



U.S. DEPARTMENT OF DEFENSE - MARCH 15, 2008



Excerpts from the Annual Report to the Congressional Defense Committees

Status of the Department of Defense's Business Transformation Efforts





Foreword

The Department of Defense (DoD) is engaged in a massive business transformation effort to modernize its processes, systems, and information flows to support 21st Century national security requirements. To help guide this undertaking, the Department released its first integrated Enterprise Transition Plan (ETP) on September 30, 2005. Since that time, the ETP has proven to be an important transformational tool in building a culture of continuous business improvement toward achieving critical business priorities. The ETP guides and tracks DoD's business transformation by:

- Describing what DoD is trying to achieve and how we will know when we get there.
- Capturing milestones and metrics to guide improvements in business capabilities.
- Identifying tangible benefits for each investment in business transformation.
- Documenting a baseline against which to measure progress.

Every March, the Department reports progress against the Enterprise Transition Plan to Congress, as required by the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375). This booklet presents excerpts from the March 2008 Annual Report to the Congressional Defense Committees. These excerpts summarize how enterprise-wide defense business transformation is being managed and highlight important accomplishments since the publication of the September 2007 ETP.

Aligning the strategy, controls, people, processes, and technology to effect enterprise-wide change in an organization as large and complex as the Department of Defense is an enormous undertaking. With a persistent focus on accelerating the pace of change, the Department will continue to make steady and significant progress, achieving tangible results, and positive business outcomes. The Enterprise Transformation Plan is an important transformation tool to focus leadership on tangible results and achieving business priorities.

A wealth of information on the ETP and this full report is available online at:
http://www.defenselink.mil/dbt/products/2008_BEA_ETP/etp/ETP.html



Driving Transformation Forward

Our Nation faces more diverse challenges and greater uncertainty about the global security environment than ever before. The Department of Defense (DoD) mission requires that its business operations adapt to meet these challenges and react with precision and speed to support our Armed Forces.

Over the past few years, DoD has built a strong foundation of agile business practices and management that supports the warfighter and provides improved financial stewardship for the American people. By focusing on the areas of Investment Management and Governance and Performance Management and Improvement, the Department has made significant progress in its business operations. Much of the Department's success to date is derived from the strong engagement of its senior leadership. Under the direction of the Deputy Secretary of Defense, the senior leadership of the Department is engaged and held accountable for the performance of its business operations. The Deputy Secretary has generated extensive focus to this effort.

The Deputy Secretary possesses the authority, experience and tenure to drive transformation forward and be accountable for results. In September 2007, the Department validated this expertness in the issuance of a directive appointing the Deputy Secretary as the Chief Management Officer. Section 904, Fiscal Year 2008 National Defense Authorization Act assigns the title of Chief Management Officer of the Department of Defense to the Deputy Secretary.

Investment Management and Governance

The Department has improved the governance of its business operations through the Defense Business Systems Management Committee (DBSMC), which serves as the overarching governance board for the Department's business activities. Since its inception in 2005, the DBSMC, in concert with the Investment Review Boards (IRBs), has served as the governance structure that guides the transformation activities for the Department's business areas. As required by the Fiscal Year 2005 National Defense Authorization Act and as reiterated in the DBSMC Charter, the DBSMC has responsibility for approving: business systems information technology modernizations over \$1M, the Business Enterprise Architecture and the Enterprise Transition Plan.

Additionally, the DBSMC's authority extends beyond statutory requirements to include the responsibility for ensuring that the strategic direction of the Department's business operations are aligned with the rest of Defense and for measuring and reporting the progress of defense business transformation. The DBSMC has also been a driving force behind the adoption of continuous process improvement/Lean Six Sigma (LSS) methodology and the shared focus on Enterprise Resource Planning (ERP) strategy within the Department. The DBSMC has provided top-level direction for the business transformation efforts of the Department.

Prior to DBSMC consideration and approval, the IRBs certify business system modernizations in excess of \$1M over the system modernization's lifecycle. The role of the IRBs is expanding to include oversight of the business capabilities within their specific business areas. The Department is putting in place an acquisition process that will enable this oversight role.

The Business Enterprise Architecture (BEA) has allowed the Department to establish clear benchmarks for the alignment of business systems to the Department's future business environment. As we continue to evolve the BEA, a key objective is to mature an architecture so that it can be harnessed as an executive decision-making mechanism, while simultaneously supporting the implementation of information technology systems and services. The simultaneous release of BEA 5.0 with this report helps to achieve interoperable, efficient,



transparent business operations by including and integrating data standards, required business rules and system interface requirements for the enterprise systems and ERP target programs.

Performance Management and Improvement

The Department has depended, in part, on performance management and process improvement to deliver more efficient and effective business operations. By rigorously tracking the performance of programs and processes, the Department is better able to make informed strategic decisions and deliver maximum value for each taxpayer dollar.

On November 13, 2007, President Bush signed Executive Order 13450, *Improving Government Program Performance*, which directed the Departments to appoint a Performance Improvement Officer (PIO), with the goal of spending taxpayer dollars effectively and more effectively each year. In January 2008, the Principal Deputy Under Secretary of Defense for Business Transformation was appointed as the Defense PIO. The Defense PIO will, among other things, supervise the performance management activities of the Department, advise the Secretary of Defense on performance goals and measures, and convene the appropriate agency personnel throughout the year to assess and improve program performance and efficiency. Additionally, the Defense PIO will represent the Department on the Office of Management and Budget Performance Improvement Council. The implementation of the PIO within Defense also serves as the first step in the process for satisfying the requirements of Section 904 of the FY08 NDAA, which calls on the Department to establish a Deputy Chief Management Officer (DCMO), as well as publish a Strategic Management Plan and a Section 904 Implementation Plan.

Lean Six Sigma is also an important part of the Department's effort to improve performance management and improvement. A disciplined improvement methodology and part of the Department's continuous process improvement effort, LSS has been endorsed throughout the Department.

One of the most ambitious process improvement projects the Department has undertaken is an end-to-end reform of the government-side security clearance process. Defense is working closely with the Director of National Intelligence, the Deputy Director of the Office of Management and Budget, the Director of the Office of Personnel and Management, and the Assistant to the President for National Security Affairs on this effort. The interagency team has been charged with creating a new clearance process that is fair, flexible and adaptive, managed and highly automated end-to-end, reciprocal and which delivers timely, suitable, high-assurance security clearances at the lowest reasonable cost.

President Bush, in a February 5, 2008 memorandum, has directed the interagency team to submit to him by the end of April 2008 an initial proposal that includes, as necessary, proposed executive and legislative actions to achieve security clearance process reform. It is critical that the federal government efficiently and appropriately grant access to classified material to its personnel while simultaneously ensuring the protection of national security.



Strategic Objectives: Charting the Course

The overall objective of the DoD business enterprise is to ensure that the Department rapidly delivers the right capabilities, resources and materiel to our warfighters—what they need, where they need it, when they need it, anywhere in the world.

Support the Joint Warfighting Capability of the DoD



Enable Rapid Access to Information for Strategic Decisions



Reduce the Cost of Defense Business Operations



Improve Financial Stewardship for the American People



Figure 1: Business Transformation Strategic Objectives

DoD’s business transformation challenge is to provide unsurpassed end-to-end business support in peace and war. This challenge is driven by four strategic objectives that shape DoD priorities and serve as checkpoints through which to assess the efficacy of the efforts. Each program depicted in this plan will support one or more of the following strategic objectives:

- Provide support for the joint warfighting capability.
- Enable rapid access to information for strategic decisions.
- Reduce the cost of defense business operations.
- Improve financial stewardship for the American people.

“All societies need sustainable jobs. People need to be employed to have income to provide for their families, and Iraq is no different. It is important that we move Iraq from the front pages to the business pages of our newspapers.”
 —Gordon England, Deputy Secretary of Defense

Provide Support for the Joint Warfighting Capability

DoD’s business enterprise must be closer to its warfighting customers than ever before. Joint military requirements drive the need for greater commonality and integration of business and financial operations. Changes in the nature of military operations place increased pressure on the business infrastructure to provide mission-driven, adaptive, and agile services and information. The warfighter relies more on system responsiveness and agility and less on mass.

The Business Transformation Agency (BTA) continues to engage Combatant Commanders to develop a better understanding of their requirements and satisfy them with innovative capabilities and techniques. One example of this support is the



establishment of the Task Force to Improve Business and Stability Operations in Iraq, which the Deputy Secretary established in June 2006.

The work of the Task Force, with close cooperation and support from BTA, explicitly recognizes that business systems and processes developed, architected, and deployed for garrison operations also should include the requirement to support forces in an expeditionary environment. This requirement must overcome some of the technical barriers (such as low bandwidth), as well as unique process necessities, that are often inherent in these expeditionary environments. In the September 2007 ETP, the Department highlighted the Joint Contingency Contracting System and associated procedural modifications implemented to support Multi-National Force-Iraq. A complementary effort that has continued throughout this period is the support to the economic line of operation in Iraq using the Department's extensive resources. Economic revitalization is critical to restoring stability to the Iraqi people. Military success is achieved by providing good governance, a secure environment and economic revitalization initiatives.



The Task Force continues its efforts to improve systems and processes to support the deployed force, while leveraging the business capabilities of the business mission area. Working in close cooperation with Multi National Force-Iraq, U.S. Department of State, other U.S. Departments and Agencies and selected Iraqi Ministries, the Task Force has sought to improve budget execution, contracting, banking, telecommunications, and business investment in Iraq.

During the past six months, factories were restarting production, Iraqis were returning to work and the industrial capacity of Iraq was being restored. Reestablishing the Iraqi business value chain is a key component of this effort. One example of this effort can be found in the manufacturing sector. A tractor assembly factory, located in a strategic location, had been identified by Multi National Force-Iraq as critical. In late January 2008, components to build 200 tractors were procured through a major international supplier. Purchase of these kits supported efforts to restart the factory, reestablish relations with the international community, and reconnect with the Iraqi marketplace. The tractors will be sold to farmers and government entities to rebuild the country's agricultural base.



Case in Point: BTA Sponsors Sixth In-Theater Business Transformation Roundtable

In late November 2007, BTA sponsored the sixth in a series of In-Theater Business Transformation Roundtables to assist deploying commanders with preparations to undertake business and economic revitalization efforts in Iraq. More than 160 military leaders, governmental and non-governmental representatives participated in the two-day event at Naval Air Station North Island, near San Diego, California.

BTA began these roundtables in January 2006 at the request of the I Marine Expeditionary Force (I MEF). Its leaders contacted BTA and asked for help with the application of business modernization systems and processes in an austere environment and to facilitate relationships between business leaders, service personnel and other agencies. I MEF leaders had recognized that winning the peace in Iraq involved much more than establishing a secure environment. It meant planning for and supporting economic revitalization with the help of the business mission area. But getting the Iraqi people



back to work and reestablishing some sense of normalcy for the society were not things that could be done by the military alone. Its leaders recognized the need for establishing strong relationships with other governmental and non-governmental organizations months before the deployment began. This initial roundtable in early 2006 was so successful that as other major Army and Marine Corps units deployed, each requested that BTA provide predeployment support.

As the security situation continues to improve in Iraq, coalition practices require improved methods to coordinate across diverse issues outside of military operations. Processes, systems and information flows need to be aligned to the expeditionary operational environment, while supporting diverse requirements that take into account language, culture, and operating conditions to conduct business while supporting the force. Planning and coordination in this environment are emerging and complex challenges requiring new visibility tools and processes adapted to an austere, expeditionary, dynamic environment with limited infrastructure.

All of the roundtables have featured speakers who were presently serving in Iraq, or who had recent experience there. They delivered presentations at the “grass root” level on project management in Al Anbar Province, Battalion-Level Reconstruction and the role and activities of Embedded Provincial Reconstruction Teams. They provided their insights to standing-room-only audiences comprised of Marines, Soldiers, Sailors, and civilians from various agencies, non-governmental organizations and the private sector. The roundtable format of the conference encouraged active participation from all attendees and resulted in highly beneficial dialogue on many topics. This interaction broke down barriers to communication, collapsed organizational stovepipes and encouraged early team-building efforts.

These roundtables not only prepared the deploying force, but also leveraged business system modernization and economic revitalization projects into an integrated approach.



Enable Rapid Access to Information for Strategic Decisions

To make sound and timely decisions, senior DoD leaders need rapid access to information about their most important resource—their people. They need centrally available, secure, integrated data about military and civilian personnel, their locations, assignments, compensation and duty status.

Implementation of the Defense Integrated Military Human Resources System (DIMHRS) will further the realization of this strategic objective. The Defense Science Board recommended the deployment of an integrated personnel and pay system for military personnel in 1996. Through DIMHRS, the Department will revolutionize military personnel and pay to support 21st century warfighters and combatant commanders.

Once fully deployed, DIMHRS will be the largest Commercial Off-the-Shelf implementation integrating personnel and payroll in the world. DIMHRS is currently scheduled to deliver this integrated functionality to the Army in October 2008 and to the Air Force in February 2009. DIMHRS not only integrates this functionality, but also unifies the Guard, Reserve and Active components of the Services into a single system. This will provide a single, lifetime personnel and pay record for all service members. The Navy has committed to moving its military personnel and payroll operations to DIMHRS. The Navy deployment will occur after the Army and Air Force deployments.

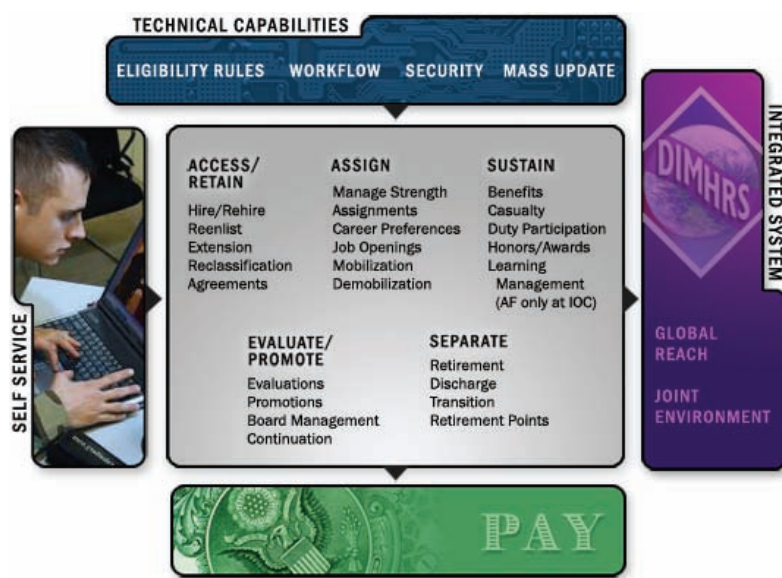


Figure 2: DIMHRS Functions and Capabilities

DIMHRS incorporates commercial best practices to ensure timely, accurate information and pay, with Global Reach through web-based access to information and transactions in a Joint environment across all Services and Components. Integration of personnel and pay is considered a best practice in the private sector. For the military, it is more than a best practice - it is essential to the timely and accurate compensation of military personnel. The complexities of the relationship between military personnel and pay exceed the complexities of the relationship in the private sector due to the frequency of changes in laws and regulations, mobility of military personnel, and the military compensation structure, which is based on factors, such as marital, housing, duty status, duty type, and reserve status.



Having a single, integrated military personnel and pay system enables standard data for comparison across Services and Components. Coupling the Defense Travel System with DIMHRS adds greater depth of information regarding a service member's location. This information insures timely payment of entitlements and foregoes receipt of mutually exclusive payments. This depth of information supplies visibility and accountability of military personnel to authorized users and enhances the ability of the Department to put the right person in the right place as quickly as possible. Combatant Commanders and other DoD managers often require specific skill sets for mission-essential operations. Multiple personnel systems provide inconsistent data of varying accuracy across the Services and the managers are dependent on the individual Services to search multiple databases to identify qualified individuals. DIMHRS will enable timely searches of personnel (Active, Reserve and National Guard) to identify personnel with specific skills for assignments and deployments, as well as accessions and retention decisions.

Reduce the Cost of Defense Business Operations

Focus has been placed on streamlining Defense business operations to more effectively deliver warfighting capabilities, contend with growing pressures on resources, and benefit from economies of scale. Defense business transformation requires the understanding that effective financial management complements delivery of warfighting capability. One Army organization has made that awareness an essential element of how it plans, learns, thinks and performs.



In late November 2007, the Army's Armament Research, Development and Engineering Center became the first federal and Defense organization selected to receive the Malcolm Baldrige National Quality Award. The Center, located at Picatinny Arsenal, New Jersey, provides nearly 90% of the Army's weapons systems and is internationally recognized for its innovative weapons technology and high-quality workforce. The Baldrige National Quality Award is presented each year to a small group of elite businesses and organizations deemed to have demonstrated world-class performance excellence through continuous quality improvement practices. This was the first year that federal organizations were eligible for this award under the newly established nonprofit category.

The Center's leadership and workforce recognized the value of using Lean Six Sigma (LSS) for process design and innovation. The Center's goal for LSS extended beyond process design but sought to ingrain LSS techniques in everyday work. More than one third of the Center's workforce is trained in LSS techniques. This massive training has created a synergistic learning and performance model infused with LSS techniques.

Overall, the Center's LSS projects amount to improvements in quality (91%), cost (70%), schedule (67%), and risk (84%) with a total cost benefit of \$2.9 billion since 2001.

The Center's Enterprise Excellence program drives integrated improvements in effectiveness and efficiency using the Baldrige criteria as the management framework through a Quality Management System, Voice of the Customer, and Lean Six Sigma. The Center's Director and Deputy Director developed the Enterprise Excellence program as a black belt project under LSS. The Enterprise Excellence program is not a series of programs or special projects, which create islands of improvement. Its intent is to institutionalize the Baldrige framework throughout the Center and equip every employee with the tools and methodologies to be used every workday.



Improve Financial Stewardship for the American People

The Department recognizes its responsibility to the American people to manage resources carefully as it executes its National Security Mission. Defense financial statements and data structures are the tools used to help manage operational performance and to demonstrate financial accountability to the American people. Streamlined, standardized and integrated processes make end-to-end traceability of financial transactions possible.

To improve financial stewardship, Defense has joined with 23 other federal agencies to define a Common Government-wide Accounting Classification (CGAC) Structure. As a critical part of the Office of Management and Budget-led Financial Management Line of Business, the CGAC Working Group released the latest draft of the structure in July 2007. The CGAC Structure will become a federal financial management requirement. Consequently, all federal financial management systems will have to be compliant with this structure. Once the CGAC Structure is fully realized, agencies' data will be more timely and accurate and will provide a more robust foundation for strategic decision making. Since there will be one structure, agencies will no longer have to develop and implement unique systems, which will reduce the cost and risks of system implementations.

In March 2006, the CGAC effort picked up speed. DoD leadership immediately recognized that for this federal government transformation to be successful the Department had to get involved. The direction was to collaborate for success, while ensuring that DoD's requirements were understood and incorporated in the CGAC Structure.

Among the federal organizations participating, DoD was perhaps uniquely prepared, since it had already developed and was implementing a standard financial data structure, the Standard Financial Information Structure, or SFIS. It is DoD's common business language that facilitates the consistent collection and reporting of financial information.

The Department seized this transformational opportunity and was prepared to offer its SFIS experience as a model, but ultimate success still depended on a commitment of time, talent and resources for nearly two years. The working group met regularly, requiring the participants to prepare, collaborate, work action items and prepare decisions for the Department's leadership. Unity of vision and purpose was gradually attained through a process of increased coordination, collaboration and cooperation among all the federal agencies.

DoD's CGAC Working Group participants are looking forward to the next steps. Once the CGAC Structure is part of federal regulations, then all of the agencies will begin focusing on compliance. As a result of the Department's proactive efforts, the impact of the CGAC Structure on DoD financial management systems will be minimal.



Business Transformation Progress Across the DoD

Defense's approach to business transformation is based on the integration of efforts across the Department, exemplified by the integrated roadmap in the Enterprise Transition Plan.



Figure 3 provides an overview of business transformation at the Enterprise and Component levels and across the Defense Medical enterprise.

The Department’s drive to make demonstrable business improvements every six months is yielding progress at an unprecedented rate. Within the past six months, the defense business transformation effort has achieved 80% of the scheduled milestones and established new dates for the remaining milestones.

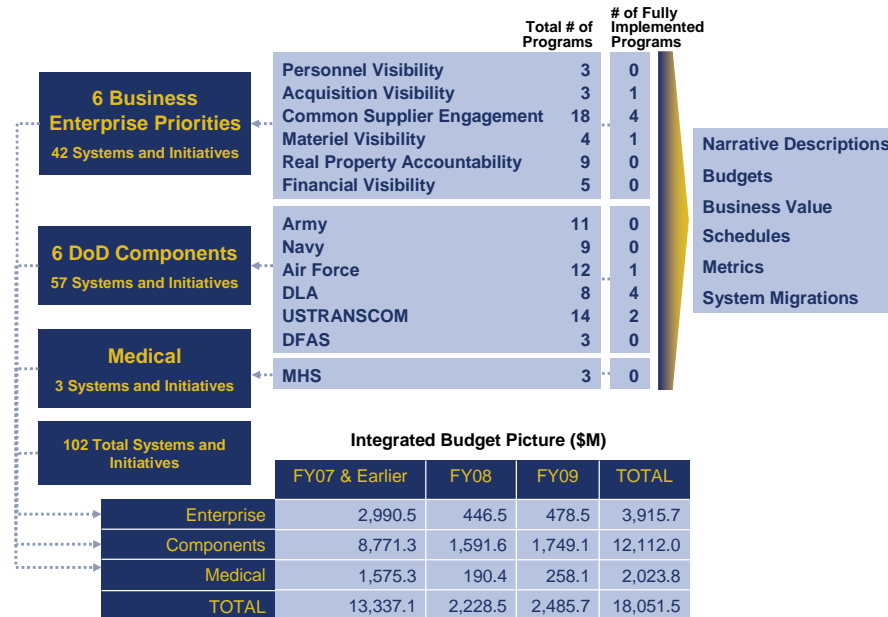


Figure 3: Integrated Business Transformation View

DoD Enterprise-level Transformation

The Business Enterprise Priorities represent areas in which increased focus is yielding the most dramatic and immediate transformational results. This section provides each priority’s goal or purpose and highlights recent improvements.

Personnel Visibility Improvements

The goal of Personnel Visibility is to provide accurate, timely and readily available personnel information (including data on military, civilians, contractors, and coalition resources supporting the operation) to ensure accurate and timely compensation and benefits.

- Completed DIMHRS Systems Integration Performance Testing during Q1 FY08: Achieved the unprecedented goal of running a pay calculation against a database of 3.1 million members in the production system in under six hours. At its peak, the system processed 15,000 pay calculations per minute. Supported 80,000 concurrent users while processing pay calculations. These achievements constituted a new concurrent user benchmark for industry.
- Initiated Army conversion programs to migrate data from legacy systems into DIMHRS in Q1 through Q2 FY08: Completed a “mock” conversion to review the migration plan and identify and resolve data errors prior to test. Converted 30,000 member records from Army Active, Reserve, and National Guard to support the payroll parallel test, in which legacy system pay results will be reconciled to the DIMHRS pay calculation for the same period. Began full data conversion testing to verify the resolution of data errors and further refine the performance tuning of the conversion programs. As part of this effort, completed the “Person Hire” conversion to establish the member record. Roughly 4.7 million records were loaded



with a 0.11% error rate within 70 hours, providing an early indication that the conversion of valid data can be achieved within projected deployment windows.

Acquisition Visibility Improvements

Acquisition Visibility (AV) brings transparency to critical information supporting lifecycle management of the Department's processes that deliver weapon systems and automated information systems. The strategy for achieving AV centers on establishment of a service-oriented architecture (SOA) governance and delivery mechanisms within the Defense Acquisition business community. This strategy permits DoD communities to continue operating their own heterogeneous business systems, while standardizing and regulating the systems' external interfaces.



- Successfully displayed in the AV SOA Demonstration the initial implementation of governance required to make authoritative acquisition data available for Defense acquisition decision making. This significant step proves data can be governed separately from the systems in which the data resides. Specific governance activities included agreement on definitions of the AV SOA Demonstration data elements, identification of the institutional steward for each of those elements, and identification of the authoritative sources. The data elements selected support Nunn-McCurdy, Earned Value (EV) Components, and Contract Variance views.
- Successfully showed the technical feasibility of making authoritative Defense acquisition data available in a SOA environment, providing decision makers with the ability to obtain the authoritative, timely data needed for decision making.

Common Supplier Engagement Improvements

The primary goal of Common Supplier Engagement (CSE) efforts is to simplify and standardize the methods that DoD uses to interact with commercial and government suppliers in the acquisition of catalog, stock, as well as made-to-order and engineer-to-order goods and services. CSE also provides the associated visibility of supplier-related information to the Warfighting and Business Mission Areas.



- Wide Area Work Flow (WAWF) provides the Department and its suppliers the single point of entry to generate, capture, and process invoice, acceptance, and payments documentation and data to support the DoD asset visibility, tracking, and payment processes. WAWF implemented Standard Transactions Phase I for passing shipment, acceptance, and accounts payable data to emerging interface partners in Q1 FY08. These standard transactions will further accelerate deployment of Enterprise Resource Planning (ERP) systems in the target environment, while reducing implementation costs. The standard data transactions are also designed to be Defense Logistics Management System compliant and will accommodate the needs of emerging logistics systems, thus expanding the scope of WAWF's capability.
- Electronic Subcontracting Reporting System completed successful testing of DoD functional requirements to ensure the ability to implement in a DoD procurement environment.

Material Visibility Improvements

Material Visibility (MV) provides users with timely and accurate information on the location, movement, status, and identity of unit equipment, materiel and supplies, greatly improving overall supply chain performance. MV improves the delivery of capability to the warfighter as measured in terms of responsiveness, reliability, and flexibility.

- Evaluated the implementation involving Department wholesale activities and Service retail activities, in Q1 FY08, to demonstrate the ability of passive Radio Frequency Identification (RFID) to increase visibility and efficiency in warehouse operations. Initial evaluation indicates that the additional visibility of shipment arrival, provided by RFID, could potentially impact critical supply chain metrics.
- Enabled Item Unique Identification marking of personal property items at Air Force and Army organic depots in Q1 FY08. This accomplishment enables these Services to mark equipment as part of the routine repair process. As a result, tangible personal property items can be marked, registered and managed in a more efficient manner through regular depot maintenance activities.

Real Property Accountability Improvements

Real Property Accountability provides the warfighter and the Defense business enterprise access to near-real-time secure, accurate and reliable information on real property assets, and environment, safety, and occupational health sustainability. Accurate and timely data is fundamental to effective management of the assets, and ultimately to military success.

- Real Property Accountability's most significant accomplishment this year is achieving Full Operational Capability of the Asset Registry in Q1 FY08. The Real Property Unique Identifier Registry (RPUIR) provides the foundation for a centralized, SOA-based system that assigns and tracks real property unique identifiers. Asset Registry is the portion of RPUIR that assigns asset UIDs to identify specific facilities, thereby improving the accuracy of financial, physical and legal information contained in DoD's real property inventory.
- Real Property has also launched an initiative to geo-enable location information, thus providing a highly accurate digital representation of asset location. This initiative will ultimately enable multiple systems outside the real property community to access authoritative location data in real time. This detailed representation results in high quality data for mission planning and operations. During this past year, the initiative defined the fundamental standards for BEA geospatial modeling. Using this building block, its near term plan is to develop common geospatial architecture products to assure integration across DoD enterprise processes to enable implementation of a coordinated geospatial capability across the Department.

Financial Visibility Improvements

The mission of Financial Visibility is to effect changes in financial management aimed at reducing investment and operating costs by facilitating ever-improving accountability, efficiency, and decision making.

- Conducted for the Defense Agencies Initiative (DAI), Conference Room Pilot 1 (CRP1) validation, including core Initial Operational Capability (IOC) functionality, in Q2 FY08. The CRP facilitates validation of a configured system in a controlled environment.
 - Verified the blueprint design of the core functionality, identified issues and confirmed assumptions, using test scenarios and scripts.



- Provided an opportunity for all Defense Agencies to provide input to the design of DAI.
- Continued to share DAI system and process information with the Defense Agencies to increase their understanding of DAI.
- Defined and obtained agreement on a single Standard Financial Information Structure Line of Accounting format, which is a critical element in establishing a standard interface between the Defense Travel System (DTS) and six new Enterprise Resource Planning (Accounting) systems in Q1 FY08. The standard interface, when finalized, will eliminate the need for DTS to customize the interface for every new business partner. The standard interface goal is a critical cost-effective step towards SFIS interoperability across DoD.

Component-level Transformation

The business modernization efforts of the six DoD Components and the Military Health System (MHS), highlighted in this report, align with corporate priorities, while also implementing their specific objectives. This section highlights the transformation visions and recent improvements of each Component and MHS.

Department of the Army: In the midst of a war with a ruthless, adaptable enemy, the Army has undertaken the most radical transformation of its force structure since World War II to realize the Army Vision: “Relevant and Ready Landpower in Service to the Nation.” It is fielding the best trained, best equipped, and best led Soldiers in the nation’s history and is committed to providing Soldiers and their Families a quality of life matching the quality of their service to the Nation.



The institutional Army is largely a legacy of the Cold War, industrial era in which it was developed. Support for a modernized, 21st Century force requires a transformation of Army business practices, using lessons from industry to improve visibility of core assets and data and to align organizational structures to perform core functions efficiently.

- The first federal and Defense recipient of the Malcolm Baldrige National Quality Award for performance management and achievement is Army’s Armament Research, Development and Engineering Center at Picatinny Arsenal, New Jersey.
- Global Combat Support System-Army (GCSS-Army) completed the successful operational assessment and continuous evaluation of the first module: Supply. The Soldiers of the 11th Armored Cavalry Regiment Supply Support Activity are now using the next generation GCSS-Army in place of the legacy system–based functions to transact business with their customer units. Through the GCSS-Army servers at Redstone Arsenal, the Soldiers are connected to the national level supply and financial systems.

Department of the Navy (DON): The Navy’s business transformation vision is to significantly increase the readiness, effectiveness, and availability of warfighting forces by employing business process changes to create more effective operations at reduced costs and by exploiting process improvements, technology enhancements, and an effective human capital strategy to assure continued mission superiority.



- Navy Enterprise Resource Planning (ERP) transforms and standardizes the Navy’s business processes for key acquisition, financial, and logistics operations. Navy ERP achieved IOC in

Q1 FY08 and began deployment of Financial and Acquisition Release (1.0) at Naval Air Systems Command headquarters.

- The Information Executive Committee established the Next Generation Enterprise Network Management Board to develop information management/information technology strategy and policy, gather and validate requirements, and devise a capability acquisition strategy that will guide the DON toward a net-centric enterprise environment.

Department of the Air Force: The Air Force's business transformation vision is to create capabilities that provide rapid and predictive operational support and response through situationally-aware Commanders. High-level Air Force enterprise transformation goals are to:

- Improve warfighter effectiveness by fashioning fast, flexible, agile, horizontally integrated processes and services that enable fast, flexible, agile and lethal combat forces.
- Establish a culture of continuous improvement to achieve increased efficiencies, allowing the return of resources. This will enable the recapitalization of the Air Force weapon systems and infrastructure, the return of Airmen to core missions, and the creation of an acquisition process unparalleled in the federal government.

Highlights of the Air Force's recent improvements are:

- Subsumed the Manpower and Personnel System-Base Level into the Deliberate and Crisis Action Planning and Execution Segments (DCAPES), the Air Force's deployment system of record on September 2006, providing war planners real-time access to manpower data. DCAPES provides force accountability applications that track and maintain deployment personnel history files supporting Combatant Commander's Area of Responsibility.
- Projected a savings of \$12M annually from Non-appropriated Fund (NAF) Transformation Phase 1 IOC accomplished in June 2006, with Appropriated Funds (APF) and NAF full time equivalent savings of 76 and 167 positions respectively. APF positions have been realigned back to the corporate structure for recapitalization.

Defense Logistics Agency (DLA): DLA's vision is to extend the enterprise forward to meet the needs of the warfighter by providing the right item, right service, right place, right price, right time, every time. The Enterprise Business System (EBS), DLA's ERP platform for supply chain management, was developed and introduced into DLA operations with investment dollars managed through the Business Systems Modernization (BSM), Customer Relationship Management (CRM) and Product Data Management Initiative (PDMI) programs. CRM and PDMI are now part of the EBS process/systems integration framework. EBS, coupled with the Distribution Standard System (DSS) and data management and integration capabilities delivered by the Integrated Data Environment (IDE) program, form the cornerstone of the agency's logistics capabilities and represent significant progress in DLA's transition to net-centricity.

- The BSM program achieved full operational capability in July 2007, delivering EBS and enabling DLA to be compliant with the Joint Technical Architecture and the data exchange standards necessary for DLA to interoperate with its customers and suppliers. Prior to BSM, DLA previously provided common logistics support to the Services and Combatant Commanders using legacy materiel management systems, such as, Standard Automated Materiel Management System.
- BSM-Energy achieved full operational capability in December 2007 and is successfully supporting the warfighter. BSM-Energy supports a vertically integrated end-to-end fuel supply chain management system. BSM Energy, a web-based, net-centric enterprise resource management system, is necessary to manage energy from its source to consuming equipment, while incorporating electronic commerce requirements and other technical capabilities.



United States Transportation Command (USTRANSCOM): The USTRANSCOM vision is to create and implement world-class global deployment and distribution solutions in support of President, Secretary of Defense, and Combatant Commander assigned missions. Key elements of the strategy to achieve this vision include having End-to-End Total Asset Visibility and In-transit Visibility; improving decision cycle time by providing Information Technology support to turn real-time distribution data into actionable information; promoting DoD-wide financial solutions; and optimizing end-to-end distribution through improved and standardized resources, processes, and systems.

- Combined the planning functions of several of USTRANSCOM's subordinate commands in a single operations center, the Fusion Center, located on Scott AFB. This resulted from successful process workshops and facilities planning, leading to a Fusion Center IOC, with simplified submission and processing of Combatant Command (COCOM) requirements through dedicated COCOM-focused teams.
- Began reporting operational status in the Defense Readiness Reporting System, enabling up-to-date operational status reviews by all levels (strategic to tactical). Increased engagement with COCOM and interagency partners to ensure full integration of Joint Task Force-Port Opening capabilities in joint exercises and operation planning. Dialogue and planning expanded and now occurring with U.S. Southern Command, U.S. European Command, U.S. Special Operations Command, and the Office of Foreign Disaster Assistance, in addition to continuing relationships with U.S. Northern Command and U.S. Central Command.



Defense Finance and Accounting Service (DFAS): DFAS's vision is transforming with the warfighter to remain the trusted financial partner for DoD. Transformation is the continuation of a customer-focused change process that started with the creation of DFAS and will result in DFAS becoming a Center of Excellence (COE) for government finance and accounting, whose ultimate objective is to optimize performance and maintain downward pressure on cost.

- Decreased undetected over- and under-payments through ongoing improvements in Wounded Warrior pay management in Q1 FY08. The percentage of pay accounts requiring correction declined 58% and the dollar value of discrepancies declined 77%.
- Implemented the Corporate Electronic Document Management System 1.0 at Cleveland, Limestone, and Army units in Iraq in Q1 FY08; Arlington and Patuxent River in Q2 FY08. This capability eliminates the cost of mailing documents, facilitates workload transfers, and reduces the requirement to transfer documents within a war zone.

Military Health System (MHS): MHS's transformation vision is to develop a collaborative, agile, and efficient medical business enterprise that adapts to the changing needs of military medicine and maximizes the benefit of business and IT resources. The MHS business transformation plan focuses on continuity of care across DoD/Department of Veteran Affairs (VA)/civilian health care delivery system, a shift from reactive to proactive care, and more efficient health care operations.

- Released in December 2007, the VA/DoD Joint Executive Council Strategic Plan (FY 2008-2010), guides collaboration between the Departments to improve the quality, efficiency, and effectiveness of the delivery of benefits and services to veterans, service members, military retirees, and their families.



- In October 2007, theater clinical data including inpatient notes, outpatient encounters, and ancillary clinical data, such as pharmacy data, allergies, laboratory results, and radiology reports were made viewable by DoD to VA providers on shared patients.

Managing Enterprise Transformation through the Defense Business Transformation Agency

A business enterprise by its nature is not a functional, stovepiped organization, but an integrated operating entity focused on optimal performance. BTA seeks to enable an enterprise-view of Defense business performance and serve the corporate needs of the Defense business enterprise in an integrated way. BTA is responsible for 27 information technology programs, including the Defense Integrated Military Human Resources System, the Defense Agencies Initiative, the Defense Travel System, the Business Enterprise Information Service, and the Joint Contingency Contracting System. BTA also facilitates operation of the Investment Review Boards and production of Business Enterprise Architecture and Enterprise Transition Plan.

Each fiscal year, BTA establishes and executes a set of focus areas to guide the efforts of its workforce in supporting the Department's transformation goals. These critical linchpins foster collaboration, accountability and a sense of urgency across the Agency. The BTA focus areas for FY08 include:

- **Implement DIMHRS.** As the Department's most extensive program, BTA will deliver integrated military personnel and payroll functionality, beginning with the Army in October 2008.
- **Enterprise Standards.** Focusing on standardizing data across the enterprise, the goal is to ensure standard processes, data, integration and implementation requirements between Enterprise-level systems and Component-level systems.
- **Establish Business Capability Lifecycle (BCL) as the accepted enterprise approach for business system oversight.** The Department is establishing a new acquisition process for all business systems in an effort to speed the delivery of business capabilities to the warfighter.
- **Support implementation of Enterprise Resource Planning (ERP) systems across Department of Defense.** DoD has made a significant commitment to the adoption and implementation of ERP solutions, systems that provide an integrated suite of Information Technology applications that support the operations of an enterprise, including financial management, human resources management, and operations.
- **Institutionalize deployed warfighter process and system improvements.** The goal is to deliver near-term value by seizing and sharing opportunities presented by the intersection of business capabilities and warfighter needs.

Conclusion

The Department is pleased with its progress in its business transformation efforts. However, aligning the strategy, controls, people, processes, and technology to truly transform an organization as large and complex as the Department of Defense is an enormous undertaking. The challenges that business transformation faces should not be underestimated. DoD believes that through its persistent focus on accelerating the pace of change, it will continue to make steady and significant progress and achieve tangible results and positive business outcomes.

