategic direction to the Department, reaffirmed these goals and emphasized continuing efforts "to reduce the cost of doing business" as one of the principles that will guide DoD force structure and program development in the coming years.[2]

> *"The current fiscal environment requires different, more strategic, thinking about how to make budget decisions and achieve the mission within the fiscal targets that are provided without disrupting the mission."*
>
> - The Honorable Elizabeth A. McGrath, Deputy Chief Management Officer

The Department is moving toward an integrated business environment built on 21st century capabilities, enabled by cutting-edge technologies. Reorienting the management of Defense business around cross-functional end-to-end processes enables informed enterprise-wide decisions, guides the selection of targeted investments in business capabilities, and drives interoperability, efficiency and fewer duplicative systems. The Department is transforming its business through key initiatives, including Audit Readiness, Better Buying Power (BBP), and mobile and web-enabled applications. The SMP provides a management framework to accomplish these initiatives and create an effective, yet simplified business environment.

[1] Section 904 of Public Law 110-181

[2] U.S. Department of Defense, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," January 2012. Available at http://www.defense.gov/news/Defense_Strategic_Guidance.pdf (accessed March 5, 2013).

The SMP for fiscal years (FY) 2014 – 2015 establishes four strategic goals (see Table 1) to guide the Department's business investments and activities.

	FY2014 – FY2015 Goals
	Goal 1: Optimize DoD personnel by developing and instituting policies and practices that focus on readiness and support for Service members, their families, those transitioning to veteran status, and civilian staff, in a constrained fiscal environment
	Goal 2: Strengthen DoD financial management to respond to Warfighter needs and sustain public confidence through auditable financial statements
	Goal 3: Build agile and secure information capabilities to enhance combat power and decision making while optimizing value
	Goal 4: Strengthen DoD Acquisition processes, spanning requirements determination, development, procurement, support and disposal to ensure that the Department's force structure and supporting infrastructure is modernized, recapitalized, and sustained within available resources

Table 1: FY2014 – FY2015 SMP Goals

Strategic Context

Size and Complexity of the Department of Defense

The Defense enterprise is the largest and most complex organization in the world. With roughly three million employees, almost 5,000 locations, and a budget of more than $600 billion, the Department is bigger than any Fortune 500 company today (see Figure 1). The Defense footprint comprises 2.2 billion square feet in building space, with the Army alone utilizing the equivalent of more than twice the total office space in New York City. The Department is also the largest health care provider, caring for almost 9.6 million military members, retirees and their families. The DoD also executes a multibillion dollar global supply chain that manages an inventory of five million line items. With such massive scale and a complex operating environment, it is crucial for DoD to efficiently execute its business operations.

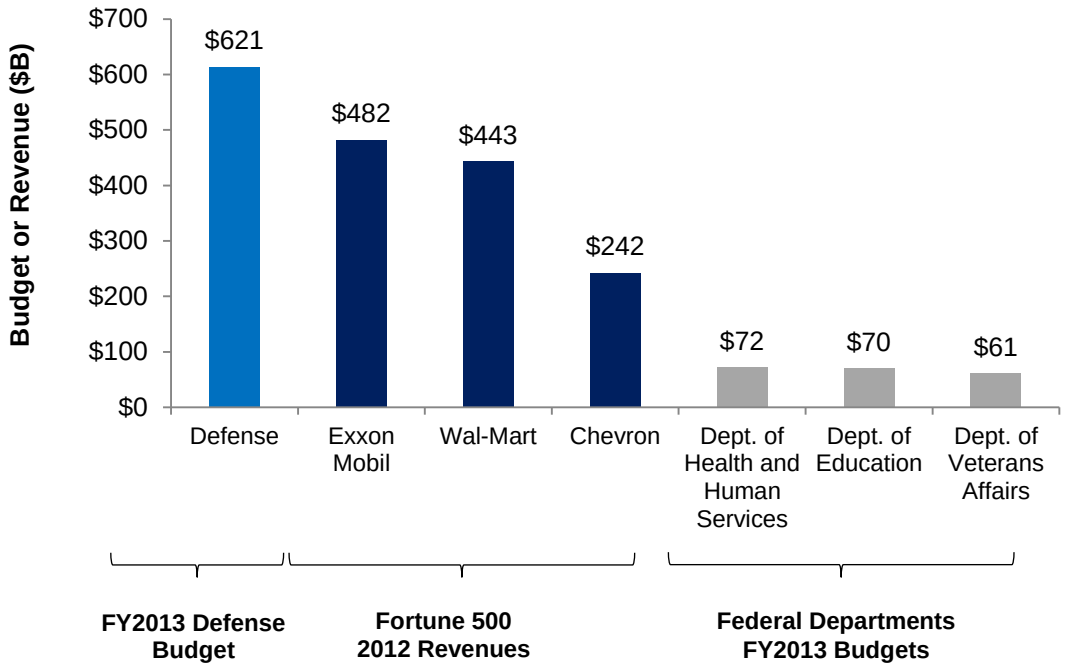


Figure 1: DoD budget comparison with other federal departments and leading Fortune 500 company revenues[3]

[3] National Defense Budget Estimates for FY2014, May 2013; Budget of the United States Government (FY2013); Fortune 500 List (FY2012)

Opportunities to Improve Business Operations

To effectively manage business capabilities, the Department maintains a portfolio of strategic initiatives across core support functions, such as Financial Management (FM), Personnel and Readiness (P&R), Acquisition and Logistics, and Information Technology (IT). While the Department successfully executes business operations, there are several opportunities to create greater synergies across the enterprise. For example, the Department needs to:

- Better project, prioritize, and plan the expenditures for the business mission area to drive more informed business decisions that support the mission, assess risk, and focus on cost as opposed to budget, as a primary measure of performance
- Further limit duplicative systems and deliver enterprise-wide capabilities, where appropriate, that align to end-to-end business processes
- Continue to implement 21st century business operating models, processes, and technology to measurably improve cost effectiveness with an emphasis on return on investment
- Better align programs, people, and budgets to achieve significant improvement in functional capability
- More readily access, aggregate, and translate data into information to gain valuable insights that drive informed decision making

- Proactively address interdependencies, reduce risk, and deliver business capabilities in an integrated fashion by increasing coordination across DoD

These opportunities are the basis for the guiding principles, which are aimed at shaping a leaner, more integrated and simplified business environment.

Guiding Principles

This SMP describes a multiyear journey toward a transformed enterprise. To succeed, the organization must be prepared to take the journey and to marshal its commitment to DoD's higher goals. While the near-term goals are very clear and the actions required to reach those goals are well-understood, the connection across and between goals is equally important to support cross-functional execution. To help guide business decisions at all levels of the Department, DoD has introduced a set of guiding principles pertinent to the entire Defense business area. These principles are the doctrine for managing the business of Defense. Like private sector enterprises and many government agencies, DoD is improving business operations by transitioning from labor-intensive, paper-based, siloed processes to more streamlined, technology-enabled approaches. Technology is one enabler; however, leveraging concepts such as understanding cost, developing efficient end-to-end processes, reinforcing business alignment, strategically modernizing and rationalizing systems, and managing risk will also help move the Department toward achieving its key SMP goals and improving its overall approach to managing business operations.

1. **Instill a Cost Culture:** Developing a strong cost culture is critical to delivering value to the Warfighter. A cost culture means the Department will not only utilize budget data as a measure of performance but also use cost data to develop a true understanding of operational business expenditures. Knowing what it costs to deliver business capabilities will allow leaders to assess the return on investment, leading to improved decision making.

2. **Institutionalize an End-To-End Business Process Perspective:** We execute our mission across both organizations and functions. Given the size and complexity of the DoD business mission space, it is imperative that business processes are understood and executed in a holistic end-to-end view that cut across these functional and organizational boundaries. This perspective facilitates the effective use of process improvement, investment decision making, and risk management techniques to guide ongoing business transformation.

3. **Align Business Operations:** Business operations are inextricably linked to the success of the national security mission. As such, the Defense community must continually synchronize its goals, initiatives, and performance measures with the Department's strategic guidance to enable alignment of business activities to support the mission.

4. **Modernize and Rationalize Business Systems:** Updated and streamlined business systems will lead to a simplified and efficient business environment. Using an end-to-end business process perspective, the Department is identifying and eliminating business system redundancies, creating interoperability, and achieving data transparency resulting in greater return on investment and more effective support to the Warfighter.

5. **Manage Business Risk:** There are a number of challenges to the execution of the Department's business transformation goals. It is critical that the Department proactively identify, assess, and mitigate these challenges through a robust and comprehensive risk management framework.

Guiding Improved Business Operations through Governance

The business transformation activities of the Department are vast and complex. As such, the governance of these activities is critical to align the Department's vision and goals for improved business operations to gain the desired outcomes sought across the business mission space. The Defense Business Council (DBC) was created in October 2012 as the principal subsidiary governance body of the Deputy's Management Action Group (DMAG) to oversee Defense business operations.[4] The DBC provides unified direction and leadership among the Department's Functional Areas and Components to synchronize actions across business areas and end-to-end processes. It also empowers cross-functional, collaborative actions to optimize DoD business management and promote transparency. The Council includes strong Joint Staff representation to ensure alignment to the warfighting mission area. The DBC also coordinates activities with other DoD governance groups to include the Financial Improvement and Audit Readiness (FIAR) board, the Defense Human Resources Board (DHRB), the Chief Information Officer (CIO) Executive Board, and other governance bodies across the military departments and Defense agencies as appropriate. By undertaking these activities, the DBC is one of the primary and essential entities overseeing and managing the execution of the SMP.

Link to Overarching DoD Strategy

The QDR is the Department's strategic plan and establishes the priority objectives for DoD. Specifically, the 2010 QDR set five strategic goals:

1. Prevail in today's wars
2. Prevent and deter conflict
3. Prepare to defeat adversaries and succeed in a wide range of contingencies
4. Preserve and enhance the all-volunteer force
5. Reform the business and support functions of the Defense enterprise

[4] The Deputy's Management Action Group (DMAG) serves as the Defense Business Systems Management Committee (DBSMC), which is a joint committee of senior leaders responsible for executing a common approach across Departmental processes.

The SMP establishes business goals that directly support these strategic goals. As such, the SMP provides a vital link between the overarching DoD strategy, as defined in the QDR and the DSG (released in January 2012 to provide a blueprint for the Joint Force in 2020), and the business transformation goals and initiatives for the business mission space. Figure 2 depicts the linkage between the Department's strategy documents.

The President's **National Security Strategy** calls for a comprehensive range of national actions by the United States' national security agencies. In the **Quadrennial Defense Review**, the Department of Defense establishes its long-term strategy to address today's conflicts and tomorrow's threats.

Included in the 2010 QDR is a goal to "Reform the Business and Support Functions of the Defense Enterprise;" to accomplish this, the **Strategic Management Plan** establishes the Department's priority business goals, initiatives, and performance measures. The SMP, which is required by the 2008 **National Defense Authorization Act**, focuses the Department's attention on the most critical business initiatives to better support the Warfighter.

Each business mission area has **strategic guidance documents** that comprehensively outline their respective goals and initiatives. These documents are used to develop **Functional Strategies**, which demonstrate how the Functions plan on supporting the Department's business goals. The highest-priority initiatives in the Functional Strategies inform the development of the SMP's goals and initiatives.

Figure 2: Relationship between the SMP and Other Defense Strategy Documents

Integrated Business Framework

The Integrated Business Framework (see Figure 3) depicts the Department's cross-functional business approach. This framework enables strategic alignment, identification of cost drivers, measurement of business outcomes and benefits, and determination of return on investment for the Defense business initiatives. First, the Department's strategic documents, including the National Security Strategy (NSS), the QDR, the DSG, and the SMP drive the development of functional-level strategies aimed at meeting the Department's business objectives. These Functional Strategies inform the goals and inititives outlined in the SMP. Components then develop Organization Execution Plans (OEP) to describe how they will execute their respective plans to meet the functional needs. The DBC then reviews investments in a systematic way by examining their utility, strategic alignment, cost, and compliance to legislation and regulations. The end result for DoD is better informed investment decisions that are closer aligned to mission priorities and that yield a positive return on investment.

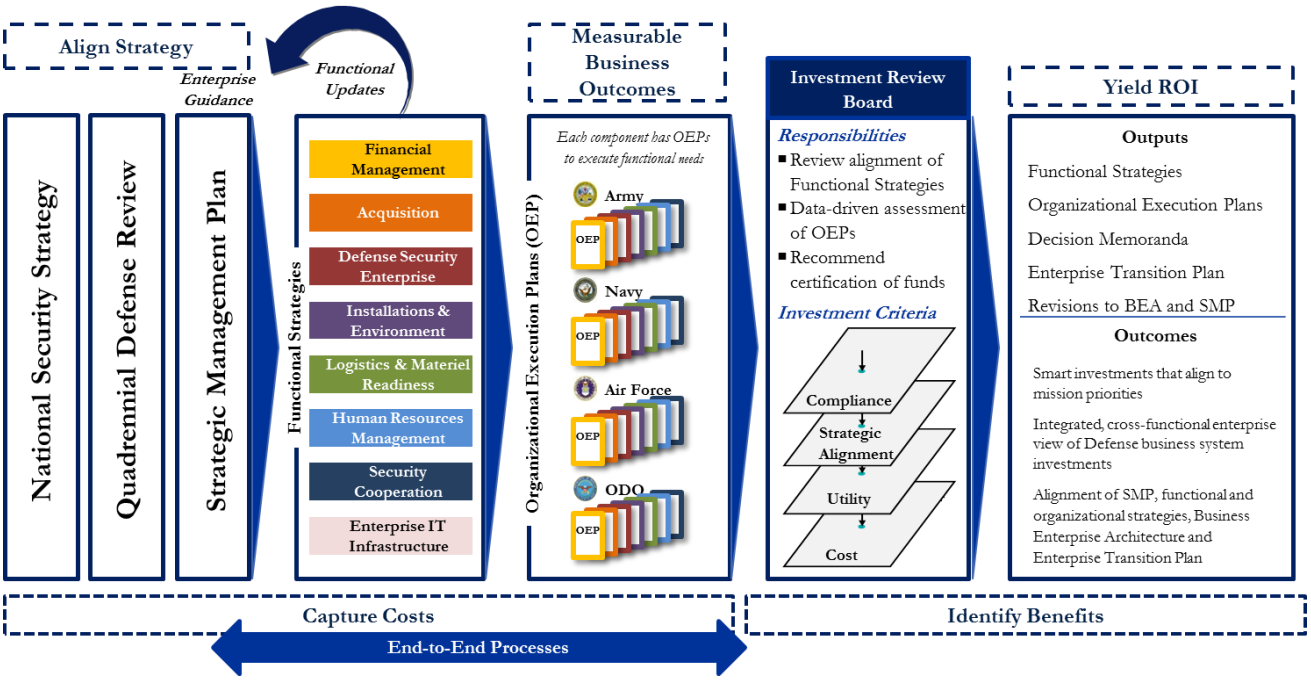


Figure 3: Integrated Business Framework

Progress to Date

Each year, the Department undertakes activities focused on developing a more agile, integrated, and transparent business environment. And while this document is focused on FY2014 – FY2015, Appendix 1 highlights a few of the business achievements that are providing significant value to DoD and the nation, based on the FY2012 – FY2013 SMP goals. During FY2014 – FY2015, the Department will continue to track progress towards the goals and initiatives outlined in this plan to demonstrate DoD's ongoing progress.

FY2014 – FY2015 Goals, Key Initiatives, and Performance Measures

The FY2014 – FY2015 SMP articulates both business goals and associated key initiatives, as defined by the Principal Staff Assistants (PSAs)[5], in coordination with the DoD Deputy Chief Management Officer (DCMO). The SMP is focused on the Department's high priority business goals; there are also a number of additional ongoing initiatives that are not contained herein, but contribute to overall business improvements.

The Department's business goals provide a holistic view of DoD business operations and emphasize the objectives toward which Defense improvement efforts are directed. The goals are structured to engage multiple levels of the organization using a cross-functional approach. The FY2014 – FY2015 SMP goals were developed collaboratively with input from leadership across the organization. The intent is to use these business goals to guide the Department's business investments and activities.

Key initiatives are the primary activities necessary to achieve goals. The SMP captures the initiatives most directly linked to the Department's desired business outcomes. Resource needs are linked to key initiatives to prioritize these as critical activities among other business objectives. In addition, the SMP details performance measures associated with each goal. Performance measures are a standard or basis for comparison used to assess the progress made toward each business goal based on qualitative or quantitative data over a period of time. Outcomes are the desired end-state once the goal has been achieved. The goals, initiative milestones, performance measures, and outcomes will be incorporated into an SMP Roadmap for business operations improvements. This SMP Roadmap will provide DoD leaders with a common operating picture of upcoming business improvement activities. Table 2 summarizes the FY2014 – FY2015 SMP goals and key initiatives.

[5] FY2014 – FY2015 SMP goal owners: Under Secretary of Defense for Personnel and Readiness (USD (P&R)), Under Secretary of Defense (Comptroller)/Chief Financial Officer (CFO), DoD Chief Information Officer (CIO), Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L))

	SMP Goal	Key Initiatives
1	**Optimize DoD Personnel Readiness Posture** ***USD(P&R)*** ***Aligned to QDR Goals 1, 3 & 4*** Optimize DoD personnel by developing and instituting policies and practices that focus on readiness and support for Service members, their families, those transitioning to veteran status, and civilian staff, in a constrained fiscal environment	• Ensure that Service members who are transitioning to veteran status have the tools they need • Virtual Electronic Military Accessions enable the exchange of applicant data with Service recruiting, personnel, and medical record systems, enterprise data verification services and promote the use of distributed business processes • Force Structure Visibility improves and enhances timeliness and visibility of Fourth Estate and Component Force Structure information through standard data initiatives and interoperability solutions • Health care management opportunities to reduce overall costs will be identified through holistic analysis and validation of all systems being used to manage health care and services
2	**Strengthen DoD Financial Management** **USD(C)/CFO** ***Aligned to QDR Goal 5*** Strengthen DoD financial management to respond to Warfighter needs and sustain public confidence through auditable financial statements	• Execute Financial Improvement Audit Readiness strategy and plans to achieve audit readiness by FY2017 • Implement standards to ensure accurate and timely posting of accounting events and to improve interoperability across core financial management and feeder systems • Improve, standardize, and reengineer financial management processes to gain efficiency in financial management operations in order to produce better financial information to support decision making • Maximize financial management operational capabilities through technology to achieve a positive return on investment and lower cost of financial management operations • Champion a strong and capable financial management workforce
3	**Build Agile and Secure Information Capabilities** ***DoD CIO*** ***Aligned to QDR Goal 5*** Build agile and secure information capabilities to enhance combat power and decision making while optimizing value	• Enable secure, mobile, and mission-driven access to information across the enterprise • Provide enterprise IT infrastructure and services across DoD • Establish a multi-provider DoD enterprise cloud environment • Advance and evolve IT infrastructure to support mobile devices and promote development and use of DoD mobile and web-enabled applications • Implement improved cybersecurity through continuous monitoring and global identity and access management. • Implement changes to IT and cybersecurity workforce management • Provide strategic sourcing of hardware, software, and services
4	**Strengthen DoD Acquisition Processes** ***USD(AT&L)*** ***Aligned to QDR Goals 1,3 & 5*** Strengthen DoD Acquisition processes, spanning requirements determination, development, procurement, support and disposal to ensure that the Department's force structure and supporting infrastructure is modernized, recapitalized, and sustained within available resources	• Implement and enforce affordability-based constraints on program acquisition and sustainment costs • Provide incentives to industry to seek economies that drive down DoD procurement and life-cycle costs • Increase the use of competition to control costs of goods and services • Increase the productivity of each Military Department's Acquisition System • Increase distribution effectiveness through Strategic Network Optimization • Reduce on-hand excess inventory and on-order excess inventory in accordance with the Comprehensive Inventory Management Improvement Plan • Improve Asset Visibility throughout the end-to-end supply chain • Increase, by one percentage point annually, the amount of contract obligations that are competitively awarded • Eliminate excess infrastructure through Base Realignment and Closure and European Infrastructure Consolidation Initiative • Reduce facility operating costs by increasing energy efficiency

Table 2: FY2014-FY2015 SMP Goals and Key Initiatives

Goal 1: Optimize DoD Personnel Readiness Posture

Optimize DoD personnel by developing and instituting policies and practices that focus on readiness and support for Service members, their families, those transitioning to veteran status, and civilian staff, in a constrained fiscal environment.

People are the Department's most valuable asset and they are crucial to achieving all aspects of our mission. Taking care of our Service members, their families, and our civilian staff, especially during the ongoing drawdown after a decade of conflict, is a commitment that DoD continues to honor. In this goal, we are addressing issues that cover all personnel, with particular focus on maintaining a highly skilled military and civilian workforce; providing quality and affordable health care to our military members and their families; keeping our commitment to military families; ensuring military, civilian, and family readiness; providing transition assistance; and ensuring benefits and health care for our veterans and wounded warriors.

To effectively address these issues, we continue to institute policies and practices that focus on readiness and supporting Service members and their families as well as our civilian staff. Additionally, this goal focuses on how to achieve lasting success for transitioning Service members both in preparing them for careers beyond the military and ensuring a smooth transition from active duty to veteran status. At the same time, we are focused internally to maintain high-quality military member and family benefits and health care as well as achieving the right workforce mix at a time of acute fiscal constraint.

In the coming years, the fiscal landscape will continue to be challenging and personnel costs will likely drive many of the Department's future strategic decisions. Therefore, it will be imperative that the Department makes the most efficient use of the Total Force. One component of that force is the Department's highly effective part-time military force - the National Guard and Reserve. The National Guard and Reserve have proven to be a ready and effective force over the past 12 years of conflict. Going forward, these citizen Service members will be an essential element of how the Department achieves the goal of optimizing a holistic DoD personnel readiness posture. The National Guard and Reserve provide the Department a cost effective means of maintaining required capability and capacity at reliable readiness with acceptable risk. All future personnel decisions will consider how the National Guard and Reserve Component contribute to the solution set.

The outcomes, key initiatives, performance measures, and targets (see Table 3) all aim to provide our people with the means to achieve success, whether Active and Reserve Service members, their families, or our civilian staff. Targeting areas such as transition, readiness, and strategic human capital planning ensures that the Department remains agile and responsive regardless of the current fiscal realities. Additionally, these measures go beyond optimization of the DoD total workforce mix to address those critical support areas that allow our Service members and civilians to better focus on mission.

1 Optimize DoD Personnel Readiness Posture

USD(P&R)

Key initiatives	*Performance measures*	*Targets*
Ensure that Service members who are transitioning to veteran status have the tools they need	Percent of eligible Service members who separated and met Career Readiness Standards prior to their separation	65% of eligible Service members who separated met Career Readiness Standards prior to their separation
Virtual Electronic Military Accessions enable the exchange of applicant data with Service recruiting, personnel, and medical record systems, enterprise data verification services and promote the use of distributed business processes	Percent of Non-prior service AC and RC accessions; who are High School Diploma Graduates (HSDG) (Tier 1); who score above the 50th percentile (Categories I-IIIA) on the Armed Forces Qualification Test (AFQT); who score at or below the 30th percentile (Cat IV) on the AFQT	AC/RC Non-prior Service Accessions should be: No less than 90% HSDG (Tier I) No less than 60% Cat I-IIIA No more than 4% Cat IV
Force Structure Visibility improves and enhances timeliness and visibility of Fourth Estate[6] and Component Force Structure information through standard data initiatives and interoperability solutions	Percent variance in Active Component end strength Percent variance in Reserve Component end strength	For each fiscal year, the DoD Active Component end strength will not vary by more than three percent from the SECDEF/NDAA-prescribed end strength for that fiscal year For each fiscal year, the DoD Reserve Component end strength will not vary by more than three percent from the SECDEF/NDAA-prescribed end strength for that fiscal year

[6] "Fourth Estate" consists of DoD entities not in the military Departments or the combatant commands. These include the Office of the Secretary of Defense, the Joint Staff, the Office of the Inspector General of DoD, the defense agencies, and DoD field activities.

Key initiatives	Performance measures	Targets
	Number of days for all external civilian hiring actions (end-to-end) timeline	The Department will maintain its timeline for all external (direct hire authority, expedited hire authority. and delegated examining) civilian hiring actions at 80 days or less
Health care management opportunities to reduce overall costs will be identified through holistic analysis and validation of all systems being used to manage health care and services	Average percent variance in Defense Health Program annual cost per equivalent life increase compared to average civilian sector increase	The DoD will maintain an average Defense Health Program (DHP) medical cost per equivalent life increase at or below the average health care premium increase in the civilian sector

Outcomes
• Provide the benefits and health care critical to retaining the best force, supporting our veterans, and caring for our Wounded Warriors to include ensuring Service members are confident that they can meet their personal goals as Veterans be it employment, higher education or small business success • Ensure that we maintain a highly-skilled military and civilian workforce shaped for today's and tomorrow's needs • Strengthen individual and mission readiness and family support, and promote well-being • Manage health care costs while delivering quality health care and improving medical readiness

Table 3: SMP Goal 1 – Key Initiatives, Performance Measures, Targets and Outcomes

Goal 2: Strengthen DoD Financial Management

Strengthen DoD financial management to respond to Warfighter needs and sustain public confidence through auditable financial statements.

As the U.S. government strives to "put [its] fiscal house in order,"[7] the Department is working to execute its mission with fewer resources. Budgetary uncertainties compound the Department's fiscal challenges and have the potential to negatively affect mission readiness.[8] To respond to these challenges the DoD is emphasizing more disciplined use of resources and strengthening financial management. The Department must make future choices based on timely, accurate, and reliable data. Focusing on costs and benefits, instead of budget, in investment decisions will drive a paradigm shift in how the Department thinks about and manages its finances. This focus, coupled with ongoing audit readiness and process and data standardization efforts, informs the financial management key initiatives that seek to address these challenges and strengthen financial management to produce better information for decision making. Auditability will remain an important goal for the Department. As is the case in the private sector, DoD needs to provide transparency into the Department's finances and be able to communicate those results to stakeholders, to ensure good stewardship of resources, and mitigate critical risks to financial operations. The directive by the Secretary of Defense that requires audit readiness of the processes and systems supporting the Statement of Budgetary Resources (SBR) for general funds by the end of 2014 and audit readiness of all DoD financial statements by 2017[9] provides the Department with a target upon which to focus its Financial Improvement Audit Readiness (FIAR) Plan. The Department's audit readiness strategy calls for limiting the scope of the first year, FY2015 audits to the Schedule of Budgetary Activities (SBA). Initial General Fund SBA audits will not include balances prior to September 30, 2014 activity. Once a Component successfully audits its current year appropriation activity, it will then begin an audit of its complete SBR. The execution of the FIAR Plan will also lead to an increased emphasis on accountability of assets and transparency.

[7] DoD, "Sustaining U.S. Global Leadership."

[8] Deputy Secretary of Defense Memorandum "Handling Budgetary Uncertainty in Fiscal Year 2013" 10 January 2013.

[9] National Defense Authorization Act for Fiscal Year 2013

In order to execute the Department's FIAR Plan and achieve auditability, the DoD must continue to streamline and modernize business systems and advance the professionalism of the financial management workforce. Consistent processes and data standards will help establish a technology environment that is primed for expansion through the use of modern technology including Enterprise Resource Planning (ERP) systems. The Department will focus on maximizing return on investment by rationalizing system investments and driving more functionality of ERP systems, where appropriate. The DoD FM Certification Program is one of the most innovative and significant changes for the FM workforce to date. Certification provides the framework to advance the professionalism of financial managers and to adapt to future requirements. It is designed to maintain a capable workforce better able to assist commanders and managers in using information and making decisions, as well as supporting the Secretary of Defense and the USD(C)/CFO's goals to achieve auditable financial statements. Table 4 summarizes DoD's financial management goal.

2	**Strengthen DoD Financial Management** ***USD(C)/CFO***	
Key Initiatives	***Performance Measures***	***Targets***
Execute the Financial Improvement Audit Readiness strategy and plans to achieve audit readiness by FY2017	Percent of DoD Funds Balance with Treasury validated Percent of DoD SBA validated Percent of DoD mission-critical assets (Real Property, Military Equipment, General Equipment, Operating Materials and Supplies and Inventory Balances) validated for existence and completeness	FY2014: 100% FY2014: 100% FY2014: 55%
Implement standards to ensure accurate and timely posting of accounting events and to improve interoperability across core financial management and feeder systems	Compliance to Standard Line of Accounting (SLOA) by April 2014 (No. of systems) Compliance with Standard Financial Information Structure/ United States Government Standard General Ledger (SFIS/USSGL) (No. of validations completed by December 2013, percent of systems compliant) Compliance to Accounts Receivable Principle Balance (ARPB) Delinquent Debt Management Data Standard (No. of systems)	FY2014 (April): Compliance to SLOA FY2014 (December): 100% compliance to SFIS/USSGL Compliance to ARPB Delinquent Debt Management Data Standard
Improve, standardize, and reengineer financial management processes to gain efficiency in financial	Decrease Unmatched Transactions (UMTs) greater than 120 days old	FY2014: Target is under development

Key Initiatives	Performance Measures	Targets
management operations in order to produce better financial information to support decision making	Decrease delinquent outside DoD intergovernmental accounts receivables Reduce commercial improper payments	FY2014: Target is under development FY2014: Target is under development
Maximize financial management operational capabilities through technology to achieve a positive return on investment and lower cost of financial management operations	Number of legacy systems retired	10% reduction in total financial management systems costs
Champion a strong and capable Financial Management workforce	Participation in the DoD financial management Certification Program	FY2014: 46%

Outcomes
• Legal, effective, and efficient use of DoD resources • Interoperability among business systems that provide better financial information • Alignment of resources to prioritized activities

Table 4: SMP Goal 2 – Key Initiatives, Performance Measures, Targets and Outcomes

Goal 3: Build Agile and Secure Information Capabilities

Build agile and secure information capabilities to enhance combat power and decision making while optimizing value.

Increasingly, mission success depends upon the ability of our military and civilian leaders to act quickly and effectively based on the most timely, accurate, and reliable information available. Recognizing that information is a strategic asset, DoD leaders are working to establish a robust, rapidly scalable, interoperable, and secure IT capability. This challenge is amplified because our adversaries are seeking every opportunity to penetrate our critical infrastructure to capture, disrupt, or destroy our information and do harm to our forces. Consequently, DoD's IT strategy focuses on developing capabilities that improve:

- Mission Effectiveness: The necessary enterprise infrastructure services to support systems and processes without building separate infrastructure
- Cybersecurity: Secure mission-driven access to information and services enabled across the enterprise
- Efficiencies: Provide the required IT infrastructure at lower cost through economies of scale, elimination of duplicative services and products, streamlined acquisition, and use of leading industry practices

A primary enabler of this strategy is the Joint Information Environment (JIE).[10] The JIE is among the first concrete changes along the path to constructing Joint Force 2020.[11] Joint Force 2020 is a Capstone Concept for Joint Operations and provides a vision for how the future Joint Force can effectively address security challenges through globally integrated operations, increasing overall adaptability to cope with uncertainty, complexity, and rapid change. First and foremost, JIE will improve mission effectiveness. It is intended to enable and empower the U.S. military's decisive edge—its people—by providing a shared IT infrastructure with a common set of secure enterprise services to Warfighters and their mission partners.

The Department must evolve its approach to information technology to create an environment that enables mission command. A decade of war has plainly illustrated the need to share information beyond the confines of current IT architectures. A trusted IT framework like the JIE will enable DoD to share information with any mission partner, regardless of location, device, or provider. The JIE will provide the framework to accrue military advantage across multiple functional areas through the integration, innovation, and consolidation of our IT systems while at the same time improving our security posture.

[10] Deputy Secretary of Defense memorandum "Joint Information Environment Implementation," May 6, 2013.
[11] CJCS White Paper, "Joint Information Environment," January 22, 2013.

The JIE will change the way we assemble, configure, and use new and legacy information technologies. It will consist of network operations centers, a set of core data centers, a global identity management and access management system, all operated using a single security architecture, and providing cloud, mobility, and common IT enterprise services. The JIE will provide infrastructure to flexibly create, store, disseminate, and access data, applications, and other computing services when and where needed. It will also provide better protection to the integrity of information from unauthorized access while increasing the ability to respond to security breaches across the system as a whole.

Another key enabler is Continuous Monitoring capabilities to maintain global situational awareness and support ongoing observation, assessment, analysis, and diagnosis of Component cybersecurity posture, hygiene, and operational readiness. The knowledge provided by Continuous Monitoring capabilities in support of informed and actionable risk management decisions will span multiple mission areas of operation to include: Network Operations, Cyber Defense, and Risk Management.

We must migrate to a future state where we manage and provide IT support as a core Defense capability. Business mission managers will have the necessary enterprise infrastructure services (including advanced cybersecurity, mobility, and cloud solutions) to support their system and processes without building separate IT infrastructure. Additionally, the Department will implement the White House Digital Government Strategy, and make appropriate information broadly available and presented in ways most useful for the consumer of that information.

On both classified and unclassified domains, members of the Department, including Warfighters, will have the power to connect to information resources needed from any device, at any time, from anywhere in the world. Furthermore, as individuals move around the world, whether for operational deployment or in support of business operations, their movement within the information environment will be virtually seamless and allow them to operate from any device.

3 Build Agile and Secure Information Capabilities

DoD CIO

Key Initiatives	*Performance Measures*	*Targets*
Enable secure, mobile, and mission-driven access to information across the enterprise	Percent of DoD users on email systems that adhere to Enterprise Directory Service standards Schedule variance for each JIE Increment Percentage of planned enterprise network upgrades completed Percentage of planned Post/ Camp/ Base/Station network upgrades completed	Target is under development

Key Initiatives	Performance Measures	Targets
Provide enterprise IT infrastructure and services across DoD	Percent of systems using enterprise IT infrastructure that meet or exceed availability SLAs Percentage of systems supported by Enterprise Data Centers (EDCs) and Installation Processing Nodes (IPN) operating IAW standards Percent reduction in Defense Business System (DBS) infrastructure sustainment costs (based on FY2014 PB IT Budget baseline)	90% 15% FY2014 35% FY2015 50% FY2016 75% FY2017 90% FY2018 5% reduction per year FY2015 – FY2018
Establish a multi-provider DoD enterprise cloud environment	Percentage of systems hosted on the DoD enterprise cloud environment (via DoD Enterprise Cloud Service Broker)	Increasing
Advance and evolve IT infrastructure to support mobile devices and promote development and use of DoD mobile and web-enabled applications	Percentage of secure mobile devices supported by enterprise mobile device management and contracted through DISA Number of approved enterprise mobile apps	2% FY2014 10% FY2015 30% FY2016 75% FY2017 90% FY2018 Increasing
Implement improved cybersecurity through continuous monitoring and global identity and access management	Implement Administration's cybersecurity priorities: strong authentication, Trusted Internet Connections (TIC), and Continuous Monitoring Percentage of appropriate systems that use the Defense Manpower Data Center (DMDC) enterprise identity management service Percentage of systems/applications that are PKI-enabled	95% FY2014 90% 90% FY2014 95% FY2015
Implement changes to IT and cybersecurity workforce management	No. of cybersecurity and IT positions	No. of cybersecurity positions identified = 100% FY2014

Key Initiatives	Performance Measures	Targets
	No. of cybersecurity and IT positions filled	No. of IT positions identified = 100% - FY2015 (After the Cyberspace Workforce Manuals are published) No. of cybersecurity positions filled = 90% - FY2014 No. of IT positions filled = 90% FY2016
Provide strategic sourcing of hardware, software, and services	Dollar value of software sales through Enterprise Software Initiative agreements Dollar value of Commercial IT hardware that is purchased on designated DoD Strategic Sourcing vehicles	Increasing Increasing

Outcomes
• Improved mission effectiveness • Improved cybersecurity • Improved efficiencies

Table 5: SMP Goal 3 – Key Initiatives, Performance Measures, Targets and Outcomes

Goal 4: Strengthen DoD Acquisition Processes

Strengthen DoD Acquisition processes, spanning requirements determination, development, procurement, support and disposal to ensure that the Department's force structure and supporting infrastructure is modernized, recapitalized, and sustained within available resources.

The Department is committed to providing affordable, value-added military capabilities to the Warfighter through improvement to acquisition processes. The current budget constraints make clear that achieving better buying power is more critical than ever to maintain the best military in the world. Through implementation of Better Buying Power (BBP), the Department is improving its acquisition processes, developing and producing more affordable programs that have lower operating and support costs, improving infrastructure efficiency, and strengthening the industrial base.

Acquisition/Contracting: The BBP initiative calls for affordability to be treated as a requirement at all program milestone decision points. The Department must manage according to what programs "Should Cost," not according to historical estimates of what they "Will Cost." BBP directs Acquisition Category (ACAT) 1 Program Managers and Program Executive Officers to report should cost targets and progress in achieving them.

BBP calls for alignment between contractor profitability and the Department's goals. It directs specific actions to revise policy guidelines used to: develop the Department's objective profit position for contract negotiations, select appropriate contract types and incentive arrangements, and conduct "best value" competitions. Furthermore, BBP calls for actions to improve tradecraft in the acquisition of services and requires: the establishment of DoD-level leads to oversee the activities of each of the seven service sectors, establishment of a structured framework for installation commanders to assess the health and productivity of rendered contracted services, and institutionalization of review boards that utilize appropriate outcome metrics and "tripwires" to ensure effective management and accountability of requirements for the acquisition of services.

Logistics: The DoD logistics mission is to provide globally responsive, operationally precise, and cost-effective logistics support for the projection and sustainment of America's Warfighters. The U.S. fiscal outlook will put pressure on the Department to support current operations, maintain readiness, extend the life of existing capabilities, and acquire new capabilities to meet future threats. In this environment, we are focused on reducing total ownership costs of equipment and systems while ensuring the continued effectiveness of operations. Improving the efficiency of logistics business processes is a key enabler of operational capabilities in support of the Warfighter.

Key initiatives include: Strategic Network Optimization (SNO), which accelerates achievement of enterprise visibility and access to DoD inventory. SNO optimizes the number, location and function of supply chain nodes to increase distribution effectiveness placing selected materiel in forward locations to

reduce transportation costs without adversely impacting delivery times. The Comprehensive Inventory Management Improvement Plan (CIMIP) reduces on-hand excess inventory and on-order excess inventory. The CIMIP is focused on three major areas: improve demand forecasting, identify and terminate excess inventory orders to ensure inventory accurately reflects actual needs, and enhance methods to determine retention of inventory. In addition, the Strategy to Improve Asset Visibility enhances asset tracking and in-transit visibility to reduce supply chain execution risk, increase customer confidence in the supply chain, and improve logistics decision making.

Installations: Our Warfighters cannot do their jobs without bases from which to fight, on which to train, or in which to live when they are not deployed. Yet, maintaining more infrastructure than we need taxes other resources that the Warfighter needs as well – from depot maintenance to training to bullets and bombs. We are continually looking for ways to reduce the cost of doing business – including lowering the cost of military construction and investing in energy efficiency that pays us back in lower operating costs. Base Realignment and Closure (BRAC) is another very clear way for us to reduce the infrastructure costs to the Department. The previous five rounds of BRAC are providing us with recurring savings of $12 billion every year. These savings come from the elimination of excess capacity, so they do not result in decreased capability.

Energy bills are the largest single cost in our facilities operations accounts and the Department is committed to lowering these costs. Curbing demand through conservation measures and improved energy efficiency are by far the most cost-effective ways to improve an installation's energy profile. The DoD is making investments in the repair and upgrade of our existing buildings through retrofits. DoD has established a new construction standard for high-performance, sustainable buildings, which incorporates the most cost effective elements of commercial standards and will accelerate the Department's move toward efficient, sustainable facilities that cost less to own and operate.

4 Strengthen DoD Acquisition processes

USD(AT&L)

Key initiatives	*Performance measures*	*Targets*
Implement and enforce affordability-based constraints on program acquisition and sustainment costs	Mandate affordability as a requirement. Establish an affordability target as a Key Performance Parameter equivalent for all ACAT 1 programs	100% (i.e., performed at all ACAT 1 Milestone decisions)
Provide incentives to industry to seek economies that drive down DoD procurement and life-cycle costs	Include incentives behind the fee strategies in all acquisition strategies for all ACAT 1D programs tying incentives to production and sustainment cost control	100% (i.e., included in all ACAT 1D acquisition strategies)

Key initiatives	Performance measures	Targets
Increase the use of competition to control costs of goods and services	Competitive strategy or rationale for sole source, to be provided as part of each ACAT Program's milestone acquisition strategy	100% (i.e., at each ACAT Program Milestone review)
Increase the productivity of each Military Department's Acquisition System	Average rate of acquisition unit cost growth from the previous year for active MDAPs starting in FY2002 and later	Less than or equal to 3%
Increase distribution effectiveness through Strategic Network Optimization	Value of On-Hand excess inventory in relation to total materiel inventory	On Hand Excess FY2014 <10% FY2015 < 9%
Reduce on-hand excess inventory and on-order excess inventory in accordance with the Comprehensive Inventory Management Improvement Plan	Percentage of On-Order dollars for quantities above the approved acquisition objective	On Order Excess FY2014 <6% FY2015 <5%
Improve Asset Visibility throughout the end-to-end supply chain	Average Customer Wait Time – Army	Army ACWT: 15 days
	Average Customer Wait Time – Navy	Navy ACWT: 15 days
	Average Customer Wait Time – Air Force	Air Force ACWT: 7.5 Days
Increase, by one percentage point annually, the amount of contract obligations that are competitively awarded	Percentage of all contract obligations that are competitively awarded	Increase, by one percentage point annually
Eliminate excess infrastructure through Base Realignment & Closure and European Infrastructure Consolidation Initiative	Successful execution of the 2015 BRAC round that results in infrastructure reductions and significant cost savings	Successfully conduct a FY2015 BRAC round
	Successful execution of the European Infrastructure Consolidation Initiative that results in infrastructure reductions and significant cost savings	Successfully conduct a European Infrastructure Consolidation Initiative by FY2014
Reduce facility operating costs by increasing energy efficiency	Reduce installation energy intensity by 3% annually	30% reduction by the end of FY2015

Outcomes
• Strengthen acquisition processes • Generate improvements and process efficiencies in Installations and Environment • Reduce transportation costs and excess inventory

Table 6: SMP Goal 4 – Key Initiatives, Performance Measures, Targets and Outcomes

Management Framework

A robust management framework and execution strategy will ensure the successful achievement of SMP goals and initiatives. Leaders at all levels must take meaningful and collaborative actions to institutionalize these goals to create a cost culture, realize a simplified business environment and create and drive efficiencies.

Governance

Key stakeholders (see Table 7) are responsible for managing the SMP implementation under the purview of the Deputy's Management Action Group/Defense Business Systems Management Committee (DMAG/DBSMC) to proactively improve the Department's business operations.

Stakeholder	Responsibility
Deputy's Management Action Group/ Defense Business Systems Management Committee	Chaired by the Deputy Secretary of Defense, executes a common management approach across disparate Departmental processes
Defense Business Council	Chaired by the Deputy Chief Management Officer, provides unified direction and leadership for the Department's business mission area, including approving the SMP
Principal Staff Assistants	Develop and manage the execution of specific business goals, functional strategies and initiatives
Components and Defense Agencies	Develop execution plans and implement business initiatives aligned to the SMP

Table 7: DoD Business Operations Governance Roles and Responsibilities Summary

The DCMO chartered the DBC to provide "unified direction and leadership among DoD's functional areas and Components to synchronize actions across business areas and end-to-end processes and empower cross-functional, collaborative action to optimize DoD business operations and promote cost transparency."[12] The Charter specifically assigns the DBC the responsibility for supporting the identification and development of business priorities for incorporation into business plans and policies and for overseeing performance management programs. To accomplish this, the DBC enables open dialogue that allows members (see Figure 4) to candidly deliberate the Department's business priorities, progress, and corrective plans while managing the process to identify, raise, and resolve business operations management issues.

[12] Deputy Chief Management Officer Memorandum, "Defense Business Council," October 18, 2012

Defense Business Council	
• Deputy Chief Management Officer	• Chief Operating Officer (Policy)
• Assistant Deputy Chief Management Officer	• Office of Joint Chiefs of Staff – J6
• Assistant Secretary of Defense (Acquisition)	• Deputy DoD Chief Information Officer
• Assistant Secretary of Defense (Logistics & Materiel Readiness)	• Department of the Army DCMO
• Deputy Under Secretary of Defense (Installations & Environment)	• Department of the Navy DCMO
• Director, Defense Procurement and Acquisition Policy	• Department of the Air Force DCMO
• Deputy Chief Financial Officer	• Comptroller and Director of Administration and Management (National Guard Bureau)
• Deputy Comptroller (Programs/Budgets)	• Deputy Director, Program Evaluation (CAPE)
• Chief of Staff, Personnel and Readiness	• Office of the General Counsel
• Director of Intelligence, Systems and Architecture	

Figure 4: Defense Business Council Members

The DCMO chairs the DBC and works with the DBC members and their organizations to develop and publish the SMP. The Department then works to operationalize the key initiatives and track and report progress periodically to the DBC.

The PSAs work with the DCMO to develop the SMP goals, initiatives, performance measures, and outcomes based on their Functional Strategies. The PSAs own the goals and initiatives and manage their execution through Military Department and Agency-level owners.

In coordination with the PSAs, the Military Departments and Defense Agencies are responsible for implementing and reporting on the SMP's key initiatives. The efforts of the Military Departments and Defense Agencies are crucial, as these organizations contain the people, processes, and tools to make the initiatives successful.

Operationalizing the Business of Defense

Implementing a robust management approach for DoD business operations will strengthen all the Departmental initiatives and lead to substantial benefits across the enterprise. Building on existing activities and processes, the iterative framework below will operationalize not only the SMP, but the entire business of Defense.

Figure 5: Operationalizing the Business of Defense

1. **Establish priorities.** The priorities and objectives outlined in the QDR and SMP set the business priorities for the Department. To achieve these priorities and objectives, the PSAs identify their most important goals and initiatives. The initiatives that support these goals are ordered based on their funding priority as identified by the goal owner.

2. **Align initiatives.** The DBC works to integrate and optimize DoD business initiatives through actions, such as:

    - **Reporting.** Regular reviews and reports allow DoD management to understand how organizations are progressing towards the achievement of SMP goals and other critical business initiatives.

    - **Analysis.** Data-based reviews of performance measures conducted by the Office of the Deputy Chief Management Officer (ODCMO) and other organizations enable DBC members to assess whether DoD organizations are meeting their established milestones within time and budget constraints.

    - **Issue identification and resolution.** As required, the DBC asks initiative owners to provide recommendations for measures and milestones that are not on target to ensure a strategy has been identified to address any risks and issues. If major gaps exist, the DBC may establish an integrated project team to develop recommendations and courses of action.

    - **Open dialogue with a Guiding Principles perspective.** DBC members discuss each Defense business issue through the prism of the principles identified in this document: cost; end-to-end processes; alignment; modernization and rationalization; and risk.

3. **Make investment decisions.** DBC deliberations and other discussions inform investment decisions on business operations across the Department. When constituted as the Investment Review Board (IRB), DBC members have specific responsibility for covered Defense business systems.[13] Cross-functional DBC collaboration helps inform Defense business system investments in support of business operations made at the Component or PSA level.

4. **Drive business initiatives.** DoD organizations launch activities to transform business operations. These range from the guidance and high-level initiatives of the SMP to the detailed activities outlined in Functional Strategies and other business improvement efforts.

5. **Refine strategy and adjust budget.** DoD organizations will then revise their business goals, key initiatives, and future investments via the budget process based on progress achieved, DoD strategic objectives, and funding priorities. DBC deliberations on SMP goals and other business activities will inform those refinements and will also facilitate coordination with other DoD business governance forums, such as the FIAR Board and the CIO Executive Board.

This iterative framework will enable DoD business leaders to actively track performance, identify gaps, address issues, and adjust strategy on a regular basis, thereby operationalizing the business of Defense.

Managing Risk through an SMP Roadmap

As the Department continues to execute its business transformation activities, it has become apparent that there are interdependencies and root cause challenges that exist in and amongst the Functions and Components. To this end, the Department is maturing its risk management activities to understand and address these interdependencies through the development of an SMP Roadmap that identifies major milestones, activities, interdependencies, and products required to achieve transformational initiatives. The SMP Roadmap is a visualization tool that will provide DoD executives and managers with an annual depiction of the results and value of these activities to track progress and identify issues that may affect end state business transformation activities. The SMP Roadmap will also identify opportunities to reduce redundancies where appropriate and/or capitalize on synergies occurring within these transformational activities.

[13] Section 2222 of Title 10, U.S. Code

Way Forward

The Department is committed to successfully transforming business operations while further enabling the Department to meet mission objectives. In supporting the world's largest and most complex organization, the FY2014 – FY2015 SMP will guide the Department's multiyear journey toward a transformed business enterprise - a transformation which must outpace the impact of budget constraints.

The SMP highlights those DoD activities that will significantly improve Defense business operations and provides the measures to report progress against performance targets.

The guiding principles further drive progress and success consistent with leading industry best practices and lessons learned to date. As the strategic initiatives articulated in this plan are executed, the Department's business transformation activities will benefit from alignment with the QDR, the DSG, and the DoD's budget and investment processes.

The SMP defines an integrated business environment that drives the management of Defense business around cross-functional and cross-organizational end-to-end processes, enabled by informed enterprise-wide decisions, guided by the selection of targeted investments in business capabilities – with an aim for greater interoperability, efficiency and an effective, yet simplified business environment.

Appendix 1 — Progress to Date

Each year, the Department undertakes activities focused on developing a more agile, integrated, and transparent business environment. The Department's commitment to achieving the goals outlined in the previous SMP has laid the foundation for these improvements. This section highlights just a few of the business achievements from the FY2012 – FY2013 SMP Goals that are providing significant value to DoD and the nation.

Personnel and Readiness

People are our most crucial asset. The use of the automated USA Staffing application has improved the Department's hiring timeliness and enabled human resource professionals to manage the end-to-end process more effectively to hire qualified people.

Current levels of quality are the highest in the 40 years of the All-Volunteer Force. There are two primary measures the Services use when referring to applicant quality for enlistment purposes: level of education and aptitude score on the Armed Services Vocational Aptitude Battery (ASVAB). The key is establishing a balance in meeting quality standards. The DoD has done extensive research on this issue and has established "cost-effective" benchmarks for all the Services. DoD benchmarks require at least 90 percent of enlistees to be high school graduates (Tier I) and 60 percent to score in the top half (Category I-IIIA) on the ASVAB. All Services are exceeding these benchmarks. The DoD average for high school diploma graduates is 99.6 percent, and the DoD average for the ASVAB score quality goal of 60 percent at or above the 50th percentile is 77 percent.

Financial Management

Since 2009, the Department has focused on improvements to financial management though the Financial Improvement Audit Readiness (FIAR) program. FIAR is critical to ensuring that limited resources are assigned effectively to facilitate sustained and measurable progress. In FY2012, nine DoD Components successfully achieved audit opinions on their FY2012 financial statements accounting for over $105 billion in budgetary resources. The Department increased the percentage of DoD Statement of Budgetary Resources for Appropriations validated as audit ready, from 80 percent to 100 percent. In addition, DoD received several audit opinions for operating materials and supplies (OM&S) assertions. Air Force received an unqualified opinion on existence and completeness for uninstalled missile motors; qualified opinions for existence and completeness were received for Air Force spare engines and for Army, three missile types.

Information Technology

Mission success depends upon our Service members and civilian leaders having the capabilities to act quickly and effectively with agile and secure information capabilities to enhance combat power and decision-making. To accomplish this, DoD has focused on developing and implementing these capabilities to enhance mission effectiveness, cybersecurity, and drive efficiencies.

One of the keys to mission effectiveness is the improved management of the electromagnetic spectrum. Spectrum has become increasingly important to the Department's missions, consumers, and the economy of the nation. Fully recognizing the linkages between national security and economic prosperity, the Department is investing in technologies and capabilities aimed at more efficient uses and management of spectrum and working to increase interoperability with our coalition partners and with federal, state, and commercial entities. As part of this effort, DoD is proactively engaging with the National Telecommunications and Information Administration (NTIA), with other federal partners, and with industry to methodically evaluate spectrum bands, through established deliberate processes. One example is DoD's extensive efforts, actively working with industry, to assess the feasibility of sharing the 1755-1850 MHz band through the NTIA-established working groups under the Commerce Spectrum Management Advisory Committee.

With the increased emphasis on cybersecurity, the Department has made some changes in approach. In the last year, for example, the DoD CIO has developed the JIE Single Security Architecture (SSA), a unifying, joint cybersecurity approach for the design of the JIE. One change in the SSA is a focus on mission assurance, rather than computer or system security. Another change is the focus in JIE of giving certain operational commanders more freedom to take operational cybersecurity risks by using "risk zones" in the design of JIE computing and networks. These zones help keep the risks assumed by a particular mission from spilling over into other missions.

The Department has made progress in business system efficiencies by focusing on process improvement first, and then ensuring the right tools and governance structures are in place. The Business Enterprise Architecture is maturing and serves as a tool that guides DoD investment decisions as well as aligning the Department to common standards and approaches. An improved investment management process now provides the Department with the ability to ensure planned investments fit the target environment, align to the architecture, and have successfully undertaken business process reengineering. These efforts, coupled with ongoing work to reform acquisition of information capabilities, are delivering better results for business operations.

Consolidation of data centers, operations centers and help desks are now providing efficiencies as well as improving information access and cybersecurity. The DoD has been engaged in data center consolidation for many years through individual DoD Component activities (e.g., Navy Marine Corps Intranet) and broader Department efforts (e.g., Defense Enterprise Computing Centers). Currently, nearly 50 percent of all DoD data centers are planned to close within the Future Years Defense Plan (FYDP), with the remaining data centers transforming and conforming to JIE standards.

The DoD CIO is successfully consolidating IT services with initiatives such as Enterprise Email. To date, enterprise email is currently used by nine DoD Components. As of March 2013, it has topped one million users on NIPRNet and 21,000 users on SIPRnet.

Another area where DoD is making progress in gaining efficiencies is in shared acquisition vehicles for software and hardware. For software, the DoD Enterprise Software Initiative has established enterprise software agreements for most of the COTS software products that are widely used across DoD and is

working to create enterprise license agreements for widely-used products to which all DoD Components will have access (e.g., anti-virus, anti-spyware, firewalls, secure configuration compliance validation initiative tools, and continuous monitoring tools). The Department is also deploying several commodity IT hardware contract vehicles for items such as desktops, laptops, monitors, printers, and multi-function devices, making this hardware relatively simple and more cost-effective to acquire.

Better Buying Power

Better Buying Power (BBP) is the implementation of efficiency initiatives to strengthen the Department of Defense's buying power, promote innovation and productivity in industry, and provide more affordable value-added military capability to the Warfighter. The focus is to deliver best value to the taxpayer and improve the way the Department of Defense acquires goods and services.

Launched in 2010, BBP encompasses a set of acquisition principles to achieve greater efficiency and productivity through affordability; cost control; elimination of unproductive processes and bureaucracy; promotion of competition, productivity, and innovation in industry and Government; and improving tradecraft in the acquisition of services.

Representative Examples of BBP Successes:

- Working with Anniston Army Depot, Alabama, and General Dynamics Land Systems, the Army developed a pilot program to validate whether components from traditional Stryker flat-bottom-hull (FBH) variants could be refurbished expeditiously and installed on new, more survivable double-V-hull (DVH) vehicles at lower costs than producing new vehicles. The innovative process required reusing common parts and mission equipment packages from existing FBHs and refurbishing the parts and reusing them in the new DVH structure. Each exchange vehicle was tested and validated by the Office of Operational Test and Evaluation, which concluded that the exchange DVHs are as capable and reliable as brand new DVHs. The resultant cost savings was $620,000 per vehicle – a savings of 60 percent from new DVH buys – with all 13 pilot Stryker DVH exchange vehicles delivered on schedule and meeting cost savings target. The Army is now planning to apply this pilot program to the remainder of the 10 Stryker variants in the fleet, with considerable savings expected.

- The Navy's DDG 51 Program Office developed and executed an innovative acquisition approach known as Profit Related to Offer (PRO) for three DDG 51 Class Guided Missile Destroyers authorized in FY2011 and FY2012. This approach, with the implementing actions of the Program Office, created real competition in a situation where none had previously existed. Additionally, through the use of PRO, the Program Office effectively implemented the use of Fixed Price Incentive Firm contracts, awarded $2.1 billion in contracts within a 6-month timeframe, achieved significant savings, and maintained workload at two different shipbuilders to enable future competition for DDG 51 and other major surface combatant acquisitions. This competitive procurement resulted in savings of $298 million for the Navy and established the conditions for PRO for the follow-on FY2013 – FY2017 Multi-Year Procurement for DDG 51Class ships.

- The Air Force's F-22 System Program Office achieved a 15 percent immediate savings and 12 percent potential longer term savings during Increment 3.2A negotiations for the F-22 buy by using the result of their Should Cost analysis. The Air Force linked Should Cost analysis to the

technical proposal and worked with industry to identify and implement specific cost-saving initiatives to address areas in the software development process that were above industry benchmarks. Each of these initiatives was individually assessed by the contractor to determine the range of potential savings, which was then used to inform the Air Force's negotiating position. The effort resulted in a 15 percent cost reduction and $32 million savings for Increment 3.2A.

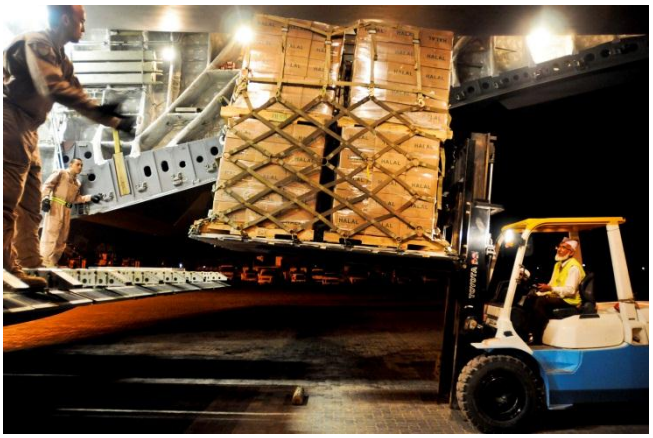
- The United States Special Operations Command's Acquisition Rapid Response Medical Team led the way in developing and widely fielding a comprehensive, modularly configured Casualty Evaluation System (CASEVAC) that enabled ground units to gain access to and recover casualties from a variety of locations; provide innovative, life-saving medical treatments at the point of injury to stabilize the casualty; and provide mobility to deliver a casualty from a remote, inaccessible area to an air or ground extraction platform for transport to a field medical hospital. The team applied the principles of Better Buying Power and controlled costs by combining developmental and operational testing to compress normal acquisition cycle times and greatly reduce life-cycle costs; working closely with small businesses to develop new, innovative, and award-winning medical devices that were a key part of the CASEVAC; promoting competition by orienting industry with current capability shortfalls and then awarding a best value, Indefinite Delivery, Indefinite Quantity contract to a small business; and locking in requirements early in the process that were hinged to battlefield lessons learned. The combined efforts resulted in improved life-saving medical treatment capabilities for the Special Operations Forces community.

Operational and Installation Energy Efficiency

The Department has made great progress towards improving its installation energy performance by pursuing an investment strategy designed to reduce energy costs and improve the energy security of our bases. During FY2012, the DoD reduced its energy intensity by 4.4 percent-exceeding the annual goal of 3 percent. Overall, DoD has reduced its energy intensity by 17.7 percent from a FY2003 baseline, compared to the cumulative goal of 21 percent. The Department is reducing its demand for traditional forms of facility energy through conservation and improved energy efficiency. The lion's share of DoD's energy efficiency investments are applied to retrofit existing buildings; typical retrofit projects install high efficiency HVAC systems, energy management control systems, new roofs and improved lighting. The Department is also using third-party financing tools, such as Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs), to improve the energy efficiency of their existing buildings. While such performance-based contracts have long been part of the Department's energy strategy, in FY2012 the DoD committed to award nearly $1.2 billion in performance-based contracts by the end of 2013, in response to the President's December 2, 2011 commitment ($2 billion in such contracts Federal Government-wide). To date, the Department has awarded 41 contracts worth $371 million with another 53 contracts worth $917 million under development. DoD is also taking advantage of new construction to incorporate more energy efficient designs, material and equipment, using LEED Silver standards as a guide.

Re-engineering and Using End-to-End Business Processes

All of the Services and the Defense Logistics Agency (DLA) met their targeted FY2012 performance goals for customer wait time and perfect order fulfillment, respectively, enabling timely receipt of material. In addition, the Army improved average customer wait time (CWT) by three percent (from 14.1 days in FY2011 to 13.7 days in FY2012). The Army's improvement was associated with receiving materiel at selected sites through the nearest supply activity which allowed closing orders faster. The DLA also improved its perfect order fulfillment rate from 86.2 percent in FY2011 to 87.1 percent in FY2012. The improvement to CWT and perfect order fulfillment means that the Warfighter receives the right materiel at the right time.



Business Operations that Support Contingency Missions

The Theater Financial Management Center, in collaboration with the DCMO, the Defense Finance and Accounting Service, and the deployed Army Financial Management Companies, have established operational capability to conduct electronic funds transfer to host nation vendors. This capability has reduced cash on the battlefield and enabled the recovery of over $65 million due to erroneous payments. System traceability has also improved for all Department funds obligated in theater, increasing from 18.75 percent to 89 percent. This traceability enabled end-to-end visibility of the transactions from commitment to disbursement.

Appendix 2 — SMP Goal Updates

The goals, initiatives, measures, and outcomes included in the SMP are revisited on a biannual basis and updated to respond to the changing business environment and to address the most pressing business issues affecting the Department. Through the development of the SMP and execution of a performance management framework to track business transformation initiatives, the Department's senior leaders make strategic choices about which goals and initiatives warrant the most focused management attention. Table 8 identifies updates made to the FY2012 – FY2013 SMP goals and describes the changes.

FY2012 – FY2013 SMP Goals	Revisions to the FY2012-FY2013 Goals
Goal 1: Strengthen and right-size the DoD Total Workforce mix (military, civilian, and contracted support) to accomplish the DoD mission and sustain superior performance in a time of constrained resources.	This goal expanded to include P&R's commitment to right size the workforce and address issues that cover all personnel. Special emphasis was placed on providing transition assistance; ensuring benefits and health care for our veterans and wounded warriors and their families; maintaining a highly skilled military and civilian workforce; keeping our commitment to military families; ensuring military, civilian, and family readiness; and providing quality and affordable health care to our military members and their families.
Goal 4: Strengthen DoD acquisition processes spanning requirements determination, development, procurement, and support to ensure that the force structure is modernized, re-capitalized, and sustained within available resources.	For the FY2014 – FY2015 SMP, Goal 4 and Goal 5 were collapsed and expanded into one single, overarching goal which more accurately reflects how AT&L manages its complete portfolio, which includes: Acquisition and Logistics, Contracting, Installations and Energy. This goal reflects the Department's commitment to providing affordable, value-added military capabilities to the Warfighter through improvement to acquisition processes, while addressing current budget constraints. The goal and its initiatives commit to providing affordable value added capabilities to the Warfighter, the implementation of the Better Buying Power (BBP), improving acquisition processes, developing and producing more affordable programs that have lower operating and support costs, improving infrastructure efficiency, and strengthening the industrial base.
Goal 5: Increase operational and installation energy efficiency to lower risks to our Warfighters, reduce costs, and improve energy security.	
Goal 6: Reengineer/use end-to-end business processes to reduce transaction times, drive down costs, and improve service.	The content of this goal has been incorporated into the Guiding Principles, as this concept focuses on the improvement of business processes across each Function and Component. Each of the goals in the FY2014 – FY2015 SMP is expected to incorporate this principle into the execution of associated strategic initiatives.
Goal 7: Create agile business operations that plan for, support and sustain contingency missions.	Due to the changing nature of combat operations, Goal 7 has been removed as a stand-alone goal but will remain an important focus area for the Department. Aligning to the FY2013 President's Budget, the DoD beginning to transition from emphasis on today's wars to preparing for future challenges, protecting the broad range of U .S. National Security interests, advancing the Department's efforts to rebalance and reform, and supporting the national security imperative of deficit reduction through reduced Defense spending.[14]

Table 8: SMP Goal Updates

For those FY2012-2013 SMP goals that remain in this FY2014-2015 SMP, the language has been revised and refined to meet today's requirements for continuous improvement.

[14] United States Department of Defense Fiscal Year 2013 Budget Request, February 2012, Office of the USD(C)/CFO