DEFENSE BUSINESS BOARD

**Report to the Secretary of Defense**

# Governance – Alignment and Configuration of Business Activities Task Group Report

Report FY06-2

- **Recommendations for a governance structure for the Department of Defense, and the alignment and configuration of business activities to support strategic priorities**

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**May 2006**

# Governance – Alignment and Configuration of Business Activities Task Group Report

## TASK

In support of the Department's ongoing transformation efforts, and at the request of the Deputy Secretary of Defense, the Defense Business Board (DBB) formed this Task Group to assess and make recommendations to the Department of Defense (DoD) for a governance structure and key best practices to ensure that DoD's business entities align with the Department's strategic priorities.

The objective of this work was to make actionable recommendations regarding best business practices for a governance structure to support better decision-making processes at both the strategic enterprise level and individual business enterprise level. The outcome of the decision-making processes would enable the enterprise to decide whether business services should be centralized, distributed or outsourced altogether. Ultimately, business activities and warfighting functions of the Department must be connected, while also promoting innovation and competition throughout the industrial base.

The Task Group was asked to make the following specific recommendations (see **Appendix A**):

1. Recommend a governance structure and key best practices applicable to the Department that should be adopted to ensure that the Department's business activities align with strategic priorities. The recommendations should support both the shaping of the future force and the promotion of innovation and competition across the Department and in the industrial base, as stated in the Quadrennial Defense Review (QDR).

2. Provide a best practice template for the configuration of business activities (centralized, de-centralized, outsourced, other) that address decision-making process(es), methods and break-through industry-based tools and measures that could be applied in the Department to analyze the business trade-offs for the enterprise and best determine the courses of action in a resource constrained environment.

Task Group Chairman: Denis Bovin
Task Group Members: Neil Albert, John Madigan, James Kimsey, Arnold Punaro, Atul Vashistha, Mortimer Zuckerman
Task Group Sponsor: Gordon England, Deputy Secretary of Defense
Task Group DoD Liaison: Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L), Kenneth Krieg
Task Group Executive Secretary: DBB Deputy Director, Lynne Schneider

## PROCESS

The Task Group received informational briefings regarding military and civilian efforts to improve governance within the Department. These briefings included the Institutional Reform and Governance Roadmap team charged with implementing recommendations from the 2006 Quadrennial Defense Review (QDR), and the Joint Staff J-8, tasked with implementing joint capabilities-based planning. The Task Group also reviewed previous and recent analyses and studies of previously recommended models of governance for the DoD enterprise. In researching private sector best practices the Task Group reviewed research papers and articles, and interviewed private sector and public sector senior managers and CEO's for governance best practice ideas.

One such briefing given to the Board on March 8, 2006, "Ensuring Success through Proper Governance," was given by Atul Vashistha, CEO of NeoIT, a leading global services firm based in California. Mr. Vashistha emphasized the importance of good governance and introduced a governance framework. He stated that "Governance is not mere contract management but is a business process and structure to continuously ensure that the planned organizational objectives are realized. "

The Governance Task Group worked in conjunction with three other DBB Task Groups. Collectively, their work encompassed the critical focal points for realizing lasting Defense enterprise transformation – people, culture and organization. The Task Group Chairmen worked closely together to provide a unified approach. The three other Task Groups were: Shaping and Utilizing the Senior Executive Service (SES) within the Department; Innovation and Cultural Change; and Creating a Chief Management Officer for the Department.

Each of the Task Groups shared the common goal of improving overall enterprise-wide performance. Research has shown that realization

of lasting improvements requires an integrated approach to changes in managing people, culture and organization. This Task Group report should be considered in the context of the additional reports mentioned above and available on the DBB website at www.dod.mil/dbb. The Task Groups presented their findings and recommendations to the full Board on May 31, 2006.

## RESULTS

During the May 31, 2006 meeting deliberations, the Board concluded that the Department's leadership must "own" and guide the desired organizational change so initiatives would not be seen merely as a "program du jour." Vibrant communications channels with constant, real-time feedback loops are essential public and private sector best practices. The Board agreed that best practice governance models for the management of an integrated enterprise require the following: clarity of vision, strategy, work (processes), culture and values; which requires changes in skills and competencies at all levels; which requires changes in organizational levers such as personnel systems, information management and communications systems.

The Board believes that the current business operating environment in DoD remains disconnected from the overall Defense mission and the warfighter. There is not an overarching, consolidated strategic management process for the Department, including a DoD-wide vision, and enterprise goals and objectives with outcome measures and clear accountability. The Secretary's 2006-2008 priorities provide guidance but they need to be supported by an enterprise-level strategic plan.

Currently there is an amalgamation of strategies and guidance spread across and embedded in multiple documents. There is no clear integration among the multiple management initiatives in the Department (i.e., QDR Execution Roadmaps, Government Performance Results Act (GPRA), Business Transformation Agency (BTA)/Enterprise Transition Plan, Chief Financial Act (CFO Act), Base Realignment And Closure (BRAC), etc.) The Department's senior leadership cannot rigorously assess risks and benefits between 1) competing resources, 2) courses of action and 3) alternative capabilities. There is limited collaboration and knowledge sharing at the management and working levels, and therefore integrated options are not generated for senior leaders' consideration.

The Board acknowledged that DoD has established some good "first steps" but more work needs to be accomplished. The DBB also acknowledged that the QDR Roadmap for Institutional Reform and Governance organizational concept defines appropriate roles for multiple levels of governance. The Board thought that the Decision Management Paradigm and Capability Portfolio Experimentation are focused at the management level, whereas best practices show that governance changes must be driven from the enterprise (Governance) level.

## RECOMMENDATIONS

Alignment and coordination are keys to successful governance. The Board urges the Secretary of Defense to articulate a vision for the Department in order to provide clear direction for the future.

The Secretary of Defense should also articulate clear goals for the Department with supporting objectives so that the leadership and management can focus on what needs to be done to achieve desired outcomes (based on performance metrics). The vision and goals should be anchored in a DoD Strategic Plan that includes guiding principles and core values to shape the desired culture in the Department.

The Board recommended the adoption of the Defense Enterprise Planning and Management (DEPM) framework as an overarching governance framework which provides an integrated enterprise-wide DoD perspective. The DEPM framework would enable the Department to be intrinsically integrated from top to bottom, enabling the Secretary and Deputy Secretary to make strategic-level trade-off decisions from an enterprise-wide perspective.

Embedded in the DEPM framework is the DoD Enterprise Model which depicts the flow of activities and functions of the Department, allowing the leadership to align and configure business activities to support enterprise goals. The Enterprise Model provides a common "picture" that allows and promotes better understanding and communication both internal and external to the Department.

The DEPM framework and Enterprise Model, with minor adjustments, are designed to enable use at every level of the enterprise, i.e., governance, management and work/execution. The Army has adopted the Enterprise Model as a management tool. Core processes, those mission

critical activities required to accomplish the overall mission, are defined at every level of the enterprise. This allows and guides the organization to *prioritize* and *focus* resources, and *align* and re-engineer business activities (management and support processes) to support the core processes. Organizations can be mapped to specific activities so that overlaps and bottlenecks will become evident within the Management and Work Execution Level processes.

Specifically, the Board made the following recommendations (See **Appendix B** for the full recommendations):

1. Adopt hallmarks of good governance from the private sector – develop a DoD Strategic Plan with clear metrics that are outcome driven, multi-year and resource constrained

2. Adopt the Defense Enterprise Planning and Management Framework at the governance level and the Enterprise Model as a way of ensuring integration at the management and work/execution levels

3. Ensure shared services (i.e. Business Oriented Defense Agencies) conform to the Decision Support Cell Template and continue to enhance the management of the Defense Agencies through modern business practices

4. Empower a robust Decision Support Cell that facilitates strategic integration using real-time and multi-faceted, strategic management processes

## CONCLUSION

A key challenge facing the Department of Defense continues to be: how to best connect the business and warfighting functions of the Department, as seamlessly as possible, to the basic, unalterable mission of the Department which is to “provide for the common defense.” Building on modern private sector approaches to Enterprise Integration, a DoD-wide perspective - an "enterprise" perspective - must be taken to balance investments across the Department and optimize changes for maximum impact on operational effectiveness while avoiding bottlenecks that result from re-engineering stand-alone processes.

The enterprise management framework recommended by the DBB promotes a cross-functional, horizontal core process approach to management integration. The framework also promotes vertical integration that facilitates the establishment of performance measures, and a linkage from strategy to execution with successful outcomes. Ultimately, the DEPM framework links strategies, organizational entities, functions and processes (i.e., budgeting), resulting in a capability to focus all defense resources on existing and emerging missions of the Department.

Respectfully submitted,

Denis A. Bovin
Task Group Chairman

Attachments:

Appendix A: Terms of Reference memo

Appendix B: May 31, 2006 DBB Opening Presentation Slides and Governance Task Group Final Presentation, to include:

- Defense Enterprise Planning and Management Framework
- QDR Organizational Model
- Secretary of Defense 2006-2008 Priorities
- Shared Services

# APPENDIX A

# (Terms of Reference)

DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR - 3 2006

MEMORANDUM FOR CHAIRMAN, DEFENSE BUSINESS BOARD (DBB)

SUBJECT: Terms of Reference – DBB Task Group on Governance – Alignment and Configuration of Business Activities

Request you form a Task Group to assess and make actionable recommendations regarding best practices to support successful decision-making with respect to the configuration and alignment of the Department's business activities. As the COO of the Department, the Deputy Secretary makes these decisions, while applying best practices with respect to governance and decision-making processes. An age-old challenge with which both private industry and the Department have struggled has been the question of configuration of centralized vice distributed enterprises, or to outsource altogether. Ultimately, business activities and war-fighting functions of the Department must be connected, while also promoting innovation and competition throughout the industrial base.

The Task Group should deliver actionable recommendations with regard to the following:

1. Recommend a governance structure and key best practices applicable to the Department that should be adopted to ensure that the Department's business activities align with strategic priorities. The recommendations should support both the shaping of the future force and the promotion of innovation and competition across the Department and in the industrial base, as stated in the QDR.

2. Provide a best practice template for the configuration of business activities (centralized, de-centralized, outsourced, other) that addresses decision-making process(es), methods and break-through industry-based tools and measures that could be applied in the Department to analyze the business trade-offs for the enterprise and best determine the courses of action in a resource constrained environment.

Mr. Gordon England, Deputy Secretary of Defense, will sponsor the Task Group. Mr. Ken Krieg, Under Secretary of Defense (AT&L) will be the DoD Liaison. Mr. Denis Bovin will be the Task Group Chairman. Ms. Lynne Schneider, Deputy Director of the DBB, will be the Task Group Executive Secretary. The Task Group will present a final report no later than May 31, 2006.

The Task Group will be operated in accordance with the provisions of P.L. 92-463, the "Federal Advisory Committee Act," and DoD Directive 5105.4, the "the DoD

Federal Advisory Committee Management Program." It is not anticipated that this Task Group will need to go into any "particular matters" within the meaning of Section 208 of Title 18, U.S. Code, nor will it cause any member to be placed in the position of acting as a procurement official.

# APPENDIX B

# (Task Group Final Report – May 31, 2006)

# Defense Enterprise Transformation: Organization, Culture and People

***A Systematic Approach***
***for***
***"Team Defense"***

Secretary Rumsfeld Remarks:*

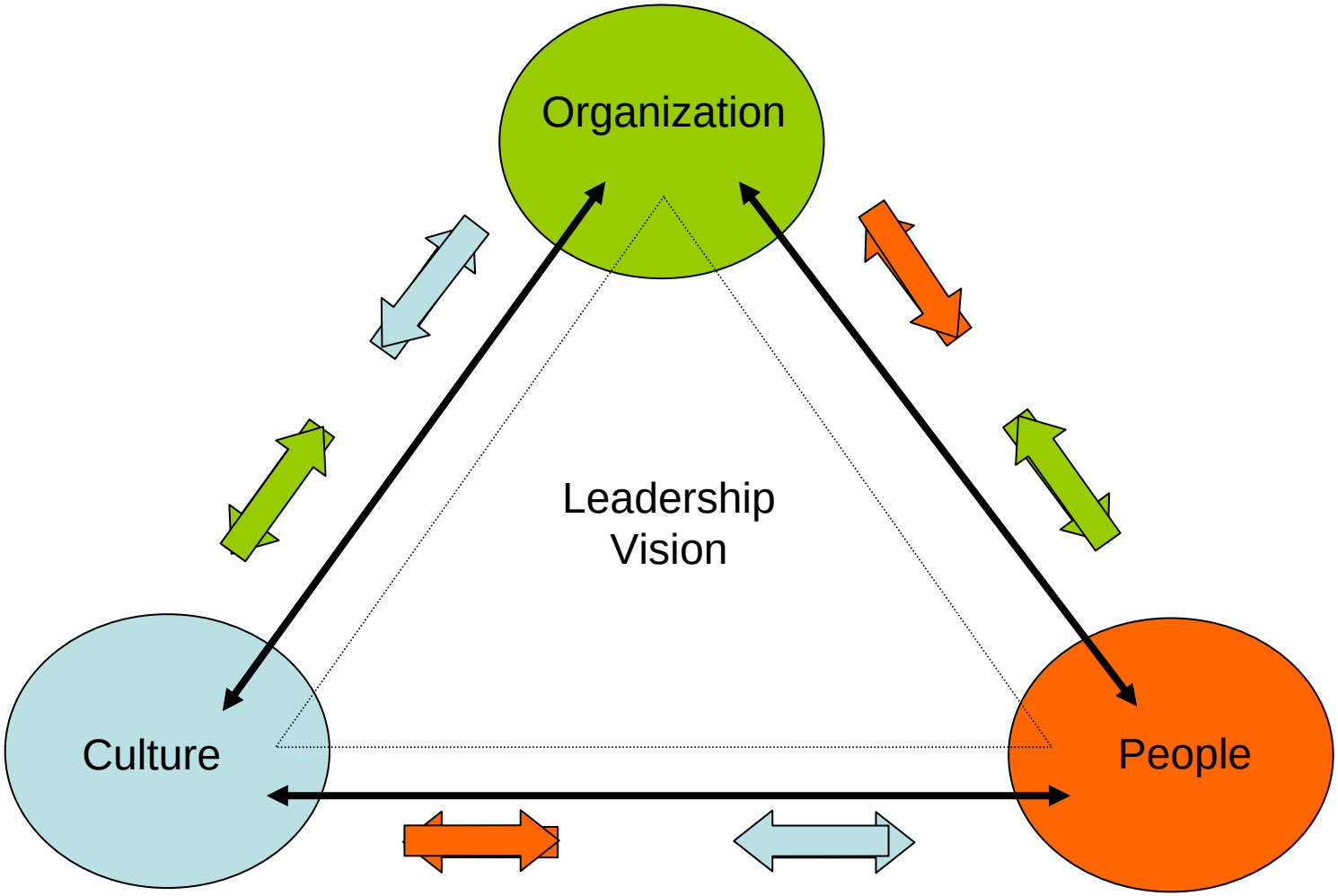
"Just as we must transform America's military capability to meet changing threats, we must transform the way the Department works and what it works on".

"Our challenge is to transform not just the way we deter and defend, but the way we conduct our daily business".

"Every dollar squandered on waste is one denied to the warfighter. That's why we're here today challenging us all to wage an all-out campaign to shift Pentagon's resources from bureaucracy to the battlefield, from tail to the tooth."

***Extracts from *Remarks as Delivered by Secretary of Defense Donald H. Rumsfeld, The Pentagon , Monday, September 10, 2001***

# Levers for Enterprise Transformation



# Organization, Culture and People

- Organization
  - Formal structure of roles, relationships, processes, tasks, interdependencies, incentives and technology
- Culture
  - Informal learned patterns of behavior, thought, and feeling that are shared with newcomers
- People
  - Individual characteristics, knowledge, skills, abilities, attitudes and perceptions

# *Key Barriers to Change at DoD*

- **The Services are programmed to resist integration due to historical and legal barriers**
- **Political oversight contributes to a risk and change adverse culture**
- **The split between military and civilian communities makes management at the top difficult to coalesce**
- **Disparate AD HOC processes (formal / informal) are used as work-arounds to current structure (organization / process / budgets)**
- **Current culture sees little reward in the benefit that a better DoD Enterprise management would provide**

## Leadership owns organizational change

"Many organizational change efforts have not altered the behavior, focus and performance of leadership which sets the tone for whether change is sustained or merely the "program dujour." *DEPM 1997*

# Levers for Change

**Changes in the Environment** *require* **Changes in Vision/ Strategy, Work Culture, and Values** *require* **Changes in Skills and Competencies at all levels** *require* **Changes in Organizational Levers** *leading to* **Management of the Integrated Enterprise** → **Successful Outcomes**

# Governance- Alignment and Configuration of Business Activities

May 2006

**DBB Task Group**

Denis Bovin (Task Group Chairman)

Neil Albert (DBB Member)

John Madigan (DBB Member)

Arnold Punaro (DBB Member)

Jerry Lindauer (DBB Member)

Atul Vashistha (DBB Member)

Kelly Van Niman (Executive Director)

Lynne Schneider (Deputy Director)

Ryan Bates (Staff Assistant)

**DoD Sponsor**

Honorable Mr. Gordon England (Deputy Secretary of Defense)

**DoD Liaison**

Kenneth Krieg - Under Secretary of Defense for AT&L

# Terms of Reference:

(90 days March 3 to May 31, 2006)

- Recommend a governance structure and key best practices to ensure DoD's business entities align with strategic priorities
- Provide a template that *(addresses decision-making processes, methods, tools and measures that)* could be applied to analyze business trade-offs
  - *How can we promote innovation and competition in both DoD and our suppliers; and should we centralize/decentralize/outsource or otherwise change some of our current business activities?*

Task group process:

- Reviewed previous and recent analysis and studies recommending models of governance of the DoD enterprise
- Researched private sector best practices – research papers and articles
- Interviewed private sector and public sector senior managers and CEO's for governance best practice ideas
- Received multiple briefings including the Governance IPT and the J-8 on Joint Military Capabilities

# The Challenge

# The Challenge Facing DOD's Business Activities:

***To Move from a Hierarchical, Functional Approach...***

- **Control**
- **Conformity**
- **Continuity**
- **Programmatic**

***...to an Enterprise-Wide Cross-Functional, Horizontal, Networked Approach...***

- **Core Competencies**
- **Communications**
- **Constant Improvement**
- **Outcome Focused**

## Objective:

**Shift resources from overhead to the warfighter**

## Metric:

**Increase performance of DoD support structure (Business Activities) each year at a given cost**

*Governance* is the system, and its associated processes, used to provide oversight of an organization in order to ensure alignment among its goals, actions and outcomes.

## Hallmarks of Good Governance

- Clear, well understood assignment of roles, responsibilities and accountability
  - •Conserve senior leader attention on core strategic-level tasks
  - •Delegate problem solving to organizations that focus on achieving desired outcomes
- Transparency in decision making – teamwork, collaboration and risk-taking promoted and rewarded
- Vibrant communication channels
- Relevant metrics tied to external benchmarking – simple, easily understood, widely communicated – effective, sustained oversight
- Constant real-time feedback loops on performance – avoid historical data trap
- Frequent interaction and learning from outside sources – industry leaders and academia

Current DoD Operating Environment:

- No overarching, consolidated strategic management process for the Department – including a DoD-wide vision, and enterprise goals and objectives with outcome measures and accountability
  - What exists is an amalgamation of strategies and guidance spread across and embedded in multiple documents
  - No integration among multiple management initiatives, i.e., QDR Execution Roadmaps, GPRA, BTA/Enterprise Transition Plan, CFO Act, BRAC, etc
  - 2006 SECDEF priorities provide guidance but need to be supported by enterprise level strategic goals/plan
- Strategies to develop required military and non-warfighting capabilities are not driven by / do not support enterprise goals
  - Cannot rigorously assess risk and benefits between 1)competing resources, 2) courses of action and 3) alternative capabilities
- An internally focused, stove-piped enterprise with limited knowledge sharing both internally and externally
  - No systematic process to share best practices / lessons learned either within DoD or with the private sector
- Ad-hoc decision-making processes – limited collaboration at management and working level
  - Cannot generate integrated options for senior leaders
  - Risk averse culture with limited willingness to delegate tactical “business” decisions
- Limited transparency and communication
  - Unclear roles and responsibilities and understanding of desired coordination of outputs/outcomes

# Some Good First Steps:

## QDR Roadmap for Institutional Reform and Governance

- Organizational Concept defines appropriate roles for multiple levels of governance but:
  - Decision Management Paradigm and Capability Portfolio Experimentation is focused at the Management Level
- Governance changes should be driven from the Enterprise level

## DBB Observations on BTA Enterprise Strategy

- Certain mission areas are defined as core business missions to be integrated horizontally across functional areas but some of these areas are not primarily business missions
  - Human Resource Management, Weapon System Life-cycle Management, Material Supply and Service Management, Real Property and Installations Lifecycle, Financial Management
- Focus tends to remain on individual business systems, not on horizontal core processes of the entire enterprise

## Most Important and immediate need:

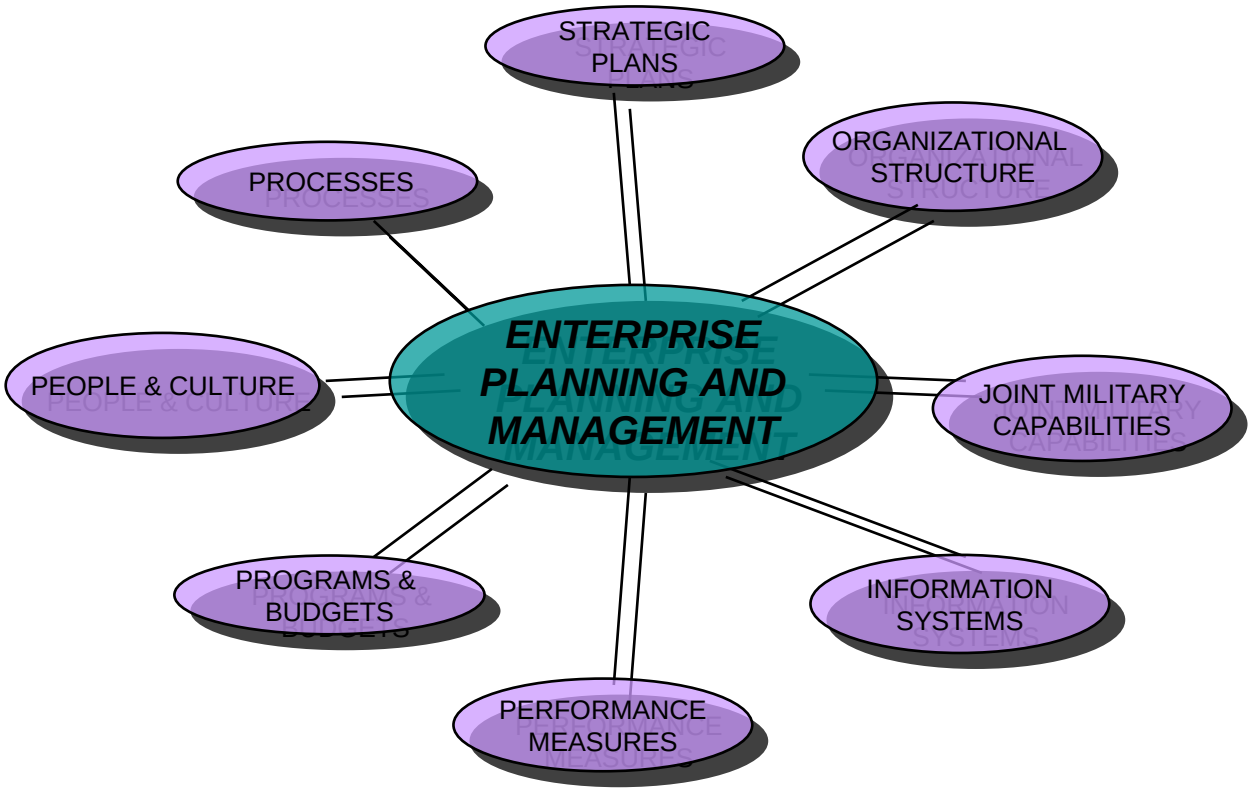
- Establish enterprise level goals for the non-military side of DoD
- Align those goals with DoD priorities and ensure they support the development of military capabilities and required civilian skill sets

## A Good Governance Structure Should Allow DoD To:

- Conserve senior leader attention on core strategic-level tasks
  - Strategic direction, identity, capital, decision-making capability, control
- Empower a Decision Support Cell to help manage the priorities and agenda and conduct strategic analysis
- Delegate problem solving to organizations that focus on outcomes
  - Integrated management for key desired strategic outcomes and assets
- Focus vertical organizations on functional expertise
- Instill collaboration, information sharing and objectivity into the culture
  - Provides the transparency, commonality and information sharing
- Provide efficient support for horizontal and vertical organizations
  - Move “supporting” organizations to shared services model

**Each of these is a best practice**

# Alignment and Coordination Are the Keys to Successful Governance



# Vision /Objective:

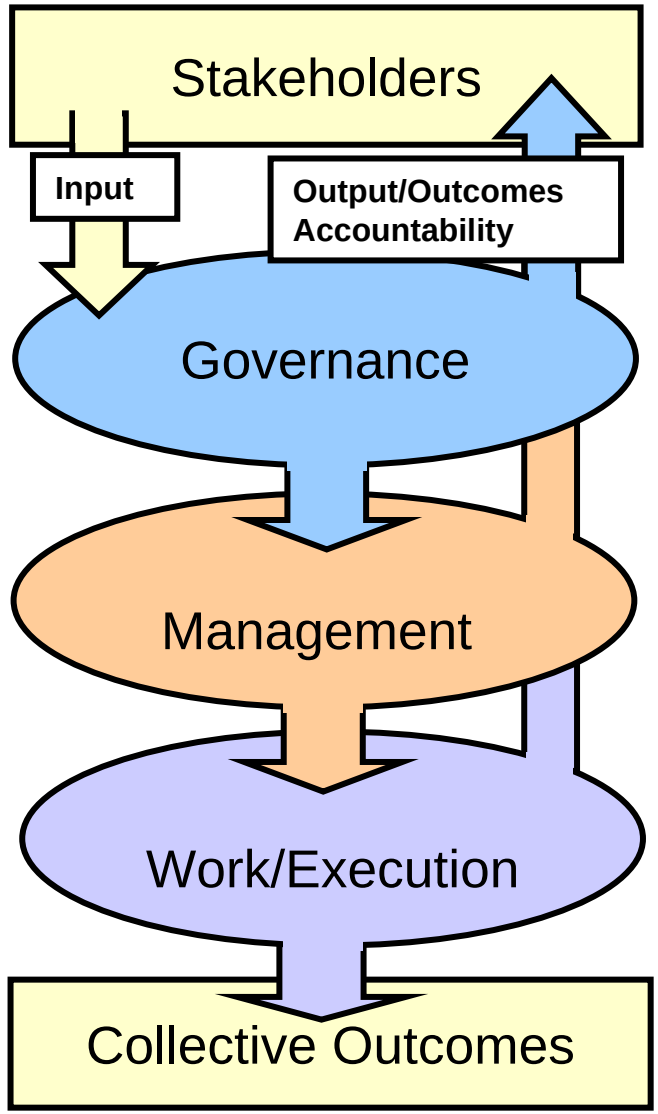
# QDR Organizational Concept

…" to produce strategy driven outcomes the Department's roles and responsibilities and those of each of its component organizations must be clearly delineated…" Three distinct roles that are necessary for an organization to fulfill its mission:

Governance – Setting strategy, prioritizing enterprise efforts, assigning responsibilities and authorities, allocating resources and communicating a shared vision

Management - The link between governance and work—organizing tasks, people, relationships and technology

Work/Execution - Performing the tasks required to execute the strategy and plans established at the governance and management levels



## The Vision:
## More Effective Governance and Management Systems Integrated Across the Defense Enterprise

- **HOW:** Use the Defense Enterprise Planning and Management Framework, the DoD Enterprise Model, Core Processes, and Performance Measures as management tools to improve and link the elements of the enterprise.

Defense Enterprise Planning and Management Framework (DEPM)

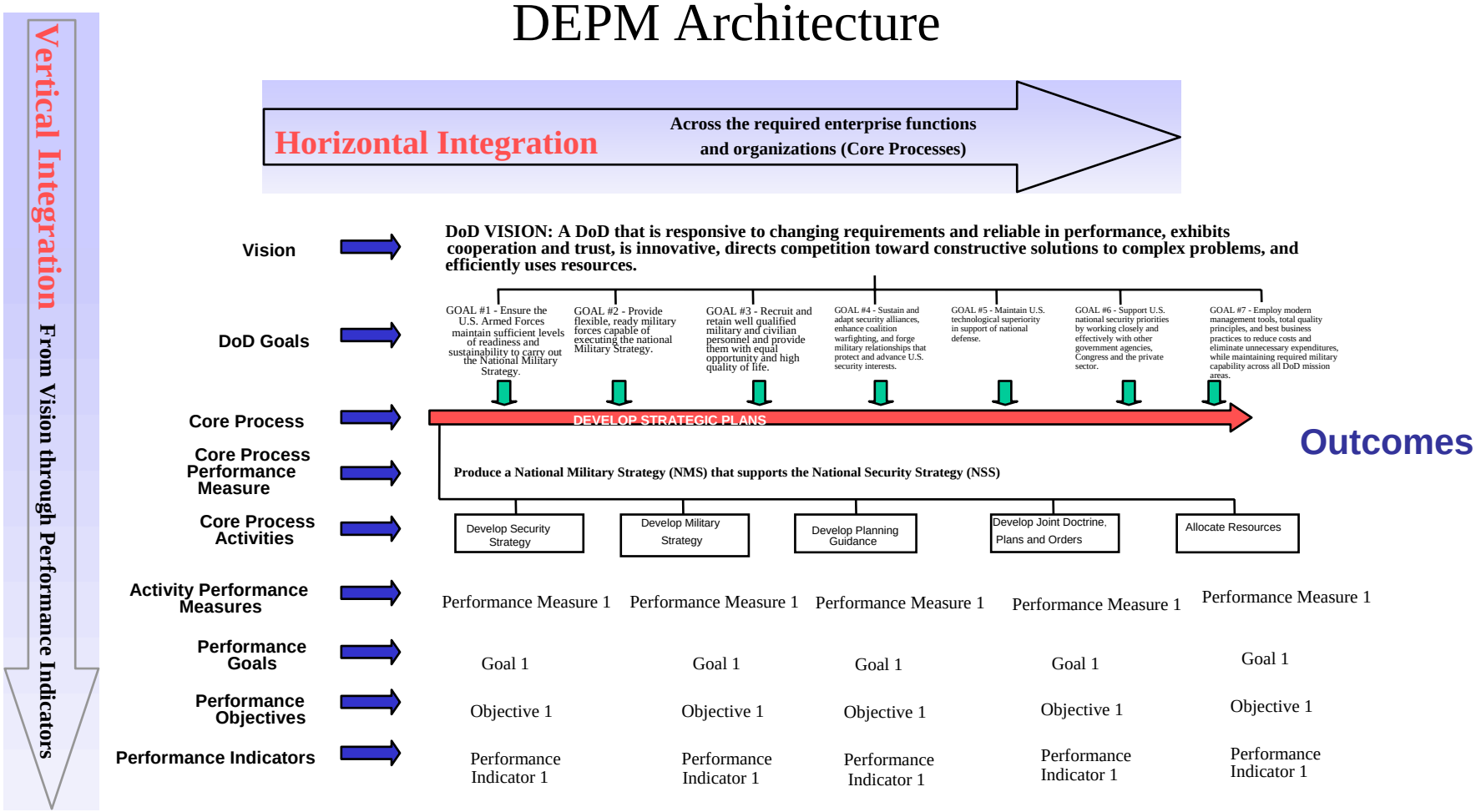
- The DEPM framework is an overarching governance framework that offers a view of the Department from an integrated enterprise perspective and enables the Department to be intrinsically integrated from top to bottom, and allows for governance decision making from an enterprise-wide perspective

- The DEPM framework was designed to enable use at every level of the enterprise, i.e., governance, management and work/execution

- It depicts the flow of activities and functions of the Department
  - It provides a common operating “picture” that allows and promotes better understanding and communication both internally and externally

- Army has adopted the Enterprise Model as a management tool

# DEPM Architecture



# Purpose of an Enterprise Model

1. Provide high-level integrated understanding of the activities of an organization
2. Enable managers to make trade-off decisions and identify improvement projects from a complete enterprise perspective
3. Avoids negative unintended consequences of a “good” decision, that not having an enterprise perspective can create

# Governance tools needed to make DEPM successful:

(create value for the warfighter and the national command authority)

1. Enterprise data transparency
2. Objectives that cascade through the organization and are coupled with performance management and accountability (objectives are embedded in the framework)
3. Continual process improvement – more value at a given cost

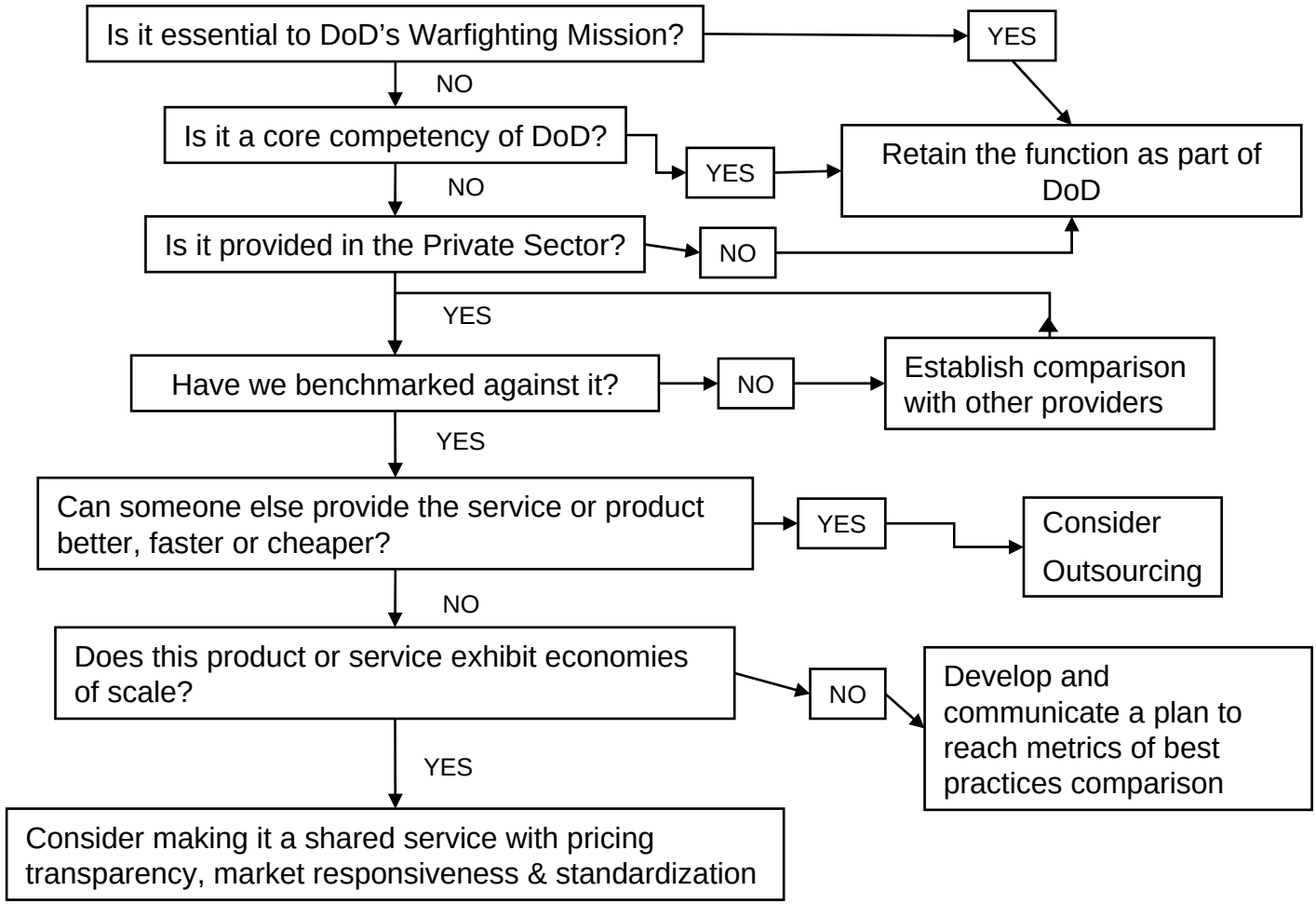
*(General management approach needed verses a policy setting approach)*

# A Decision Cell Template

# to Support

# Configuration of Business Activities

Decision making model to be used by the Decision Support Cell



# The Defense Agencies/Shared Services

# Business Oriented Defense Agencies

| | |
|---|---|
| **Common Support:** | **Defense Logistics Agency (DLA)** |
| | **Defense Information Systems Agency (DISA)** |
| | **Defense Finance and Accounting Service (DFAS)** |
| | **Defense Security Service (DSS) (now part of OMB)** |
| **Quality of Life:** | **Defense Commissary Agency (DCA)** |
| | **DoD Education Activity (D0DEA)** |
| | **TRICARE Management Activity (TMA)** |
| **Contracting & Audit:** | **Defense Contract Management Agency (DCMA)** |
| | **Defense Contract Audit Agency (DCAA)** |

**Multi-billion dollar enterprises with personnel and budgets exceeding Fortune 100 companies**

*"There are no significant transformation efforts in DOD agencies".* **DSB 2006 Summer Study**

# Lots of People Working Hard:

Defense Agencies (Personnel and Funding) *

| Agency | # Civ | | # Mil | | # Guard/Reserve | | Budget ($K) | |
|---|---|---|---|---|---|---|---|---|
| | 1996 | 2005 | 1996 | 2005 | 1996 | 2005 | 1996 | 2005 |
| DLA* | 49,991 | 23,397 | 1,338 | 631 | - | 312 | 14,953,917 | 27,445,689 |
| DFAS* | 22,241 | 13,848 | 1,634 | 474 | - | - | 2,066,624 | 1,379,799 |
| DeCA* | 17,416 | 15,015 | 42 | 13 | - | - | 7,351,332 | 6,020,654 |
| DISA* | 7,657 | 5,066 | 2,343 | 1,906 | - | 17 | 3,710,308 | 4,597,070 |
| DIA | 4,439 | 5,806 | 2,422 | 2,459 | - | 18 | 890,292 | 1,727,531 |
| DCAA | 4,885 | 3,804 | - | - | - | - | 332,244 | 300,221 |
| MDA | 248 | 741 | 128 | 147 | - | - | 3,404,521 | 7,743,602 |
| DARPA | 187 | 182 | 19 | 18 | - | - | 2,299,221 | 2,615,368 |
| DLSA | 74 | 159 | 7 | 39 | - | - | 7,335 | 26,684 |
| DCMA | - | 11,028 | - | 599 | - | - | - | 862,350 |
| DTRA | - | 1,082 | - | 787 | - | 1 | - | 1,046,993 |
| DSCA | - | 341 | - | 52 | - | - | - | 814,727 |

* Personnel and Funding figures for these agencies include DWCF

Source: OSD PA&E

All Guard/Reserve personnel are in full time equivalents (FTEs)

Some Intelligence Agencies removed for security reasons

**DSB 2006 Summer Study**

Figure 18. Defense Agencies (Personnel and Funding)

*Does not include contractors

# Defense Agencies

| **Current Practice**: | **Recommended Practice:** |
|---|---|
| Fragmented oversight – report to various USD's or ASD's | Report to a common executive; relevant USD or ASD to help set performance goals and act as the voice of the customer |
| No formal oversight structure or knowledgeable experts with institutional knowledge | Create "Board of Advisors" comprised of internal & external individuals to provide informed judgments |
| No consideration of competitive sourcing – appears to be price-based | Adopt a strategic perspective on competitive sourcing<br><br>Price goods & services competitively & transparently |
| Agencies have various levels of quality in their performance plans or balanced scorecards | Use of performance plans/balanced scorecards to drive improved performance |
| Inconsistent use of benchmarking/metrics | Define metrics for each Agency based on best practice benchmarking & expected outcomes - not processes |
| Limited visibility/accountability of Agencies' performance/progress | Communicate clearly the objectives & progress/lack of progress for each Agency |
| Limited horizontal functions or shared services formed for many years – those that have been formed are not managed as a shared service | Consider other horizontal or similar service options that could be shared |

# Conclusions

## Summary Observations:

- DoD has made progress in developing an improved governance structure but implementation and achievement of good governance lags

## Summary Recommendations:

1. Adopt hallmarks of good governance from private sector – develop a DoD Strategic Plan with clear metrics that are outcome driven, multi-year and resource constrained
2. Adopt the Defense Enterprise Planning and Management Framework at the governance level and the Enterprise Model as a way of ensuring integration at management and work/execution levels
3. Ensure shared services (i.e. Business Oriented Defense Agencies) conform to the Decision Support Cell Template and continue enhance the management of the Defense Agencies through modern business practices
4. Empower a robust Decision Support Cell reporting to the CMO that facilitates strategic integration using real-time and multi-faceted, strategic management processes

# Rationale for critical first steps

- Defining a vision provides direction for where the organization is headed
  - Anchored around our guiding principles and desired culture
- Defining goals for the Department and their supporting objectives allows you to focus your staff on what needs to be done to achieve desired outcomes (based on performance metrics)
- Defining core processes, those mission critical activities required to accomplish the overall mission, allows you to *prioritize* and *focus* resources, and *align* management and support processes to support the core processes
- Ultimately, enabling you to make *strategic-level trade-off decisions*
  - *At the Management and Execution Levels, when organizations are mapped to specific activities, redundancies and contradictions will become evident*

# Appendix A

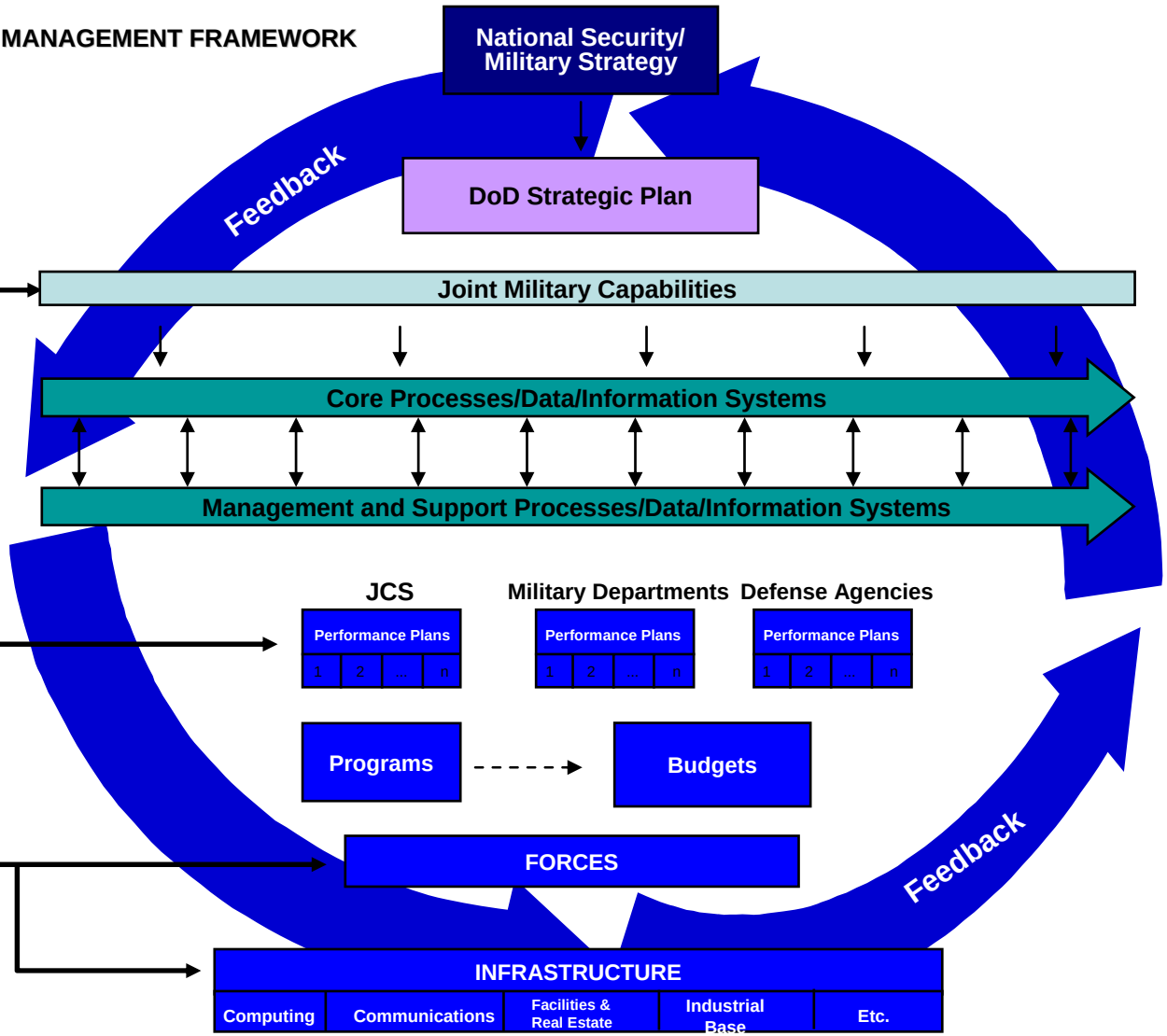
Back up slides on Defense Enterprise Planning and Management Framework

## DoD PLANNING & MANAGEMENT FRAMEWORK

**EXPANDED PLANNING**
- Operation Plans
- Current Operations
- Regional Engagement
- JSPS
- FCB
- JROC
- OTHER

**Expanded PPBS***
- Operation Plans
- Business Plans
- Programs
- Budgets

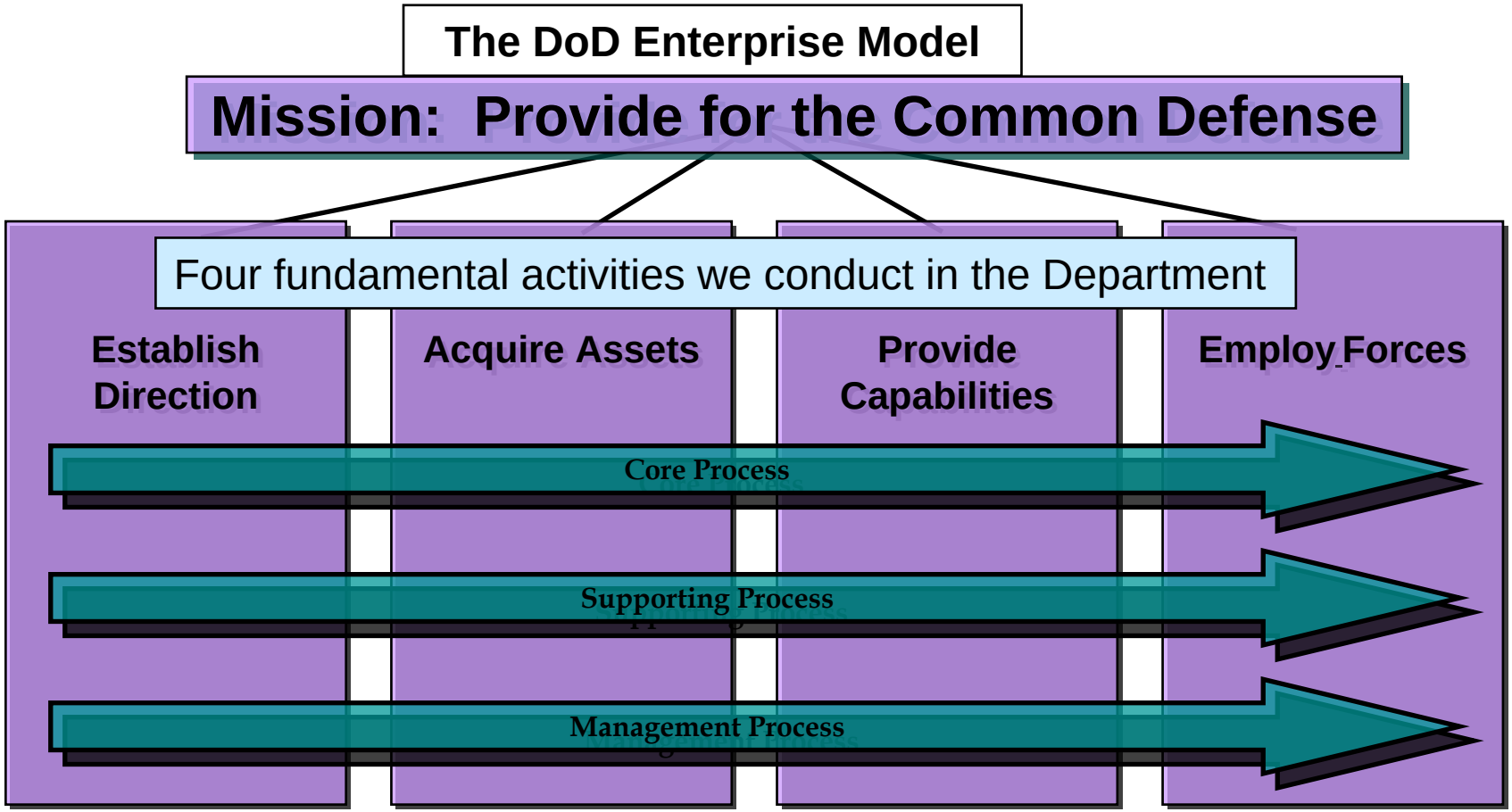
**Execution**
- Sustain Ready Forces
- Implement Programs
- Execute Missions




Performance Measures

People, Organization, Culture

** Expanded = Reengineered*


The DoD Enterprise Model
Mission: Provide for the Common Defense
Four fundamental activities we conduct in the Department
Establish Direction
Acquire Assets
Provide Capabilities
Employ Forces
Core Process
Supporting Process
Management Process

# DoD Enterprise Model

## Provide for the Common Defense

### *Establish Direction*

- Establish Policy
- Determine Requirements
- Develop Plans
- Allocate Resources

### *Acquire Assets*

- Manage Acquisition
- Research & Design
- Produce Asset

### *Provide Capabilities*

- Manage Assets
- Support Assets
- Provide Admin Services
- Develop Capabilities

### *Employ Forces*

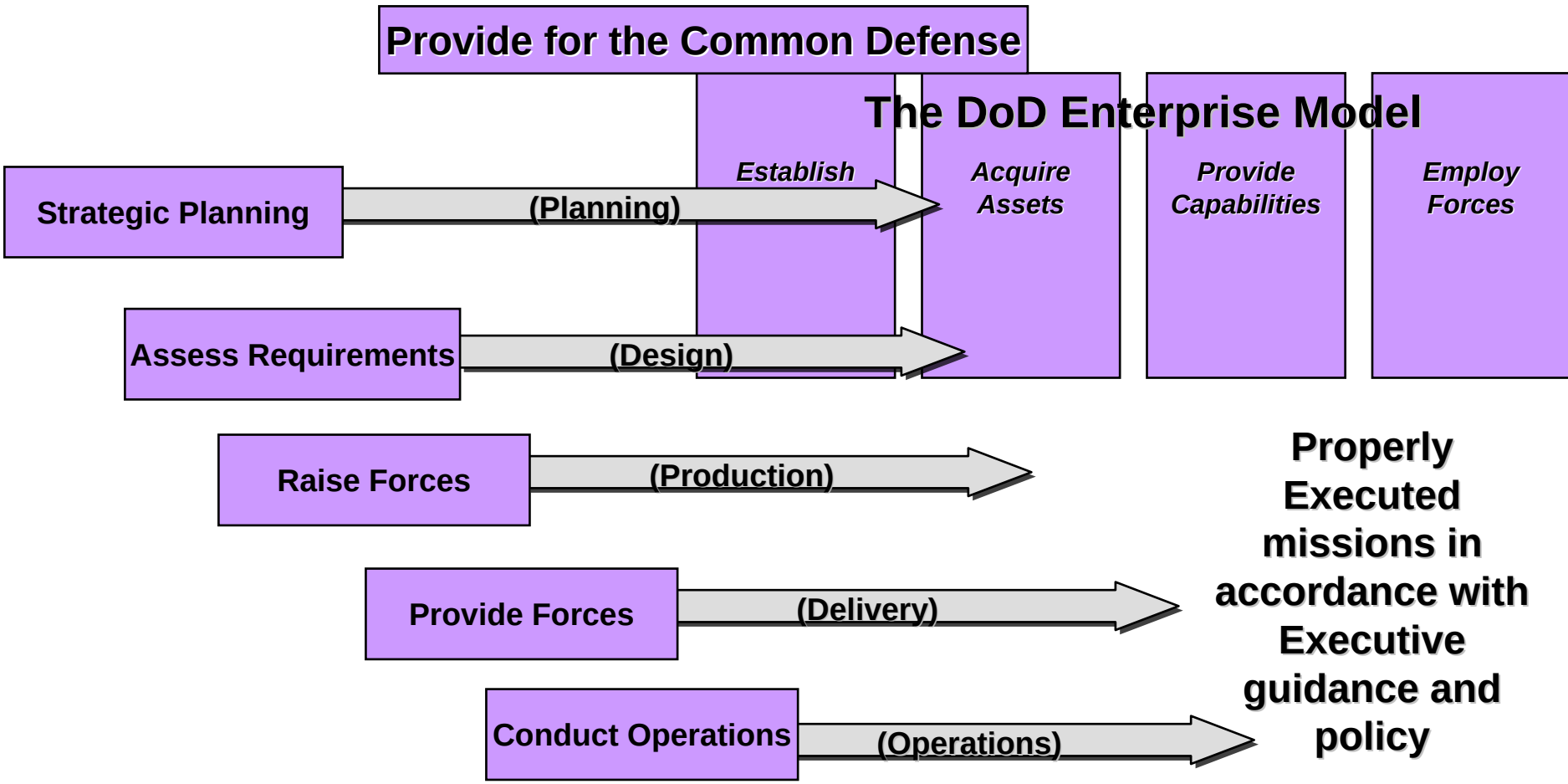
- Constitute Forces
- Provide Operational Intelligence
- Conduct Operations
- Sustain Operations

**With minor adjustments, this *activity* model applies to all levels of the enterprise**

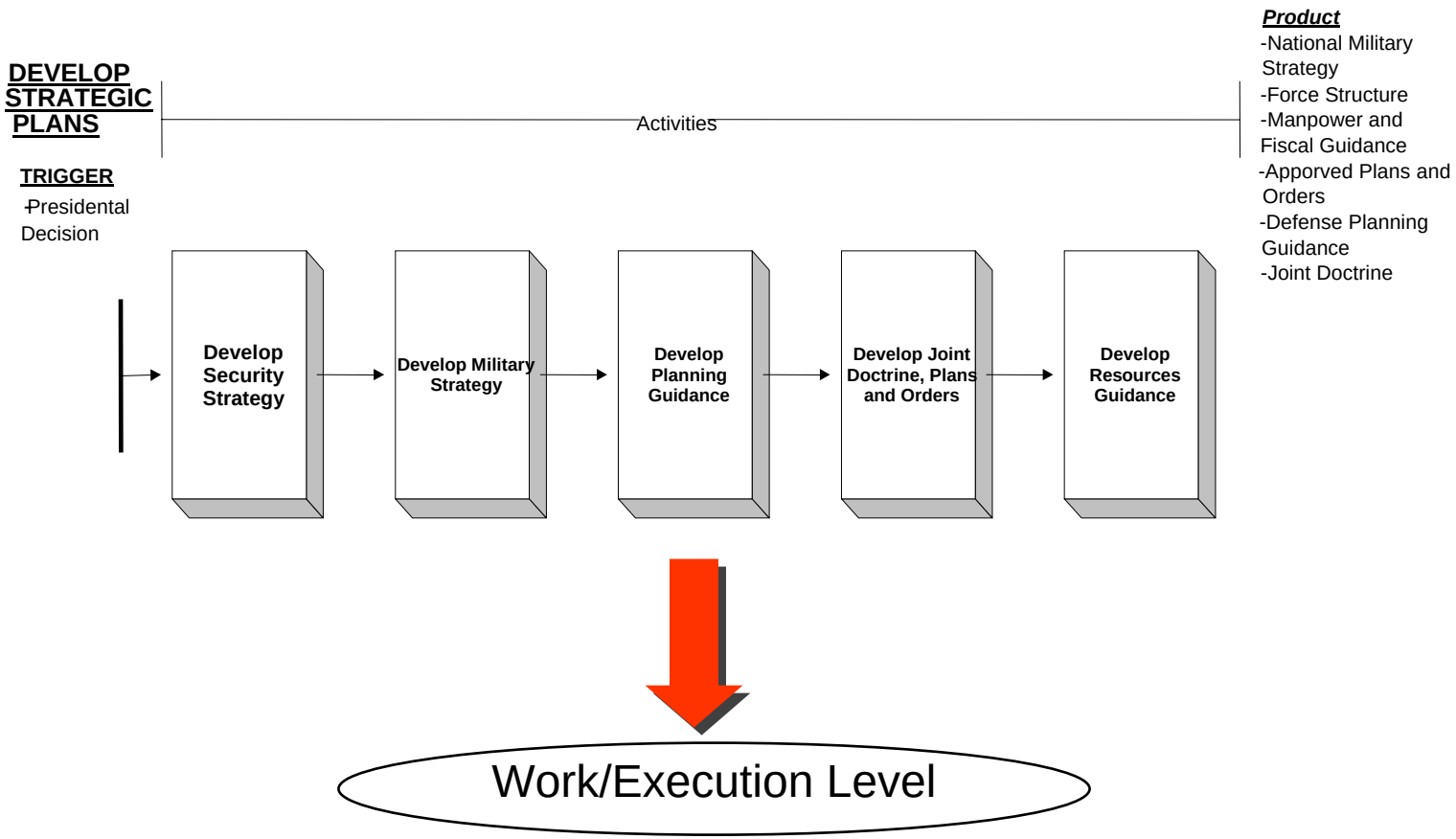
# Adopt Private Sector Definitions of Processes

- ***Core*** **- ...fundamental activities an organization is engaged in essential to accomplish the mission.**
- ***Supporting*** **- ...that provide products and or services essential to the performance of a core process.**
- ***Management*** **- ...that are concerned with creating the regulatory, legal and budgetary practices within the organization.**

# DoD Core Processes



# Develop Strategic Plans Core Process:



# EXECUTIVE LEVEL OVERVIEW OF THE DOD ENTERPRISE MODEL

**A1 ESTABLISH DIRECTION**

- Establish Policy
- Determine Requirements
- Develop Plans
- Allocate Resources

**A11 ESTABLISH POLICY**

- Assess World Situation
- Establish National Security Priorities
- Establish Defense Priorities & Strategies

**A12 DETERMINE REQUIREMENTS**

- Evaluate Capabilities & Performance
- Develop Doctrine
- Structure Organizations & Forces
- Produce Requirements

**A13 DEVELOP PLANS**

- Identify Objectives/Missions
- Develop Courses of Action
- Develop Detailed Plans
- Direct Execution

**A14 ALLOCATE RESOURCES**

- Develop Programs/Budgets
- Consolidate & Prioritize
- Balance Programs/Budgets

**A2 ACQUIRE ASSETS**

- Manage Acquisition
- Research & Design
- Produce Asset

**A21 MANAGE ACQUISITION**

- Develop Acquisition Guidance
- Define & Justify Program
- Administer Acquisition

**A22 RESEARCH & DESIGN**

- Conduct Research
- Design
- Test & Evaluate

**A23 PRODUCE ASSETS**

- Manufacture Items
- Construct Facilities
- Assess Personnel
- Take Delivery

**A3 PROVIDE CAPABILITIES**

- Manage Assets
- Support Assets
- Provide Administrative Services
- Develop Capabilities

**A31 MANAGE ASSETS**

- Determine Ability to Provide Capabilities
- Decide Disposition
- Assign Assets

**A32 SUPPORT ASSETS**

- Maintain
- Enhance
- Transport
- Separate

**A33 PROVIDE ADMINISTRATIVE SERVICES**

- Inform & Advise
- Provide Information Operational Services
- Provide Financial Services
- Provide Facility Services
- Provide Community Services

**A34 DEVELOP CAPABILITIES**

- Integrate
- Train Units & Organizations
- Assess Readiness

**A4 EMPLOY FORCES**

- Constitute Forces
- Provide Operational Intelligence
- Conduct Operations
- Sustain Operations

**A41 CONSTITUTE FORCES**

- Organize Command
- Assess Plans & Orders
- Integrate Forces

**A42 PROVIDE OPERATIONAL INTELLIGENCE**

- Collect Operational Intelligence
- Fuse/Analyze
- Provide Products to Commanders

**A43 CONDUCT OPERATIONS**

- Conduct Conventional Operations
- Conduct Nuclear Operations
- Conduct Space Operations
- Conduct Inter/Intra Gov't Operations

**A44 SUSTAIN OPERATIONS**

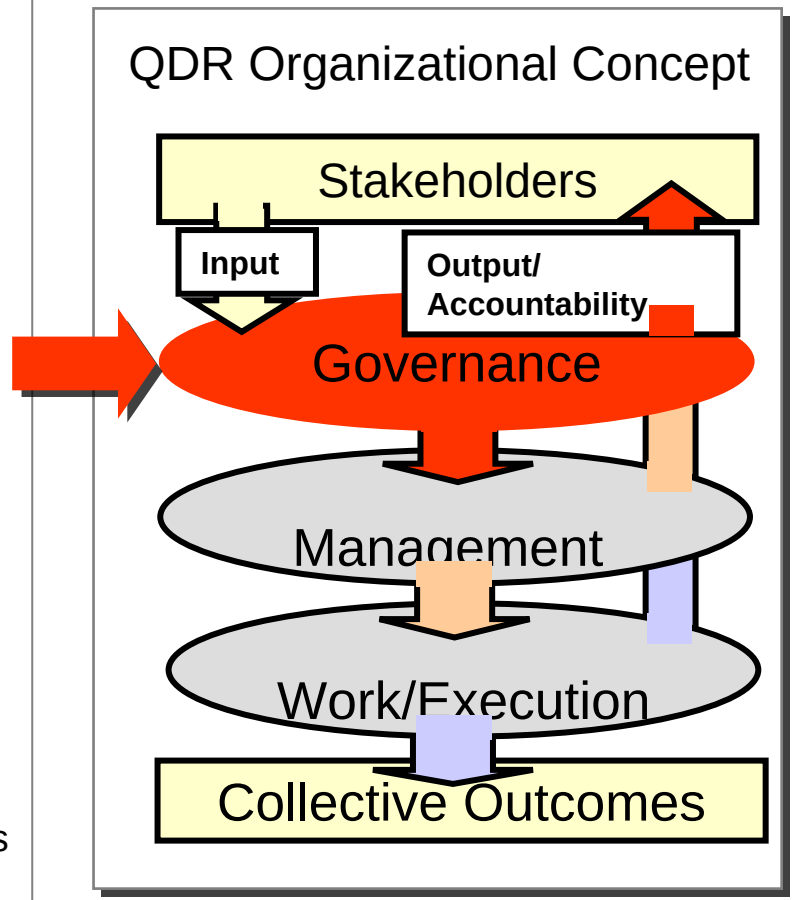
- Maintain Material
- Sustain People
- Resupply
- Move

Appendix B

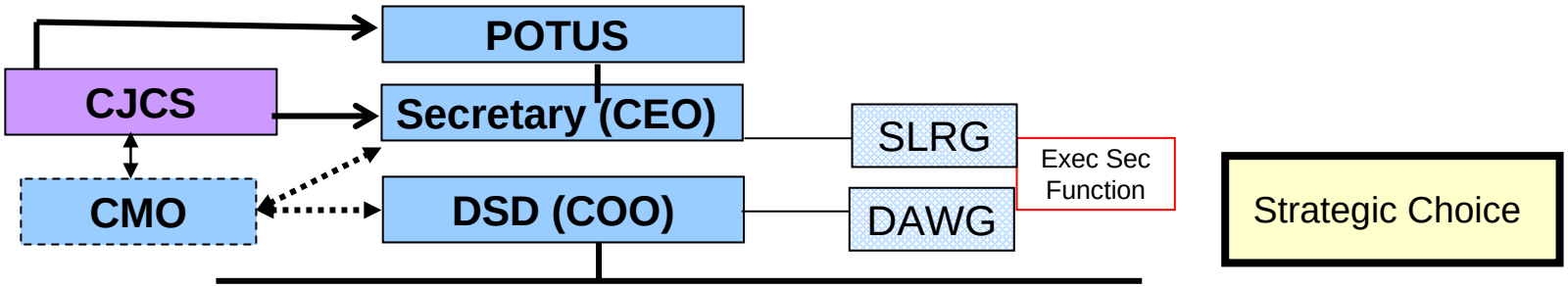
Back Up Slides on QDR Organizational Model

## Key Elements of Organizational Governance:

- Conserve senior leaders attention to core strategic-level tasks
  - Strategic direction, identity, capital, decision making capability, control
  - CMO could ensure collaboration to drive learning, performance, and innovation throughout DoD
- Decision Support Cell should facilitate strategic integration using real-time and multi-faceted, strategic analysis
  - Develop a portfolio based approach to decision making that incorporates risk and uncertainty (current experiment is single point estimate with linear forecasting)
  - Create robust capabilities for ambiguous environments
  - Hold leadership accountable for results-based management
- Integrate the multiple DoD plans, strategies, management initiatives to evolve to a more efficient and effective organization
- Instill collaborative networked environment where innovation is the backbone of the new culture



## Governance & Support



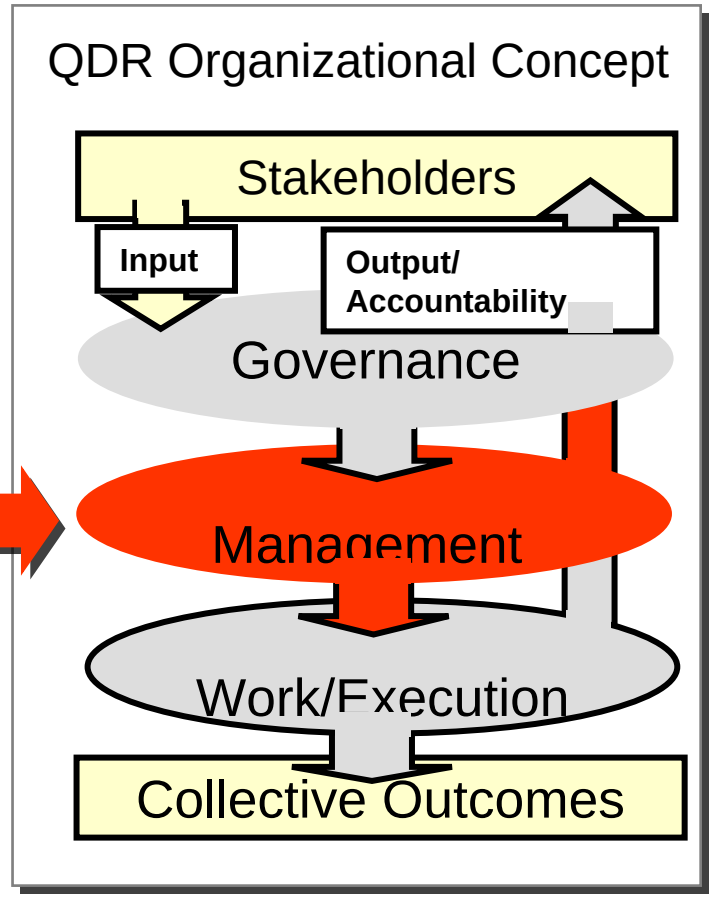

**Decision Support Cell** •SPG •Risk & Trade Analysis •Joint Operating Concepts •Prioritization of Department Objectives

Current experimental model is based on portfolio management that uses static and linear modeling formulas.

Management Level

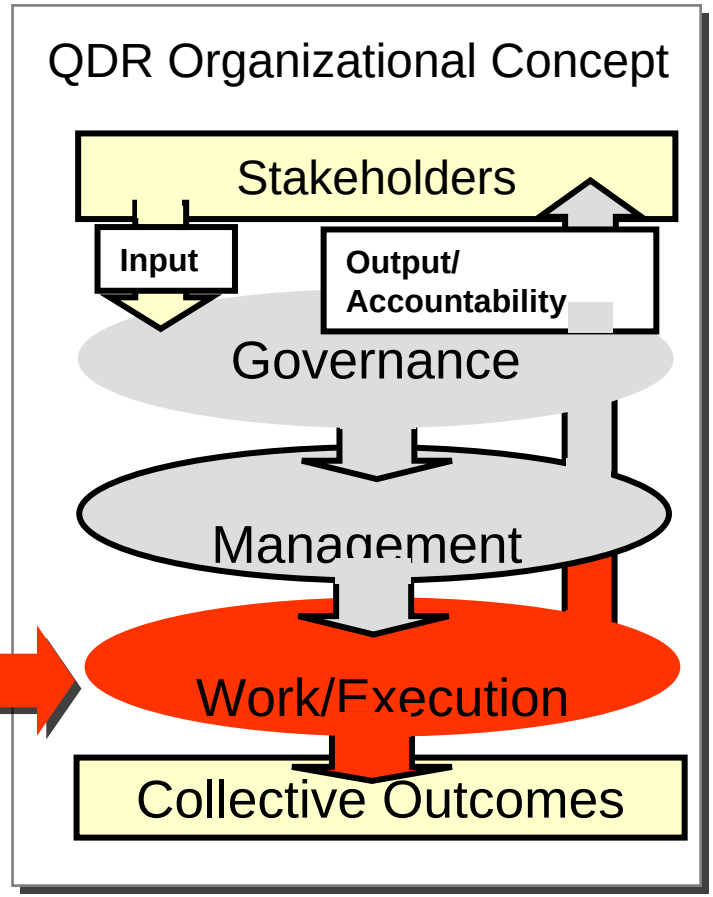
## Effective Governance Will Drive Management Action:

- Link DoD strategies and performance measures to entities and functions at the Management Level
- Use the DoD Enterprise Model as an organizing construct for Work/Execution Level
  - Leverage prior work on Horizontal Core, Management and Support Processes
- Align methods, tools/techniques from industry/academia for effective communication and improved collaboration both internally and externally
  - Such tools provide an analytical basis for Defense-wide decisions that will make DoD an integrated enterprise
  - Provides transparency, commonality and information sharing
  - Promote cross-functional collaboration prior to decision-making at the governance level



## Key Elements of Organizational Work/Execution:

- Focus the Services, Defense Agencies and industrial base on developing military capabilities and executing missions
  - – Eliminate shadow organizations and duplication
  - – Delegate problem solving within scope of specified roles and mission
  - – Move supporting organizations to shared services model
- Empower individual initiative to promote innovation, team work and cross-functional collaboration
- Provide efficient support for horizontal and vertical organizations
  - – DoD Enterprise model provides activities and functions that can be broken down into tasks



# Appendix C

Back up slides on SecDef 2006-2008 Priorities

# Department of Defense – Priorities 2006-2008

1. Pursue the Global War on Terrorism
2. Strengthen US Combined and Joint Warfighting Capabilities
3. Meet the Challenge of Improvised Explosive Devices
4. Continue Transforming the Joint Force
5. Significantly Improve Military Intelligence Capabilities
6. **Continue Transforming Enterprise Management**
7. **Focus on People – Military and Civilian**
8. **Improve Effectiveness and Efficiency Across the Board**

- The 2006 priorities provide good guidance but cannot replace enterprise level strategic goals/strategic plan
  - Example – as the services and OSD implement NSPS they need to be able to tie the component level goals to Department-wide goals in order to achieve the desired objectives of leadership at the top
  - The goals need to be clear, concise and understood by every person at every level of the department
  - The goals should be embedded in a strategic plan with objectives and performance metrics
  - National Military Strategy and War on Terrorism Strategy

1. Develop a DoD strategic plan, to include:

2. Identify Core Horizontal Processes and Map Organizational Structure for desired end-state (includes core competencies)

# Appendix D

## Back Up Slides on Shared Services

# Shared Services

What are Shared Services?

- Consolidating support activities for "customers" within the company on a non-profit basis
  - Services common to others do not constitute a competitive advantage for the organization
- Users buy only what they want & need (volume & standards); costs not treated as overhead
- Manager of shared services focuses on minimizing unit cost & improving performance

Why do they Improve Support?

- New behaviors improve performance
  - Buyers reduce demand & focus on value
  - Supplier focused on customer & reduced costs
- Four general Benefits:
  - Economies of scale improve efficiency
  - Reduced duplicative efforts through centralization
  - Cost savings (15-30%) through reduced demand
  - Measures of effectiveness (supply –demand)

Types of Support:

- Control vs. ownership
  - Policy & Guidance – Corporate Core
    - Exercise authority without owning resources
    - Authorize money, determine policy, set standards & audit

Who Owns the Shared Services?

- Expertise can be managed by Corporate Core staff or Shared Services Org.
  - Expertise: help you find the best way
- Transactional services owned by Shared Service Organization
  - Transactional: do it for less

Potential DoD Shared Services?

- Recruiting
- Training
- Medical
- Logistics
- C4
- Bases
- Legal
- Public Affairs
- Protocol

## General Electric – Industry Leader in Successful Governance

Key points:

- GE Divisions are big and diverse, much like DoD (light bulbs verses engine parts)
- All divisions run to best practice level
- GE CIO Stuart Scott: "People think of governance as something very constraining and resourcefulness as something innovative, but in fact, governance is a core component of resourcefulness," "It's hard to foster resourcefulness without governance.“
- A solid governance structure promotes resourceful thinking within an organization. Governance practices aren't for the faint of heart, they consistently generate good results.

# Levers for Change

**Changes in the Environment** *require* **Changes in Vision/ Strategy, Work Culture, and Values** *require* **Changes in Skills and Competencies at all levels** *require* **Changes in Organizational Levers** *leading to* **Management of the Integrated Enterprise** → **Successful Outcomes**

- Declining Resources
- Changing Expectations
- Unpredictable Scenarios
- Uncertain Future

- Shared Doctrine
- Common Path for Technological Change
- Integrated, Corporate level direction finding

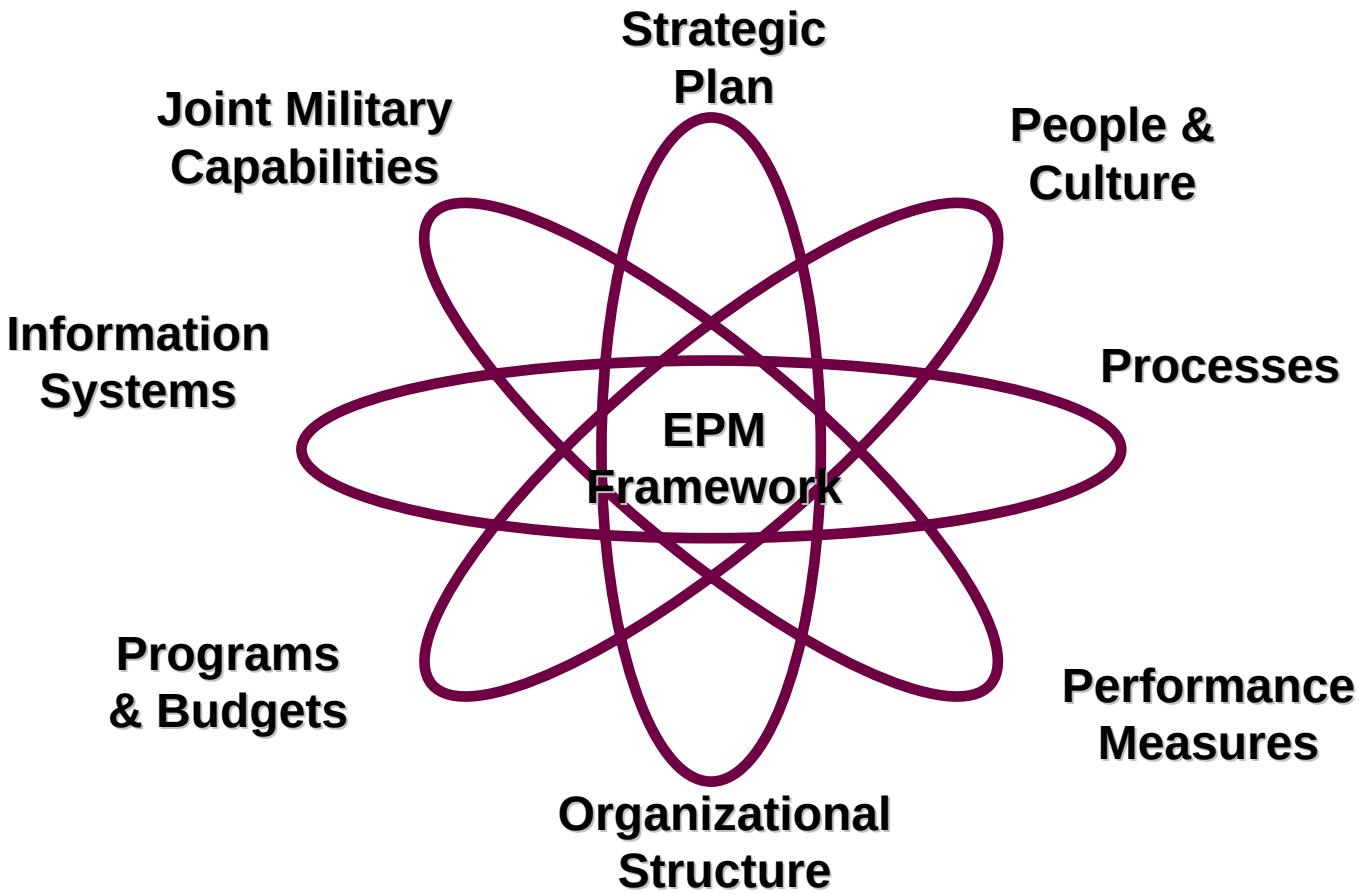
- Characteristics of Superior Performers
- Positional Authority
- Clarity of Purpose
- Directional Commitment

- Personnel Systems
- Resource Allocation
- Rewards and Recognition
- Information Management Systems
- Communication Systems

- Effective Decision Making at All Levels
- Capability to Respond to Complexity & Shifting Needs
- Resources Focused on the War fighter
- Fast Response to Change
- Integrated Resource Allocation
- Effective Information Flow

- Rapid Response
- Flexible Force Packages
- Fluid Access to Forces
- Less Redundancy in Infrastructure

# Closing Remarks

- Improving organizational performance must take an integrated approach by considering people, processes, and technology.
- In the context of effectively managing change, the alignment between the required and actual culture, including the organization of the work, training and reward systems is critical.
- Transformation and re-alignment of *culture, people, and organizations* enables and supports process change.

# All Systems Must Be Aligned