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Implementation of the Chief Management Officer in the Department of Defense, An Interim Report

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Implementation of the Chief Management Officer in the Department of Defense

An Interim Report

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Implementation of the Chief Management Officer in the Department of Defense: An Interim Report

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Implementation of the Chief Management Officer in the Department of Defense: An Interim Report

Introduction

This report addresses how the Office of the Secretary of Defense (OSD) and the three service components have to date implemented the statutory requirement for Chief Management Officers (CMO) and offices of business transformation. Specifically, we examine:

- The structure and implementation of Chief Management Officer (CMO) and Deputy Chief Management Officer (DCMO) positions in the Office of the Secretary of Defense (OSD) and the service components
- The management agenda and management transformation strategy of each office
- The claimed accomplishments to date
- Evaluations and discussion of CMO implementation

Through examination of the structure, implementation, agenda, goals, accomplishments and evaluations of these offices, this report will consider what objectives are being served, what challenges are presented, and the extent to which changes in Defense management can be observed and attributed to the new CMO structure.

Methodology

This technical report explores the progress of the institutionalization of the CMO and DCMO positions and related business transformation initiatives through data and information collected from public record -- primarily government and agency reports, congressional hearings, and press releases. It also relies on evaluative reports from GAO and the DoD Inspector General (DODIG). We begin by looking through the lens of bureaucratic organizational theory coupled with bureaucratic organizational change concepts and literature as it pertains particularly to the context of the US Department of Defense. We also discuss CMO implementation measured against GAO's original intent. We requested data and assistance from each of the DCMO offices and received documentary materials directly from the departments of Army and Navy. A draft of Part III: "Structure, Agendas, and Implementation" was sent to the DCMOs of the Office of the Secretary of Defense, and the Departments of the Navy, Army and Air Force for their review and comments. We received a response from the Department of the Navy, which contributed to the final product.

Historical Context

The CMO position is rooted in previous studies and commissions dealing with management in the federal government and the Department of Defense. The 1947-49 Commission on Organization of the Executive Branch of the Government (Hoover Commission) was responsible for evaluating federal agencies and proposing ways to improve the structure and function of operations. One of its recommendations was the creation of an assistant secretary for administration position in each executive branch of the federal government.¹

The subsequent Second Hoover Commission, from 1953 to 1955, recommended the establishment of a senior civil service professional administrator to manage efficiency, identifying this as the most important of its 314 recommendations.² This Commission acknowledged that the DoD needed stronger program management with specialized career fields that can address the complex management issues as well as carry out the Department's national defense mission.³

President Reagan's Private Sector Survey on Cost Control (Grace Commission) further reinforced the need to improve governmental efficiency. Reagan wanted the Grace Commission to focus on cost efficiency, controls, improved operations, budget savings, disbursements, debt and personnel management. The Grace Commission found that by addressing these areas, \$45 billion could be saved over three years⁴ through strategic planning, improved management and budget processes, privatization and research.⁵ Specifically, the Grace Commission called for better trained and more experienced program managers.

Charged to conduct a study of management of the DoD, President Reagan's 1985 Blue Ribbon Commission on Defense Management (Packard Commission) recognized the DoD's complex nature and responsibilities that are better aligned with long term strategic planning and budgeting.⁶ The Packard Commission's recommendations included creation of the Under Secretary of Defense for Acquisition who would guide the weapons-buying initiatives in the DoD to address the acquisitions overlap and waste.⁷

In the late 1990s and early 2000s, the concept of a Chief Management Officer branched out from the concept of performance-based organizations (PBO) that was circulating throughout the federal government. PBOs required departments to establish quantifiable goals for delivering public services. Commitment to meet these goals earned the department the flexibility to operate outside of the normal regulations, policies and protocols to achieve these goals. The head of a PBO is known as the Chief Operating Officer (COO), with the tenure of a three to five year appointment, subject to annual performance contracts.⁸

In 2002, the Comptroller General assembled a panel of government leaders and management experts to examine the role of the COO and address how this concept can be applied to more agencies. Moving federal agencies towards more result-oriented institutions, the general consensus on organizational,

¹ Government Accountability Office, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34 (Washington, DC: GPO 2007), November 2007, 9

² MacNeil & Metz, *The Hoover Report*, (New York, New York: Macmillan 1953-1955), 1953-1955, 29

³ MacNeil & Metz, *The Hoover Report*, (New York, New York: Macmillan 1953-1955). 1953-1955, 245 and 268-269

⁴ Department of Commerce, *President's Private Sector Survey on Cost Control: Report on Research and Development*, PB84-173269 (Washington, DC: GPO 1983), 1983, Preface i-b

⁵ Department of Commerce, *President's Private Sector Survey on Cost Control: Report on Research and Development*, PB84-173269 (Washington, DC: GPO 1983), 1983, ii-iv

⁶ The President's Blue Ribbon Commission on Defense Management, *A Quest for Excellence: Final Report to the President* (Washington, DC: GPO 1986), June 1986

⁷ Thomas, Evan; Seaman, Barrett and Voorst, Bruce, "Defensive About Defense." *Time Magazine* (Washington, DC), March 10, 1986, 43-44

⁸ Government Accountability Office, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34 (Washington, DC: GPO 2007), November 2007, 9-10

transformational and management reform⁹ was to “elevate, integrate, and institutionalize responsibility for key management functions and business transformation efforts.”¹⁰

In case studies conducted by the GAO in 2007, *Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, the Internal Revenue Service (IRS), the Department of Treasury (DOT), Massachusetts Institute of Technology (MIT), and the Department of Justice (DOJ), each implemented one of three types of COO/CMO. The organizational structure of each institution is below:

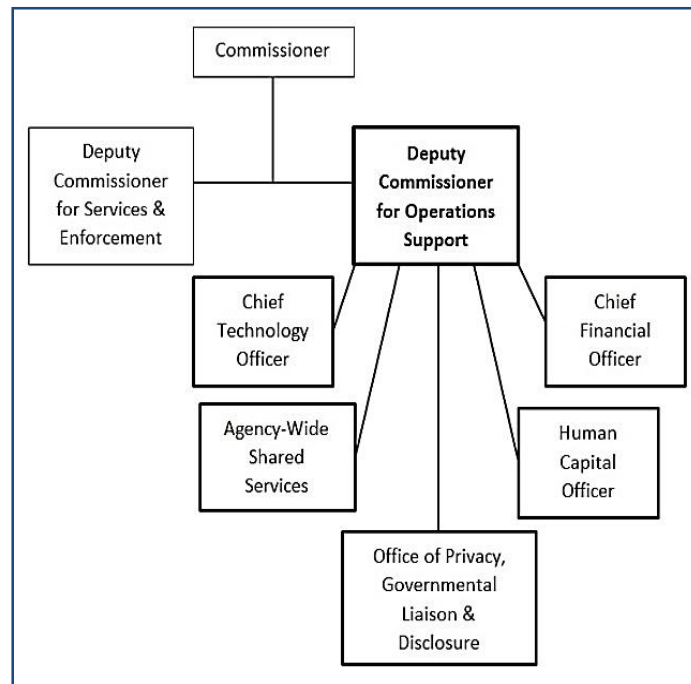


Figure 1: Internal Revenue Service¹¹

⁹ Government Accountability Office, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34. (Washington, DC: GPO 2007), November 2007, 1

¹⁰ Government Accountability Office, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34 (Washington, DC: GPO 2007), November 2007, 10

¹¹ Internal Revenue Service, “Today’s IRS Organization: Deputy Commissioner for Operations Support,” IRS. 11 June 2012, <http://www.irs.gov/irs/article/0,,id=149197,00.html> (accessed July 2012)

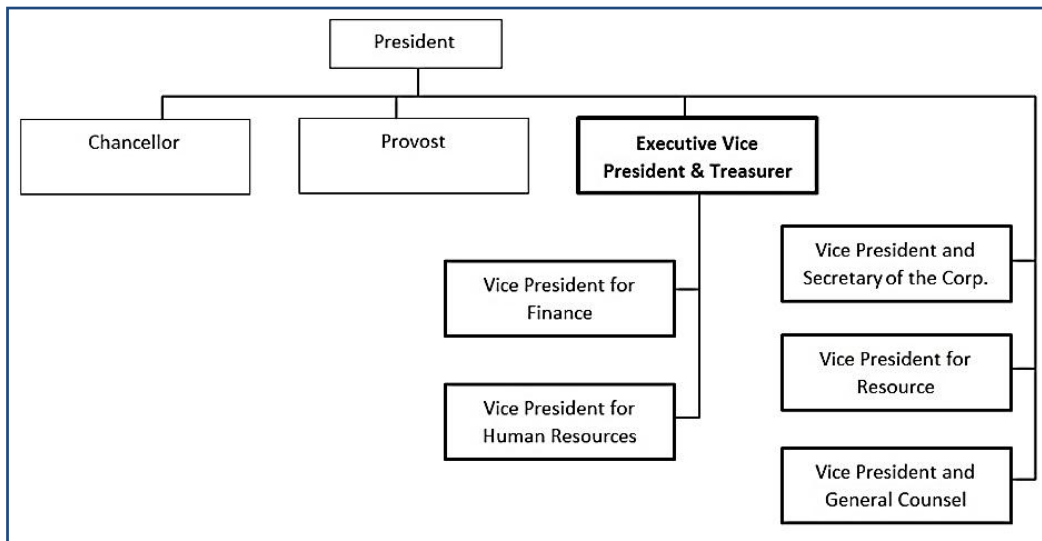


Figure 2: Massachusetts Institute of Technology¹

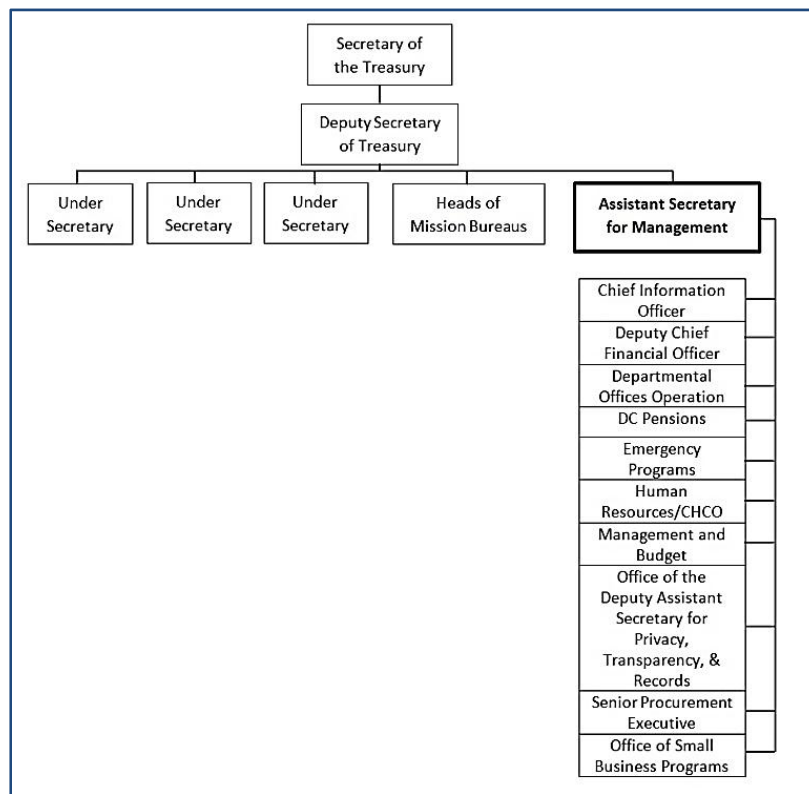


Figure 3: Department of Treasury¹²

¹² Department of Treasury, "About: Organizational Structure," *United States Department of Treasury*, 11 August 2011, <http://www.treasury.gov/about/organizational-structure/offices/Pages/Management.aspx> (accessed July 2012)

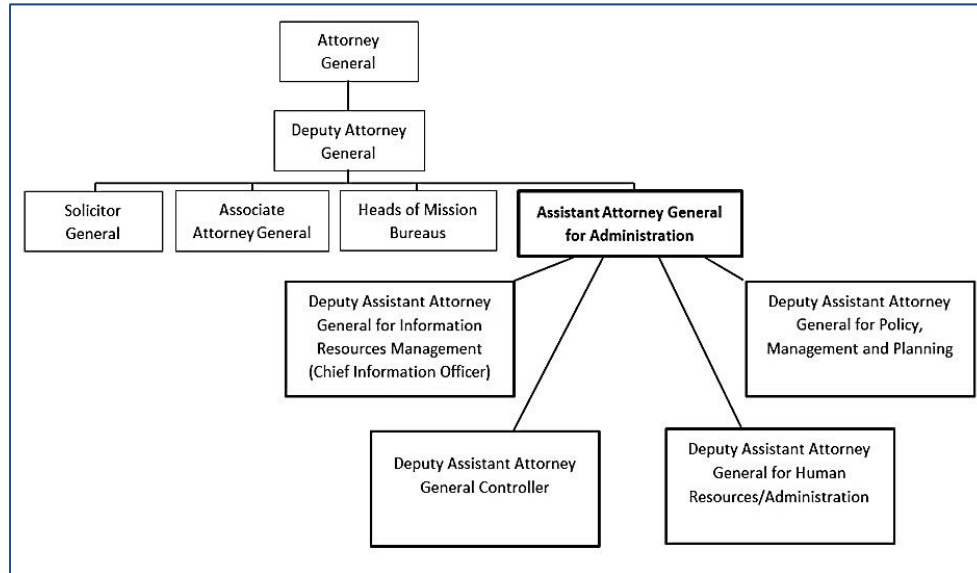


Figure 4: Department of Justice¹³

In each case, the senior management officer position has two distinct characteristics: it reports to the top of the organization; and (2) it has line authority over specified business management functions such as finance, personnel, information technology.

GAO Intent

With this history of management reform studies, GAO began to develop its recommendation for a chief management officer for DoD. In 2005, the GAO put the DoD’s approach to business transformation on its “high risk” list meaning it was at risk of “fraud, waste, abuse, and mismanagement. The GAO said the DoD had not yet established well-defined management responsibility, accountability and control over business transformation pursuits nor provided appropriate resources. The GAO also asserted the DoD did not have a distinct strategic and cohesive plan for business transformation with specific goals, measures and accountability mechanisms to monitor progress. The GAO recommended the Department establish a CMO who would be responsible for the agency’s progress in business transformation.¹⁴

The GAO found that six key strategies can assist agencies in implementing a successful CMO. These strategies are:

1. Define the specific roles and responsibilities of the CMO position.
2. Ensure that the CMO has a high level of authority and clearly delineated reporting relationships.
3. Foster good executive-level working relationships for maximum effectiveness
4. Establish integration and transformation structures and processes in addition to the CMO position.
5. Promote individual accountability and performance through specific job qualifications and effective performance management.
6. Provide for continuity of leadership in the CMO position.

¹³ Department of Justice, “Organization Chart: Justice Management Division,” *United States Department of Justice*, 6 June 2011, <http://www.justice.gov/jmd/orginfo/chart.htm> (accessed July 2012)

¹⁴ Government Accountability Office, *Defense Business Transformation: DoD Needs to Take Additional Actions to Further Define Key Management Roles, Develop Measurable Goals, and Align Planning Efforts, Briefing for Congressional Committees*, GAO-11-181R (Washington, DC: GPO 2011), January 26, 2011, 1

The GAO urged Congress to mandate the implementation of a CMO in the DoD.¹⁵

According to the 2007 GAO study report, the CMO should be “a senior-level position to help elevate, integrate, and institutionalize responsibility for key management functions and business transformation efforts.”¹⁶ DoD’s continual presence on the GAO’s high risk list was an indication that effective business transformation in the federal government’s largest department would require a CMO with sufficient rank and visibility.¹⁷

The GAO report, *Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*, recommended the establishment of “a full-time leadership position at the right level dedicated solely to the planning, integration, and execution of overall business transformation efforts.”¹⁸ The GAO advocated the establishment of a separate and distinct CMO position at the Executive Level II that reports to the Secretary of Defense (SECDEF). This position should have a full-time five to seven year term and be detached from politics, therefore, able to guide business transformation across administrations.¹⁹

DoD Response to GAO Reports

Paul Brinkley, Deputy Under Secretary of Defense for Business Transformation, submitted a formal response to the GAO’s recommendation.²⁰ This letter expressed the DoD’s disagreement with the GAO’s claim of “broad based consensus” amongst defense analysis and business boards on establishment of the CMO position, arguing that the Institute for Defense Analysis (IDA) supported giving the roles and responsibilities of the CMO to the Deputy Secretary of Defense (DEPSECDEF). Mr. Brinkley said:

...an additional official at the Under Secretary level to lead business transformation would generate dysfunctional competition among the five other Under Secretaries by creating confusion and redundancy in their discretionary-assigned and statutorily-prescribed roles and responsibilities. Additionally, it would accrue unnecessary administrative overhead into the headquarters of the Department of Defense.²¹

In response, the GAO stressed the DEPSECDEF could not reasonably be expected to focus on comprehensive business transformation reform while also executing his traditional roles and responsibilities.²²

DoD Acts: Secretary of Defense Directive

In May 2007, the Secretary of Defense (SECDEF) assigned CMO roles and responsibilities to the Deputy Secretary of Defense (DEPSECDEF) and in September 2007, the DEPSECDEF’s chartering DoD Directive was updated with the following DoD CMO responsibilities:

- Ensure Department-wide capability to carry out the strategic plan of the DoD in support of national security objectives.

¹⁵ Government Accountability Office, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34 (Washington, DC: GPO 2007) November 2007, 16-35

¹⁶ Government Accountability Office, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34 (Washington, DC: GPO 2007), November 2007, 1

¹⁷ Government Accountability Office, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34 (Washington, DC: GPO 2007) November 2007, 5

¹⁸ Government Accountability Office, *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*, GAO-07-1072 (Washington, DC: GPO 2007) September 2007, 1

¹⁹ Government Accountability Office, *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*, GAO-07-1072, (Washington, DC: GPO 2007) September 2007, 18

²⁰ Brinkley, Paul A., *DoD Response to the GAO draft report GAO-07-1072 to Ms. Sharon L. Pickup, Director of Defense Capabilities and management*, Office of the Under Secretary of Defense, Acquisition, Technology and Logistics, August 17, 2007

²¹ Government Accountability Office, *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*, GAO-07-1072 (Washington, DC: GPO 2007), September 2007, 29-32

²² Government Accountability Office, *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*, GAO-07-1072 (Washington, DC: GPO 2007), September 2007, 17

- Ensure the core business missions of the Department are optimally aligned to support the Department's war fighting mission.
- Establish performance goals and measures for improving and evaluating overall economy, efficiency and effectiveness and monitor and measure the progress of the Department.
- Develop and maintain a Department-wide strategic plan for business reform.²³

Congress Acts: The CMO Provision in the FY 2008 National Defense Authorization Act

Ultimately, Congress deferred to DoD's argument by designating the DEPSECDEF as the CMO in the National Defense Authorization Act (NDAA) of FY 2008. The Act also mandated establishment of the office of the Deputy Chief Management Officer (DCMO) under the temporary leadership of a career senior executive who was charged with drafting and issuing a DCMO chartering DoD Directive by October 2008. It also directed that "the DCMO, when confirmed and appointed, would be the Principal Staff Assistant (PSA) and advisor to the DoD CMO for matters relating to Defense-wide business operations." The duties of the DCMO were defined as:

- Recommend actions to better synchronize, integrate and align business operations of the Department.
- Develop and periodically update the DoD Strategic Management Plan (SMP).
- Supervise the Director of the Business Transformation Agency (BTA).²⁴

The FY 2008 NDAA also established the position of military department CMOs, assigned to the service Under Secretaries, to lead business transformation efforts within the separate service components. The service CMOs are not aligned under the DoD DCMO, but instead report to their individual service secretaries. In the Department's *Final Implementation Report for the NDAA for Fiscal Year 2008*, the DCMO is portrayed as a consultant and collaborator for the service CMOs, a relationship that would be further "solidified and aligned" as implementation progressed.²⁵ This particular alignment created ambiguity within the DoD CMO organization, as it effectively limited the DoD DCMO's ability to coordinate management reforms and gave the service CMOs the liberty to embark on their own reforms.

Since the establishment of the CMO and DCMO, Congress has provided other provisions through subsequent NDAAs to further shape and direct the business transformation initiatives in the DoD. For instance, the NDAA for FY 2009 included a mandate for creation of business transformation offices in each of the service components.

²³ Department of Defense Office of the Deputy Chief Management Officer, *Office of the Deputy Chief Management Officer: History*, <http://dcmo.defense.gov/about/history.html> (accessed March 17, 2012)

²⁴ United States Congress, *National Defense Authorization Act of Fiscal Year 2008: Section 904*, HR 1585, 110th Congress, 1st Session, Report 110-477, (Washington, DC: GPO 2008) 2008, 273-275.

²⁵ House of Representatives, *Final Implementation Report for the National Defense Authorization Act for Fiscal Year 2008*, 112th Congress, 1st Session: Report of the Committee on Armed Services, House of Representatives on H.R. 1540. (Washington, DC: GPO 2011) May 17, 2011, 2

Structure, Agenda, and Accomplishments

This section presents the organizational structure, implementation, goals and objectives of the Chief Management Officer function in the Office of the Secretary of Defense and each service component. This section also identifies the management reform agendas and claimed accomplishments of the CMO/DCMO offices. This section primarily represents a summary review of information self-reported by the CMO/DCMO organizations. This data was assembled in mid-2012. Since then there have been some changes, replacement organizations for the DBSMC and IRBs, for example. We have noted some of these changes in the text and in footnotes, and acknowledge that CMO implementation and operation is a dynamic organizational environment where changes can be frequent.

Overview of OSD and Service CMO/DCMO Organizational Structure

The DEPSECDEF provides overall direction of Defense Business Transformation (BT) efforts as the DoD CMO. As Chair of the senior-level Defense Business Systems Management Committee (DBSMC),²⁶ the CMO leads departmental efforts to “advance business initiatives throughout the enterprise by monitoring performance.”²⁷ The DoD Deputy CMO serves as a Principal Staff Assistant (PSA) to the DEPSECDEF on matters relating to business transformation, and as the Vice Chair of the DBSMC. In August 2010, the Secretary of Defense announced plans to disestablish the Defense Business Transformation Agency (BTA) and re-assign of some of BTA’s functions to the DCMO. BTA employees began migrating to DCMO in January 2011, and in October 2011, the DEPSECDEF formally disestablished the BTA and transferred the policy integration and oversight functions to the DoD DCMO.²⁸

Pursuant to the FY08 NDAA, each service CMO leads BT efforts within their respective departments. Each Service CMO has a Deputy CMO that heads an Office of Business Transformation (OBT) with a staff that plans and executes BT initiatives. Each military department has a high-level governance and decision body to oversee business transformation: the Army Enterprise Board, Air Force Council, and Department of Navy Business Transformation Council.²⁹

²⁶ Note: The Defense Business Systems Management Committee (DBSMC) has recently been replaced by the Deputy Secretary’s Deputy’s Management Advisory Groups (DMAGs).

²⁷ Department of Defense, *Department of Defense Strategic Management Plan FY 2012 – FY 2013*. OSD 10720-11 (Washington, DC: GPO 2012), 2012, 2

²⁸ Department of Defense, *Office of the Deputy Chief Management Officer: History*, 2012
<http://dcmo.defense.gov/about/history.html>

²⁹ Department of Defense, *Strategic Management Plan: Department of Defense*, 2009 (Washington, DC: GPO 2009)

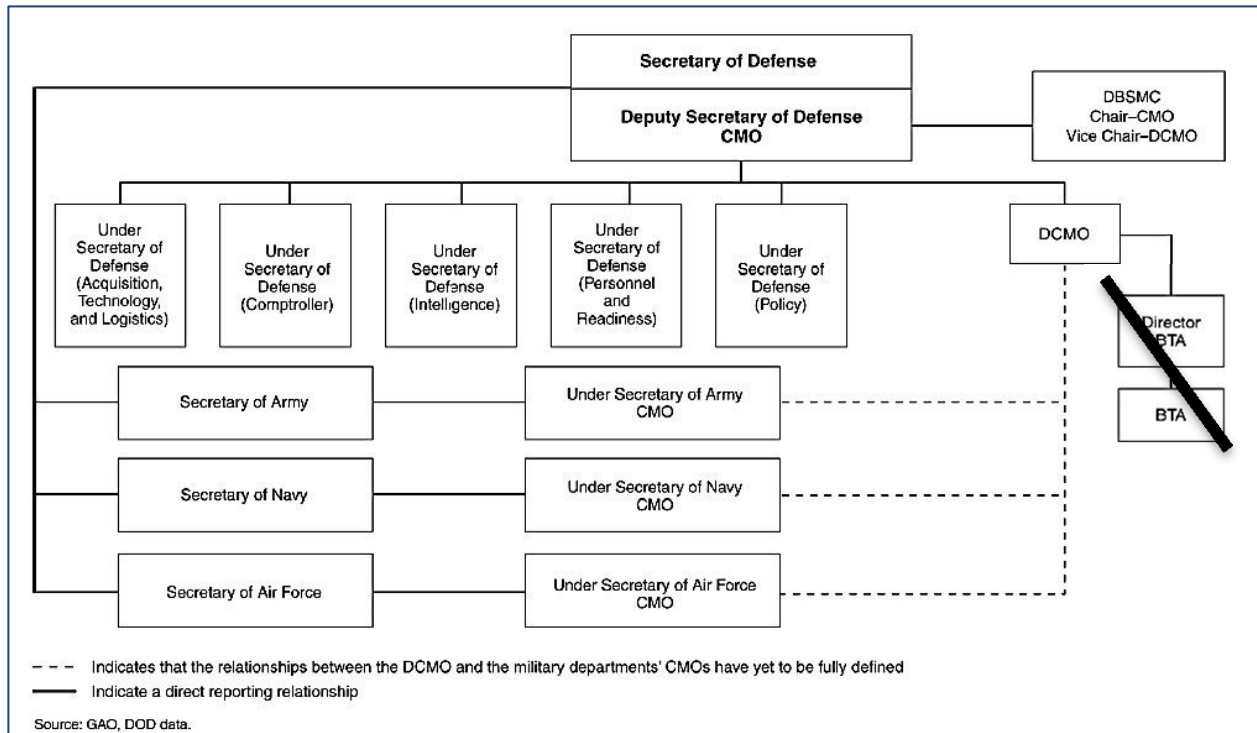


Figure 5: DoD CMO Organization Chart³⁰

The same primary elements can be observed across the Department, however, the four CMO organizational structures are not identical as the OSD and service components are free to tailor their staffs according to the needs of each institution.

Office of the Secretary of Defense Chief Management Officer (OSD DCMO)

Structure & Implementation

The office of the OSD DCMO was established to advise the DEPSECDEF on all matters related to Defense-wide business operations. The DCMO staff grew from 12 to 137 when portions of the BTA were absorbed. The DCMO's role is to assist the DEPSECDEF/CMO, in matters pertinent to financial management, personnel policies, and acquisition management. In accordance with the 2008 NDAA, the DCMO follows the CMO's directives and sets duties on how to execute CMO responsibilities, as well as to advise the CMO on business transformation matters. The DCMO is also authorized to set Department-wide policy within the scope of the position.³¹

The DCMO staff of 137 (recently reduced to about 100) was originally organized into the Operations Team (OPS), the Front Office, and five directorates: Investment and Acquisition Management (IAM), Business Integration (BI), Technology, Innovation and Engineering (TIE), Planning and Performance Management (PPM), and Expeditionary Business Operations (EBO). EBO and BI were later merged.

³⁰ Government Auditability Office, *Status of Department of Defense Efforts to Develop a Management Approach to Guide Business Transformation*, GAO-09-272-R (Washington, DC: GPO 2009) 2009, 10

³¹ McGrath, Elizabeth A., *Advanced Policy Questions for Elizabeth A. McGrath: Nominee to be Deputy Chief Management Officer (DCMO) of the Department of Defense (DoD)*, (Washington DC: GPO 2010) March 23, 2010, 1-2

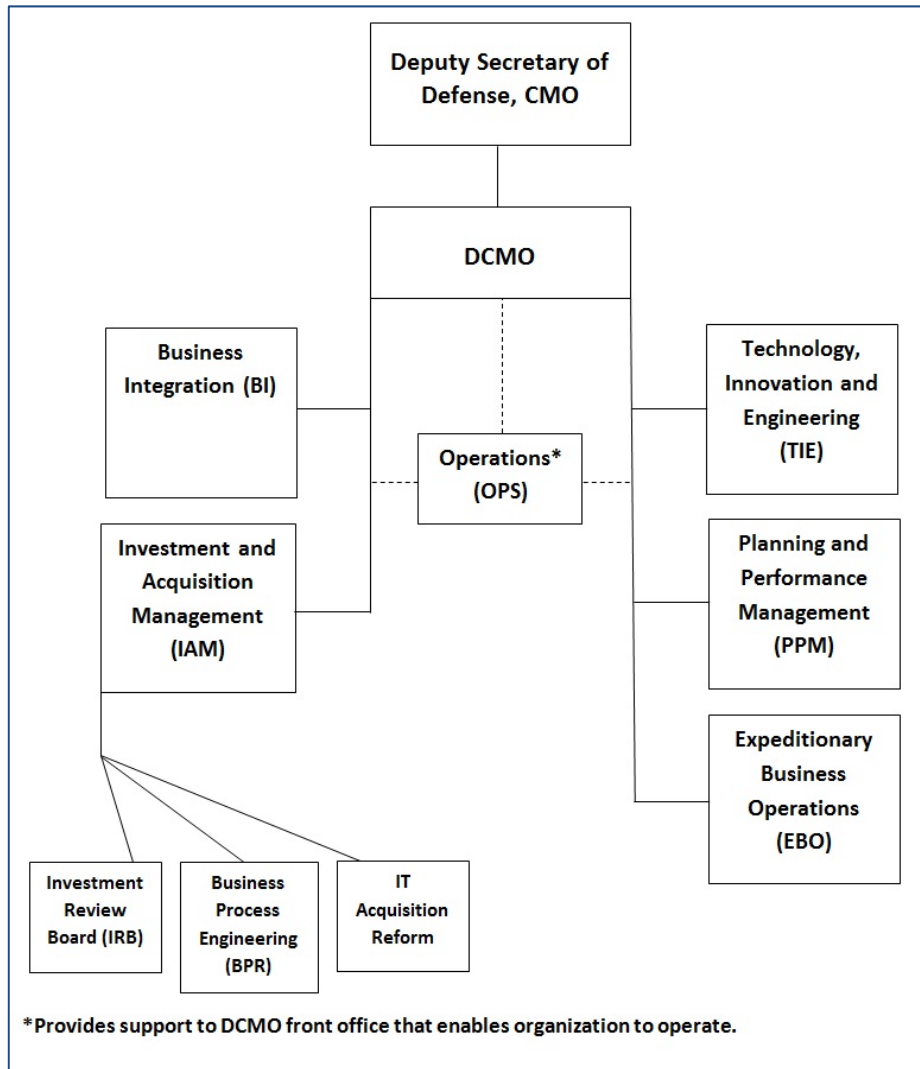


Figure 6: OSD-DCMO Structure

OPS provides the support and services necessary to ensure that the DCMO's office is following through with core functions of the Front Office and five directorates. According to the Office of the DCMO, the administrative processes, roles and responsibilities of the OPS are yet to be fully defined. The BI directorate has responsibility over the Department's end-to-end (E2E) business processes. IAM supports investment and acquisition oversight and compliance across DoD. With ownership of the Investment Review Board (IRB)³² process, Business Process Re-engineering (BPR) certification, and IT acquisition reform, IAM assists the DCMO in reforming the acquisition and investment processes within the DoD. TIE is responsible for building and delivering the Business Enterprise Architecture (BEA) and driving IT innovation. By developing the DoD's Strategic Management Plan (SMP) and Enterprise Transition Plan (ETP), PPM provides the strategic focus needed to develop the BEA and transform the DoD enterprise. The EBO directorate "addresses business challenges that adversely impact current operations by engaging directly with the Combatant Commands."³³

³² Note: The Investment Review Board (IRB) is now replaced by a single Defense Business Council (DBC) which performs an IRB role but also has broader functions related to business transformation.

³³ Department of Defense, *Office of the Deputy Chief Management Officer: Expeditionary Business Operations (EBO)*, 2012. <http://dcmo.defense.gov/about/expeditionary-business-operations.html> (accessed June 2012)

Below is a summary of each directorate and their corresponding core functions within the Office of the OSD DCMO:

Table 1: OSD/DCMO Directorates

Directorates	Brief Description	Core Functions
Investment and Acquisition Management (IAM)	Supports investment and acquisition oversight and compliance across the DoD. Operates and maintains the IRB process, which makes investment decisions and certifies business system modernizations over \$1 million as compliant to the BEA. IRB support also includes BPR determinations.	<ul style="list-style-type: none"> • Provide acquisition oversight • Operate and maintain the Investment Review Board (policy and process to include BPR) • Facilitate and advise on Business Capabilities Lifecycle (BCL) implementation • Lead Information Technology (IT) acquisition reform • Serve as GAO and DoD-IG liaison for the DCMO³⁴
Business Integration (BI)	Responsible for defining, optimizing and supporting implementation of the Department's End-to-End business processes to include integrated processes, requirements, data standards and performance measures and metrics linked to the SMP. <i>Note: EBO has recently been merged into BI</i>	<ul style="list-style-type: none"> • Reengineer and apply E2E processes to improve business operations and support audit readiness • Lead information sharing and collaboration efforts for DoD Healthcare IT transformation • Align Laws, Regulations and Policies (LRP) Repository content, BEA, ETP and MCR to E2E • Provide program implementation support for PSAs and Military Departments • Perform data management using DCMO proven data standards and methods • Manage and oversee the appropriate E2E governance model(s) and forum(s)³⁵
Technology, Innovation and Engineering (TIE)	The central service provider for tools, standards, methods, architecture, engineering and innovation across the DCMO Directorates as well as the DoD.	<ul style="list-style-type: none"> • Build and deliver the BEA • Operate a technology demonstration and optimization laboratory • Provide an implementable Business Intelligence strategy that results in standardized Business Intelligence capabilities across the Business Mission Area (BMA) • Lead the DoD and the Federal Government in engineering advanced technical standards in areas such as the Enterprise Information Web (EIW) • Design, develop and deliver improved processes and automated solutions to support the DCMO³⁶

³⁴ Department of Defense, "Office of the Deputy Chief Management Officer: Investment and Acquisition Management (IAM)", 2012, <http://dcmo.defense.gov/about/investments-acquisition-management.html> (accessed June 2012)

³⁵ Department of Defense, "Office of the Deputy Chief Management Officer: Business Integration (BI)", 2012, <http://dcmo.defense.gov/about/business-integration.html> (accessed June 2012)

³⁶ Department of Defense, "Office of the Deputy Chief Management Officer: Technology, Innovation and Engineering (TIE)", 2012, <http://dcmo.defense.gov/about/technology-innovation-engineering.html> (accessed June 2012)

Directorates	Brief Description	Core Functions
Planning and Performance Management (PPM)	Responsible for the strategic planning of DoD's business operations, as well as monitoring performance and improvement.	<ul style="list-style-type: none"> • Execute strategic planning by developing the Strategic Management Plan and Enterprise Transition Plan • Develop performance budget measures (Quadrennial Defense Review) • Report to Congress on progress and improvements made in the DoD Business Mission Area by preparing the March Congressional Report (MCR) • Perform risk assessments to inform decision making within the business and management domain • Improve performance management infrastructure (DoD Enterprise Performance Management System (DEPMS), Government Performance and Results Act Modernization Act 2010 (GPRA MA 2010)) • Provide training (LSS/BPR/BPMN) to DCMO customers • Conduct organizational assessments and develop organizational guidance to set forth the priority performance outcomes for the Department.³⁷
Expeditionary Business Operations (EBO)	<i>Note: EBO has recently been merged into BI. Much of this function transferred to Under Secretary of Defense (Policy) after dis-establishment of BTA.</i>	<ul style="list-style-type: none"> • Support the refinement of expeditionary business processes • Provide world-class subject matter expertise on deployed end-to-end business operations and deploy system architecture development/optimization • Solve business problems in theatre • Support the warfighter's business mission needs in 30-90 day increments in theatre³⁸

The DoD DCMO's staff is a combination of OSD employees and contractors, as well as experts from other DoD organizations and inter-agency resources. DCMO Elizabeth McGrath reports that the staffing and resources of the CMO and Business Transformation Offices are appropriate for the time being and are able to achieve goals set in the SMP.³⁹

OSD CMO Goals and Management Agenda

The business transformation goals of the OSD CMO align with the goals of the Strategic Management Plan (SMP) to incorporate the SMP goals throughout the enterprise through coordinated business transformation efforts and performance monitoring. According to the FY 2012-2013 SMP, the goals for business improvement are: to strengthen and right-size the DoD total workforce; strengthen DoD financial management; build agile and secure information technology capabilities; increase the buying power of the

³⁷ Department of Defense, "Office of the Deputy Chief Management Officer: Planning and Performance Management (PPM)", 2012 <http://dcmo.defense.gov/about/planning-performance-management.html> (accessed June 2012)

³⁸ Department of Defense, "Office of the Deputy Chief Management Officer: Expeditionary Business Operations (EBO)", 2012, <http://dcmo.defense.gov/about/expeditionary-business-operations.html> (accessed June 2012)

³⁹ McGrath, Elizabeth A., *Advanced Policy Questions for Elizabeth A. McGrath: Nominee to be Deputy Chief Management Officer (DCMO) of the Department of Defense (DoD)*, (Washington, DC: GPO 2010) March 23, 2010, 1-2

DoD; increase operational and installation energy efficiency; re-engineer/use end-to-end business processes; and create agile business operations that support contingency missions. The DoD DCMO, along with the Under Secretary of Defense Comptroller/Chief Financial Officer, co-chairs the Financial Improvement and Audit Readiness (FIAR) Governance Board overseeing the goal of strengthening financial management and achieving auditability on DoD's annual financial Statements.⁴⁰

The Department's mission-aware management goal is to ensure that resourceful and operational support is given to the warfighter while being accountable to taxpayers. In an agency as large and complex as the DoD, the approach to achieving this goal is multifaceted. In an interview with the IBM Center for the Business of Government, Elizabeth A. McGrath, OSD's DCMO, said "implementing initiatives across an enterprise as big as the 16th largest country in the world doesn't happen overnight, and is certainly not easy."⁴¹ McGrath has specified her interest in building on the SMP goals to tailor them more specifically to the DoD's needs in order to further embed the goals into Department-wide daily operations.⁴² The DoD DCMO is also the SMP Business "Goal Owner" of the following objectives:

- Re-engineer/use end-to-end (E2E) business processes to reduce transaction times, drive down costs, and improve service. This goal includes improving business operations through optimal use of defense business systems and the BEA, as well as completing the E2E process mapping.⁴³
- Institutionalize operational contract support.
- Establish transparency on contingency business operations.
- Adapt business processes to include operational criteria in order to execute the COMISAF/USFOR-A campaign plan.⁴⁴

Much of the OSD CMO agenda can be categorized as concepts, processes or initiatives.

Concepts

Performance Management: The performance management system aims to hold Senior Executive Service (SES) civilians accountable for business goals and objectives by ensuring their evaluations contain related metrics.

Business Process Re-Engineering: BPR was required by Congress to ensure DoD entities only purchase business system modernizations that have been thoroughly vetted by the DCMO, and that are consistent with the Enterprise Transition Plan (ETP). The purpose of the BPR statute was to require all of the Department's entities to ensure that they are changing the way they do business, to optimize their ability to execute seamless end-to-end business processes, and to eliminate unnecessary interfaces from these new systems back to the old legacy systems. The DoD DCMO is not the review authority for BPR certifications from the service components – that authority belongs to the service component CMOs.

Processes

Investment Review Boards (IRB): The IRB's are an example of the OSD CMO's externally-mandated efforts. Section 2222 of Title 10 and revised by Section 901 of the NDAA FY2012 requires the OSD DCMO to institute a body and process "to review and certify the planning, design, acquisition, development, deployment, operation, maintenance, modernization, and project cost benefits of covered defense business systems

⁴⁰ Department of Defense, *Department of Defense Strategic Management Plan FY 2012 – FY 2013*, OSD 10720-11 (Washington, DC: GPO 2012) 2012, 2

⁴¹ McGrath, Elizabeth A., "The Business of Government Hour: Interview with Beth McGrath," *IBM Center for The Business of Government*, (Washington DC: GPO 2011) October 1, 2011

⁴² McGrath, Elizabeth A., *Advanced Policy Questions for Elizabeth A. McGrath: Nominee to be Deputy Chief Management Officer (DCMO) of the Department of Defense (DoD)*, (Washington, DC: GPO 2010) March 23, 2010, 7-8

⁴³ Department of Defense, *Department of Defense Strategic Management Plan FY 2012 – FY 2013*, OSD 10720-11 (Washington, DC: GPO 2012), 2012, 11

⁴⁴ Department of Defense, *Department of Defense Strategic Management Plan FY 2012 – FY 2013*, OSD 10720-11 (Washington, DC) 2012, 13

programs.”⁴⁵ The *NDA 2012 Investment Review Board Report* outlines and details the DoD’s plan to implement the new investment review process by October 2012. According to this report, the IRB reviews and certifies investments into thirteen organizational frameworks: interoperability, architectural compliance, business value, policy analysis, functional, performance, end-to-end, portfolio cost, and organization. Once the investment is categorized, the IRB reviews and approves the functional strategy and organizational execution plan through the lens of the Strategic Management Plan (SMP). The IRB is also responsible for delineating investment priorities. Following plan review and approval, the IRB recommends a portfolio to the Defense Business Systems Management Committee (DBSMC), which approves and certifies funds for the investment.⁴⁶ Although the IRB process and the DSSMC have been in place since 2005, the DCMO has assumed a leadership role over the past few years and the IRB process was being revamped in 2012. The Defense Business Council (DBC) is now the current single body performing IRB-type functions in a more coordinate and consistent manner than previous functional area IRBs, each of which tended to operate with slight differences while performing the function of systems certification.

Initiatives

Electronic Health Record (iEHR): The iEHR is an initiative that aims to combine Defense and VA medical records to create a lifelong medical record.

Enterprise Resource Planning System (ERP): High on the DoD’s business transformation agenda is improving the business systems environment through implementing Enterprise Resource Planning Systems (ERPs). ERPs allow the DoD to streamline information systems and create an environment of more accessible data and processes. Successful ERP implementation streamlines the business process flow, achieving greater efficiency in process execution, and reducing the errors and re-work.

An example of an initiative in this area is the end-to-end (E2E) procedure. A concept originally adopted from the private sector, E2E ensures that transactions are traceable from source to statement, transactions can be recreated, processes and procedures are well documented and able to be replicated, compliance with laws, procedures and federal standards are verifiable, and the risk of fraud, mismanagement, or misused funds is reduced considerably.⁴⁷

Many DCMO-owned SMP objectives and metrics are dedicated to the mapping of E2E business processes, considered critical elements in the Department’s internal controls over financial reporting. E2E mapping has been described as “labor-and time-intensive,” but critical to sound financial reporting and transparency.⁴⁸ The Everest Group, a business services consulting firm, says E2E “requires cross-functional and enterprise-wide collaboration and is almost always a multi-year journey rather than a 6-month project.”⁴⁹

⁴⁵ Department of Defense, *Department of Defense Investment Review Board and Investment Management Process for Defense Business Systems: Report to Congress*, (Washington, DC: GPO 2012) March 2012, 1

⁴⁶ Department of Defense, *Department of Defense Investment Review Board and Investment Management Process for Defense Business Systems: Report to Congress*, (Washington, DC: GPO 2012) March 2012, 5

⁴⁷ McGrath, Elizabeth A., *DoD’s Enterprise Resource Planning (ERP) System Implementation. Efforts House and Armed Services Committee Panel on Defense Financial Management and Auditability Reform*, (Washington, DC: GPO 2011) October 27, 2011

⁴⁸ Boerum, K., “Implementing ICOFR Makes Good Cents,” *The Journal of American Society of Military Comptrollers*, (Alexandria, VA) March 1, 2009, 38-39

⁴⁹ Lee, K. “Procure-to-Pay: Measuring Outcome Beyond Efficiency Gains.” The Everest Group. 5 July 2011. <http://www.everestgrp.com/2011-07-procure-to-pay-measuring-outcome-beyond-efficiency-gains-sherpas-in-blue-shirts-5563.html> (accessed 29 March 2012)

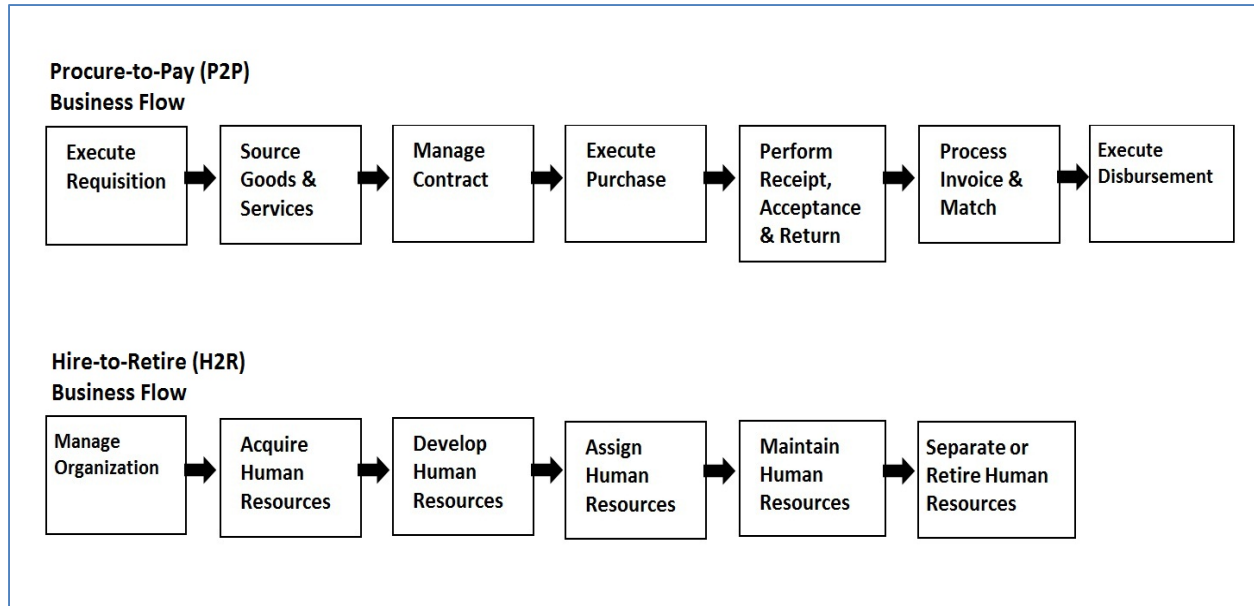


Figure 7: Business Flow

In the 2011 *Defense Business Operations Congressional Report*, the BEA specified its goal to refine the levels and sublevels that exist within each step in order to align the processes of E2E business flows.⁵⁰

IT Acquisition Reform: In a statement to the House Armed Services Subcommittee on Emerging Threats and Capabilities, McGrath says the success of E2E programs requires IT acquisition reform. Responsive to an FY10 NDAA directive, new acquisition processes are being developed and implemented in the DoD led by the IT Acquisition Task Force. This task force is chaired by the DCMO and is working to meet the needs of the Department’s complex governance, requirements, management, workforce, architecture, metrics, contracting, funding and acquisition process.⁵¹

The FY2012 DoD IT Budget is \$38.5 billion, with \$14.5 billion (38%) allocated for non-infrastructure, or systems acquisition, and \$24 billion (62%) allocated for infrastructure. Currently, the DoD IT system includes over 772 data centers in over 6,000 locations and in over 15,000 networks. With more than 3 million network users and over 7 million IT devices, the DoD’s need for reliable IT capabilities is imperative.⁵² The Business Mission Area (BMA) receives \$7 billion of the FY12 IT budget, which includes contract management, finance, supply chain, infrastructure support, real property, and human resource management.

OSD CMO/DCMO Accomplishments

OSD CMO indicates progress on a number of management reforms in which they have played a leading or supporting role.

Cash off the Battlefield (COTB): A defense-wide business issue that the OSD CMO has addressed is the COTB initiative. For a long time, cash was used as the currency to pay vendors in Afghanistan and Iraq, presenting a

⁵⁰ Department of Defense, *2011 Congressional Report on Defense Business Operations*, (Washington, DC: GPO 2011) 2011, 6

⁵¹ McGrath, Elizabeth A., *Emerging Threats and Capabilities, Statement by Ms. Elizabeth A. McGrath Deputy Chief Management Officer Before the House Armed Services Subcommittee*, (Washington, DC: GPO 2011) April 6, 2011, 5-6

⁵² Defense Business Board Task Group, *DoD Information Technology Modernization: A Recommended Approach to Data Center Consolidation and Cloud Computing*, Defense Business Board, January 19, 2012, 6

variety of internal control and auditability concerns. More importantly, it presented a security risk to convoys that transported the money. Hickory Ground Solutions, the consulting firm that assisted with the COTB solution, describes the process change:

COTB involves conversion of [the] DoD Contract from use of DD250 Material Inspection and Receiving Reports and cash payments to use of Wide Area Workflow (WAWF), the DoD approved electronic invoicing and acceptance system. By converting contracts to require use of WAWF, the invoicing and payments will be made electronically, eliminating the need for local cash payments and improving transparency and accountability of invoice submission, receipt and acceptance through payment.⁵³

Security Clearance Reform: The DCMO addresses DoD issues on the GAO's high risk list. One example deals with security clearance reform. The DoD worked with other agencies, including the OMB, BTA, OPM, DNI, Under Secretary for Defense (Intelligence), and the three service components to establish the Case Adjudication Tracking System (CATS), Rapid Assessment of Incomplete Security Evaluations (RAISE), and Review of Adjunction Documentation Accuracy and Rationales (RADAR) to improve security clearance processes.⁵⁴ In an interview with *IBM Center for The Business of Government*, McGrath explained how the new systems addressed the issue of transaction time. She reported, "We were able to take a 100,000 backlog for DoD down to zero, which is a significant improvement. In 2006, our average security clearance time was 165 days. Today, it's roughly about 47 days."⁵⁵ In January 2010 GAO removed Security Clearance Reform from the GAO High Risk List -- the only time "that GAO has removed a DoD High Risk Area since the inception of the High Risk List in 1990."⁵⁶

Performance Accountability Council: During congressional testimony in June 2012, McGrath identified the establishment of the Performance Accountability Council as a vital step in inter agency co-operation. The council is run by the Deputy Director for Management at the Office of Management and Budget (OMB). It includes representatives from the Director of National Intelligence (DNI), Office of Personnel Management (OPM), Under Secretary of Defense (Intelligence), and the DCMO. This council links the communication gaps that exist between agencies as a means of sustaining the objectives already met throughout the Department. This reduces duplicated efforts and increases efficiency, resulting in "timeliness that far exceeds goals set by Congress in the Intelligence Reform and Terrorism Prevention Act of 2004," successful security clearance reform and improved program quality, and IT systems that augment Department-wide capabilities, which are currently being considered for implementation by other agencies. This structure helped move the Security Clearance Reform activity closer to success.

Department of the Navy CMO & DCMO

Structure and Implementation

The Under Secretary of the Navy is the Chief Management Officer for the Department of the Navy (DON). The Deputy Under Secretary of the Navy (Business Operations and Transformation), also a non-career SES political appointee, is the DCMO. The EBO is comprised of approximately 20 employees, intentionally kept

⁵³ Solutions, H.G., "Cash off the Battlefield (COTB): Project Description and Objectives," Hickory Ground Solutions. 2012. <http://www.hickoryground.com/success/cotb.cfml> (accessed 20 March 2012)

⁵⁴ McGrath, Elizabeth A. *Homeland Security and Governmental Affairs, Statement by the Honorable Elizabeth A. McGrath, Deputy Chief Management Officer, Department of Defense, Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Senate Committee*, (Washington, DC: GPO 2010) November 16, 2010, 4

⁵⁵ McGrath, Elizabeth A., "The Business of Government Hour: Interview with Beth McGrath." *IBM Center for The Business of Government*, October 1, 2011

⁵⁶ McGrath, Elizabeth A., *Open Hearing on Security Clearance Reform, Statement by the Honorable Elizabeth A. McGrath, Deputy Chief Management Officer, Department of Defense before the Senate Committee on Homeland Security and Governmental Affairs and Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia*, (Washington, DC: GPO 2012) June 21, 2012, 2

small to avoid adding an extra layer of bureaucratic processes. The Navy Enterprise Business Office (EBO) was created in 2009 to meet the NDAA FY 2009 directive. The Department of the Navy (DON) EBO's objective is to integrate the acquisition, finance, logistics and supply chain functions into E2E processes, define business value metrics to track and measure efficiency, define policies for business transformation, and create and oversee resource allocation decisions.⁵⁷

The DON EBO is organized into two directorates: Business Operations and Transformation.

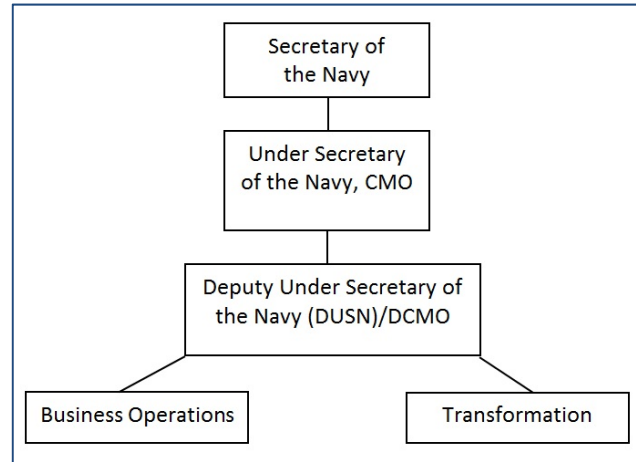


Figure 8: DON EBO Directorates

The Department of the Navy (DON) identifies five Core Business Missions (CBM) that span budget, finance, accounting and human resource functions necessary to support the Navy's missions. The CBMs are: Human Resource Management, Weapon System Lifecycle Management, Material Supply and Service Management, Real Property and Installations Lifecycle Management, and Financial Management.⁵⁸

On April 1, 2010, the Secretary of the Navy (SECNAV) officially established the DON Business Transformation Council (BTC). The Under Secretary of the Navy would chair the BTC and serve as the DON CMO responsible for directing and approving the Navy's business strategies and goals, evaluation through identifying performance metrics, and communicating DoD DBSMC policy. The SECNAV Instruction designated the CMO to provide senior level direction regarding business operations through the BTC, assist support development and implementation of BTC, and prioritize business transformation initiatives and acquisitions.⁵⁹

The scope of the BTC's tasking includes transformation of the budget, finance, accounting, and human resource operations. SECNAV Instruction 5420.197 identifies nine principal members of the BTC:

- Under Secretary of the Navy/CMO as the BTC Chair
- Vice Chief of Naval Operations
- Assistant Commandant of the Marine Corps
- Assistant Secretary of the Navy (Financial Management and Comptroller)
- Assistant Secretary of the Navy (Research, Development, and Acquisition)
- Assistant Secretary of the Navy (Manpower and Reserve Affairs)

⁵⁷ Veit, Beverly, *Navy ERP: Roadmap to Enterprise Business Transformation*, Office of the Assistant Secretary of the Navy (Financial Management & Comptroller), Office of Financial Operations, (Washington, DC: GPO 2009) 27 May 2009, 2

⁵⁸ Department of the Navy, *Department of the Navy Business Transformation FY 2011*, (Washington, DC: GPO 2011) November 12, 2011, 4-5

⁵⁹ Department of the Navy, *SECNAV Instruction 4520.197: Department of the Navy Business Transformation Council*, (Washington, DC: GPO 2010) April 1, 2010, 1-2

- Assistant Secretary of the Navy (Energy, Installations and Environment)
- General Counsel
- Deputy Under Secretary of the Navy for Business Operations and Transformations/DCMO⁶⁰

The figure below, from the *Department of the Navy Transition Plan Version 1.0* shows the Navy’s proposed Business Mission Area (BMA) governance structure for FY 2011.

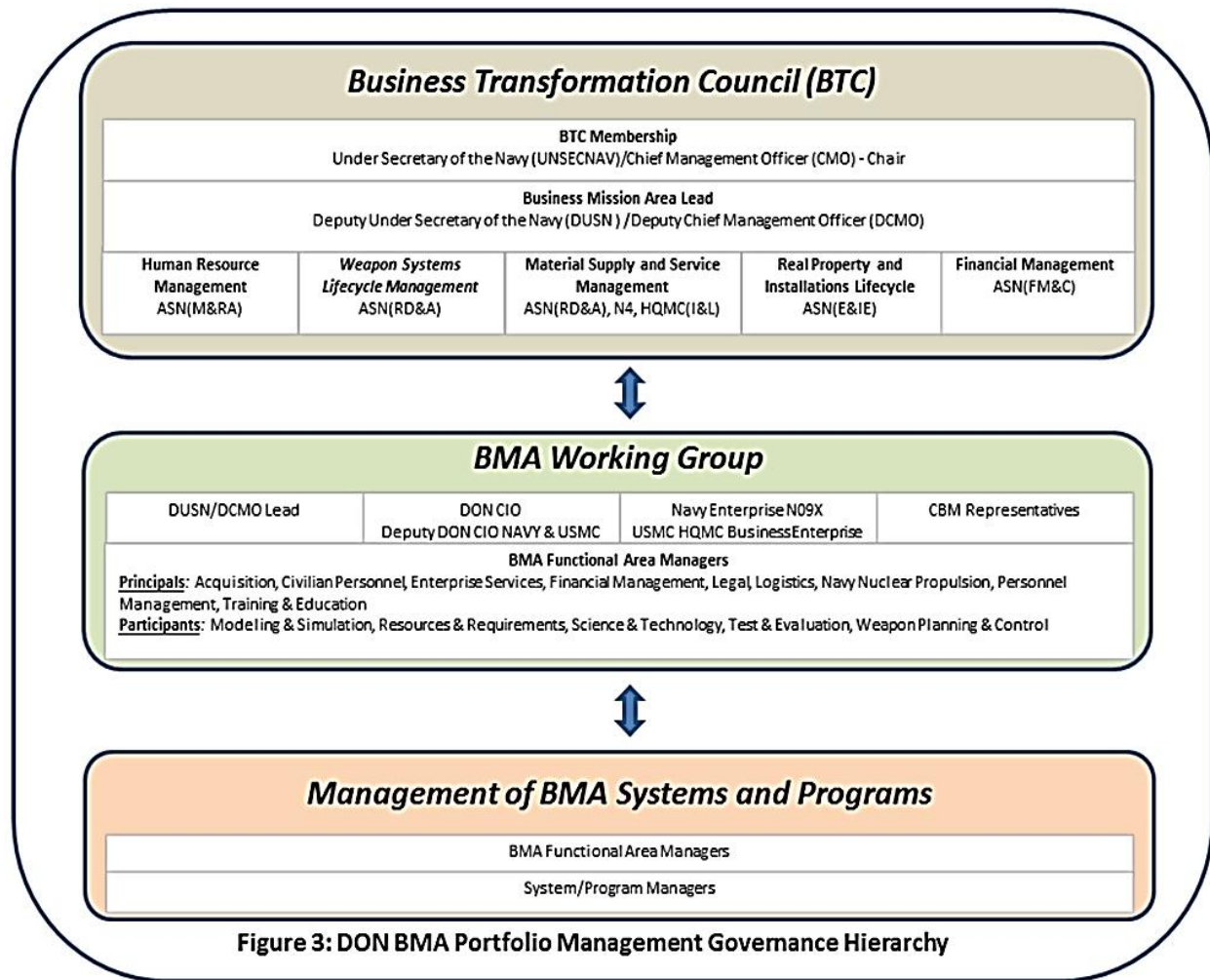


Figure 9: DON Business Mission Area

As the figure suggests, the Business Mission Areas (BMA) are governed by the DCMO via the BTC, who resolves significant business transformation issues and makes major BMA decisions. The BMAs manages investment and portfolio decisions periodically, whereas the Functional Area Managers and System/Program Managers manage the day-to-day BMA systems and sub-portfolios.⁶¹

⁶⁰ Department of the Navy, *SECNAV Instruction 4520.197: Department of the Navy Business Transformation Council*, (Washington, DC: GPO 2010) April 1, 2010, 3

⁶¹ Department of the Navy, *Department of the Navy Transition Plan, Version 1.0*, Deputy Under Secretary of the Navy and Deputy Chief Management Officer, (Washington, DC: GPO 2011) 2011, 11

DON CMO Goals and Management Agenda

The DON transformation path is moving towards (1) methodically generating a reduction in total overhead cost by understanding business operations, costs, priorities, and success, and (2) transforming the Navy's business through innovation and challenging assumptions about business processes.⁶²

The DON Business Transformation Plan (BTP) for FY 2012 identifies the following objectives and sub-objectives for BT:

1. Transform business operations
 - 1.1. Evolve DON strategic business management through identifying key areas for improvement and through projecting and assessing transformation development implementation.
 - 1.2. Become an organization focused on business results through prioritizing and understanding capabilities, improving analysis, defining processes, maximizing business processes, practices, and performance.
 - 1.3. Build an effective Business Enterprise Architecture (BEA) which leads investment and requires enduring investment and long-standing commitment as BEA evolves.
2. Generate a reduction of total overhead cost through coordinated cost efficient decisions that support the warfighter throughout the Planning, Programming, Budgeting, and Execution (PPBE) process.
3. Develop enduring strategies for a lean organization through business functions that have a long-term efficiency and effectiveness focus.
4. Drive toward financial auditability through strengthening business processes and systems, developing audit-specific capabilities, and developing a strong audit response infrastructure.⁶³

DON CMO Accomplishments

The Navy CMO's progress on its BT agenda is reported in its annual updates to Congress. Since the establishment of Navy's EBO, a large part of the agenda has been aimed at compliance with congressional mandates in the FY08 and FY09 NDAA's. Specifically, before embarking on transformation, DON DCMO had to develop and implement an inaugural group of plans, which included the Business Transformation Plan and IT Transformation Plan. Once this framework for transformation was established, a blend of initiatives was mandated by the SECDEF and established within the BTC. While compliance with external requirements determines a large portion of Navy's BT agenda, much of the agenda is also established organically within the BTC.

Assessing Future Pay and Personnel Solutions (FPPS): Efforts to launch the Defense Integrated Military Human Resources System (DIMHRS) were abandoned in 2009. In 2010, the Navy self-directed external assessments of its proposed new personnel management system, FPPS. The assessment on FPPS supported the BTC's decision to reset the program from pre-Milestone B to pre-Milestone A. Three years after the demise of DIMHRS, DON DCMO stated in the FY 2012 update to Congress, "This effort represented the only time a Service, acting independently of the DoD, unilaterally halted a large transformation effort to re-assess the business value proposition and approach."⁶⁴

Assessing Navy Enterprise Resource Planning (ERP): An Assessment of the Navy ERP finds that, while its acquisition program is well developed, it lacks an enterprise-wide focus. The 2011 update to Congress states, "To design the ideal corporate governance for Navy ERP, the DCMO is conducting a survey of best practices of world class companies from industry."⁶⁵ The DON is considering the following based on initial feedback:

1. A clearly defined business problem must precede ERP application

⁶² Fanning, Eric., Lecture for "Management Transformation in DON" at Naval Postgraduate School (Monterey, California), June 20, 2012, Power Point Presentation, slide 3

⁶³ Department of the Navy, *Business Transformation Plan Fiscal Year 2012*, (Washington, DC: GPO 2011) December 22, 2011, 7-14

⁶⁴ Department of the Navy, *Business Transformation Update to Congress FY2012*, (Washington, DC: GPO 2012) 2012, 5

⁶⁵ Department of the Navy, *Business Transformation Update to Congress FY2011*, (Washington, DC: GPO 2011) 2011, 6

2. A single ERP system might not be appropriate for an organization as large and complex as the military
3. Leadership must commit to organizational change that will support ERP
4. Performance is “founded upon process, controls, organizational alignment, operating mechanics, and metrics – not solely from a new IT system.”⁶⁶

Navy Maintenance and Business Strategy: The Navy continues to develop a maintenance and business strategy, strive for auditability, and conduct BPR assessments. The Navy DCMO is approaching maintenance reform much like it did the personnel program. Rather than build a “Maintenance IT Strategy” as requested by OSD leadership, the Navy is looking to produce a “Navy Maintenance Strategy enabled by IT.”⁶⁷ In financial management, The DON has set a goal of a fully auditable Statement of Budgetary Resources (SBR) by the end of FY 2013, and has the only military service, the Marine Corps, currently asserting auditability and under audit. BPR assessments are considered critical to ensure the Navy’s over 500 IT systems, and those considered for acquisition, meet defined business needs. To quote a senior DCMO official, “this way, any Tom, Dick, or Harry can’t just buy whatever IT systems they want.” In 2010 and 2011, the Navy conducted 27 and 16 BPR assessments respectively for system development and modernizations. Finally, to manage the transition of legacy business systems into a future core portfolio, the Navy developed the Transition Plan. Below is an excerpt from the Navy’s 2010 Transition Plan Construct:⁶⁸

System Acronym	System Name	Service	IRB	Inv. Type	FY11 Budget (\$M)	Transition State	Term Date	Replacement System Name
IMPS	Integrated Management Processing System	Navy	FM	System	\$1.962	Legacy	30 September 2020	Navy ERP, Partial
INFADS	Internal Navy Facility Assets Data Store	Navy	RPIL M	System	\$0.910	Core		
INFORM-21	Information Management for the 21 st Century	Navy	MSS M	System	\$3.525	Interim		Navy ERP, Full

DON CMO/DCMO Accomplishments

Efficiency Savings: When Secretary Gates announced his efficiencies program for FY 2011 the DON DCMO became the action office for identifying efficiency savings. The DON’s FY11 Business Transformation Update stated that more efficiency savings were redirected than was required by OSD. The DON found \$42 billion in efficiencies by streamlining organizations and consolidating common functions. Of these efficiencies, \$35 billion went towards increasing investment in, or preventing reductions to readiness levels, aviation and shipbuilding programs, weapons systems, and Marine Corps command and control capabilities.⁶⁹ DON CMO also established relevant objectives and performance metrics for Senior Executive Service (SES), in compliance with the Government Performance and Results Act (GPRA). By ensuring that senior leadership is evaluated on the metrics that matter most to the DON, they incentivize reaching transformation goals.⁷⁰

⁶⁶ Department of the Navy. *Business Transformation Update to Congress FY2011*. (Washington, DC: GPO 2011) 2011, 6

⁶⁷ Department of the Navy. *Business Transformation Update to Congress FY2012*. (Washington, DC: GPO 2012) 2012, 5

⁶⁸ Department of the Navy. *Department of the Navy Transition Plan, Version 1.0, FY 2010*. (Washington, DC: GPO 2010), 33

⁶⁹ Office of Budget, Department of the Navy, *Highlights of the Department of the Navy, FY 2012 Budget*, (Washington, DC: GPO 2011) February 2011, 1-13

⁷⁰ Office of Budget, Department of the Navy, *Highlights of the Department of the Navy, FY 2012 Budget*, (Washington, DC: GPO 2011) February 2011, 7-5

Global Combat Support System for the Marine Corps (GCSS-MC): GCSS-MC is a logistics program that meets the Marine Corps Logistics Transformation Plan and the Marine Corps Logistics Campaign Plan, to modernize IT effectiveness and efficiency as well as information security and visibility.⁷¹ In October 2011, Navy DCMO Eric Fanning reported that this portfolio of systems had 7,700 users with Japan and Hawaii fully fielded as of July 2011. That same year, the DON requested to expand the GCSS-MC program and to increase the number of users to 36,000. Fanning reported that the program has seen three major improvements:

1. “‘Time to First Status’ reduced from over 24 hours to an average of 1.5 hours
2. ‘Order Ship Time’ reduced by 29.1% -8.77 days to 6.22 days
3. ‘Repair Cycle Time’ reduced by 48.5% - 40.58 days to 20.89 days.”⁷²

Department of the Army CMO & DCMO

Structure and Implementation

The Under Secretary of the Army serves as the Chief Management Officer of the Department of the Army (DA). The DA’s DCMO is a career senior executive who serves concurrently as the Deputy Under Secretary for the Army for Management. The DA Office of Business Transformation (OBT) is led by a three-star general officer, currently employs approximately 200 staff members⁷³ and is split into three directorates: Transformation, Operations, and Innovation.

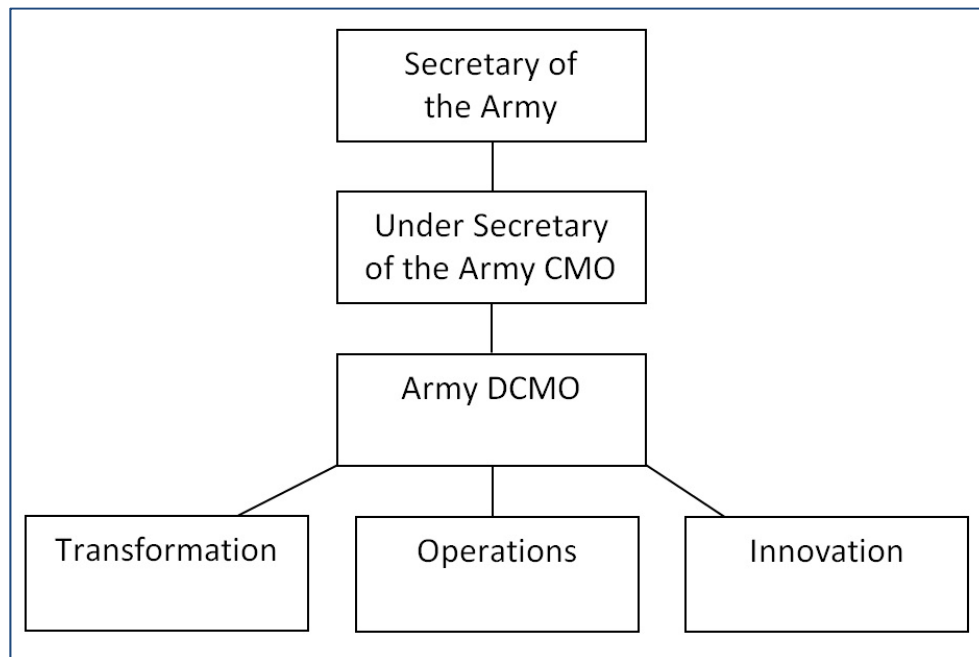


Figure 10: Army Directorates

⁷¹ U.S. Marine Corps, “Global Combat Support System-Marine Corps (GCSS-MC),” *Marine Corps Systems Command, Equipping the Warfighter to Win*, <http://www.marines.mil/unit/marcorsyscom/Pages/Level-02/IndPMs/GCSS-MC/MCSC-Level02-IndPMs-GCSS-MC.aspx> (accessed 10 July 2012)

⁷² Fanning, Eric, *DOD’s Enterprise Resource Planning (ERP) System Implementation Efforts, Statement of Mr. Eric Fanning before the Defense Financial Management and Auditability Reform Panel of the House Armed Services Committee*. (Washington, DC: GPO 2011) October 27, 2011, 5-6.

⁷³ Fanning, Eric, Lecture for “Management Transformation in DON” at Naval Postgraduate School (Monterey, California), June 20, 2012.

SECARMY also formed the Institutional Army Transformation Commission (IATC) that collaborates with senior leaders to identify areas for improvement within the Army and oversees the cycle of “plan, do, check, adjust” as it moves through the Army. Through IATC, SECARMY issued a number of directives that compel all senior level leaders within the Army to conduct comprehensive program evaluation and assessment of their organizations.⁷⁴

DA CMO Goals and Management Agenda

The stated mission of the Army OBT contains four objectives:

1. Improve the effectiveness and efficiency of Army business processes
2. Transform business systems IT management
3. Promote resource-informed decision making
4. Achieve an integrated management system

The DA submitted its Business Transformation Plan (BTP) to Congress on October 1, 2010 saying that it that would implement cost management and business performance as cultural characteristics of the Army. The Army's *2012 Annual Report on Business Transformation* asserts that their efforts have been aimed at these objectives.

The DA DCMO, Mark R. Lewis, was actively involved in developing the inaugural group of BT plans and updates in 2010. The FY 2011 congressional update divided actions into two areas: those relating to the implementation of integrated management system (IMS), and those relating to legislative requirements. In compliance with congressional mandate, the Army is developing an IMS to provide an enterprise-wide decision-making process that is transparent and metric-oriented. The Army acknowledges that their current management structure is tailored to functional areas, a view that needs to be expanded to encompass the entire enterprise. As envisioned in the FY11 congressional update, the IMS is “a framework that integrates all of the Army's enterprise systems or processes into an improved management capability, enabling the Army to work as a single unit with unified objectives.”⁷⁵ The Army is undergoing a large effort to develop this business enterprise architecture.

In 2010, much of the DA BT agenda was generated in compliance with federal mandate. Specifically, the Army DCMO established an Office of Business Transformation (OBT), developed and published the 2010 update to Congress, developed and published the 2011 BTP and Business Systems Architecture and Transition Plan, developed business initiatives in support of BT, and testified to Congress on BT efforts. Along with establishment of the office and development of plans and architecture, the Army also undertook some initial business initiatives.

The 2012 congressional update categorized initiatives into large and small categories. Army initiatives requiring large transformation efforts are: Financial Management Improvement Plan, Army Energy Security and Sustainability, Business Systems Information Technology Governance, and Cost Culture.

Financial Management Improvement Plan: A common theme across services is the push for auditability. Army has established aggressive goals to achieve auditability by FY 2014. The Army is claiming their new web-enabled accounting management system, General Fund Enterprise Business System (GFEBs), will lead to auditability. “The Army is using GFEBs deployment waves for systematically conducting audit readiness

⁷⁴ Department of the Army, *2012 Annual Report on Business Transformation: Providing Readiness at Best Value*, (Washington, DC: GPO 2012) March 1, 2012, 2

⁷⁵ Department of the Army, *2011 Annual Report on Business Transformation*, (Washington, DC: GPO 2011) 2011, 15

evaluation.”⁷⁶ GFEBs is a comprehensive ERP system aimed at replacing legacy systems and integrating the systems that generate financial transactions.⁷⁷

Army's Energy Security and Sustainability: This initiative involves researching, developing and deploying advanced technologies and management practices to reduce Army dependence on foreign oil. In response to a federal mandate to achieve 25% renewable energy by 2025, the Army has established an Energy Initiatives Task Force to develop large-scale renewable energy projects. The Army estimates this initiative will require \$7 billion of private investment to meet congressional goals. Within the scope of this initiative are plans to provide more training to soldiers on efficient energy use, to incentivize the construction of high-efficiency structures, and to have installations manage their geographic footprint.⁷⁸

Business Systems Information Technology (BSIT) Governance: The DA's BSIT strategy deploys an ERP that will eliminate 250 legacy business systems. To support this process, in 2011 the Army expanded its BSIT governance with the establishment of a 2-Star Working Group and a 3-Star Review Group. These groups provide additional collaborative forums to address issues related to acquisition strategy, audit readiness, E2E mapping and IT portfolio reviews. The Army CMO endorses initiative proposals through the BSIT governance forums. Once these endorsed proposals are approved by SECARMY, “the accountable staff lead will develop performance metrics tracked in SMS (Strategic Management System). Status updates and recommendations to consolidate, modify or close-out business initiatives are presented to the BSIT forum for final approval by the Secretary of the Army.” For an initiative to be developed, it must first be assessed by the BSIT governance forum for endorsement and subsequent approval by the Under Secretary of the Army (USA) and the SECARMY, respectively. According to the FY 2012 congressional update, once an initiative is approved, the appropriate staff will develop performance metrics and track progress in the Army Strategic Management System (SMS). “Status updates and recommendations to consolidate, modify, or close-out business initiatives are presented to the BSIT forum for final approval by SECARMY.”⁷⁹

Cost Culture: The Army's push for resource-informed decision making can be seen in a number of initiatives. First, a cost benefit analysis (CBA) is required to be attached to all requests for resources. To do this, a CBA workflow tool has been devised to simplify the drafting and submission of CBAs throughout the Army. In FY 2011, the CBA Review Board received 129 CBAs attached to decisions valuing approximately \$45 million. The Army is also approaching a cost culture through training. In 2011, 162 leaders graduated from the Cost Management Certificate Course at the Naval Postgraduate School. In FY 2012, the Army began offering three more courses to financial and operational management professionals at the Soldier Support Institute and Naval Postgraduate School.

Other Efficiencies and Capabilities. In focusing on improving warfighting capabilities; improving cycle time; eliminating waste or redundancy; and improving quality, reliability and customer satisfaction, the Army has launched initiatives that pursue the overall BT objectives:

1. AcqBusiness: Promotes better use of IT resources in acquisition programs.
2. Procure to Pay Pilot: Tests the ability of an ERP system to conduct the entire E2E P2P process internally.
3. Authoritative Data: Enables re-use of reliable, accessible, understandable, and trusted data. Also reduces duplicative data sources and enables implementation of secure information sharing.

⁷⁶ Department of the Army, *2012 Annual Report on Business Transformation: Providing Readiness at Best Value*. (Washington, DC: GPO 2012) March 1, 2012, 3

⁷⁷ Department of the Army, *2012 Annual Report on Business Transformation: Providing Readiness at Best Value*. (Washington, DC: GPO 2012) March 1, 2012, 2-3

⁷⁸ Department of the Army, *2012 Annual Report on Business Transformation: Providing Readiness at Best Value*. (Washington, DC: GPO 2012) March 1, 2012, 3-4

⁷⁹ Department of the Army, *2012 Annual Report on Business Transformation: Providing Readiness at Best Value*, (Washington, DC: GPO 2012), March 1, 2012, 11

4. Enterprise Traceability: Integrates data from existing systems to provide transparency of equipment procurements from budget requests to unit-level deliveries, purportedly improving property accountability through Item Unique Identification (IUID) data flows.
5. Army Force Generation Business Architecture: Synchronizes the multiple business activities that contribute to the force generation process.
6. Army Data Center Consolidation Plan: Target of closing 185 Army data centers within 5 years in response to Office of Management and Budget's (OMB) Federal Data Center Consolidation Initiatives. In FY 2011, the Army closed 18 data centers related to Base Realignment and Closure, and 8 tied to the ADCCP.
7. Transfer Directorate of Linguistics to Army Material Command from Installation Management Command: Seen as better alignment for productivity and savings.
8. Potential Transfers of Army Material Command Special Installations to the Army Installation Management Command: Army initiated CBA and transfer decision is scheduled for 2012.
9. Civilian Workforce Transformation: Embarks on hiring reform, maps Army civilian workforce into 31 career programs; provides portals to monitor training and leader development.
10. Civilian Hiring Reform: Establishes a goal of 80 days or less from recruitment to employment, reduced fill time from 165 to 87.5 days.
11. Army Civilian Leader Development: Assists army in training, educating and providing experiences that develop Army Civilian Corps.
12. Holistic Review of the Army Family Covenant: Claims enhanced service delivery and provided experience that developed Army Civilian Corps.
13. Fleet Planning: Establishes unified approach to determine common planning factors to address fleet management issues.
14. Fleet Management Expansion: Improves readiness and maintenance support of US Army Training and Doctrine Command's training base equipment.
15. Army Item Unique Identification: Implements IUID marking on items for better traceability.
16. Enterprise Email and Calendar: Takes multiple, segregated, non-standard Microsoft Exchange 2003 systems and converts them to a Microsoft Exchange 2010 cloud-based solution, estimated savings of \$380 million over Future Years Defense Program (2013-2017).
17. Army Corrosion Prevention and Control: Identifies costs associated with corrosion prevention and controls activities.
18. Secure Mobile Workforce: Provides multiple tools to assist those Army professionals who work remotely.
19. Army Small Business Utilization: Ensures that small businesses are being utilized in the acquisition of major systems programs.
20. Army Enterprise Service Desk: Provides customers with a single, integrated service desk to provide computer, telephone, and other IT related device support.
21. Strategic Sourcing Process and Program Governance: Was superseded by the OSD Better Buying Power Initiative and SECARM's Optimization of Army Service Acquisition Implementation Plan.
22. Army Campaign Plan: Becoming the Army's equivalent of DoD's Strategic Management Plan.
23. Army Forums Review: Reduced an average of 11 meeting hours per month for Army Senior Leaders. Allows for periodic review of the purpose and frequency of Army forums.⁸⁰

DA CMO/DCMO Accomplishments

Under Secretary of the Army and CMO, Joseph W. Westphal, testified before the Senate Armed Services Committee Subcommittee on Readiness and Management Support in 2012. The Army's stated progress and accomplishments in business transformation efforts were heavily focused on IT transition systems.

General Fund Enterprise System (GFEBS): GFEBS, a program that joins financial reporting and management while driving financial auditability, was being used by 45,000 out of 50,000 users as of April 2012, and was

⁸⁰ Department of the Army, *2012 Annual Report on Business Transformation: Providing Readiness at Best Value*, (Washington, DC: GPO 2012), March 1, 2012: 11-22.

set to be fully implemented in FY 2012. This program has processed over 20 million financial transactions through the Army, distributing \$80 billion in funds and obligating roughly \$60 billion.⁸¹

Army Logistics Modernization Program (LMP): With DoD DCMO consultation, the Army LMP Increment 1 production baseline was fully implemented with 25,000 users at 50 sites. This program holds the Army Working Capital Fund's financial ledger, and will see final enhancements for full compliance with audit standards through FY 2012.⁸²

Department of the Air Force CMO & DCMO

Structure and Implementation

The Under Secretary of the Air Force is the Department of the Air Force (DAF) CMO and leads business transformation initiatives. The duties of this role include: co-chairing the Air Force Council (AFC) with the Vice Chief of Staff for the DAF, operating as the senior energy official of the AF, directing development of the AF input to the DoD President's Budget, leading AF Program Objective Memorandum (POM) creation, representing the DAF in the DoD-level committees chaired by the DEPSECDEF, and coordinating BT activities across the DAF through program management reviews. The Air Force "created a 3-star equivalent SES-level career civilian position to serve as Director, Business Transformation and Deputy Chief Management Officer."⁸³

In addition to directing the DAF Office of Business Transformation (OBT), the DAF CMO chairs the Air Force Board. This board includes representation from key offices within the DAF headquarters: human resources, finance, logistics/supply chain, and basing/installations. The DAF assembled business transformation teams made up of current employees from the Headquarters Air Force.

The organizational structure of the AF OBT is:

⁸¹ Conaton, Erin C. and Morin, Jamie M., *Statement of the Honorable Erin C. Conaton and the Honorable Jamie M. Morin before the Senate Armed Services Committee: Readiness and management Support Subcommittee*, (Washington, DC: GPO 2012) April 18, 2012, 6.

⁸² Conaton, Erin C. and Morin, Jamie M., *Statement of the Honorable Erin C. Conaton and the Honorable Jamie M. Morin before the Senate Armed Services Committee: Readiness and management Support Subcommittee*, (Washington, DC: GPO 2012) April 18, 2012, 6-7.

⁸³ Conaton, Erin C., *Department of the Air Force Presentation to the Committee on Armed Services, United States House of Representative: Managing the Department of Defense in a Time of Tight Budgets*, (Washington, DC: GPO 2010) July 22, 2010, 3

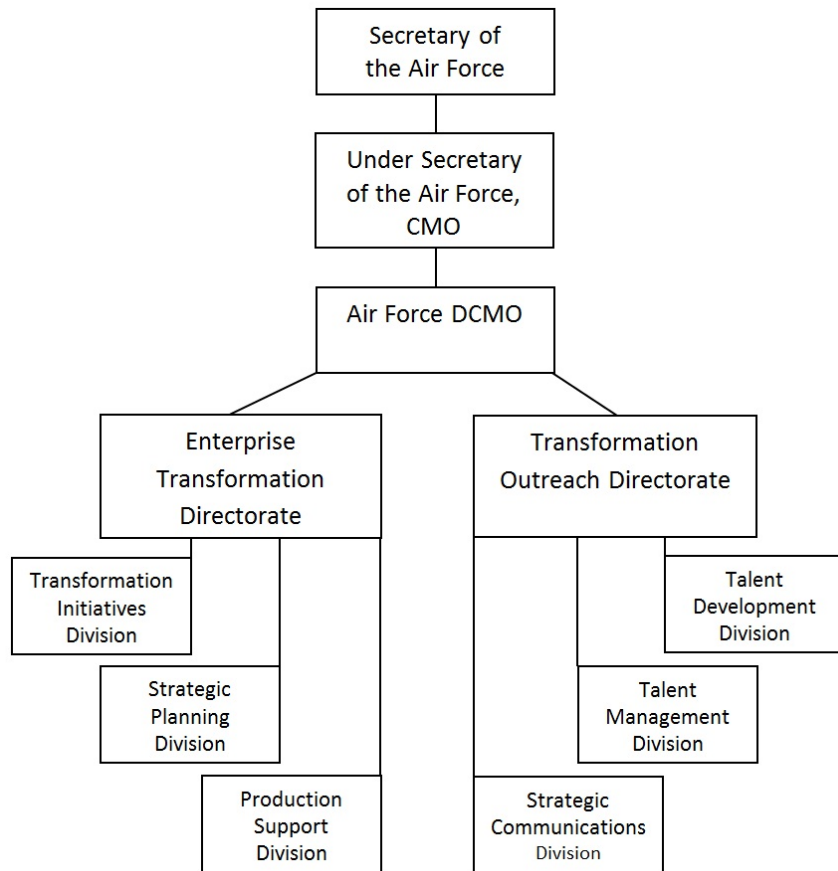


Figure 11: Air Force Directorates

The DAF OBT has a staff of approximately 140 employees.⁸⁴ The Enterprise Transformation Directorate is responsible for establishing, initiating, monitoring, and overseeing strategic direction. This is done through analysis of OSD direction and of DAF top level direction. The Transformation Outreach Directorate is aimed at fostering and growing a culture of training, education, and communication rooted in Continuous Process Improvement (CPI) that enables efficiencies.⁸⁵

DAF CMO Goals and Management Agenda

The Secretary of the Air Force and Chief of Staff of the Air Force have identified five business transformation objectives.

1. Strategy process revision, alignment, and business transformation execution of Air Force Business priorities.
2. Managing the AF efficiency effort in response to the June 2010 SECDEF challenge to increase funding for mission activities through efficiency in overhead, support and other non-mission areas.
3. Redefining how the AF develops and implements business process reengineering solutions.
4. Institutionalizing use of quality metrics as part of regular performance reviews.

⁸⁴ Fanning, Eric., Lecture for "Management Transformation in DON" at Naval Postgraduate School (Monterey, California), 20 June 2012

⁸⁵ United States Air Force, *Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments, Report to Congressional Committees*, (Washington, DC: GPO 2011) March 2011, 4-5

5. Maturing the AF Continuous Process Improvement (CPI) training and procedures.⁸⁶

The Air Force OBT management agenda is comprised of seven objectives. Within each of the agenda items set by the DAF, IT system streamlining, modernization, and improvement while incorporating E2E processes are set targets.

- *Maintain focus on five main business transformation objectives:* This includes overall transformation activity and performance management and improvement.
- *Manage transformation activities:* The AF is addressing three areas -- development and care for airmen and their families, modernization of Air and Space inventories, organization and processes, and recapturing acquisition excellence. These activities are reviewed and assessed by the AF CMO, chair of the AF Board, on a monthly basis to monitor progress.
- *Improve logistic supply chain operations:* As of the March 2011 Follow-up Report on Implementation of NDAA 2009 the Expeditionary Combat System (ECSS) and Weapon System Sustainment Efficiency Initiative have been continually under review to ensure that the operations are within the budget, monetarily efficient, and operationally functional.
- *Facility and installation management:* Three initiatives exist within this transformation motion. First, the review of AF installation infrastructure is a process that is prioritizing and assessing the allocation of resources within the AF to measure overall system health. The condition of AF installation infrastructure will be measured by data that assesses the space efficiency, energy consumption and performance. Completion of this first initiative will lead into the second, which is to reduce the AF's excess physical space by 20% by the year 2020. With a \$300 million FY12 commitment, the AF projects savings of \$396 million over the five year defense program (FYDP). Finally, the AF is looking to implement the Real Property Asset Identification (NexGen IT) that will support civil engineering mission in process efficiency and data analysis.
- *Energy efficiency initiative:* Between FY11 and FY14, the AF has 19 renewable energy projects planned in addition to utilizing fuel saving initiatives for C-17, KC-135 and KC-10 aircrafts. Fuel savings on these aircrafts alone will save \$715 million in efficiency across the FYDP.
- *Organizational and operational changes:* This effort includes consolidating staffs, headquarters and infrastructure and streamlining training programs. This entails redistributing 347 military positions and eliminating 212 civilian positions which will save \$100 million across the FYDP. By streamlining training programs, the AF plans to increase the use of high-fidelity flight simulators, mission training centers, distribution of mission operations, fuel management efficiency, and improved mission planning. All of this would reduce the flying hour cost of the fighter/bomber fleet by 5% without compromising the warfighter standards or capabilities.
- *Reducing IT Costs:* Finally, by streamlining AF network IT services, adopting DoD-level Enterprise Information Services, and integrating developmental services, data and applications, the AF will reduce IT costs by \$1.26 billion over the FYDP. Within the IT cost reduction initiative, the AF plans to recapture acquisition excellence through IT acquisition reform and Executive Comprehensive Cost and Requirements System, which allows senior leadership within the AF to have better access to data revealing program performance, corrective actions and cost/schedule controls. Overall reduction in acquisition costs and refined performance management are also part of the IT initiative cost reduction agenda.⁸⁷

DAF CMO/DCMO Accomplishments

The Air Force claims initial accomplishments as clear identification of DAF business transformation process revision and strategy.

⁸⁶ United States Air Force, *Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments, Report to Congressional Committees*, (Washington, DC: GPO 2011) March 2011, 3.

⁸⁷ United States Air Force, *Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments, Report to Congressional Committees*, (Washington, DC: GPO 2011) March 2011, 12-17.

Clearly Identifying BT Process and Revision Strategy: The Air Force Strategic Planning System (AFSPS) was issued to incorporate business transformation efforts into the annual planning priorities and processes. This includes the clarification of roles, responsibilities and outcomes of the OBT. The DAF also claims success in the areas of improved management processes, redefined business process reengineering, institutionalized use of quantitative metrics in program evaluation, and continuous improvement of training processes and procedures.⁸⁸

Financial Audit Opinions: In congressional testimony before the Senate Armed Services Committee's Readiness and Management Support Subcommittee in April 2012, CMO Erin C. Conaton stated that the Air Force saw success in the previous year in terms of its Financial Improvement and Audit Readiness plan. In August and October 2011, the AF received clean opinions from KPMG LLP on its Statement of Budget Authority and from PricewaterhouseCoopers on the Funds Balance with Treasury Reconciliation process. Reconciliation with the Department of Treasury occurs monthly and is sustained by the Defense Finance and Accounting Service (DFAS), which reconciles 99.5% of AF transactions, exceeding OMB standards.⁸⁹

⁸⁸ United States Air Force, *Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments*. Report to Congressional Committees, (Washington, DC: GPO 2011) March 2011, 6-11.

⁸⁹ Conaton, Erin C., and Morin, Jamie M. *Statement of the Honorable Erin C. Conaton and the Honorable Jamie M. Morin before the Senate Armed Services Committee: Readiness and management Support Subcommittee*, (Washington, DC: GPO 2012) April 18, 2012, 2-3.

Summary

Each of the four CMO DoD entities discussed above have proceeded to organize and staff the CMO function, set goals and management agendas and reported accomplishments. There are both similarities and differences across the DoD in terms of their approaches to business transformation. Each has taken a slightly different approach to DCMO staffing, each has established a business transformation governance body, each has assembled a BT agenda and each is claiming accomplishments. This data is summarized in the chart below.

Table 2: Summary of Roles & Responsibilities

	Office of the Secretary of Defense	Department of the Navy	Department of the Army	Department of the Air Force
DCMO Rank	Presidential Appointee in a Position Requiring Senate Confirmation (PAS)	Non-career Senior Executive Service (SES)	Career SES and 3-star general	Career SES
CMO's Office	Office of the Deputy Chief Management Officer	Enterprise Business Office (EBO)	Office of Business Transformation (OBT)	Office of Business Transformation (OBT)
CMO Office Directorates	Investment & Acquisition Management (IAM), Business Integration (BI), Technology, Innovation and Engineering (TIE), Planning and Performance Management (PPM), and Expeditionary Business Operations (EBO).	Business Operations, Transformation	Transformation, Operations, Innovation	Enterprise Transformation, Transformation Outreach
High-level governance	Defense Business Systems Management Committee (DBSMC)	Navy Business Transformation Council	Army Enterprise Board	Air Force Council
Approximate BT Staff Size	137	19	200	140
Main Agenda	<ul style="list-style-type: none"> Investment Review Board (IRB) development and implementation Electronic Health Record (iEHR) Mapping E2E: P2P and H2R IT Acquisition Reform 	<ul style="list-style-type: none"> Assessing Future Pay and Personnel Solutions (FPPS) and Enterprise Resource Planning (ERP) Navy Maintenance and Business Strategy development and implementation 	<ul style="list-style-type: none"> Financial Management Improvement Plan Energy Security and Sustainability Business Systems Information Technology (BSIT) Governance Cost culture promotion and implementation 	<ul style="list-style-type: none"> Maintain focus on five main business transformation objectives Manage transformation activities Improve logistic supply chain operations Facility and installation management Energy efficiency and renewable energy initiative Organizational and operational changes Reducing IT Cost
Accomplishments	<ul style="list-style-type: none"> Cash off the Battlefield (COTB) Security Clearance Reform Establishment of the Performance Accountability Council 	<ul style="list-style-type: none"> Efficiency savings Global Combat Support System for the marine Corp (GCSS-MC) 	<ul style="list-style-type: none"> General Fund Enterprise Business System (GFEBs) Army Logistics Modernization Program (LMP) 	<ul style="list-style-type: none"> Clear identification of AF BT process revision and strategy Receiving clean opinions

Analysis, Evaluation and Discussion

The preceding sections addressed the theory, historical background and self-reported implementation of the Chief Management Officer concept in the Department of Defense. It has been over five years since the Secretary of Defense first designated the Deputy Secretary as the Department's CMO. We explore the progress that DoD has made in business transformation through a review of the viewpoints expressed in Congress and assessments of DoD business management by the DoD Inspector General (DODIG) and the GAO. We then assess implementation of the CMO/DCMO concept in DoD in terms of the apparent original intent of GAO and finally, we address the issue of whether GAO's idea and Congress' mandate for a CMO was sound and applicable to DoD.

Congressional Review

Through the NDAA for fiscal years 2008, 2009 and 2010, as well as the line of questioning in congressional hearings regarding DoD BT, Congress reveals both its intent in codifying the position of the CMO and its expectations for the business transformation offices. With NDAA FY08, Congress directed CMO leadership to develop SMP goals and procedures to transform DoD business and move the Department toward auditability. In NDAA FY09, Congress required that each military component establish OBTs and respective SMPs. Congress recognizes management leadership challenges at DoD and focuses strongly on end results. Congress uses hearings to apply pressure and a sense of urgency on the DoD. The most consistent and direct Congressional oversight comes from the Senate Armed Services Committee's Readiness and Management Support Subcommittee which holds annual hearing on the DoD's financial management and business transformation efforts.

Culture Change

Congress appears to expect the CMOs and DCMOs to create and sustain cultural change in support of business transformation. Senator Mark Begich addressed the Under Secretary for Defense (Comptroller), OSD DCMO, and Assistant Secretaries from the Army, Navy, and Air Force at a Senate Committee on Armed Services hearing on the issue saying:

What are you going to do to dramatically change that culture? Are you going to be able to do and have the wherewithal to say to them we are not doing business that way? If you don't like working here, then get the hell out because we have to change the way we do business [...] if you can't get them to change, do you have mechanisms to get rid of them? [...] Do you have the capacity to get rid of people who are not—it is human nature in any organization change that you are going to have a percentage that will not adapt [...] that will want to keep their job, but will not adapt. That is the ultimate question, because if you don't get that information flowing on the front end, I guarantee you, whatever you see on the top, it is going to be a problem. That is my only question—yes or no? [...] you should say yes to this. I am trying to help you.⁹⁰

The tone and phrasing Senator Begich uses in addressing DoD BT leadership seems meant to compel CMOs and DCMOs to adjust their leadership strategies to instill urgent change at the DoD's cultural foundation while moving towards auditability and BT.

⁹⁰ US Senate, *Financial Management and Business Transformation at the Department of Defense: Hearing before the Subcommittee on Readiness and Management Support, Committee on Armed Services United States Senate, 112th Congress, First Session* (Washington, DC: GPO 2011), July 27, 2011, 55-56

A reoccurring theme in Congress is the need for internal and cultural changes within the DoD to improve financial management, Under Secretary of Defense (Comptroller) Robert Hale points to specific initiatives to address these issues:

- DOD is developing a course-based certification program for defense financial management professionals in order to improve audit training – pilots were projected to be out last year and large-scale implementation this year
- A specific training program in audit readiness was introduced; more than 1,000 DOD personnel took the program last year.
- Working to ensure that the defense agencies have effective programs leading to auditability of their SBRs – these agencies account for almost 20% of the DOD budget and therefore audit-ready will never be possible without them.
- Worked to ensure that the agencies that provide needed services are pursuing audit efforts – these include the Defense Finance and Accounting Service (DFAS), Defense Logistics Agency, the Defense Contract Management Agency (DCMA), the Defense Contract Audit Agency (DCAA), among others.
- Partnered with other key functional areas, for example, DOD human resources personnel are working to help solve audit issues in their areas⁹¹

Sustained Leadership

Congressional concern for sustained leadership for business transformation arises as the Secretary of Defense and other presidential appointees inevitably transition over time. Both the *Organizational Challenges in Achieving Sound Financial Management and Audit Readiness* hearing in September 2011 and the *Department of Defense Perspectives on Financial Improvement and Audit Readiness Efforts* hearing in January 2012 address this issue directly. Under Secretary of Defense (Comptroller) Robert Hale said in his opening statement that in order to meet short and long term goals and to establish strong governance structures and future funding plans, sustained leadership and momentum is critical.⁹² Senator Kelly Ayotte's opening statements in the Senate Armed Services Committee asks Secretary Hale and BT leadership to respond to questions regarding leadership and management:

*Do those leading DoD's financial improvement efforts have the authority needed to influence the Service Secretaries and military chiefs, as well as other political appointees within DoD, to ensure that what is required to succeed actually gets done? How well are current oversight mechanisms within DoD functioning? Is DoD's financial management workforce sufficiently trained and certified in accounting, well-versed in Government accounting practices and standards, and experienced in relevant information technology?*⁹³

ERPs

The DOD and the service components are implementing Enterprise Resource Planning (ERP) systems and are placing heavy reliance upon these ERPs to help achieve auditability. Senator Claire McCaskill, chair of the SASC subcommittee on Readiness and Management Support observed that the reliance on ERPs is:

⁹¹ Hale, Robert. *Hearing on Financial Management and Business Transformation, Testimony by Robert Hale, Comptroller, Department of Defense before the Senate Committee on Armed Services Subcommittee on Readiness and Management Support*, (Washington, DC: GPO 2012) April 18, 2012, 7.

⁹² US House of Representatives, *Department of Defense Perspectives on Financial Improvement and Audit Readiness Efforts*. United States House of Representatives, Committee on Armed Services, House of Representatives, 112th Congress, Second Session (Washington, DC: GPO 2012), January 24, 2012, 3

⁹³ US Senate, *Hearing to Receive Testimony on Financial Management and Business Transformation at the Department of Defense*, US Senate, Subcommittee on Armed Services Committee, (Washington, DC: GPO 2011) 2011, 19

...problematic both because of DOD's dismal track record in fielding new business systems, and because new business systems alone will never solve the financial management problems without accompanying changes to business processes, internal controls, and culture.⁹⁴

Instead, McCaskill argues there is going to have to be more change than simply relying on ERPs.

DOD's inability to rely on ERPs as a cure-all for its financial management problems could result in lasting improvements if DOD seizes this opportunity to refocus its attention on needed changes to underlying business processes and internal controls.⁹⁵

Army CMO Joseph W. Westphal asserts that to address IT systems issues:

...the Army chartered the Business Systems Information Technology Executive Steering Group, a governance form...to review business policy and serve as a key component of the Army's investment review process...this group shaped the business systems information technology strategy that was approved by the Secretary of the Army in February 2011. [Furthermore], the Army conducted our first five business domain portfolio reviews covering over 700 business systems. The reviews are not only serving to solidify the Army's business systems architecture, but also helping to establish a targeted environment centered on our ERPs. As the process matures, the portfolio reviews will provide a great opportunity to identify improvements to our business practices, streamline our business systems, and establish a culture of continuing improvement.⁹⁶

Similarly, Navy Under Secretary/CMO Robert Work testified about the DON's ERP initiatives.

Our major IT systems...are well-aligned with this effort. The Navy ERP is on schedule to complete its program of record in fiscal year 2013. We have 66,000 users now worldwide. We will have 71,000 by the end of fiscal year 2013. That will manage about 47 percent of our total obligational authority. Twenty-seven systems have been retired to date as a result of this deployment. We are on schedule to reduce another 55 systems this fiscal year, for a total of 82, and we expect a total of 96 systems to be shut down by fiscal year 2016 [...]. The Marine Corps GCSS is deployed. It will eliminate four major legacy systems by the end of fiscal year 2013 [...]. I am very pleased to report that since 2008, we have reduced more than 1,400 systems and applications and we have shut down 400 networks. The Navy's Future Personnel and Pay Solution (FPPS) has been refocused [...] as a result of [an] assessment, we have determined that instead of initiating a large-scale business systems acquisition, we will instead focus on process improvement and leveraging this investing with the existing Navy Standard Integrated Personnel System [...]. Instead of building the system to automate how we used to do business or do business today, the functional community is first rethinking what it wants to do in the future, and only then will we look to IT solutions to support the new and improved way of service delivery. We think this approach has reduced the original estimated cost by at least

⁹⁴ McCaskill, Claire. *Hearing on Financial Management and Business Transformation by Claire McCaskill, Chairman, Subcommittee on Armed Services at the Department of Defense, US Senate, Subcommittee on Readiness and Management Support, Committee on Armed Services*, (Washington, DC: GPO 2012) April 18, 2012, 2.

⁹⁵ *Ibid.*

⁹⁶ *Ibid.*

\$167 million and eliminated at least \$157 million in additional cost growth from fiscal year 2010 through 2017.⁹⁷

Taking a somewhat different viewpoint Jamie M. Morin, Assistant Secretary of the Air Force, (Financial Management and Comptroller) acknowledges the Air Force's ERP challenge in meeting the Secretary's goals for achieving audit readiness, saying:

...the goals are challenging for an organization as large and diverse and geographically distributed as the Air Force...the accelerated deadline means that we cannot rely on all of those ERPs that we have depended upon in our previous plan...we have to have a shift in strategy...⁹⁸

Urgency

Congress's sense of urgency is particularly acute with regard to achieving auditability on DoD's financial statements. They have set a statutory deadline of 2017 for the DoD to achieve auditability and the consequences of failure could prove especially harmful to the DoD's financial credibility. Secretary Hale and BT leadership express the DoD's commitment through assuring Congress of their comprehension of the importance of accountability and auditability. Secretary Hale explains his commitment to attainment auditable statements:

...the most important reason is we need to reassure the public and the Congress that we are good stewards of their funds and will never do it unless we pass an audit [...].⁹⁹

A second venue for Congressional oversight is the new House Armed Services Committee Panel on Defense Financial Management and Auditability Reform. The Panel was appointed by Chairman Howard P. "Buck" McKeon and Ranking Member Adam Smith in July 2011 to carry out a comprehensive review of the DOD's financial management system. The review was initiated to oversee the DOD financial management system's capacity for providing timely, reliable and useful information for decision-making and reporting. The Panel performed a six-month review, holding eight hearings and two briefings covering a broad range of issues in defense financial management.¹⁰⁰

The Panel identified five areas of challenges to achieving financial management reform and auditability in the DoD:¹⁰¹

- Sustained Leadership, Commitment, and Effective Oversight
- Workforce Competencies
- Implementation of ERP Systems
- Internal Control Weaknesses
- Other organizational and management challenges

These various hearings and inquiries provide the DoD's CMOs DCMOs and financial officials opportunities to report their progress and get their views on the record. At the same time it seems clear that Congress is skeptical about DoD's efforts and progress toward better management practices.

⁹⁷ US Senate, *Hearing to Receive Testimony on Financial Management and Business Transformation at the Department of Defense, US Senate, Subcommittee on Armed Services Committee*, (Washington, DC: GPO 2012) April 18, 2012, 20-21.

⁹⁸ Morin, Jamie M. *Testimony on Financial Management and Business Transformation at the Department of Defense, US Senate, Subcommittee on Armed Services Committee*, (Washington, DC: GPO 2012) April 18, 2012, 23.

⁹⁹ US House of Representatives, *Department of Defense Perspectives on Financial Improvement and Audit Readiness Efforts, House of Representatives Committee on Armed Services*, (Washington, DC: GPO) January 24, 2012, 9

¹⁰⁰ US House of Representatives, *Findings and Recommendations, Panel on Defense Financial Management and Auditability Reform, House Armed Services Committee*, (Washington, DC: 2012) January 24, 2012, 2.

¹⁰¹ US House of Representatives, *Findings and Recommendations, Panel on Defense Financial Management and Auditability Reform, House Armed Services Committee*, (Washington, DC: 2012) January 24, 2012.

Inspector General View of Business Management Issues in DoD

DoD's implementation of the Chief Management Officer legislation has been subject to review by the DoD Inspector General (DODIG). Below is a review of various DODIG associated with the CMO implementation and DoD's major management improvement initiatives.

- The DODIG conducted a Report to evaluate Enterprise Resource Planning Systems (ERPs), a key element of the Department's plans to achieve auditability. Six ERPs were identified as necessary for DoD to produce auditable financial statements. However, the six ERPs experienced cost increases of \$8 billion and schedule delays ranging from 1.5 to 12.5 years during system development and implementation. Due to these scheduling delays, DoD will continue using outdated legacy systems and diminish the estimated savings associated with transforming business operations through business system modernization. The DODIG projects that DoD will not achieve an auditable Statement of Budgetary Resources by FY 2014 nor achieve its goal of full financial statement audit readiness by FY 2017.¹⁰²
- GFEBS is a Web-based ERP system for the US Army developed to improve the reliability of financial information and comply with federal financial reporting guidance. In 2012, the DODIG assessed whether it complied with the U.S. Government Standard General Ledger (USSGL) and the Standard Financial Information Structure (SFIS) and found that GFEBS did not contain accurate and complete FY10 USSGL and SFIS information as required by the Federal Financial Management Improvement Act of 1996 and Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), guidance.¹⁰³ This resulted in GFEBS not providing management with required financial information. Furthermore, "GFEBS may not resolve the Army General Fund's longstanding financial Management Systems and Intra-governmental Eliminations material weaknesses, despite costing the Army \$340.4 million as of October 2011."¹⁰³
- The Army LMP system is set up to record accounting transactions for goods and services while also processing data for the Army Working Capital Fund's business operations.¹⁰⁴ The DODIG in 2012 found, however, that Army financial and system managers did not reengineer LMP to perform Procure-to-Pay functions correctly or correct prior known material weaknesses. This resulted in the continued use of costly business processes and LMP failed to provide reliable financial data. As of 31 August 2011, LMP activities reported more than \$10.6 billion in abnormal balances within the Procure-to-Pay general ledger accounts. Furthermore, LMP system access controls did not establish data integrity for the Procure-to-Pay process resulting in LMP data being at risk of unauthorized or fraudulent use. Although the Army claimed that it would see final enhancements for full compliance with audit standards, the DODIG report found that it was not up to par.¹⁰⁵

¹⁰² *Inspector General United States Department of Defense*. "Enterprise Resource Planning Systems Schedule Delays and Reengineering Weaknesses Increase Risks to DoD's Auditability Goals." July 13, 2012.

¹⁰³ *Inspector General United States Department of Defense*. "General Fund Enterprise Business System Did Not Provide Required Financial Information." March 26, 2012.

¹⁰⁴ Weigelt, Matthew. "IG finds holes in Army financial data system." FCW, The Business of Federal Technology. May 30, 2012. <http://fcw.com/articles/2012/05/30/army-logistics-modernization-program.aspx>. (accessed November 2012).

¹⁰⁵ *Inspector General United States Department of Defense*. "Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses." May 29, 2012.

- The DODIG identified the following as the most serious management and performance challenges facing the Department in FY 2012 in the *DoD Agency Financial Report for Fiscal Year 2012*:

Financial Management:

- *Achieving Financial Statement Audit Readiness:* Although the Department is far from reaching an unqualified opinion on its consolidated financial statements, the Department has demonstrated improvements. Clearly, DoD senior leadership has placed an increased emphasis on and attention to addressing challenges in achieving audit readiness of its financial statements. This increased attention is essential to the Department meeting its own internal milestones as well as the 2017 audit readiness mandate. The Department continues to make progress towards meeting the 2014 audit readiness goal of the SBR; however, it is still uncertain whether the Department will meet the 2014 goal.
- *Modernizing Financial Systems (Enterprise Resource Planning):* The Department plans to spend more than \$15 billion to further develop and implement ERP systems. These ERP systems have experienced cost increases and schedule delays ranging up to 13 years. Because of these schedule delays, the Department will continue using outdated legacy systems and diminish the estimated savings associated with transforming business operations through business system modernization. Schedule delays and poorly developed and implemented ERP systems also increase the risks that the SBR will not be auditable by September 30, 2014, and the goal of full financial statement audit readiness by September 30, 2017.
- *Improper Payments:* The Department lacks assurance that the billions of dollars in payments it disburses annually are made correctly. Simply stated, the Department does not always know that it is paying the right person, the correct amount, at the right point in time.

Acquisition Processes and Contract Management

- *Enhancing the Acquisition Workforce:* The Department continues to struggle with its efforts to rebuild an acquisition workforce that is sufficient in size and adequately trained and equipped to oversee DoD acquisitions. Previous Defense budget cuts decimated the capability of the acquisition workforce.
- *Weapon System Acquisition:* oversight and pricing continue to be identified as problems. The IG states that the Department needs to prudently evaluate contractors in the fast-paced environment of war.
- *Contract Management:* The Department continues to experience inefficiencies and wasteful use of funds in its contracting efforts. It has been noted that the Department's increased use of contractors for acquisition support shows DoD's shortcomings. Annually, \$200 billion are spent on services – more than 50% of the Department's contract spending.
- *IT Acquisition System:* The Department has recognized that it needs to improve the outcomes of its acquisitions, deliver faster capability, and save billions through cost efficiencies.¹⁰⁶

Most of these are long-standing problems that pre-date creation of the CMO organization. These problems persist and there is little to be seen in the DODIG reports that suggest that any discernible progress is attributable to the new CMO organization.

¹⁰⁶ Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, *Department of Defense Agency Financial Report Fiscal Year 2012: Addendum A: Other Accompanying Information – IG-Identified Management and Performance Challenges*, November 16, 2012.

GAO Review and Intent

What has GAO said about the DoD's implementation of the CMO concept and how does DoD's implementation appear to measure up to GAO's initial vision for a Chief Management Officer in the DoD? These questions are explored by looking at structure and implementation, leadership, and the strategic management plan.

Structure and Implementation

Since the National Defense Authorization Act (NDAA) 2008 directive, the Office of the Secretary of Defense (OSD) and three service components have organized and staffed their offices of business transformation (OBT), developed comprehensive plans and architecture, and have embarked on business transformation agendas. But the GAO is quite critical of the DoD's fundamental management structure, and says a number of GAO's recommendations have yet to be heeded.

Further defining the roles and responsibilities of the CMO and DCMO positions is a key concern of the GAO: "key strategies for successful implementation of the CMO position include defining roles, responsibilities, structures, processes, reporting relationships and ensuring a high level of authority."¹⁰⁷ While the FY07 and FY08 NDAs direct the creation of the CMO and the DCMO positions and offer guidance on the roles and responsibilities of these positions, the GAO consistently finds that specific authoritative roles need to be determined for the incorporation of BT into long-term cultural and institutional transformation.

The GAO identifies the relationship between the OSD DCMO office and the service component CMO OBTs as an area that requires further definition. The OSD DCMO addresses defense-wide business problems, while the component CMOs address business problems within the military departments. The DCMO's involvement in service initiatives is evidence that its roles and responsibilities should be increased, or at least clarified. According to the GAO, "neither the CMO nor the DCMO has been assigned any specific role for integrating, monitoring or otherwise institutionalizing the ongoing efficiency initiative."¹⁰⁸ The primary way the OSD DCMO organization could currently influence the BT efforts within the individual services is through advice to the Deputy Secretary of Defense (DEPSECDEF) that ultimately becomes policy, or through the Investment Review Board (IRB). The service CMOs receive all of their external marching/rudder orders from the DEPSECDEF via their respective service secretaries. The amount of these policies originating in the OSD DCMO office is still unclear. Additionally, as DBSMC Chairman, the DEPSECDEF has the responsibility of integrating "all activities related to business operations and performance management across the Department."¹⁰⁹

The OSD DCMO within DEPSECDEF's staff has no programmatic responsibility over the service CMOs, but rather plays a collaborator/consultant role with the component CMOs. The decentralized approach decided on by the DoD, and later formalized by Congress, allows the services to interpret and implement BT in their own ways. This may or may not be a benefit, but it is not what GAO had originally envisioned. By DoD's calculus, to have given centralized control of BT to an empowered OSD DCMO would have imposed a common solution to highly distinctive and independent organizations. Congress seems to have acceded to DoD's view.

GAO provides an example of the limitations of the CMO concept in its review of supply chain management in DoD. Supply chain management made the High Risk List "due to weakness in the management of supply inventories and responsiveness to warfighter requirements, such as shortages of critical items during the early years of operations in Iraq."¹¹⁰ GAO's latest report acknowledges that DoD has developed a plan to improve inventory management. However, "The DoD DCMO stated that she was not involved with developing

¹⁰⁷ Government Accountability Office, *Defense Business Transformation: DoD Needs to Take Additional Actions to Further Define Key Management Roles, Develop Measurable Goals, and Align Planning Efforts, Briefing for Congressional Committees*, GAO-11-181R (Washington, DC: GPO 2011), January 26 2011, 3

¹⁰⁸ Government Accountability Office, *Defense Business Transformation: DoD Needs to Take Additional Actions to Further Define Key Management Roles, Develop Measurable Goals, and Align Planning Efforts, Briefing for Congressional Committees*, GAO-11-181R (Washington, DC: GPO 2011), January 26, 2011, 29

¹⁰⁹ ODS 2012 p. 2

¹¹⁰ Government Accountability Office, *High-Risk Series: An Update, Report to Congressional Committees*, GAO-11-278 (Washington, DC: GPO 2011), February 2011, 81

or reviewing this plan.”¹¹¹ There are two points that are revealed through this example. First, business transformation efforts do not necessarily involve the OSD DCMO. Second, the coordination and lines of communication throughout the DoD OSD and component CMO offices are not well defined. In this case, the outcome was a plan for improvement of supply chain management issues, but without proper BT leadership and coordination, the DoD is susceptible to duplicated or overlapped efforts, as well as the lack of support to see initiatives through. By clarifying reporting structures, defining relationships and roles between the four offices, and strengthening the role of the OSD DCMO beyond that of a consultant/collaborator, business transformation will remain vulnerable to duplicated efforts proper and the lack of support to see initiatives through to the end.

Table 3: BT Leadership

	Position Tenure	Name	Background	Brief Description of Career Background
OSD CMO	Presidential Appointee in a Position Requiring Senate Confirmation (PAS)	Former Deputy Secretary of Defense, William J. Lynn III	Policy/ Management	<ul style="list-style-type: none"> Deputy Secretary of Defense from 2009 to 2011, and led initiatives and efforts for cyber security, space strategy and energy policy. Senior vice president at Raytheon Company focusing on strategic planning and government relations from 2002 to 2009. From 2001 to 2002, he served as executive vice president of DFI International consulting firm. DoD Chief Financial Officer and Under Secretary of Defense (Comptroller) from 1997 to 2001. DoD Director of Program Analysis and Evaluation from 1993-1997. Served on Senator Edward Kennedy’s staff and oversaw work with the Senate Armed Service Committee. Academic background in defense analysis, law, and public affairs.¹¹²
	Presidential Appointee in a Position Requiring Senate Confirmation (PAS)	Ashton Carter	Policy/ Management	<ul style="list-style-type: none"> Former Under Secretary of Defense for Acquisition, Technology and Logistics from 2009 to 2011 where he led management efforts to meet urgent operational needs. Member of President Obama’s Government Accountability and Transparency Board. Chair of the International and Global Affairs faculty, Director of the Center for Science International Affairs, and Chairman of the Editorial Board of International Security at Harvard University’s John F. Kennedy School of Government. Co-Director of Preventive Defense Project. Assistant Secretary of Defense for International Security Policy during the Clinton Administration. Academic background in physics, medieval history, and theoretical physics.¹¹³

¹¹¹ Government Accountability Office, *Defense Business Transformation: DoD Needs to Take Additional Actions to Further Define Key Management Roles, Develop Measurable Goals, and Align Planning Efforts, Briefing for Congressional Committees*. GAO-11-181R (Washington, DC: GPO 2011), January 26, 2011, 35

¹¹² Tech America Foundation, *the Honorable William J. Lynn, III. 2012 Vision Conference, October 17-18, 2012*, <http://vision.techamericafoundation.org/william-lynn-bio/> (accessed August 2012)

	Position Tenure	Name	Background	Brief Description of Career Background
OSD DCMO	Presidential Appointee in a Position Requiring Senate Confirmation (PAS)	Elizabeth A. McGrath	Management	<ul style="list-style-type: none"> Deputy Director for Systems Integration for the Defense Finance and Accounting Service (DFAS), where she strategized and executed a \$1 billion dollar budget while managing the DoD's financial systems. Over 20 years of acquisition experience, as well as program management experience with DFAS and DON, financial and acquisition policy and regulation expertise. Academic background in economics, program management, financial management, logistics and acquisition.¹¹⁴
DON CMO	Presidential Appointee in a Position Requiring Senate Confirmation (PAS)	Robert O. Work	Policy/ Military	<ul style="list-style-type: none"> Senior fellow for maritime affairs, then vice president for strategic studies for the Center for Strategic Budgetary Assessments. US Marine Corps; over the span of 27 years, his work included positions in command, leadership and management. Academic background in biology, systems management, space systems operations, and international public policy.¹¹⁵
DON DCMO	Non-career Senior Executive Service (SES)	Eric Fanning	Policy	<ul style="list-style-type: none"> Deputy Director for the Commission on the Prevention of Weapons of Mass Destruction Proliferation and Terrorism. Senior Vice President for Strategic Development at Business Executives for National Security. Career history includes strategic communications, national and foreign assessments, defense research and political affairs.¹¹⁶
DA CMO	Presidential Appointee in a Position Requiring Senate Confirmation (PAS)	Dr. Joseph W. Westphal	Policy	<ul style="list-style-type: none"> Chancellor of the University of Maine System, Professor of Political Science at the University of Maine, Provost and Senior Vice President for Research and Professor of Environmental Studies at the New School in New York City, Professor of Political Science and later head of the Department of Political Science at Oklahoma State University. Acting Secretary of the Army for Civil Works from 1998-2001. Senior Policy Advisor for Water Resources at the Environmental Protection Agency Congressional experience with directing House and

¹¹³ Department of Defense, *Biography of Ashton B. Carter, Deputy Secretary of Defense*, <http://www.defense.gov/bios/biographydetail.aspx?biographyid=186> (accessed August 2012)

¹¹⁴ Department of Defense, *Biography of Elizabeth A. McGrath: Deputy Chief Management Officer for Department of Defense*, <http://www.defense.gov/bios/biographydetail.aspx?biographyid=219> (accessed August 2012)

¹¹⁵ Department of the Navy, *Under Secretary of the Navy Presents the Honorable Robert O. Work. U.S. Department of the Navy, America's Navy*, June 4, 2009. <http://www.navy.mil/navydata/bios/navybio.asp?bioID=507> (accessed August 2012)

¹¹⁶ Department of the Navy, Office of the Under Secretary of the Navy, *Biography of Eric Fanning: Deputy Under Secretary of the Navy and Deputy Chief Management Officer*, January 2012. <http://www.public.navy.mil/donhr/executivemanagement/aboutseniorexecutives/Bios/Fanning,%20E.pdf> (accessed August 2012)

	Position Tenure	Name	Background	Brief Description of Career Background
				Senate bi-partisan congressional caucus; budget analyst and assistant to the Chairman of US House Committee on the Budget; policy advisor for Secretary in the Department of the Interior. <ul style="list-style-type: none"> Academic Background in political science.¹¹⁷
DA DCMO	Career SES (and 3 star general heading the BTO)	Mark R. Lewis	Policy	<ul style="list-style-type: none"> Chief of Plans Division, Office of the Deputy Chief of Staff for Personnel. Director of Plans, Resources, and Operations Directorate. Special Assistant then Colonel, Executive Officer to the Deputy Chief of Staff for Personnel, Army. Assistant Director for Land Warfare, Office of Assistant SECDEF (Special Operations and Low-intensity Conflict). Deputy Inspector General, Battalion Executive Officer and Divisions Operations Officer, Construction Program Analyst for the US Army Deputy Chief of Staff, Resource Management at Headquarters, US Army, Europe. Academic background in operations research and systems analysis and armed forces industry.¹¹⁸
DAF CMO	Presidential Appointee in a Position Requiring Senate Confirmation (PAS)	Former Under Secretary for the Air Force, Erin C. Conaton	Policy	<ul style="list-style-type: none"> Currently serves as the Under Secretary for Personnel and Readiness and senior policy advisor to SECDEF and DEPSECDEF. Staff Director and primary advisor of the US House of Representatives Committee on Armed Services. Research Staff Director for the US Commission on National Security/21st Century which constructed a new national security strategy and recommendations for implementation. Served with the CIA and the National Security Council as an analyst and as a Term Member for the Council on Foreign Relations. Academic background in Foreign Service, law and diplomacy.¹¹⁹
DAF CMO	Presidential Appointee in a Position Requiring Senate Confirmation (PAS)	Current Acting Under Secretary for the Air Force, Dr. Jamie M.	Policy	<ul style="list-style-type: none"> Serves concurrently as the Assistant Secretary of the Air Force for Financial Management and Comptroller. Lead analyst for US Senate Committee on the Budget for defense, intelligence and foreign affairs. Advised Chairman of the Budget Committee on national security. Economic development strategist for J.E. Austin

¹¹⁷ Department of the Army: Official Homepage of the United States Army, *Biography of the Honorable Dr. Joseph W. Westphal, Under Secretary of the United States Army. U.S. Department of the Army*, September 13, 2011. <http://usarmy.vo.llnwd.net/e2/c/downloads/220204.pdf> (accessed August 2012)

¹¹⁸ US House of Representatives House Armed Services Committee. *Biography of Mark R. Lewis, Army Deputy Chief of Management Officer (DCMO)*, http://armedservices.house.gov/index.cfm/files/serve?File_id=b87b2bfe-8d03-4de3-a4c5-e875e42b6078 (accessed August 2012)

¹¹⁹ Department of Defense Personnel and Readiness, *Hon. Erin C. Conaton, Under Secretary of Defense for Personnel and Readiness*, <http://prhome.defense.gov/bios/ErinConaton.aspx> (accessed August 2012)

	Position Tenure	Name	Background	Brief Description of Career Background
		Morin		Associates and consulted projects for USAID <ul style="list-style-type: none"> Academic background in Foreign Service, public administration and policy, defense budgeting and political science.¹²⁰
DAF DCMO	Career SES	David Tillotson III	Policy	<ul style="list-style-type: none"> Director, Policy, Planning and Resources, Office of the Chief of Warfighting Integration. Deputy Chief, Warfighting Integration and Deputy Chief Information Officer, Office of the Secretary of the Air Force. Director, Architecture and Operational Support Modernization, Office of the Deputy Chief of Staff for Warfighting Integration. System Program Director for the Intelligence, Surveillance and Reconnaissance Integration Program Office. Chief of Experimentation with the Integrated Command and Control System Program Office at the Electronic Systems Center at the Hanscom Air Force Base. Deputy Mission Area Director, Information Dominance, Office of the Assistant Secretary of the Air Force for Acquisition. Academic background in political science, international relations, program management, and defense.¹²¹

Leadership

The GAO argued that “essential qualifications for a COO/CMO position include having broad management experience and a proven track record of making decisions in complex settings as well as having direct experience in, or solid knowledge of, the respective department or agency [...]. We have suggested that the individual serving in a COO/CMO position be selected based on (1) demonstrated leadership skills in managing large and complex organizations and (2) experience achieving results in strategic planning, financial management, communications and information resources management, human capital strategy, acquisition management, and change management.”¹²² The GAO advocated the establishment of a separate and distinct CMO position at the Executive Level II that reports to the Secretary of Defense (SECDEF). Additionally, GAO recommended a non-political appointment with a five to seven-year tenure so that business transformation efforts and agendas can withstand political turnover.¹²³ Instead, the NDAA assigned the CMO responsibility to the DEPSECDEF, a political appointee, adding the role of CMO to his myriad other responsibilities, and Congress directed that the DCMO and staff support the DEPSECDEF’s BT efforts and responsibilities.

The CMOs and DCMOs in the Office of the Secretary of Defense, the Department of the Navy (DON), Department of the Army (DA), and Department of the Air Force (DAF) come from various positions and bring

¹²⁰ Department of the Air Force: Official Website of the Air Force, *Biography: Dr. Jamie M. Morin*, July 2012. <http://www.af.mil/information/bios/bio.asp?bioID=12523> (accessed August 2012)

¹²¹ Department of the Air Force: The Official Website of the Air Force, *Biography: David Tillotson III*, July 2012. <http://www.af.mil/information/bios/bio.asp?bioID=7395> (accessed August 2012)

¹²² Government Accountability Office, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34 (Washington, DC: GPO 2007), November 2007, 4

¹²³ Government Accountability Office, *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*, GAO-07-1072, (Washington, DC: GPO 2007) September 2007, 18

varied knowledge and experience to the respective positions. The following is a table showing the position tenure, names of current or previous BT leadership, and career focus and history.

While bringing diverse experiences to the jobs of CMO and DCMO, it would appear that few of the ten people listed above have the kind of experience or background envisioned by GAO for these positions. When Congress codified the CMO duties in the deputy secretary and service undersecretaries, it acceded to the existing DoD structure without explicitly stating any expectation that appointees to the CMO and DCMO positions would have significant demonstrated managerial experience. Nor has Congress insisted on such experience when approving nominees for Senate-confirmed positions. As shown in the chart above, some of the appointees since 2009 have management experience but most are more closely identified with careers in policy than management and none would appear to have the significant experience leading change in large organizations as envisioned by GAO. Most were apparently not selected primarily to meet this expectation and the Senate clearly did not insist upon it when considering them for confirmation.

Strategic Management Plan -- Measuring Progress

The DoD's Strategic Management Plan (SMP) was established in 2008 and is updated annually, which the GAO views as an improvement. In January 2011, the GAO recommended the DoD not only further define its SMP goals, but also attach quantifiable measurements of success to those goals. According to the GAO, the DoD is in the early phases of consensually evaluating progress and has yet to fully identify and define procedures, milestones, and internal mechanisms across the OSD and military components to guide and monitor progress.¹²⁴ To continue working towards strengthening and further establishing the SMP, the GAO recommends that the OSD CMO, DCMO and the service component CMOs align "business priorities, coordinate review and approval of updates to plans, synchronize the development of plans with the budget process, and monitor the implementation of reform initiatives, and report progress, on a periodic basis, towards achieving established goals."¹²⁵

Discussion

This is necessarily an interim report in the sense that operation of the CMO function in DoD is an ongoing activity. The foregoing contains descriptions of the structure, agendas and accomplishments to date of the DoD and service component CMO/organizations largely as reported by them. These descriptions are followed by a review of recent views of Congress, GAO and the DODIG on both the implementation of the CMO mandate and also on the condition of relevant areas of defense management. These reviews suggest that though the organizational and documentary requirements of the CMO are being met, issues of Defense management transformation persist. In this section we address some of the issues that appear relevant to this argument.

Structure and Implementation

In terms of organizational reform, the DoD and service components have each established the leadership positions of the CMO and DCMO, established offices for business transformation and staffed those offices. Each has developed a strategic management plan and provided required annual reports and occasional testimony to Congress. But neither the organizational structure nor the strategic management plan is the ultimate goal. The GAO views these as essential building blocks to achieving desired outcomes. An examination of the SMPs reveals an encyclopedic review of management improvement initiatives, process and practices inside DoD. But it is unclear whether this amounts simply to a collection of existing DoD management initiatives or if the SMPs actually guide management transformation planning or decision making. GAO has been pushing for better management in DoD through a CMO since at least 2005 and the beginnings of CMO structures date at least to 2007 or earlier. GAO and Congress are likely to become more impatient as they look to DoD to move beyond setting up staff positions and writing plans and actually start achieving measureable results.

¹²⁴ Government Accountability Office, *Defense Business Transformation: DoD Needs to Take Additional Actions to Further Define Key Management Roles, Develop Measurable Goals, and Align Planning Efforts, Briefing for Congressional Committees*, GAO-11-181R (Washington, DC: GPO 2011), January 26, 2011, 4

¹²⁵ Government Accountability Office, *Defense Business Transformation: DoD Needs to Take Additional Actions to Further Define Key Management Roles, Develop Measurable Goals, and Align Planning Efforts, Briefing for Congressional Committees*, GAO-11-181R (Washington, DC: GPO 2011), January 26, 2011, 5

Goals, Management Agendas and Accomplishments

It is similarly difficult to identify management improvements in DoD and the service components that can be attributed to the CMO. The management agendas of the CMO/DCMO organizations seem more to be compilations of pre-existing management agendas, re-assembled under CMO. For instance, while it is notable that one DoD item, security clearances, has been removed from the GAO high risk list, that work began long before the OSD DCMO was designated and was an interagency effort. And the BTA originated the solution to Cash off the Battlefield. The Task Force for Business and Stability Operations was the driver of the effort, and the BTA did the work on WAWF.¹²⁶ It is not clear that these and other claimed accomplishments listed would not have been achieved under prior organizations or initiatives.

Systems Focus

Given the large number of expensive business systems in the Department, the BPR and IRB processes consume much of the DCMO's agenda. The CMO's heavy focus on systems and business process engineering (BPR) appears to be mostly a continuation of previously begun initiatives with persistent problems in coordination and implementation. The DCMO plans to finish mapping E2E processes like Procure-to-Pay (P2P) and Hire-to-Retire (H2R) by the end of FY 2012, and will then identify the next two processes to map in FY 2013. If so, this does raise questions of timing and usefulness. Mapping P2P and H2R began in 2010 and is still not finished, with two more scheduled to begin in 2013. Not only is this a time consuming process but it raises the question of how useful it is for the Department if other transformation programs are all well underway. For instance, what models are being used if these aren't available yet and what value will this mapping provide if the programs complete their baseline implementations under non-standard models? Moreover, most of DoD's business process weaknesses are associated with the gaps that occur between organizations and functional areas that reflect the legacy systems environment and at least some ERP implementation has been characterized by insufficient attention to BPR, thus embedding old processes in new systems, and sometimes a reluctance to part with legacy systems.¹²⁷

Additionally, some claimed accomplishments appear to be premature. For instance, OSD has essentially directed the Air Force to forego the plans for ECSS because the program was not making sufficient progress and Air Force's clean audit opinion are only opinions using examination procedures, as compare with the more traditional opinions on the financial statements themselves.

The focus on systems places a lot of the burden for management transformation in DoD on successful ERP implementation. But there are other factors that need addressing as well, including long standing cultural issues, financial management practices, and decision-making processes. It is not clear that these issues are getting much attention compared to the energy and resources put into systems modernization.

Other Duties as Assigned

Lastly, it appears that the DCMO organizations also function as staff elements for the Under Secretaries and can be diverted into dealing with other short-term priorities. For instance, The Navy DCMO was charged at least twice with developing proposals to meet Secretary Gates' budget efficiency initiative. While this was important work it put the DCMO into the normal PPBES budget cycle rather than attending to long-term management efficiencies.

¹²⁶ Former BTA official statement to author, October 2012.

¹²⁷ Lee, K., "Procure-to-Pay: Measuring Outcome Beyond Efficiency Gains," The Everest Group, July 5 2011. <http://www.everestgrp.com/2011-07-procure-to-pay-measuring-outcome-beyond-efficiency-gains-sherpas-in-blue-shirts-5563.html> (accessed March 2012). The Everest Group acknowledges that technology-driven benefits are typically realized later because of lengthy system/tool selection and implementation processes. For instance, in the private sector, mapping out a Procure-to-Pay (P2P) system entails objectives that have corresponding outcome metrics and diagnostic measures. Metrics measure and lead to the evaluation of efficiency and effectiveness through quantified data. The diagnostic measures are areas where procedures are drawn out at the operational level to evaluate what areas need to be enhanced or amended.

Is a Chief Management Officer Really Needed in the DoD?

This study provides a review DoD's response to GAO's recommendation that a chief management officer is needed in DoD to advance an effective management reform agenda. DoD, in turn has implemented the resulting congressional mandate by establishing the functions and offices of the Chief Management Officer and Deputy Chief Management Officer. Offices of business transformation have been established and staffed and the required management plans and reports have been produced. Some new processes for dealing with management issue have been devised and some accomplishments are claimed. Yet, GAO, Congress and the DODIG find on-going lapses in DoD's business management and they are critical of DoD's management improvement efforts. DoD has been effective at the organizational aspects of implementing CMO but the objective of accelerating management improvement still seems elusive. This leads to the question of whether the GAO's prescription was the right medicine.

Is a new organization in DoD, involving CMOs and DCMOs and BTOs the answer to accelerating and sustaining management improvement in DoD? In a review of a 2008 GAO report on the topic, Candreva and Brook question whether the recommendation for a CMO is evidence-based: "There are no works cited from the change management or organizational behavior literature [...] and no evidence about the effectiveness of CMOs offered from other government or private sector organizations."¹²⁸ The examples from the IRS, MIT and Justice Department shown earlier in this report indicate one key organizational issue. In each of these cases, the chief administrative officer has direct managerial authority over and responsibility for the various business operations of the organization – budget and finance, human resources, informational technology, facilities, etc. Only in the most abstract way do the policy positions of deputy secretary and the service undersecretaries have supervisory authority over business management functions inside DoD. They may set managerial policies, lead governance bodies or even make major acquisition decisions, but day to-day management of the business functions of defense is dispersed widely throughout the Department. Thus, GAO's organizational proposal for fixing DoD's management problems may have been lacking in both evidence and design. Deeply rooted complex cultural and organizational behavioral issues cannot be solved with a purely organizational solution, notwithstanding that Congress and GAO perceive they have the leverage to force change in this manner.

Regardless of the questionable validity of GAO's original recommendation, Congress did not enact the long-term, non-political chief management officer that GAO envisioned. Instead, Congress essentially accepted DoD's counter-argument and defaulted to the existing DoD organization, assigning the CMO responsibilities to the deputy secretary and service undersecretaries and creating business transformation offices under them. The result appears to be that the new CMO/DCMO organizations consist mainly of a re-shuffling of existing offices under new governance structures made up of the same senior Pentagon participants from the secretariats and military staffs.

Associated with this organizational continuity is the continuity of most, if not all of the DoD's management improvement initiatives. The portfolios of the CMO/DCMOs seem to be continuations of prior initiatives. The Department has essentially co-opted the CMO idea and enveloped it into its existing organization, attending to its own management reform agenda, albeit complying with congressional organizational and reporting mandates.

It is difficult to discern any new management transformation agendas that can be attributed to the new CMO structure. Nor is there any particular coherence in the management reform agendas of the OSD and service component CMOs. This suggests the possibility that the CMO organizations could carve out a specific new agenda focused on GAO high risk list. Of course, the CMO goal is not simply to get DoD removed from the high risk list. The goal is to achieve dramatic improvements in operational performance, data reliability, management information, efficiency, and operational performance in the business area. But one objective supports the other. Meaningful reforms, once implemented, will result in removal from the high risk list and working toward removal from the high risk list will necessarily require meaningful reforms.

¹²⁸ Philip J. Candreva and Douglas A. Brook, "Transitions in Defense Management Reform: A Review of the Government Accountability Office's Chief Management Officer Recommendation and Comments for a New Administration," *Public Administration Review*, 68 (6) November-December 2008: 1044.

In seeking attributable results, perhaps the CMO organizations might consider getting items removed from the high risk list as a more explicit goal. The DoD items on the GAO high risk list are in the following categories.

- ☒ DoD Approach to business transformation
- ☒ DoD Business Systems Modernization
- ☒ DoD Support Infrastructure Management
- ☒ DoD Financial Management
- ☒ DoD Supply Chain Management
- ☒ DoD Weapon Systems Acquisition
- ☒ DoD Contract Management

Some might argue that the goal of the CMO reform is not simply to reduce DoD's presence on the high risk list but rather to achieve major improvement in its management practices. If those improvements are realized the reductions in the high risk list will follow. Other argue persuasively that targeting the high risk list would give DoD identifiable management improvement goals which can endure through leadership transitions and against which progress can be measured and reported.

Finally, both GAO and Congress have essentially offered an organizational solution to the problem of defense management. It is not clear why an organizational change will necessarily generate better decisions or greater change from the same participants dealing with the same persistent management issues in the same cultural environment. What is the value of organizational and process changes if the problems of defense management are arguably not organizational or process problems? Management problems persist in DoD after successive waves of reorganization, new governance bodies, reports and assessments. Perhaps the way DoD does business is behavioral and cultural – in which case organizational and process solutions are misapplied. On the other hand, if the CMO medicine is the proper prescription, and acknowledging Elizabeth McGrath's comments about the size and complexity of DoD and the time required to institutionalize change, more tangible and measurable results beyond staffing, organization, assessments and models must be perceived as forthcoming. If so, the DoD may expect continuing interest by GAO and Congress in prescribing solutions to the Department's management problems.

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