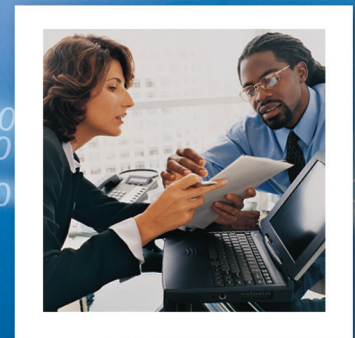
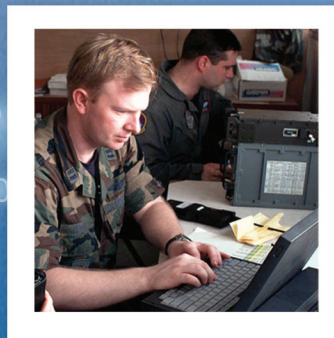
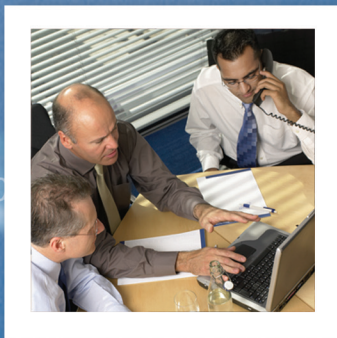




U.S. DEPARTMENT OF DEFENSE

2008 Enterprise Transition Plan Excerpt

SEPTEMBER 30, 2008



Executive Summary—September 2008 ETP

Section I: Defense Business Transformation

The Department of Defense (DoD) continues to transform its business operations by modernizing its processes, systems, and information flows to support 21st Century national security requirements. The September 2008 Enterprise Transition Plan (ETP) is the Department's fourth integrated transition plan. It provides details on the business transformation progress for 80 systems and initiatives, including 11 enterprise resource planning systems. With the coming change in administration, the September 2008 ETP is particularly useful for new DoD and Congressional leaders. In recognition of this transition, Section I of the September 2008 ETP includes a primer—Approach, Progress and Challenges, that is intended to acquaint new leaders with the Department's current approach to business transformation, recent progress and the challenges ahead.

The **Approach** section is based on the three key principles: strategic objectives, business transformation oversight and tiered accountability. Through the approach, the Department has leveraged the efforts of the past several years to establish a solid foundation for defense business transformation. With that foundation established, the Department is positioned to accelerate progress, as demonstrated by improvements to the governance structure, processes, and capability delivery. The ETP's **Progress** section highlights the Department's business transformation accomplishments during the past four years, with emphasis on recent achievements from this year.

- **Maturation of the Business Capability Lifecycle (BCL):** Policy development efforts continue in support of BCL, a process to facilitate the faster delivery of business capabilities to the warfighter.
- **Appointment of the first DoD Performance Improvement Officer (PIO):** Appointed in January 2008, the PIO, among other responsibilities, supervises the performance management activities of the Department, advises the Secretary of Defense on performance goals and measures and convenes the appropriate agency personnel to assess and improve program performance and efficiency.
- **Operational improvements through Lean Six Sigma (LSS):** The Department's support of LSS was institutionalized in DoD Directive 5010.42, dated 15 May 2008. In addition to internal successes, the Department's LSS expertise supported the Joint Security and Suitability Reform Team that is focused on improving the security clearance process for the federal government.
- **Completion of the initial steps for implementing requirements of the Fiscal Year 2008 National Defense Authorization Act, Section 904:** In July 2008, the Department submitted to Congress a plan for implementing the Chief Management Officer (CMO) and the Deputy CMO positions. Concurrent with the submission of the implementation plan, the Department submitted its inaugural Strategic Management Plan (SMP). The SMP provides an executive overview of the governance and management framework and supporting processes used by the CMO to deliver effective and efficient support to the warfighter.

In the **Challenges** section, the primer concludes with a brief discussion of the business transformation challenges that will confront the new administration during its first months in office.

To assist in meeting these challenges and achieving organizational objectives, the Department is focused on enabling change readiness through five key enablers. Section I also includes a complete description of these enablers.

- **Enterprise Governance:** The Department is expanding the role of the Defense Business Systems Management Committee (DBSMC) from an approval authority for business system investments to becoming the Department's single decision forum for business operations. The DBSMC, along with its supporting Investment Review Boards, will also become the sole governance framework for the Business Capability Lifecycle process.



- **Enterprise Processes:** Fully implement processes already described, such as LSS and BCL, as well as the end-to-end business flows for Enterprise Resource Planning (ERP) systems across the Enterprise. For the latter, DoD developed 15 end-to-end processes for potential use in determining gaps within the evolving ERP environment. Six of these processes have been incorporated into the Business Enterprise Architecture.
- **Enterprise Standards:** The Department continues to create standards for data, integration, processes and other implementation requirements. A recent achievement was the development of a Standard Financial Information Structure configuration guide for use across the enterprise for ERP systems implementation.
- **Enterprise Architecture:** Enabling change readiness begins with the enterprise architecture. The federation strategy roadmap details the initiatives planned to link the Enterprise, Component and Program architectures. The Department is also maturing its service-oriented architecture with several services registered in the DoD service delivery catalog as part of the business operating environment. Additional services are planned for FY09 and beyond.
- **Implementing ERP systems as the Enterprise Backbone:** ERPs will form the backbone of the future business Information Technology environment. Currently, the Components have responsibility for 9 of the 11 ERPs, with the other two managed by the Business Transformation Agency. They are the Defense Integrated Military Human Resources System and the Defense Agencies Initiative.

Section II: Enterprise Transformation

Moving forward, the Department will continue to implement these enablers to accelerate change and drive achievement of the Enterprise’s priorities. Section II of the ETP identifies these strategic priorities and describes the 34 Enterprise-level programs and initiatives critical to achieving them, as shown in Figure 1. This section details the acquisition strategy for new business systems, lists the major legacy systems that will not be a part of the objective architecture and discusses the strategy for modifications to legacy systems that will be a part of the objective architecture.

Personnel Visibility	Acquisition Visibility	Common Supplier Engagement	Material Visibility	Real Property Accountability	Financial Visibility
DCPDS DIMHRS DTS	DAMIR MEVA (CAMS-ME)	CCR DoD EMALL EDA eSRS FBO FedReg FPDS-NG JCCS PPIRS SPOT SPS WAWF	IUID MILS to EDI or XML RFID	EL HMIRS HMPC&IMR KBCRS RPAD RPAR RPCIPR RPIR RPUIR	BEIS DAI EFD IGT/IVAN SFIS
<ul style="list-style-type: none"> ■ Target System ■ Initiative ■ Fully Implemented Target 					

Figure 1: Systems and Initiatives to Achieve DoD Business Enterprise Priorities



Section III: Component Transformation

The Components' priorities represent those areas for which increased focus is bringing the most dramatic, immediate and positive impacts on their business operations. The ETP integrates the plans of the Enterprise and six Components and presents a cohesive set of mutually supporting priorities across the Department. The September 2008 ETP provides a detailed description of the time-phased milestones, performance metrics and a budget summary for the 46 Component-level programs and initiatives, as shown in Figure 2.

 Army	 Navy	 Air Force	 DLA	 USTRANSCOM	 DFAS
AM DLS FBS FCS-ACE GCSS-Army GFEBs LMP PPB BOS VIPS	GCSS-MC JEDMICS <i>MC FII</i> MSC-HRMS Navy Cash Navy ERP One Supply TFAS/MOS TFSMS	<i>AF FIP</i> AFRISS DEAMS-AF EBS ECSS EESOH-MIS <i>ETIMS</i> FIRST <i>FM SDM</i> NAF-T <i>PSD</i>	CFMS DLA EBS <i>IDE</i>	AT21 <i>COP D2</i> CPA DEAMS DPS <i>DTCI</i> <i>FC</i> IGC <i>JDPAC</i> <i>JTF-PO</i> <i>PMA</i> <i>TDM</i>	<i>EC/EDI</i> <i>SDI (ADS)</i>
<ul style="list-style-type: none"> ■ Target System ■ Initiative ■ Fully Implemented Target 					

Figure 2: Systems and Initiatives to Achieve Component Priorities



Approach, Progress and Challenges

Introduction

On Inauguration Day in 2009, the country will witness the first wartime change of Presidents in more than 40 years. To make this unique transfer of power as successful as possible, the outgoing administration must do all it can to enable the incoming administration to do its job from day one. The Department's leadership has recognized this challenge and has called on its senior leaders to plan, develop and execute the activities needed to meet it. Gordon England, Deputy Secretary of Defense, has asked these leaders to make their processes as straightforward and understandable as possible, so the next administration can begin with as little confusion as possible.

"I don't want to hand any bowls of spaghetti over to the next administration. We will bring things to a conclusion, or at least have things packaged in a way that they can easily transition to the next team. The best thing we can do for the next team is to have our processes as good as we can get them—as straightforward and understandable—so we can move in the next administration with as little confusion as possible."

—Gordon England, Deputy Secretary of Defense

As one part of meeting this transition challenge, this administration's final ETP includes a primer for DoD Business Transformation. The primer—Approach, Progress and Challenges, is intended for incoming DoD leaders to acquaint them with the current context and approach to Business Transformation, recent progress and the near-term challenges ahead.

The **Approach** section describes the governance, oversight and approach for implementing business transformation. Using this approach during the past four years, the Department has made significant progress, not only in the business capabilities it has improved, but also in the fundamental ways in which it thinks about business operations and the methods to achieve transformation.

The **Progress** section highlights the transformation brought about by the requirements of the Fiscal Year 2005 and 2008 National Defense Authorization Acts (NDAA). The FY05 NDAA required the Department to develop an enterprise architecture, a transition plan and a governance plan for business systems modernization. The FY08 NDAA codified the Deputy Secretary of Defense as the Department's Chief Management Officer and required the Department to develop and submit to Congress a Strategic Management Plan (SMP). This ETP aligns with the SMP's strategic framework goals, which include business priorities that affect business system transformation across the Department. This section also describes noteworthy activities and accomplishments. These accomplishments include significant governance and process changes that have driven DoD business transformation forward.

The ETP describes what the Department is trying to achieve and by when it will achieve it. It establishes a program baseline from which to measure progress. The ETP integrates the transition plans across the Business Mission Area and throughout the six Components.

In the **Challenges** section, the primer concludes with a brief discussion of the business transformation challenges that will confront the new administration during its first months in office.

This primer provides the context and perspective for understanding the information provided throughout the ETP. Since the ETP is the plan for the coming year, the next administration will execute the preponderance of this plan. The ETP not only responds to the requirements of the FY05 NDAA, but it also provides a basis for understanding the Department's transformation progress and its plans for the coming year.



Approach

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. To support this transition, defense business operations must be as nimble, adaptive and accountable as any organization in the world. The conceptual context for this approach includes business transformation oversight, strategic objectives and tiered accountability. These concepts provide the foundation for the Department's approach to business transformation.

Business Transformation Oversight, Strategic Objectives and Tiered Accountability

To oversee its business transformation efforts, the Department established the DBSMC in 2005. It has the responsibility for approving: business systems information technology (IT) modernizations valued at more than \$1M, the Business Enterprise Architecture and the Enterprise Transition Plan. The Deputy Secretary of Defense chairs the DBSMC and its members include the Secretary's Principal Staff Assistants, the Secretaries of the Military Services and the Joint Chiefs of Staff.

The Department has organized its business transformation around the accomplishment of four strategic objectives, each of which illustrates a different aspect of the total transformation challenge. As shown in Figure 3, these objectives shape the Department's priorities and serve as checkpoints for the assessment of the business transformation effort. The overall purpose of the DoD Enterprise is to ensure that the Department rapidly delivers the right capabilities, resources and materiel to the warfighters—what they need, where they need it and when they need it.



Figure 3: Business Transformation Strategic Objectives

To achieve its business transformation strategic objectives, the Department has identified a core set of six Business Enterprise Priorities, as shown in Figure 4. These priorities represent the areas that will bring the most dramatic and immediate capability improvements to the Department. Each Business Enterprise Priority takes into account the critical warfighter and business requirements that cut across multiple functional units to achieve optimal results. The purpose of each priority is to drive needed changes in the Department’s business operations.

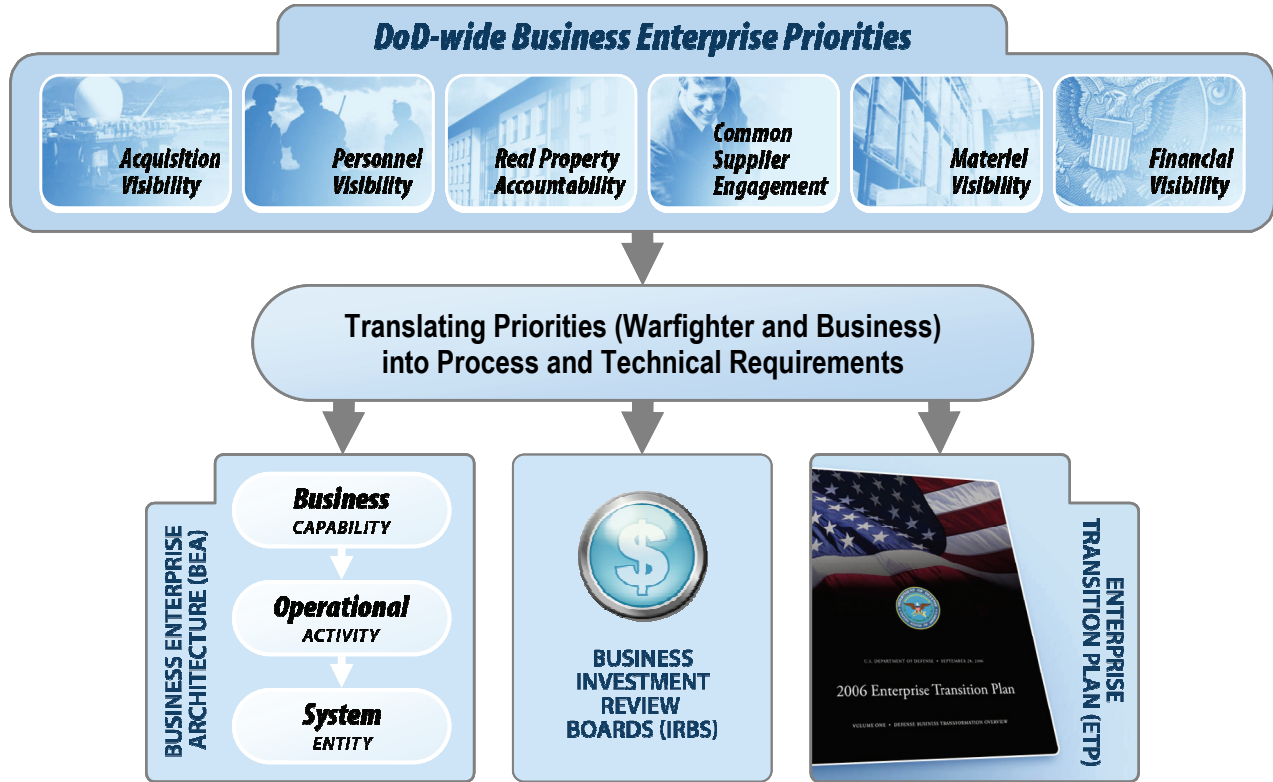


Figure 4: The Path to DoD-wide Business Agility and Information Visibility

The Business Enterprise Priorities’ requirements, their associated process and technical requirements are embedded in the Business Enterprise Architecture (BEA). As such, the BEA guides the evolution of DoD business capabilities Enterprise-wide and explains what DoD must do to achieve interoperable business processes. The BEA provides context and relevance to the priorities by embodying applicable laws, regulations, policies and standards. While the BEA is the blueprint, the Department must also provide the roadmap for how DoD will transition to the target business capabilities. The ETP is the roadmap that provides integrated schedules, metrics and resources that guide the incremental releases of target solutions.

The users of the BEA and ETP, just to mention a few, are the DBSMC, the Investment Review Boards (IRBs), the Department’s Chief Information Officers, program managers and functional specialists. The BEA and ETP are transforming how the Department manages its business systems investments. The IRBs and the DBSMC use these products to constrain redundant IT investments and to validate gaps in required business capabilities.

The Business Enterprise Priorities are appropriately centered on the needs of the DoD Enterprise. This focus recognizes that the Department’s Enterprise requires more in the area of Enterprise-wide data standards and business rules than in the area of hands-on operational business execution, which falls more in the hands of the Components. Finding the right balance between the priorities of the Enterprise and the priorities of its Components is a challenge in any large, complex organization.



The DBSMC, in its role of providing strategic oversight for business transformation across the Department, has led the way in striking that balance under a concept called tiered accountability. Tiered accountability, depicted in Figure 5, is a strategic concept that requires each tier in the DoD organizational hierarchy to focus on those requirements that are relevant for that specific tier, while also being responsible and accountable to the tiers above and below it.

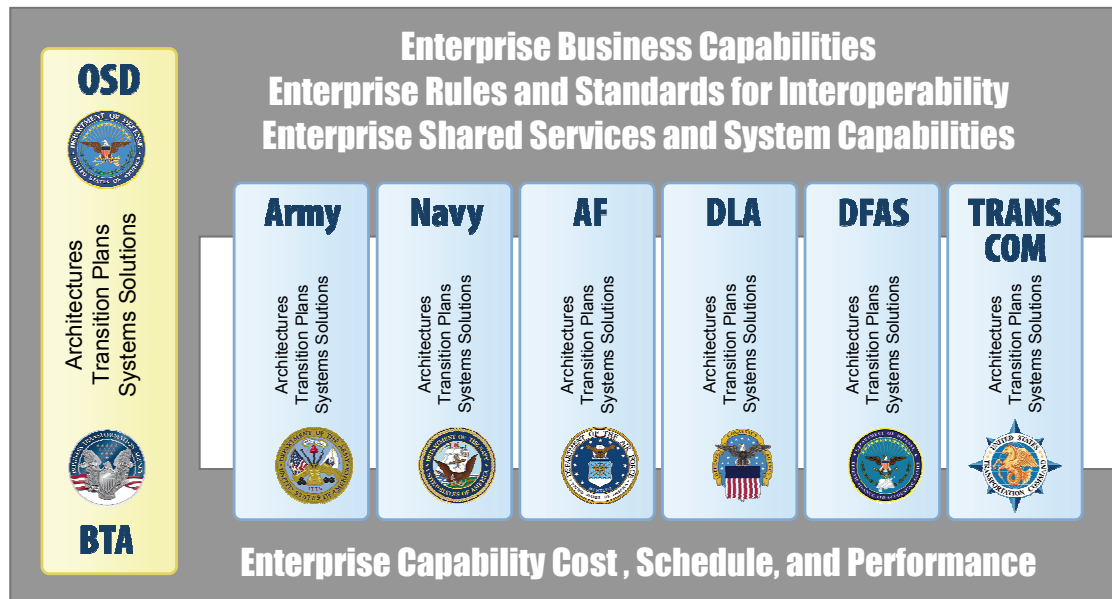


Figure 5: Tiered Accountability

The Department is working to institutionalize tiered accountability by:

- Establishing common business capabilities, data standards and Enterprise-wide systems.
- Dividing the management of business transformation programs, as appropriate, between the DoD Enterprise and the Component Enterprises.
- Establishing a tiered process for control and accountability over IT investments for both DoD Enterprise-level and Component-level business system transformation.
- Managing performance with metrics and milestones at each tier.

An example of the implementation of tiered accountability is the Department's Federation Strategy. Realization of the Federation Strategy will provide for the alignment of the BEA and ETP with the Components' Enterprise Architectures and transition plans, while preserving the Components' autonomy to define and develop their business capabilities.

Business Transformation Approach

The Department based its business transformation approach on the conceptual context just described. This process is capability-driven, program-enabled and architecture-guided:

- **Capability-driven:** Focus is on improving capabilities to better support the warfighting mission, enabling rapid access to information for strategic decisions, reducing the cost of business operations and improving financial stewardship.
- **Program-enabled:** Programs oversee implementation of systems and initiatives that improve or provide specific capabilities.
- **Architecture-guided:** The Business Enterprise Architecture and federated architectures provide a common reference to achieve interoperability and integration of business systems and processes.

Progress

The Department's Business Transformation approach provides the foundation for the steady progress it made during the past four years. DoD uses this approach to satisfy the requirements of the FY05 and FY08 NDAs. Highlights of this progress are described in the following two sections.

The Department understands that business transformation is a marathon, not a sprint. Consistent with this understanding, DoD has made steady, significant progress.

Fiscal Year 2005 through 2007

The FY05 NDA required the Department to establish the DBSMC and five functional IRBs to oversee business systems modernization. These governance bodies have responsibility for reviewing and approving: business systems IT modernizations valued at more than \$1M, the Business Enterprise Architecture and the Enterprise Transition Plan. The Deputy Secretary of Defense chairs the DBSMC and its members include the Secretary's Principal Staff Assistants, the Secretaries of the Military Services and the Joint Chiefs of Staff.

DoD met this statutory requirement and since then continues to improve the governance of its business operations through refinements to the DBSMC and IRB governance structure. The DBSMC, which serves as the overarching governance board for business operations, guides business transformation and oversees the Enterprise.

As an example, during its first meeting, the DBSMC leadership focused on the Defense Integrated Military Human Resource System (DIMHRS), recognizing that it was critical to achieving accurate pay by deploying an integrated personnel and pay solution. The committee reviewed DIMHRS' progress and then requested additional information for analysis. Given its importance to the Enterprise, the DBSMC required regular DIMHRS progress reports and has remained actively engaged in the oversight of the fielding of the DIMHRS program.

By the end of FY05, the Department also understood that to ensure consistency and expediency across the Enterprise, it would need a common policy for all IRBs to follow. An important objective of that policy is the implementation of tiered accountability. DoD leaders recognized that tiered accountability responded to the statutory nature of the Department. The Department also recognized that it could not transform itself overnight and needed to establish strong foundations upon which it could build. Consequently, the Department established a clearly defined and bounded governance structure with specific responsibilities and equipped it with standard policies for which there was broad agreement. DBSMC leaders quickly realized that the ultimate transformation of the Department's business operations depended on the acceptance and support of this governance structure throughout DoD.

From the Spring of 2005 to the Fall of 2007, the DBSMC approved funding for 304 individual systems, representing \$7.5B in modernization investment funding. These approvals did not always result in optimal Enterprise solutions. The FY05 NDA assigned the Secretary's Principal Staff Assistants overall responsibility for oversight of the business capabilities within their specific business areas. This reinforced a "stove-piped" rather than an Enterprise perspective for IT investments. Fortunately, DBSMC/IRB leaders recognized this reality in FY07. To improve collaboration and discussion across the IRBs, monthly IRB chair meetings were held. In addition, the chairs agreed to conduct "combined" IRB meetings to focus on the implementation of ERP systems. Combined IRB meetings were attended by representatives of all IRBs. At these sessions, the participants were asked to adopt an Enterprise perspective, so that the combined IRB could provide the best advice to the DBSMC.

As IRB/DBSMC decision makers began to discharge their Enterprise-level responsibilities, they required better information to make decisions. The DBSMC wanted to know why it took so long for programs to develop capabilities and why some programs did not deliver capabilities as planned. To address these questions the Department piloted a new concept called Enterprise Risk Assessment Methodology (ERAM) in FY07. Under the pilot concept, the Department created teams comprised of industry experts who had successfully implemented IT solutions in the commercial or Government environments. The ERAM Team conducted site visits in which they worked face-to-face with the program management office staff to identify program vulnerabilities and to provide mitigation solutions. Decision makers realized that ERAM gave them



valuable insights into programs. The IRBs and the Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)) began to rely on ERAM information to help them make better recommendations to the DBSMC. Currently, there are eight major automated information systems (MAIS) under BCL and the Department expects that all new business MAIS will utilize it.

Just as business transformation governance is evolving, so too is the use of the BEA. It allows the Department to establish benchmarks for the alignment of business systems to the Department's future business environment. At first, the mapping process for assessing compliance was manual. Compliance initially focused on laws, regulations, policies, and limited data standards. As priorities change and investment management capabilities mature, the BEA will continue to evolve and compliance requirements will become more rigorous and more focused on information assurance, interoperability, data standards and end-to-end (E2E) processes.

As the governance structure and the BEA have evolved, so too has the ETP. To help guide business transformation efforts, the Department released its first integrated ETP on September 30, 2005. For the first time, the Department provided its internal and external stakeholders a comprehensive view of the systems and initiatives that will transform the largest business entity in the world. This integrated 2008 ETP displays the progress the Department has made and sets a course for the year ahead.

The Department soon capitalized on its transformational foundation to address the revitalization of the Iraqi economy. The Deputy Secretary of Defense established the Task Force to Improve Business and Stability Operations in Iraq (TFBSO) in June 2006 and appointed the Deputy Under Secretary of Defense for Business Transformation to lead the Department's efforts to stimulate economic growth to counter an insurgency fueled by rampant unemployment and lack of economic opportunity. The Task Force evaluated DoD business operations and associated systems in use in Iraq affecting contracting, logistics, funds distribution and financial management to ensure the systems' capabilities supported achievement of the theater commander's goals for reconstruction and economic development.

Not long after the Department's business transformation began in earnest, its leaders decided to institutionalize its day-to-day management. In October 2005, the then-acting Deputy Secretary of Defense established the Defense Business Transformation Agency (BTA). The BTA manages the Department's business transformation effort at the Enterprise level and supports the DBSMC and the IRBs.

Fiscal Year 2008

This past year, the Department continued to build upon the transformation foundation first established in FY05, supported by lessons learned. DoD satisfied new requirements established by Section 904 of the FY08 NDAA, delivered the Performance Improvement Officer Plan, institutionalized Lean Six Sigma (LSS), created a transformed process for security clearance suitability and made additional progress made through the efforts of the Task Force to Improve Business and Stability Operations in Iraq. Each of these initiatives is described below.

Section 904 of the FY08 NDAA

Section 904 of the FY08 NDAA codifies the Deputy Secretary's role as the Department's CMO. The section also created the position of the Deputy Chief Management Officer (DCMO) to assist the CMO to effectively and efficiently organize the Department's business operations. In July 2008, the Department submitted to Congress a plan for implementing the CMO and DCMO positions. In the implementation plan, the Secretary of Defense assigned these duties to the CMO:

- Ensure Department-wide capability to carry out the strategic plan of the Department of Defense in support of national security objectives.
- Ensure the core business missions of the Department are optimally aligned to support the Department's warfighting 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.

The DCMO, when appointed and confirmed, will be the Principal Staff Assistant and advisor to the DoD CMO for matters relating to Defense-wide business operations. The DCMO will oversee a small office element outside of the Secretary's immediate office. Acting through the CMO, the DCMO will:

- Synchronize, integrate and align business operations of the Department.
- Develop and periodically update the DoD Strategic Management Plan.
- Supervise the Director of the Business Transformation Agency.

Additionally, the office of the DCMO will oversee the responsibilities of the Performance Improvement Officer, as specified in Executive Order 13450. These duties include developing Enterprise performance goals, synchronizing strategic plans and reporting on performance results.

Section 904 also directed the Department to develop and submit to Congress its Strategic Management Plan (SMP). The Department submitted its inaugural SMP at the end of July. It is a first step toward providing Congress a comprehensive plan and it will serve as a framework for future updates. It describes how each element of the Department's current strategic management approach is used to define, execute and measure the performance of business operations. These elements are:

- **The Strategic Management Framework:** The planning and analysis steps used to translate Administration priorities for national defense into defense strategic goals that can be cascaded through to the Military Services and Defense Agencies to be used to develop supporting execution and resource strategies. The Department's strategic goals include priorities for business transformation, as defined by the Department's overarching strategic guidance documents and supporting guidance issued by functional and enterprise managers.
- **The Strategic Management Decision Process:** The information-gathering protocols, databases, analysis procedures and issue-resolution forums used by the Secretary and his senior staff to raise questions, adjudicate disagreements and finally to come to consensus on the specific steps needed to be taken to achieve performance goals. This process also provides information needed to monitor and assess results. During this decision process, recommendations for implementing business transformation are balanced against other Departmental priorities and finalized for inclusion in the DoD portion of the President's Budget.
- **Strategic Governance and Advice:** The groups and boards that draw their membership primarily from the Secretary's senior staff and key advisors and which are matrixed within the management framework and across decision processes to provide an informed baseline for the Secretary's decisions.

Section 904 also requires the Secretaries of the Military Departments to designate their Under Secretaries as Chief Management Officers and to give them the primary management responsibility for business operations. The Department submitted its plan for implementing the Military Departments' CMO positions in July 2008.

Performance Improvement Officer

On November 13, 2007, President Bush signed Executive Order 13450, *Improving Government Program Performance*, which directed all federal departments to appoint a Performance Improvement Officer (PIO) with the goal of spending taxpayer dollars effectively and more effectively each year.

The Department of Defense is the largest and most complex organization in the world. It manages a budget more than twice that of the world's largest corporation, employs more people than the population of a third of the world's countries, provides medical care for as many patients as the largest health management organization and carries 500 times the number of inventory items as the world's largest commercial retail operation. Managing and improving the performance of such a complex Enterprise requires strong strategic alignment among its disparate component organizations and the implementation of an effective plan.

The Principal Deputy Under Secretary of Defense for Business Transformation has been appointed as the DoD Performance Improvement Officer. As directed by the President's Executive Order, the PIO, among other things, supervises the performance management activities of the Department, advises the Secretary of



Defense on performance goals and measures and convenes the appropriate agency personnel throughout the year to assess and improve program performance and efficiency. Additionally, the Performance Improvement Officer represents DoD on the Office of Management and Budget Performance Improvement Council.

The DoD PIO Implementation Plan, published in March 2008, lays out the focus and priorities of the new DoD PIO and the steps that the PIO will take to satisfy the requirements of the President's Executive Order and improve the performance of the Department.

While the Department's size and complexity is daunting, it is by no means unmanageable. The initial implementation of the DoD PIO Plan focuses on three main areas:

- Ensure the Department tracks measurable outcomes and appropriate milestones in its internally identified Transformation Priority Areas and in the Government Accountability Office's (GAO) identified High Risk Areas.
- Align and integrate the current performance improvement and management functions of the Department. The PIO will as necessary:
 - Create goals and plans to achieve those goals.
 - Develop metrics to measure progress toward achieving those goals.
 - Define accountability for progress against those goals.
 - Provide visibility into progress against those goals.
- Work with other stakeholders in DoD to implement the requirements for the Department contained in the Section 904 of the FY08 NDAA. This specifically includes the requirement for the creation of a SMP for the Department.

The Department is already making progress in these areas as evidenced by the publication of its inaugural SMP. It supports the Department's concept of tiered accountability by creating high-level management goals and objectives to which each organization's individual strategic plans can align. The SMP also makes explicit in the Department's strategic management framework, the need to tie organizational sub-objectives with rigorous, outcome-focused measures and appropriate milestones.

Lean Six Sigma

On May 15, 2008, the Deputy Secretary of Defense directed that the Department adopt Lean Six Sigma (LSS) to improve productivity, mission performance, safety, flexibility and energy efficiency. LSS seeks to reduce variability in process execution and to eliminate waste. The new directive institutionalizes the Department's plan to make LSS and Continuous Process Improvement (CPI) a permanent part of DoD culture. It establishes policy and assigns responsibilities for making CPI/LSS one of the primary approaches for assessing and improving the efficiency and effectiveness of DoD processes in support of the Department's national defense mission. The directive calls on DoD Components to use CPI/LSS concepts and tools to improve the full range of processes and activities within their operations, including decision-making processes.

This directive built on the foundation laid in April 2007 when the Department established the DoD Lean Six Sigma Program Office. Since the Department established the program office, it has made significant progress. Training classes have been established and completed and projects have been executed that yielded savings of time and money. The program office has created performance measures and is tracking them. The Department as a whole has completed over 14,000 projects. The CPI/LSS office trains, mentors and documents results at the Office of the Secretary of Defense level. To date, 109 completed projects, with a measurable outcome, have resulted in a:

- Reduction of 23,216 process days
- Cost avoidance of \$600,000



As customer requirements and priorities evolve, it is crucial that the Department has the agility and flexibility to meet its needs in the most effective way possible. Lean Six Sigma is a disciplined improvement methodology that utilizes a combination of rigorous analytics and common sense to create efficient and effective processes. Lean Six Sigma provides a framework through which complicated processes can be examined in an organized and understandable way, thereby allowing people to identify where specific inefficiencies reside and then eliminating them. At the end of the day, it is leaders that make Lean Six Sigma successful, not the other way around. Leadership coupled with clear objectives, projects with impact, rigorous tracking and a robust recognition program are key to driving the successful deployment of Lean Six Sigma across DoD.

Case in Point: LSS Project—Shipping Container Management

Two Black Belts from the DoD Lean Six Sigma Program Office accelerated efforts to manage shipping containers in Kuwait early this summer. The Black Belts spent a week in June at Camp Arifjan, Kuwait, clarifying the container management problem and developing new, end-to-end process maps.

They supported projects originally started by the 1182nd Transportation Terminal Battalion. Its commander, Lieutenant Colonel Becky Upton, U.S. Army, appreciated their help. “From my perspective here in theater, their visit was tremendously useful. Many organizations say, ‘we’re here to serve the Warfighter’, but when it gets right down to it, few are willing or able to come over here, roll up their sleeves and help,” she said. “As a result of their efforts, we are much further ahead in our current projects and we are confident that we will complete them on time,” Lieutenant Colonel Upton said.

“From my perspective here in theater, their visit was tremendously useful. Many organizations say, ‘we’re here to serve the Warfighter’, but when it gets right down to it, few are willing or able to come over here, roll up their sleeves and help.”

—Lieutenant Colonel Becky Upton

The cost of container management in Iraq and Afghanistan has been a high visibility issue since 2004. The Department leases large metal containers for logistics shipments, but the leases include “detention costs” for any containers held for more than ten days following delivery to the port. These detention costs were exceeding \$12M a month for Iraq operations. While everyone understands the need to return a rental car, nearly no one applies this analogy to the need to return shipping containers.

The Black Belts said this behavior was partially explained by how people perceived the empty containers. They were not regarded as rental cars to return, but as gigantic cardboard boxes with lots of other uses. Soldiers used them as barracks. Commanders buried them in dirt berms to provide protection for their forces. Supply clerks turned them into warehouses.

The other part of the problem was access to reliable data. The Soldiers needed data that could tell the commander how many containers were not accounted for in the records. The databases were not providing this visibility.

Once the Black Belts arrived in Kuwait, they immersed themselves in the project. Part of the team created a data collection/analysis plan and the rest developed the detailed “as is” process maps. The team soon learned there was no substitute for working face-to-face with the Soldiers in the 1182nd. It was not a problem that could be addressed and resolved through e-mails with attachments. The team had to stand in front of the white board and write the processes on it with help from the 1182nd. The Black Belts believed this collaboration resulted in making six months of progress on the projects in a six-day visit.

Completion of these projects will result in high visibility databases and the implementation of improved processes aimed at preventing detention costs on containers.



Security Clearance Process Reform

One of the most ambitious CPI/LSS projects the Department has ever participated in is an end-to-end reform of the Government's security clearance process. DoD has worked on this project in close cooperation with the Office of the Director of National Intelligence, the Office of Management and Budget and the Office of Personnel Management. The team began work on this project in June 2007 and it has developed a vision of a transformed clearance process and included it in its April 30, 2008 report to the President.

The team developed a transformed process that employs updated standards, methods, tools and technologies to ensure effective and efficient performance across the U.S. government. It is presently working on ways to prove the innovations in the transformed process and has begun drafting the policy changes that ultimately will be needed to enable the change. It is important to note that the team's work has always been to create a transformed process and to define a desired future state. The goal is to go beyond adding an IT modernization to the existing cumbersome process.

The challenge for those involved in the process is to manage an end-to-end process across the federal government and to optimize each segment of the process (application, investigation, adjudication, aftercare) as well as the flow between them. For example, reductions in the backlog in investigations, though essential, may translate to work accumulating in other areas, such as adjudication facilities, unless all are working with the end-to-end perspective in mind. That is the vision of the future state: to find end-to-end solutions and improve the experience of the agency and individuals the process is trying to serve.

Case in Point: Defense Information System for Security (DISS)

DISS is the vehicle through which the Department is revolutionizing the hiring and clearing process. DISS is reforming processes for determining eligibility for access to classified information, determining suitability for federal employment, determining eligibility to work on a federal contract and granting access to federally controlled facilities and information systems. When fully implemented DISS will support reform activities that will enable the Department to make initial security decisions in 60 days, as required by the Intelligence Reform and Terrorism Protection Act of 2004.

DISS focuses on reengineering business processes, while leveraging technology to accelerate the security clearance process. The end result will be a single, end-to-end, secure, authoritative system within the Department of Defense for timely dissemination of and access to security information. Central to the success of the DISS program is the design, development, testing and implementation of end-to-end information technology.

Benefits of DISS support the Joint Security and Suitability Process Reform's Initial Report.

- More relevant information is collected and validated at the beginning of the process, using the application, automated record checks and subject interview.
- Automation is used to expedite the process, streamline, reduce manual activity and leverage additional data sources.
- Field investigative activity is focused to collect and validate targeted information.
- Risk decisions rely on modern analytic methods, rather than on practices that avoid risk.
- Relevant data is better used for subsequent hiring or clearing decisions reducing duplication of requests and ensuring consistent quality and standards.
- Continuous evaluation techniques replace periodic reinvestigations, utilizing more frequent automated database checks to identify security relevant issues among already cleared personnel, permitting targeted resolution of cases as issues arise.

Work within the Department is underway.



Task Force to Improve Business and Stability Operations in Iraq

The Department's Task Force to Improve Business and Stability Operations in Iraq (TFBSO), established in 2006, supports security and reconstruction efforts in Iraq by working to revitalize the Iraqi economy and reduce the high unemployment facing Iraqis today. It is widely acknowledged that economic hardship has contributed to violence and instability. The Department has recognized that security and economic reconstruction must go hand in hand in Iraq.

Developing the Iraqi economy is vital to rebuilding Iraqi society. The sustained security improvements in Iraq have allowed work to begin on the various components of economic development and have created opportunities for investment in an emerging free market economy.

The Government of Iraq has initiated efforts to build the policy and legal structure at the macroeconomic level and other efforts are underway at the small business grassroots level directed at micro loans and local assistance. The TFBSO is working on tactical initiatives that enable restarting of the core industrial engine of the economy such as reemployment, supply chain integration and private investment. In partnership with the Government of Iraq, the TFBSO is pursuing a comprehensive economic restoration plan with seven areas of focus:

- **Foreign Direct Investment/Private Investment:** Facilitating rapid private direct investment opportunities from financial institutions, private equity and corporations.
- **Privatization:** Supporting the Iraqi Ministries and Iraqi investment commission with developing transparent processes for evaluating and awarding contracts and joint ventures as the first steps in the privatization of state owned enterprises.
- **Market Demand Establishment and Restoration:** Recreating intra-Iraq demand among factories, facilitating global supply chain agreements and joint ventures.
- **Industrial Capacity Restoration:** Restarting and restoring production to the Iraqi industrial base.
- **Direct Economic Stimulus/Contracting:** Developing policies, processes and systems to enable and encourage U.S. government contracting with private Iraqi businesses through the Iraqi First Program.
- **Banking and Financial Networks:** Developing electronic banking capabilities and establishing financial systems.
- **Communications Infrastructure:** Supporting the development of necessary wireless and wire-line communications infrastructure capable of supporting growing economic activity.

These economic development efforts have resulted in over 100,000 sustained manufacturing and professional jobs in Iraq. The first steps have been taken towards privatizing Iraqi state owned enterprises and developing the private sector and entrepreneurial base of the future Iraqi economy. The TFBSO continues to work in partnership with the Government of Iraq to stimulate rapid establishment of the necessary elements of a modern industrial economy as an essential pillar of success for Iraq.

During the past year, factories have restarted production, Iraqis have been 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. Examples can be found in the manufacturing sector. In late October 2007, the Task Force assisted a generator contractor in providing electrical generators to Fallujah Cement, so that it could restart cement production. This arrangement allowed Fallujah Cement to produce cement and then give it to the generator contractor. This short-term solution helped restart cement production, while efforts to provide stable power continued.

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.



Support to the Unified Combatant Commands' (UCCs') Transformation

The Department is responding to immediate and urgent Business Enterprise Priority shortfalls adversely impacting the warfighting effectiveness of one or more UCCs. Solutions, identified in coordination with appropriate stakeholders, augment and support DoD's long-term defense business transformation initiatives.

U.S. European Command (EUCOM) and U.S. Africa Command (AFRICOM) are challenged to apply their resources to promote peace. Meeting this challenge requires a rethinking and realignment in the traditional role of a unified command. The Department is using its transformational skills to help EUCOM and AFRICOM. The Department hosted a business innovation exposition in April for AFRICOM to connect its staff with the business community working on the continent, inform the industry base about AFRICOM, engage with and between organizations that develop and provide future capabilities and to expose the AFRICOM staff to these industry capacities and capabilities. The Department recognizes that industry has developed the processes and learned its lessons from working in Africa for generations. Leveraging this experience is one of many ways to drive the development of this new unified command.

In June, the Department also supported an AFRICOM Academic Symposium. This symposium was designed to introduce AFRICOM and its mission and objectives to the broader academic community in the United States and to discuss the potential interface between AFRICOM and the academic community.

Finally, in July, the Department hosted the "US EUCOM 2020: Partnership Building Symposium." The symposium was designed to provide the EUCOM leadership a forum to hear and discuss perspectives for issues facing EUCOM's government, private sector and academic partners during the next 10 to 12 years. One of the mandates of the symposium was to help EUCOM shape its strategies and to build capacity in collaboration with its partners to achieve common goals. The Department's ultimate goal is to engage directly with the UCC's and provide them direct support in achieving their business transformation objectives.

Challenges

This primer concludes with a brief discussion of the business transformation challenges the new administration will face in its first few months. They include the update to the SMP, further progress on the implementation of the CMO and DCMO positions, sustained leadership, and implementation of end-to-end business flows.

Strategic Management Plan (SMP) Update

Section 904 of the FY08 NDAA requires delivery to Congress of an update to the SMP on July 1, 2009. Based on the recent delivery of the FY08 SMP, the update is expected to cover these elements:

- Performance goals and measures for approving and evaluating the overall efficiency and effectiveness of business operations.
- Key initiatives to be undertaken in meeting performance goals and measures.

Implementation of the CMO and DCMO Positions

Section 904 of the FY08 NDAA also requires the designation of the Deputy Secretary of Defense as the Department's Chief Management Officer. It also requires that the Secretary appoint a DCMO to assist the CMO to effectively and efficiently organize the business operations of the Department. The Department submitted a plan to Congress in July 2008 for implementing these positions. Establishing these positions, their supporting staffs and key processes will be an organizational challenge during the first few months of the next administration.

Section 904 requires the Secretaries of the Military Departments to designate their Under Secretaries to be the Chief Management Officers with primary management responsibility for business operations. The CMO has the responsibility to provide information relating to the business operations of the Service to the Department's CMO and DCMO, according to Section 904. Establishing these positions, their supporting



staffs and key processes will be an organizational challenge during the first few months of the next administration.

Sustained Leadership

For strategic management decisions, the Secretary of Defense relies on three governance and management advisory groups to review options and recommend strategic and resource alternatives. The effect is to create teams composed of the Department’s senior leaders, who focus on different issues related to managing defense operations, but with a consistent objective of aligning management decisions to the strategic outcomes in support of the warfighter. On May 11, 2008, the Secretary of Defense designated three primary governance bodies to advise and assist him in making key strategic management decisions related to aligning the Department’s business operations with strategic goals:

- The *Defense Senior Leadership Conference (DSLCC)* meets twice a year to address issues and priorities and to provide advice and assistance to the Secretary on the strategic direction of the Department.
- The *Senior Leader Review Group (SLRG)* meets at the discretion of the Secretary to address broad, crosscutting strategic issues affecting the Department.
- The *Deputy’s Advisory Working Group (DAWG)* meets weekly to provide advice and assistance on matters pertaining to DoD enterprise management, business transformation, and operations; and to provide strategic level coordination and integration of budget and assessment activities.

In addition to these three organizations, the Department is expanding the DBSMC’s responsibilities to advance the development of world-class business systems to support the warfighter.

Implementation of End-to-End (E2E) Business Flows

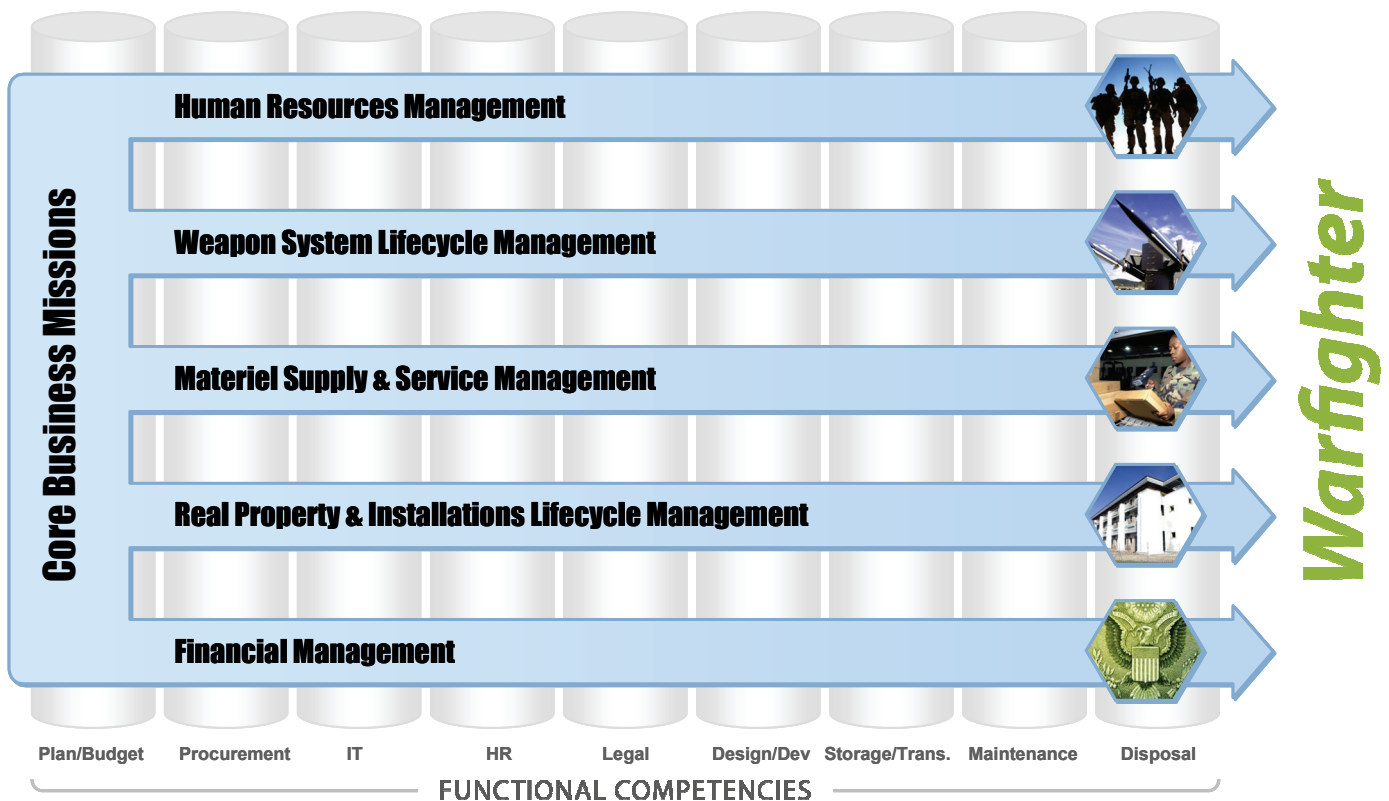


Figure 6: Delivering E2E Processes to the Warfighter



To continue its business transformation progress, the Department will need to focus on the optimization of E2E business flows. These solutions, or sets of solutions, will have to be agile enough to traverse the functional competencies shown in Figure 6. In addition, to deliver capabilities to the warfighter, these solutions will be required to flow in and out of more than one Core Business Mission.

The Department has recently undertaken a comprehensive review of E2E business flows under the direction of the DBSMC, to identify potential policy, system, data and governance changes that will enhance the delivery of the target environment. Ultimate success will require the application of tiered accountability, successful implementation of the Federation Strategy and the realization of the cultural shifts envisioned by the Department's Enterprise focus areas. The Department's E2E processes must reflect transformation not only in the processes themselves, but also in the Enterprise.



Enabling the Enterprise

Introduction

Approach, Progress and Challenges laid the conceptual foundation for the DoD Enterprise by describing its governance and architecture. When used in the ETP, the Enterprise consists of all defense business functions, the related information technology and the organizations and staff, construed from a holistic view. The Enterprise is the people, processes and technology supporting business functions throughout the entire Department who must coordinate their functions and share information. The Enterprise integrates policy, execution, analysis and decision making across DoD.

This section focuses on what the Department must do next to enable the Enterprise. It is an ‘evolutionary’ approach that focuses on the rapid acquisition of interoperable Commercial Off-the-Shelf (COTS) business capabilities, which respond to the needs of the joint warfighter. The objective is to put capabilities into the hands of the user quickly, balancing the enterprise’s needs, priorities and resources. The success of the strategy depends on sustained leadership, ever-increasing knowledge/visibility for the governance bodies and the maturation of knowledge that leads to disciplined implementations that provide increasing capabilities over time.

One of the more important challenges DoD faces is the adoption of a unifying culture that is committed to transforming the Enterprise. Although many barriers have been overcome in the past year, many remain. Transforming DoD's business operations requires a rapid flow of information across and among multi-level systems and organizational boundaries. As DoD pushes toward the greater use of COTS solutions, it faces a more compelling need to integrate those solutions with each other and with existing systems to insure effective global support down to the last “tactical mile”.

To this end, in 2007, the Deputy Secretary of Defense established the 25 DoD Transformation Priorities to focus the Department on achieving progress on important reform initiatives. Five of these priorities are directed toward transforming Enterprise management:

- Establish a new strategic planning process
- Streamline security clearance process
- Implement the Defense Business Systems Management Committee agenda
- Modernize and integrate critical financial management and internal control systems
- Pursue targeted acquisition reforms

To drive implementation of these priorities, the responsible organizations immediately developed milestone plans that included tasks and milestones through the end of FY08. This section will address how the Department is meeting one, or more, of these five Transformation Priorities.

To facilitate the development and adoption of a unifying culture, the Department must make itself ready for change. It uses these five enablers to drive change readiness:

- Enterprise governance
- Enterprise processes
- Enterprise standards
- Enterprise architecture
- Implementing ERP systems as the Enterprise backbone



Enterprise Governance

Transforming Enterprise Management

As was described earlier, Section 904 of the FY08 NDAA directed the Department to develop and submit to Congress its SMP. The Department submitted its inaugural SMP at the end of July 2008. It is a first step toward providing Congress a comprehensive plan and it will serve as a framework for future updates. It describes how each element of the Department's current strategic management approach is used to define, execute and measure the performance of its business operations.

Implement the DBSMC Agenda

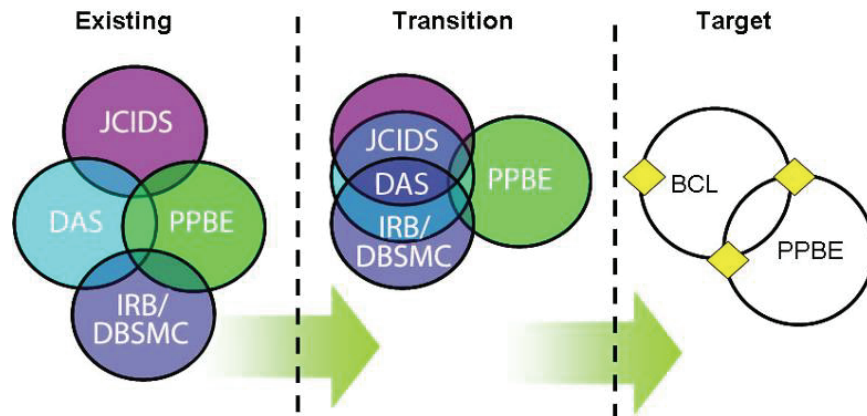
While the DBSMC was established in response to the language in the FY05 NDAA, Deputy Secretary England continually expands its role toward becoming the Department's single decision forum for business operations. He has accomplished this by ensuring that the DBSMC's agenda included the review and discussion of the cross-cutting business issues, such as:

- Enhance Enterprise-level governance over end-to-end business process and system solutions.
- Scope the Enterprise(s) DoD is attempting to optimize.
- Pursue policy changes in concert with Enterprise optimization.
- Oversee the outcomes of GAO High Risk areas.
- Initialize Enterprise-level Lean Six Sigma projects.

Streamlined Governance for Acquisition of Business Systems—BCL

The DBSMC and the IRBs, in FY08, were established as the single governance framework for the BCL process, the tailored approach for consolidating the requirements, acquisition and certification processes for business capabilities from initiation through execution. The Department plans to continue this evolutionary process into FY09 and beyond by institutionalizing these efforts in various DoD issuances.

BCL consolidates existing requirements, acquisition and architectural compliance processes into the business enterprise governance framework. This framework provides increased visibility to business capabilities across the Enterprise, allowing for more informed oversight and decision making from capability origination to execution. It also reduces duplicative processes, documentation and oversight. This integration of existing processes into BCL is depicted in Figure 7.



Joint Capabilities Integration Development System (JCIDS)
 Defense Acquisition System (DAS)
 Planning, Programming, Budget and Execution (PPBE)
 Investment Review Board (IRB)
 Defense Business Systems Management Committee (DBSMC)

Figure 7: Streamlined Governance under BCL



Enterprise Processes

E2E Business Flows

As work progressed with the Components on the development of ERP systems, it became evident that many of the existing institutional business processes had not changed materially for decades, while environmental factors had changed dramatically. These existing business processes are primarily aligned along functional domains within which managers operate within their span of control, while the business processes themselves span the domains. Fifteen E2E business flows are identified for potential use in determining the gaps within the evolving ERP environment. An E2E business flow represents a set of integrated business processes that fulfill a need identified by the organization. By its nature an E2E business flow is cross-functional, cutting across organizational boundaries. The Department is continuing to evolve these E2E business flows and expects to make definitional changes as users and organizations become more familiar with them. Six of these E2E business flows have already been incorporated into the BEA, as shown in Figure 8.

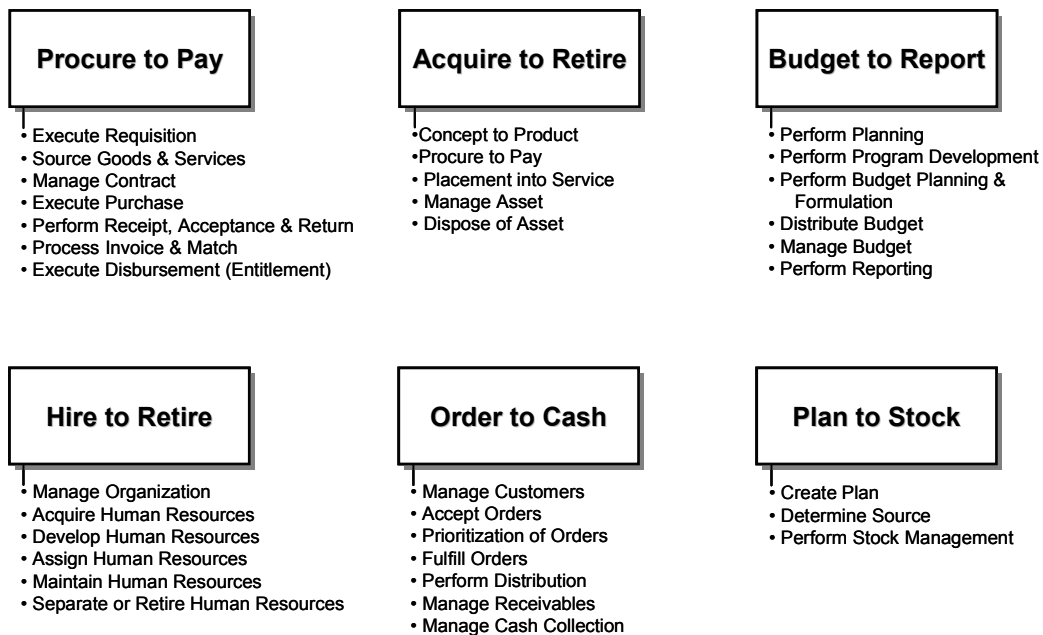


Figure 8: E2E Business Flows

Case in Point: Procure to Pay (P2P)

The E2E business flows allow linkage of systems and services facilitating the development of capabilities across the Department. P2P is one of the 15 E2E business flows the Department has identified and it is 1 of 6 already incorporated in the BEA. P2P encompasses all business functions necessary to obtain goods and services. It includes such functions as requirements identification, sourcing, contract management, purchasing, payment management and receipt/debt management. Figure 9 depicts the interrelationships among P2P, the BEA and supporting systems.

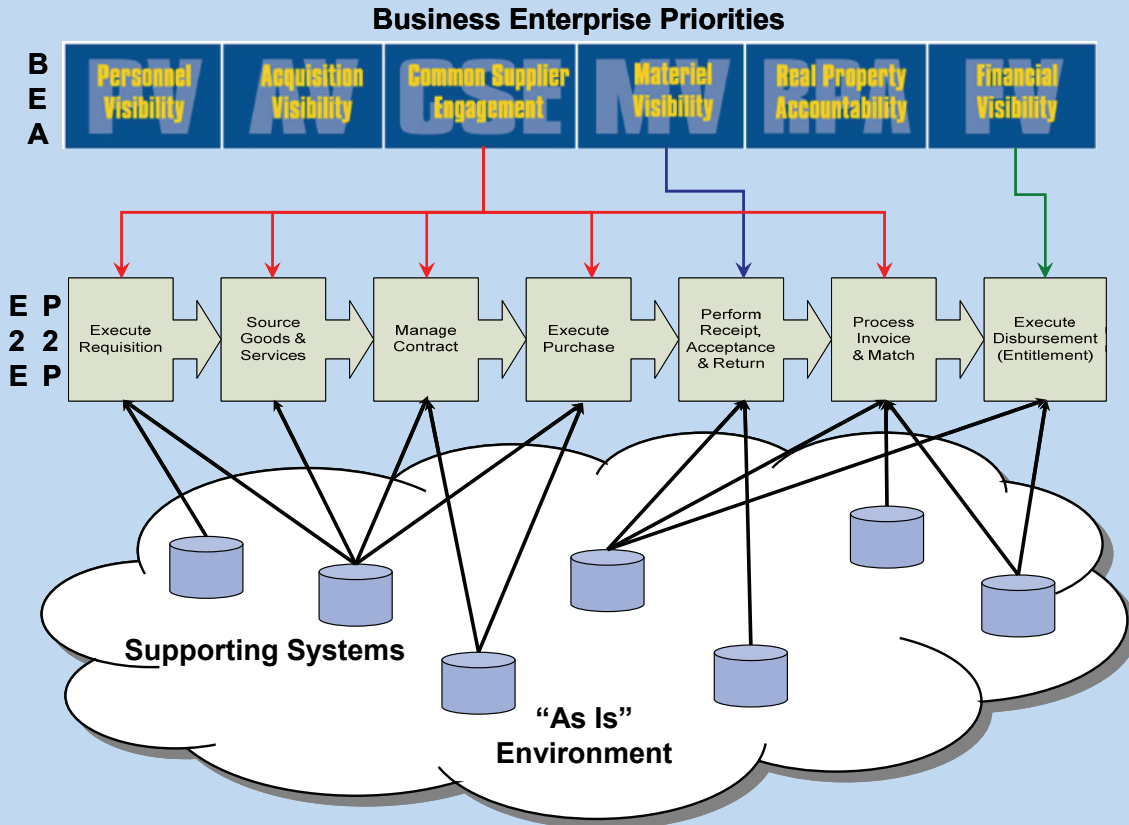


Figure 9: Procure to Pay Business Flow

The BEA is comprised of the six Business Enterprise Priorities. The BEA contains the required business capabilities at the Enterprise-level. Realization of these capabilities is made possible through the execution of the E2E processes. Execution of these processes makes use of supporting systems in the “As Is” environment. As the figure depicts, more than one system may support execution of a process step.

The current process flow within the Department for the P2P process is extremely complex, crossing multiple organizational and functional boundaries. Lacking many of the necessary Enterprise standards, including those for data and business rules, makes it extremely difficult to implement new systems in conjunction with this non-standard legacy environment. The Department has recently undertaken a comprehensive review of this Enterprise process under the direction of the DBSMC, to identify potential policy, system, data and governance changes that will enhance the delivery of the target environment.



Streamline the Security Clearance Process—An Enterprise Process Tactical Example

One of the Deputy Secretary’s 25 Transformational Priorities is to streamline the security clearance process. The Department co-led the Joint Security and Suitability Reform Team in the development of a transformational process that employs updated standards, methods, tools and technologies to ensure effective and efficient performance across the U.S. government. This process is shown in Figure 10.

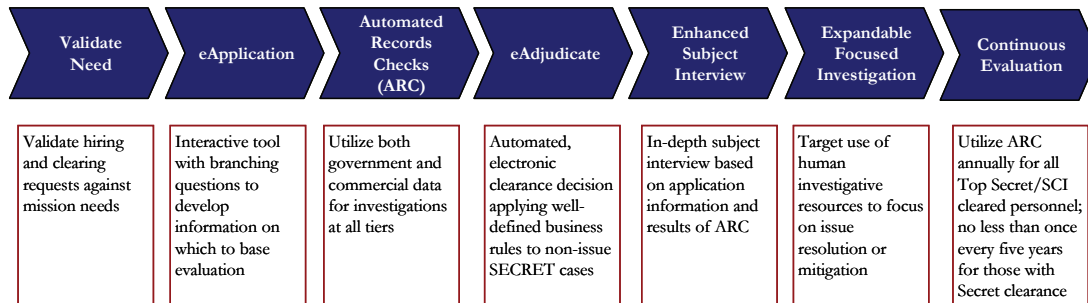


Figure 10: Transformed Process

Material effort in 2008 produced substantial results for the Department in each step of the transformed process. To continue progress, the Department plans to achieve the process step milestones, as shown in Table 1.

Table 1: Transformed Process Steps, Milestones and Dates

Transformed Process Step	Milestone	Date
Validate Need	Develop and deploy single sign-on interface for DoD and non-DoD entities to provide expanded, suitability and clearance data	September 2008
	Develop billing validation tool	December 2008
Electronic Application (eApplication)	Develop next generation eApplication to include branching questions, tiered eQIP and expanded quality controls/data validation	July 2009
	Complete implementation of eQIP across the federal government	September 2009
Automated Records Check	Develop plan for Initial Operating Capability of ARC	November 2008
	Deploy ARC for Continuous Evaluation	September 2009
eAdjudication	Deploy Secret clean case eAdjudication for select DoD populations	November 2008
	Develop plan for eAdjudication for other than Secret cases	November 2008
	Expand electronic case file delivery to all adjudication facilities	November 2009
Expanded Focus Investigation/Enhanced Subject Interview	Revise current Top Secret subject interview policy to address developed issues	September 2008
	Develop standardized training and certification for security professionals	December 2009
Continuous Evaluation	Develop plan for Initial Operating Capability for ARC	November 2008
	Deploy ARC for Continuous Evaluation	September 2009



Business Capability Lifecycle—An Enabling Process

In an effort to speed the delivery of business capabilities to the warfighter and to pursue targeted acquisition reforms, the Department continues to implement the BCL process. It utilizes a tailored approach to the existing DoD acquisition processes, combined with a strong focus on up-front requirements development. Figure 11 depicts the BCL process. The yellow diamonds represent key decision points that align with the transition between the capability development phases.

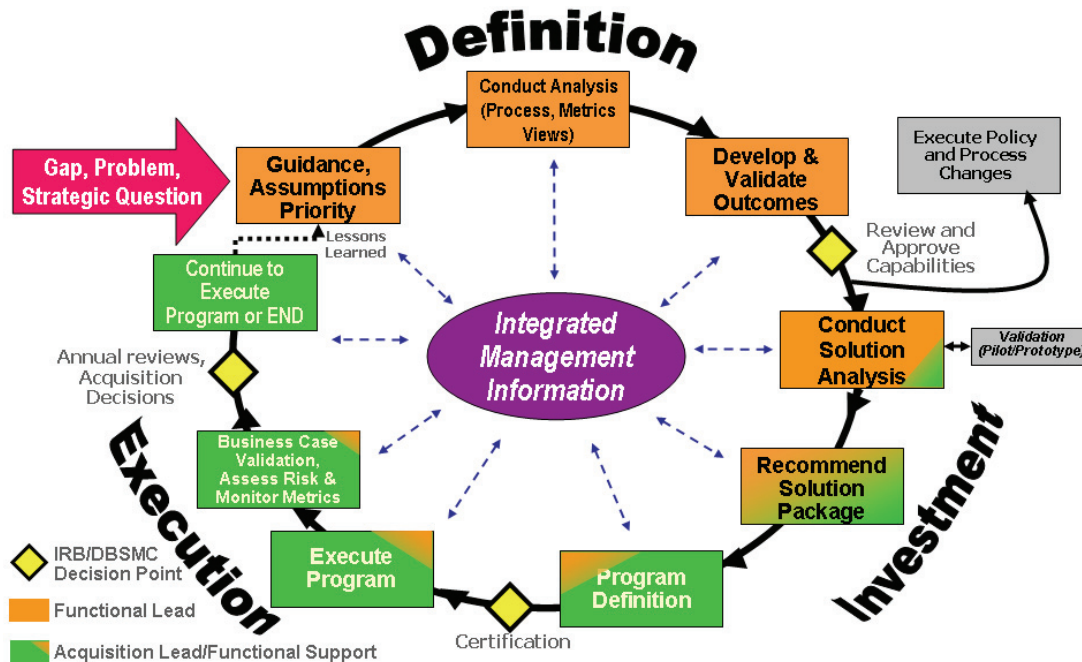


Figure 11: Business Capability Lifecycle

The three business capability development phases are:

Definition: Identify the problem, its root causes and the desired outcome, as well as determine the solution scope, objectives and metrics, which will be delivered to the cognizant IRB in the form of a Problem Statement.

Investment: Conduct an analysis of alternatives, recommend a solution and develop a detailed plan to justify and acquire the chosen solution. This phase also focuses on meeting statutory and regular requirements to include development of the acquisition, testing and contracting strategies, to be contained within a single Business Case.

Execution: Develop, build, test and deploy the capability. Lessons learned, Business Case revalidation and tracking the metrics developed in the initial phase ensure the problem and the selected solution are still valid.

Five major tenets guide BCL:

- Enable delivery of operational capability within 18 months.
- Focus the program manager on program execution.
- Enable timely, fact-based decision making.
- Allow acquisition decision making at the lowest level possible.
- Allow for flexibility in program implementation strategies.

Based on industry best practices, BCL utilizes independent risk assessments, following the Enterprise Risk Assessment Methodology.



Case in Point: ERAM Impacts on ERP Implementations

ERAM assessments in FY08 identified a critical risk in several ERP systems. ERP systems are programs that provide an integrated suite of IT applications to support the operation of an enterprise, including financial management, human resources management, logistics and operations. Rather than utilizing the program's built-in integration between accounting and logistics, several programs were built around the traditional DoD staff organizational structure. This led to some ERP systems implementing primarily financial and accounting functionality, while others were focused primarily on logistics.

The ERAM assessments identified these integration risks, which could have caused significant reconciliation issues and manual intervention after ERP "go-live". The potential risk impacts were increased cost to the federal government and could have made the ERP systems more expensive and difficult to maintain.

Upon receiving the results of the ERAM assessments, the Army and OUSD(AT&L) embarked upon an analysis to identify the best course of action. The Army created a federated approach for their ERP systems that allows each ERP to leverage its built-in financial integration, based upon an Army financial blueprint. The Air Force has been able to capitalize on the lessons learned from the Army to reevaluate which financial functions should be handled in each of its ERP systems. Both Services are now striving to maximize the use of the inherent integration provided by their ERP systems.

Business Solutions and the Expeditionary Operations Environment—Delivering Useable Technology to the Warfighter

Today, warfighters are asked to support a variety of missions in areas lacking adequate infrastructure for business systems to operate optimally, if at all. In austere environments, the warfighter leaves existing technology behind and resorts to purely manual processes until there is sufficient infrastructure in place to support the business systems. In the early phase of operations in an expeditionary operations environment, the infrastructure focus is devoted to mission and intelligence operations. Business systems are relegated to a low priority for bandwidth and other infrastructure apportionment until there is a sense of stability and security. As the operation matures, the infrastructure becomes more robust and business systems are more apt to operate and support the warfighter. Absent ubiquitous bandwidth, low latency and continuous connectivity, business systems development needs to include the realities of the warfighter environment.

From the Enterprise perspective, business systems are generally designed to satisfy requirements derived from peacetime at camps, posts and stations. Enterprise business systems serve a specific purpose, which is to capture information needed to manage the preponderance of DoD resources, money, personnel and materiel.

From a warfighter perspective, the fact that business systems are designed to meet the needs of the larger enterprise is not the issue. The problem arises when tradeoffs are made in order to meet the needs of the larger Enterprise while the requirement to extend the system into the expeditionary environment is delayed until later phases of the acquisition lifecycle. Moreover, when minimal consideration is given to the expeditionary environment upfront, these tradeoffs can result in unintended consequences that ultimately hinder business systems from working, as designed, in the deployed environment. As a result, to conduct business operations the deployed warfighter is forced to rely on purely manual processes or develop process enabling tools that satisfy immediate needs.



Case in Point: Joint Contingency Contracting System (JCCS)—Concept to Solution in Eight Months

The Joint Contracting Command servicing Iraq/Afghanistan had information requirements necessary to support the Multi National Force-Iraq campaign plan. The Commander had two primary objectives with no real visibility to execute the contract function in support of the economic development mission (stability operations) in Iraq:

- Increasing the number of business opportunities available and awarded to Iraqi firms by identifying capable firms while minimizing barriers to compete for U.S. reconstruction efforts.
- Consolidating and creating visibility into Iraq/Afghanistan reconstruction contract data, to allow ground commanders the use of economic lines of operation as an axis in tactical, operational and strategic plans.

With the help of the Task Force for Business and Stability Operation in Iraq the combined team produced the JCCS. From concept to solution, the development team used an adaptive process that delivered capability in less than eight months. JCCS displays contract opportunities in both English (full contract) and Arabic (summarized version). JCCS also stores critical information about all registered and approved host nation vendors who may bid on opportunities.

In addition to providing a standardized and streamlined process for capturing the contract requirements, solicitation and award data, the information generated by the tool has been invaluable to the effective management of the Department's mission, aligning the spend to support specific Stability Operations Requirements. JCCS provides the contracting community real-time information on what the command is spending, with whom it is spending, where the funds are being spent and for what they are being spent. To implement JCCS, the Department provided embedded technical and training resources in theater, as well as subject matter expertise that helped to weave the use of the strategic tool into operational and tactical operations.

Business Solutions and the Expeditionary Operations Environment—Quickly Delivering Capability to the Warfighter

During the past five years, warfighters in expeditionary operations environments have had to be flexible and nimble as they executed missions running the gamut from counterinsurgency to homeland disaster relief and foreign humanitarian relief. Warfighters operating in expeditionary environments need business systems that will allow them to be flexible and nimble. These systems must provide support capabilities quickly to meet needs as they arise. The Department is working to develop solutions quickly as warfighter needs emerge. One example of progress in this area is the deployment of the Joint Contingency Contracting System, as described in the Case in Point.



Enterprise Standards

Establishing Enterprise standards is extremely important to enabling readiness for change. The incorporation of Enterprise standards in the BEA guides emerging systems to deploy capabilities uniformly and facilitates the migration to a net-centric environment. Implementation of net-centric data sharing capabilities reduces wait time for interfaces and the cost of implementation. Additional Enterprise standards increase interoperability between DoD business systems and eliminate the need to maintain and build numerous interfaces. The Department is in the process of implementing numerous, large-scale ERP systems. Consequently, it is imperative that the implementation of Enterprise standards occurs now to accommodate the near-term deployment of these transformational business systems.

Establishing standard processes, data, integration and implementation requirements between the Enterprise- and Component-level business systems reduces the need for customization. Efforts are scoped and prioritized based on the outcome of the Enterprise rationalization output from FY07 and an immediate need for the standard data as the major criteria. Chapter 15 of the September 2007 ETP provides a definition of rationalization. The Enterprise standardization objectives include determining roadmaps to rebalance Component and Enterprise capability delivery, creating a common vocabulary, determining how to integrate standard processes with the BEA and beginning to implement the rebalanced capability delivery, as shown in Figure 12. The standard data sets and associated business rules are then implemented and included in the BEA and compliance is enforced via the IRB.

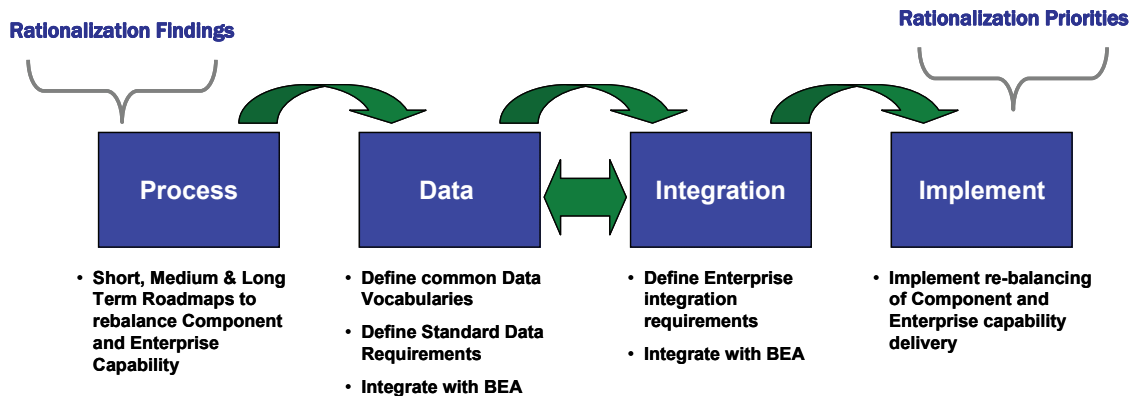


Figure 12: Enterprise Standards Approach

Each effort chosen for implementation or review in FY08 was grouped into one of three categories based on level of effort, stakeholder involvement and progress towards baseline for implementation. The categories are as follows:

1. Interface efforts already underway for Enterprise systems. This include requirements development with the intent to influence current progress by identifying best practices, ERP inherent capability and compliance with existing BEA processes and business rules to the maximum extent possible.
2. Existing transactions for which some level of standardization already exists. These efforts focus on documenting the existing standards in a format that is clear, concise and consistent, which facilitates ease of implementation for the Components. Some documentation may require minor adjustment based on lessons learned through implementation.
3. Standardization efforts for which subject matter expertise across functional areas is needed to define the standards. This requires the most effort and attention of all the Enterprise standards efforts, as there was no previously existing standard and no collaborative effort underway to address the business problem. The focus area led the effort to define processes, data, integration and implementation requirements by establishing DoD cross-functional working groups.

As some efforts underway require extensive work and timelines extend beyond the FY08 timeframe, work will continue into FY09 to complete, document and publish those standards. In addition, new efforts can be undertaken which have been identified throughout the year. As the standards mature, the outcome will be incorporated into the next BEA release.

Case in Point: Standard Financial Information Structure (SFIS) Enterprise Resource Planning (ERP) Configurations

The Department has succeeded in getting the Military Departments' reporting entities to be compliant with SFIS. From a management perspective, this activity took place under the umbrella of the Business Enterprise Information Services (BEIS), but from a system perspective, the Department implemented SFIS compliancy in the Defense Departmental Reporting System (DDRS). This is an example of enabling change readiness through the adoption and application of Enterprise standards.

SFIS is the Department's common business language that supports information/data requirements for budgeting, financial accounting, cost/performance management and external reporting across the Enterprise. BEIS is an Enterprise-level information environment used to collect financial transactions from across the Department. DDRS is the reporting system that produces the Department's standardized financial statements.

A BEIS/SFIS Task Force produced these accomplishments this summer. Under Phase 1, it established SFIS compliancy for the Navy General Funds, Army General Funds and the Air Force's Defense Working Capital Fund. Each of these compliancy implementations represented a major achievement in support of the Department's Financial Visibility goals.

The team completed the requirements, design, development, testing and training phases in six months. Success in the requirement phase required coordination and validation meetings with all stakeholders. The goal was to ensure that SFIS addressed each data element on the financial statements and budgetary reports required by the Treasury and the DoD Comptroller.

The Departments of the Navy and Army General Funds represent the largest and most complex reporting entity implementations in the BEIS Financial Reporting Module. Completion of these implementations increased the percentage of SFIS compliant trial balances from 15 to 99%. SFIS reporting eliminates the need for translation and cross walking of account values in DDRS. It also improves the comparability of data across target general ledger accounting systems. For example, SFIS enables valid comparisons between the Army's and Navy's account balances.



Enterprise Architecture

Architecture provides the systematic framework for satisfying business operations transformational requirements. The Enterprise Architecture is actually a federation of architectures, each designed and operated by statutory authorities.

The Business Enterprise Architecture (BEA)

The BEA is the Enterprise architecture for the Department of Defense Business Mission Area (BMA), defines the business Enterprise priorities, the business capabilities required to support those priorities and the combinations of Enterprise systems and initiatives that enable those capabilities. The BEA consists of a set of integrated DoD Architecture Framework products that includes activities, processes, data, information exchanges, business rules, system functions, system data exchanges, terms and linkages to laws, regulations and policies that facilitate interoperability and integration of solutions to ensure effective global support of the joint warfighter. The transformation effort guiding BEA development focuses on providing tangible outcomes for a limited set of priorities and on developing an architecture that is integrated, understandable and actionable.

The scope of the BEA, defined by six Business Enterprise Priorities, permits the BEA to evolve in a controlled and consistent fashion. As the cornerstone architecture of the DoD BMA, the BEA establishes the foundation for Enterprise business transformation across the Department.

Enhancements in BEA content under development for delivery with Version 6.0 in March 2009 include:

- Earned Value Management requirements in support of Acquisition Visibility services-oriented architecture/data transparency
- Standard Financial Information Structure updates and Federal Financial Management Improvement Act business guidance for Financial Visibility
- Core Human Resource Information Standards and architecture federation planning for Personnel Visibility
- Environmental liabilities, geospatial standards and real property networks for Real Property Accountability
- Procurement data standards and standards supporting contract data, payment requests, business partner networks and representations and certifications for Common Supplier Engagement
- Item Unique Identification master data for Material Visibility
- Information Assurance requirements for all Enterprise-level business data
- System View improvements, including introduction of functional “Families of Systems” to better group and identify interface requirements from Component-level feeder systems to Enterprise-level systems.

Implementing the Federation Strategy

A federated IT environment is one in which resources and applications are united, while maintaining their individual autonomy and governance. In 2006, the Department released a strategy for federating Enterprise, Component and program architectures and business systems. The Federation Strategy and Roadmap document embodies a set of guidelines for Enterprise capabilities for registering, discovering and utilizing system and architecture data to support key DoD decision processes and incorporating concepts from the DoD net-centric data strategies to facilitate end-to-end business systems operation. Appendix C, Enabling the Enterprise through Federation, provides a wealth of detail on the Federation Strategy.

A federated information technology environment is one in which resources and applications are united, while maintaining their individual autonomy and governance.



A key aspect of the federation strategy is the establishment and utilization of service-oriented architecture (SOA) at the Enterprise level. An Enterprise SOA approach leverages the BEA description of business capabilities and the Defense Information Systems Agency's enterprise infrastructure services to produce an effective operating environment for the BMA, referred to as the Business Operating Environment (BOE). Figure 13 depicts the process by which BMA Enterprise programs define services supported by the BOE within a SOA. The BOE provides the technical foundation for interoperability that the Department requires for becoming more agile and adaptable, while ensuring that the information assurance controls are in place to protect and defend the information and information systems. A key driver for this requirement is the recognition that a SOA is not just about services, but is a mechanism to effectively orchestrate and consume business services in an organized fashion.

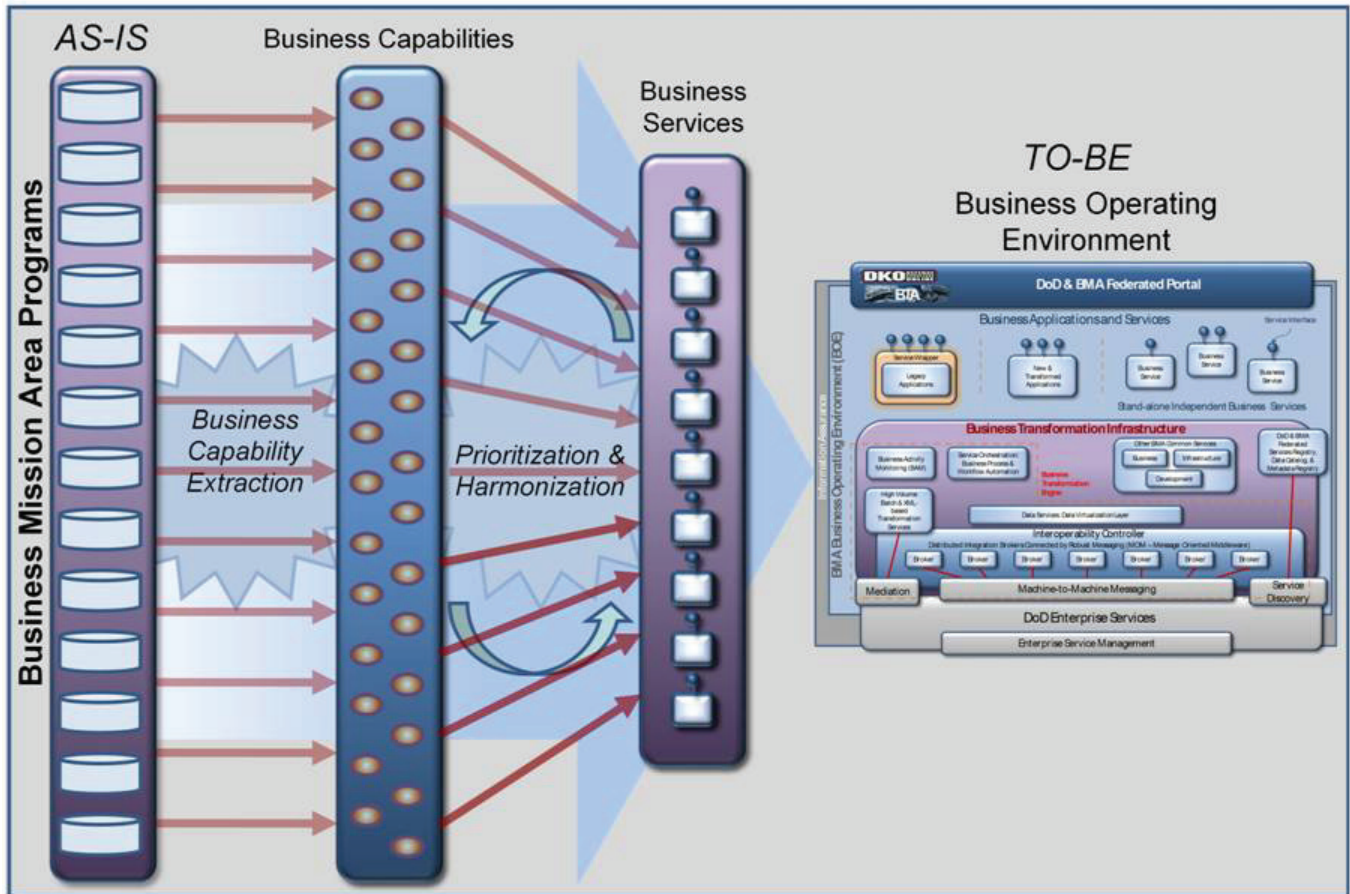


Figure 13: Transforming Capabilities into Services

Implementing ERPs as the Enterprise Backbone

Enterprise Resource Planning (ERP) is a generic name of a software-based business management system used to power crucial business operation functions and processes. An ERP system allows users to standardize and streamline business activities into a single system, while achieving security, reliability and accessibility. ERP systems maintain the referential integrity of all of the transactions within this single system.

ERP systems focus on the E2E business process that is executed in a single, integrated system. SOA focuses on building individual functions as services. Anyone who needs that service can subscribe to it through his or her business process management tool. The Department recognizes that transforming the Enterprise will require the best use of both solutions to satisfy requirements and to deliver capabilities. The Department is



developing an overall governance of E2E business processes and systems from an Enterprise perspective under the direction of the DBSMC.

The Department is making a significant commitment to the adoption and implementation of COTS ERP solutions. These are systems that provide an integrated suite of IT applications to support the operation of an Enterprise, including financial management, human resources management, logistics and operations. As reflected by the 2009 President's Budget, approximately two-thirds of the Department's spending on business programs is invested in 11 ERP programs.

The Components have programmatic responsibility for 9 of the 11 ERP systems, while the BTA is responsible for the other 2. Given the Department's extensive investment in ERPs, a group that provides assistance with implementation of these systems is essential. BTA has established that group within its Enterprise Integration Directorate. The group's overall goal is to move the Department towards a holistic, or end-to-end business process approach to successful implementations that addresses process, technology and change management.

The Defense Integrated Military Human Resource System and the Defense Agencies Initiative are Enterprise-wide ERP systems. Their recent progress and plans for FY09 highlight the Department's ERP implementation efforts.

Defense Integrated Military Human Resource System (DIMHRS)

DIMHRS is the vehicle through which Department is revolutionizing military personnel and pay. It will be a fully integrated personnel and pay system for the Department that will support military personnel throughout their careers in peacetime and war.

A single system serving as the database of record provides a consistent one-stop source for calculation and review of military service members' pay and eliminates current processing deficiencies. DIMHRS testing currently confirms that it can effectively support any required level of mobilization and resolves the recurring error conditions. Further, because rates of mobilization and demobilization are highest during periods of national emergency or war, the urgency has never been greater to deliver accurate personnel and pay data. The level of ongoing mobilizations clearly demonstrates the need for DIMHRS functionality to ensure military service members are correctly compensated in a timely manner and are properly aligned with position credentials to qualify for advancement.

The approach of the DIMHRS program has been to create a framework in which current processes can be evaluated and reengineered to leverage personnel and pay best practices, while continuing to support military personnel and pay requirements. DIMHRS will be implemented incrementally across the Department. Initially, DIMHRS will deploy core functionality to support common military personnel and pay processes. DIMHRS will "go-live" for the Army in the second quarter of FY09.

Defense Agencies Initiative (DAI)

DAI is a critical DoD effort to modernize the Defense Agencies' financial management capabilities that also enables greater standardization and transparency with other business areas. It provides the Department the opportunity to design a solution for 28 Agencies and Field Activities that addresses the vast majority of needs in a common way to obtain timely, accurate and reliable information through sound internal controls.

DAI is intended to transform the budget, finance and accounting operations of the Defense Agencies and to achieve accurate and reliable financial information in support of financial accountability and effective and efficient decision-making. DAI is a compliant business solution with common business processes and data standards for the following budget execution business functions: procure to pay, order to fulfill, acquire to retire, budget to report, cost accounting, grants accounting, time and attendance and re-sales accounting. DAI will complete its first Agency Go Live one-year from its original contract award when BTA begins production usage of the solution on October 1, 2008.



Benefits:

- Addresses financial management material weaknesses and deficiencies.
- Streamlines interagency accounting through the common use of U.S. Standard General Ledger (USSGL) Chart of Accounts, SFIS, standardized business processes and data standards.
- Real-time access to accurate financial data supports financial analysis and timely decision making.
- Reduces need for data reconciliation.

The procure to pay process encompasses the initial request for goods or services through the payment for those goods and services. There are several purchasing business scenarios that DAI will support including:

- Contract Procurement: Involves the procurement of goods and services through the award of a contract or Purchase Order.
- Purchasing Cards: Used by the Defense Agencies to support departmental and small dollar purchases.
- Intergovernmental Procurement: Involves the purchase of goods and services through other agencies.
- Travel: DAI will support the financial accounting events associated with travel including temporary duty and permanent change of station.



Enterprise and Component Transformation

Introduction

The Department's approach to business transformation is based on the integration of efforts from across the Department, as exemplified by the integrated roadmap presented in the September 2008 ETP.

Enterprise Transformation

The Business Enterprise Priorities are areas for which increased focus yields the most dramatic and transformational results. This section describes the strategies each Business Enterprise Priority is employing in FY09 to achieve its goals and objectives. It also describes the plans for implementing the two ERPs that the BTA manages.

Personnel Visibility

Personnel Visibility (PV) is the fusion of accurate human resources (HR) information and secure, interoperable technology within the Human Resources Management (HRM) Core Business Mission (CBM). PV is defined as having reliable information that provides visibility of military service members, civilian employees, military retirees, contractors (in theater) and other U.S. personnel, across the full spectrum—during peacetime and war, through mobilization and demobilization, for deployment and redeployment, while assigned in a theater of operation or at home base and into retirement. This includes ensuring timely and accurate access to compensation and benefits for DoD personnel and their families and ensuring that Combatant Commanders have access to the timely and accurate data on personnel and their skill sets.

The goal of PV 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.

ERP: Defense Integrated Military Human Resource System (DIMHRS)

DIMHRS, the Enterprise-wide ERP solution for personnel and pay, is a transformational program within the Personnel Visibility Business Enterprise Priority. The DIMHRS implementation strategy is to establish a single military record and a single civilian record to improve the accuracy and timeliness of data by eliminating discrepancies and the requirement for constant reconciliation between personnel and pay systems. In addition, execution of the strategy will provide an enterprise solution to facilitate integration of military personnel and pay records through DIMHRS.

A single system serving as the database of record provides a consistent one-stop source for calculation and review of military service members' pay and eliminates current processing deficiencies. DIMHRS testing currently confirms that it can effectively support any required level of mobilization and resolves the recurring error conditions. Further, because rates of mobilization and demobilization are highest during periods of national emergency or war, the urgency has never been greater to deliver accurate personnel and pay data. The level of ongoing mobilizations clearly demonstrates the need for DIMHRS functionality to ensure military service members are correctly compensated in a timely manner and are properly aligned with position credentials to qualify for advancement.

The approach of the DIMHRS program has been to create a framework in which current processes can be evaluated and reengineered to leverage personnel and pay best practices, while continuing to support military personnel and pay requirements. DIMHRS will be implemented incrementally across the Department. Initially, DIMHRS will deploy core functionality to support common military personnel and pay processes. DIMHRS will "go-live" for the Army in the second quarter of FY09.



Acquisition Visibility

The cornerstone of the Acquisition Visibility strategy is the establishment of a capability to support defense acquisition decision making. The capability is more than a technical mechanism. The foundation of the capability is governance of decision-making data within the defense acquisition business community, supported by the Weapon System Lifecycle Management (WSLM) governance structure, which was officially established in September 2008. Through the use of an SOA, WSLM-governed data is available on demand. This strategy permits DoD communities to continue operating their own heterogeneous business systems, while standardizing and regulating the available data and the systems' external interfaces to make transparent, timely and accurate authoritative data available to acquisition decision makers.

As a continuation of the successful demonstration of the SOA capability in December 2007, the USD(AT&L) issued a memorandum on July 25, 2008, directing the implementation of SOA within the DoD Acquisition Community. Leadership within the USD(AT&L) and the Components are now conducting a pilot to further solidify the SOA Capability. The pilot increases the breadth of visibility to decision-making data by expanding the scope of both the Major Defense Acquisition Programs and the defense acquisition data elements included in the services that make up the SOA.

Common Supplier Engagement

The primary goal of CSE 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.

A key element of the CSE strategy is the Defense Sourcing Portfolio (DSP). The DSP is a combination of system solutions, processes and business rules designed to provide a framework for achieving CSE objectives. The DSP Steering Committee has led the way for employing a standard methodology to evaluate requirements, which ensures that requirements supporting enterprise goals are given priority over Component specific requirements. In addition, the DSP addresses the identified need to transform the Department's business operations sourcing environment by viewing the enterprise environment as a portfolio of capabilities.

Approaching CSE capabilities as a portfolio, the Department has begun to undertake several non-system related efforts to improve the process related to data quality and standardization used across the Department and industry partners for sourcing execution and supplier management. The Department is developing a Procurement Data Strategy to promote data standardization, enable business intelligence, ensure compliance with authoritative data sources and allow for independent validation and verification of data. The Department is also working to streamline financial data in procurement. This effort will help eliminate unmatched disbursements, enable traceability of requirements from purchase request to purchase order, all the way to invoice payment. It will also minimize the amount of financial information needed to process contract and vendor documents. This approach will be done in phases accommodating both legacy and interim environments, with the end state achieving demand traceability throughout the procure-to-pay process, with no need to pass line of accounting information end-to-end.



Material Visibility

Achieving improved Material Visibility (MV) requires integrating new technology tools through improved business processes, enhanced data quality and accessibility and conversion to modern data exchange standard formats to provide the warfighter with timely, accurate and actionable information on the identity, location, movement, status and condition of unit equipment, materiel and supplies.

The foundation for the MV Strategy, depicted in Figure 14, is improved business processes derived from an established set of basic supply chain functions: Plan, Source, Make, Deliver and Return, as articulated through the BEA. These business activities and processes rely on accurate data, so there is a need to improve the accessibility, quality, exchange and integrity of common standard data. For MV, the majority of transformational activities are occurring at the Component level, but several of these key Enterprise-level initiatives cut across Component boundaries.

Tools are being developed to access and manage standardized sets of trusted and centrally accessible logistics master data on DoD items, vendors and customers. These will enable increased synchronization to ensure that accurate information is visible, available and usable when needed and where needed. Improved data accessibility will facilitate the DoD logistics community's ability to manage logistics requirements and decision making. To effectively exchange data, DoD logistics trading partners are implementing and converting from legacy Military Logistics Standard (MILS) to more flexible and extensible data interchange transaction standards based on the Commercial Electronic Data Interchange (EDI) or Extensible Markup Language (XML) formats. Data and transaction standards complement the Components' ERP systems, as well as enablers such as Item Unique Identification (IUID) and the Radio Frequency Identification (RFID) Infrastructure, which enable Asset Lifecycle Visibility and In-Transit Visibility.

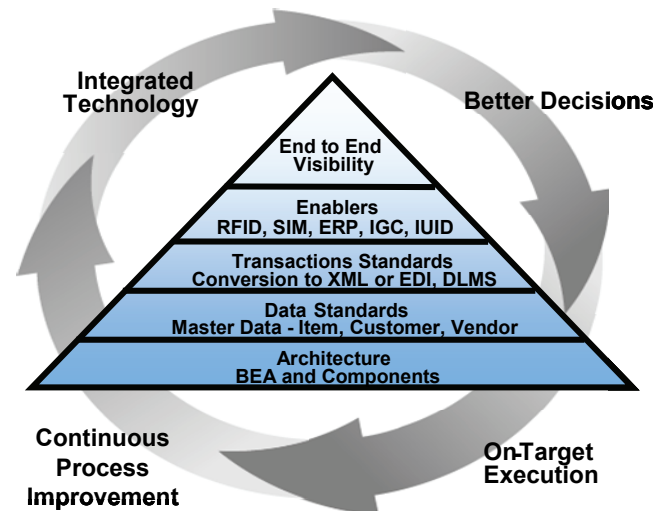


Figure 14: MV Strategy

Real Property Accountability

The Real Property Accountability (RPA) strategy is executed through five key initiatives:

- **Real Property Inventory Requirements (RPIR)** are the foundation for achievement of real property efficiencies by standardizing data, systems and processes. **Real Property Acceptance Requirements (RPAR)** and **Real Property Construction In Progress Requirements (RPCIPR)** address accounting and financial aspects of bringing new assets into the Services' real property inventories.
- **Environmental Liabilities Recognition, Valuation and Reporting Requirements (EL)** provide the methodology to correctly value and categorize environmental liabilities so that they can be accurately reported.
- **Hazardous Materials Process Controls and Information Management Requirements (HMPC&IMR)** improves the accuracy and availability of authoritative hazard data, ultimately reducing chemical-related risks throughout the DoD supply chain.

The RPA initiatives have already improved awareness of the importance of accurate inventories, optimized resources and enhanced access to current, accurate real property and environment, safety and occupational health information. Availability of this essential data directly contributes to the Department's business transformation by informing strategic decisions, increasing accountability and reducing costs. Another key to the RPA strategy is the implementation of a SOA. It allows multiple systems, inside and outside the Real Property and Installations Lifecycle Management communities, to access authoritative data in real-time.

The Real Property Unique Identifier Registry (RPUIR) contains information on DoD locations owned, leased or otherwise managed. With a SOA, RPUIR location information is available for use by other DoD business systems that have a need for it. This resource will decrease the costs of defense business operations and improve the accuracy of location information across DoD. As an example, having an authoritative source for location will enable supply managers to validate the location information within their own information systems before authorizing shipments, rather than finding out too late that a bad address led to a delivery error.

Financial Visibility

The Department's continuing improved progress towards financial visibility relies on a strategy focused on improving financial practices and strengthening financial controls. The strategy enables the Department to address long-standing material weaknesses in the areas of: non-compliant financial management systems and processes, reconciliation of fund balances with Treasury, reconciliation of intragovernmental balances, valuation of military equipment, valuation of real property assets and reporting of environmental liabilities.

This strategy relies on concurrent efforts in four areas:

- Defining and implementing a common language—SFIS. It provides standard definitions, lengths, values and business rules that enable transparency and interoperability of financial information across the DoD Enterprise.
- Implementing compliant financial systems, such as, Component ERP systems.
- Implementing audit-ready financial processes and practices (this effort includes activities tied to the Defense Financial Improvement and Audit Readiness (FIAR) Plan).
- Implementing BEIS to aggregate financial information and provide Enterprise-wide financial reporting.

ERP: Defense Agencies Initiative (DAI)

DAI, a critical effort to modernize the Defense Agencies financial management capabilities, is a transformational ERP within the Financial Visibility Business Enterprise Priority. DAI represents the Department's effort to extend its solution set for streamlining financial management capabilities, reducing material weaknesses, improving internal controls and achieving financial statement auditability for approximately 28 Defense Agencies and Field Activities across the Department. The functional scope includes Accounts Receivable, Accounts Payable, Asset Management, Budget Formulation, Cost Accounting, Funds Distribution, General Ledger and Time and Attendance.

The objective of DAI is to achieve a Chief Financial Officer-compliant business environment that facilitates accurate and timely financial data that is auditable. The primary goal is to deploy a standardized system solution to improve overall financial management and comply with the BEA, SFIS and Office of Federal Financial Management requirements.

DAI is intended to transform the budget, finance and accounting operations of the Defense Agencies and to achieve accurate and reliable financial information in support of financial accountability and effective and efficient decision-making. DAI is a business solution that has common business processes and data standards for the following budget execution business functions: procure to pay, order to fulfill, acquire to retire, budget to report, cost accounting, grants accounting, time and attendance and re-sales accounting. DAI will complete its first Agency "Go Live" one-year from its original contract award, when BTA begins production usage of the solution on October 1, 2008.



Case in Point: Executive Dashboard Provides Needed Visibility into Budget Execution

The Under Secretary of Defense (Comptroller) (USD(C)) and staff manage the finances for one of the world's largest enterprises. When the USD(C) took responsibility for financial management as the Comptroller and Chief Financial Officer for one of the world's largest organizations, there were no tools supporting management decision making. The Department's accounting systems provided information for leadership decision making approximately 60 days after closing the books for a given period. The Comptroller's office worked closely with the BEIS program and the Defense Finance and Accounting Service (DFAS) to develop the tools to provide timely information for day-to-day cash flow management, budget execution analysis and decision making.

The USD(C) and staff have come to rely on the Executive Dashboard to provide them greater visibility of the Department's funds in consolidated, cross-Services views that are available in near real-time. In recent interviews with Cable News Network's Barbara Starr and the *Washington Post's* Stephen Barr, the USD(C) has referred to the Executive Dashboard as an important tool she uses to closely monitor and manage the country's yearly defense budget of over \$600B.

One area in which the Executive Dashboard has enhanced financial management is by automating the collection of obligation and cash status information, which was previously performed manually by compiling data from DoD's official reports. Budget Authority, planned reprogramming of funds, and supplemental appropriation data were entered into spreadsheets by the USD(C)'s budget staff, with spend plans entered by the Military Services and Defense Agencies' budget personnel. Immediate information needs were handled through labor intensive, time consuming manual data calls to the respective activities. Monthly budget metrics were delivered to the USD(C) from the manually collected data 45 days after the end of the reporting month. For example, June financial data was presented mid-August.

Interfaces were established between the Executive Dashboard and the official reporting systems, saving the time spent to extract manually information from hard copy reports. As a result, the USD(C) receives monthly budget metric information 15 days after month end instead of 45 days. In addition to monthly information, the Executive Dashboard also collects and presents daily budget execution information from official accounting systems. The USD(C) now has the latest obligation information within 24 to 48 hours of execution. DFAS continuously monitors and certifies to the data quality, enabling the USD(C) and staff to analyze daily execution information and proactively identify potential problems areas.

Through the Executive Dashboard, the USD(C) has access to more timely, accurate, and reliable financial information than ever before, which documents where and how the Department is spending its budget. The metrics and forecasting tools allow near immediate identification of areas for which there are funding overages and shortages so that shifts in resources can be made. Twofold benefits result in that the USD(C) can provide better stewardship of the American taxpayer's dollars and, most importantly, provide the best support possible to America's warfighters.



Component Transformation

This section provides the overview and perspective the Components use to drive the achievement of their transformational priorities. It also describes their efforts to deploy and implement a total of nine ERPs.

Department of the Army

The 2008 Army Posture Statement observes the following:

Army support systems, designed for the pre-9/11 peacetime Army, are straining under the accumulation of stress from six years at war.

Army business transformation goals have been revised to align with the Army's four imperatives.

Transformation requires that, among other actions, the Army must:

- Continuously improve the ability to meet the needs of the Combatant Commanders in a changing security environment.
- Continue to adapt institutions and the processes, policies and procedures, including business practices, to more effectively and efficiently support an expeditionary Army at war.

In alignment with current Army guidance, the goals of the Army's BMA and its five Domains for business transformation include:

- Enabling an integrated and cost-aware operating picture and information framework, including the acquisition, financial, installation and environmental management, logistics and personnel information required by all levels of execution for optimal management of the assets needed for the Army's Warfighting and BMA and for effective support of Soldiers and their Families.
- Synchronizing Army BMA business practices and programs with DoD, Joint and Army-wide people, processes and technologies.
- Improving the working relationships among functional leaders, program managers and system integrators and contractors to ensure effective metrics are developed and monitored for program and system cost, schedule and performance requirements.
- Continuing the improvement of IT investment management through the investment certification process, stronger Mission Area, Domain and cross-Mission Area governance of Army IT Portfolio Management, increased visibility and prioritization of Army IT budgets down to the individual system level and increased scrutiny of legacy systems and systems in sustainment.

ERP: Global Combat Support System-Army (GCSS-Army)

GCSS-Army will allow the Army to integrate the supply chain, obtain accurate equipment readiness, support split base operations and get up-to-date status on maintenance actions and supplies in support of the Warfighter. GCSS-Army is the tactical level building block of the transformation to a Single Army Logistics Enterprise (SALE). It provides information superiority through real-time visibility of personnel, equipment and supplies anywhere in the distribution pipeline and within the battlespace. GCSS-Army consists of two Components: Field/Tactical and Product Lifecycle Management Plus (PLM+). GCSS-Army will allow the Army to retire 11 automated systems that support tactical logistics.

GCSS-Army is using an incremental acquisition approach. Increment I is further using a segmented approach to reduce risk and provide valuable lessons learned. Segment 1 focuses only on direct support supply operations and completed an operational assessment, with an ongoing continuous evaluation at the National Training Center. Segment 2 will add maintenance, ammunition and property book functionality to the system.

Army ERP integration work is underway between General Fund Enterprise Business System (GFEBS) and GCSS-Army. Central to this effort is incorporating the GFEBS financial template into the GCSS-Army solution. This integration effort will provide a single logistics and financial solution. Key to this integration effort is the expanded role of the PLM+ program. PLM+ will provide enterprise master data, enterprise interface services and enterprise reporting capability for the logistics and finance communities.



ERP: Logistics Modernization Program (LMP)

LMP is the Army's core initiative to replace the two largest, most important warfighting support, National-level logistics systems: the inventory management Commodity Command Standard System (CCSS) and the depot and arsenal operations Standard Depot System (SDS). LMP delivers an integrated production management capability supporting critical systems, such as, the armored, wheeled and aviation fleets and command and control electronics delivery systems for the Warfighter and foreign military sales (FMS) operations. LMP's phased implementation assures continuity of current supply chain solutions during critical Operation Iraqi Freedom operations. LMP went live in July 2003 at 14 locations to more than 4,000 users. LMP is a backbone for achieving the Army Logistics Domain Strategic IT Plan and the SALE.

LMP has a phased fielding approach with four deployments. Eighty percent of the functionality was released in the first deployment in July 2003. The fourth deployment will be in September 2010, resulting in LMP being deployed to more than 1,000 sites and more than 17,000 users. The expected benefits are quantified based on the enterprise as a whole and the realization of those benefits is projected to occur almost entirely after LMP has been fully deployed. The LMP management approach is leveraging an international industry standard ERP, providing integrated logistics management that manages supply, demand, asset availability, distribution and maintains data, financial control and reporting.

ERP: General Fund Enterprise Business System (GFEBS)

The GFEBS vision/objective is to meet the requirements of the Chief Financial Officers (CFO) Act by employing CFO-compliant general fund finance and accounting capability that will support the Department with accurate, reliable and timely financial information, in peacetime and in war. GFEBS will serve as the Army's financial backbone, capturing general ledger data into a single system. GFEBS will be the system of record for the entire Army. In addition to addressing the long-term goals of the Army and DoD, this investment satisfies requirements imposed by legislation.

GFEBS is using an incremental approach for development and fielding, broken down into 4 releases: Release 1.1, Release 1.2, Release 1.3 and Release 1.4. This strategy was chosen to reduce risk and allow for up-front initial capability in the field. Release 1.1 was completed at Ft. Jackson, South Carolina, in June 2006. All future releases will build upon the requirements understood from the work completed in Release 1.1. Release 1.2, as a prototype, will build on Release 1.1. Releases 1.3 and 1.4 are intended for production use and will be deployed Army-wide. The GFEBS management approach further enhances the fielding approach. GFEBS' management approach is using only one COTS ERP solution. This solution is deliberately designed with the latest commercially accepted and instituted "best practice" business processes. This solution is technologically flexible and is connectable to any other system or program. The GFEBS program office also strictly adheres to a "no changes to the core code of the solution are allowed" policy, minimizing or eliminating interoperability and interconnectivity issues, as well as maximizing code reuse and system standardization. GFEBS uses only proven components and development tools provided in the COTS solution.

Department of the Navy (DON)

The DON's business transformation vision is to significantly increase the readiness, effectiveness and availability of warfighting forces by employing business process change 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. The transformation goals are designed to support the maritime strategy, *A Cooperative Strategy for 21st Century Seapower*.

Interoperability will be key to the success of the Global Maritime Partnership envisioned in current and future policies established by the DON. Maritime forces will be employed to build confidence and trust among nations through collective security efforts focused on common threats and mutual interests in an open, multi-polar world. To do so will require an unprecedented level of integration among the Sea Services



and enhanced cooperation with the other instruments of national power, as well as the capabilities of the country's international partners.

One Navy business transformation concept, Navy Enterprise, is an initiative to improve organizational alignment, refine requirements, harvest efficiencies and reinvest savings in targeted areas to improve warfighting effectiveness. Navy Enterprise is applying process-mapping techniques and other lessons learned from the worldwide business revolution to assess Navy organizations, target areas for improvement, prioritize investments and fund them accordingly.

ERP: Navy ERP

The Navy ERP program will transform business activities into an integrated network of decision-making processes and activities. Navy ERP will be a major component of the Navy's Global Combat Support System (GCSS) family of systems and will provide a critical link between operating forces and the Navy's support echelons. The program will reduce overall Navy costs by applying proven industry best practices and processes and replacing legacy IT systems; facilitating an end-to-end solution for receiving requests for resources and processing them to fulfillment; replacing stove-piped systems used for financial management, inventory management and industrial operations with an integrated system; and enabling rapid response to operating forces logistic needs through integrated visibility and status data.

Navy ERP will provide standard tools to Navy organizations to facilitate business process reengineering and to provide interoperable data for financial, acquisition, logistics, fleet maintenance, supply and material management.

Navy ERP reduces overall Navy costs by applying proven industry best practices and processes and replacing legacy IT systems; providing an end-to-end solution for receiving resource requests and processing them to fulfillment; providing allocation, visibility, tracking and reporting functionality; and has the ability to perform funds execution from distribution through disbursement.

The Marine Corps' warfighting readiness is likewise a reflection of its success in balancing support of current operations with the imperative to invest and prepare for the future. In the Marine Corps, "business reform" means the fundamental transformation of Marine Corps business enterprise processes to create increased effectiveness, efficiency and resilience and to facilitate and encourage innovation. These improvements will be accomplished by changing the business enterprise culture.

ERP: Global Combat Support System Marine Corps (GCSS-MC)

GCSS-MC is the primary technology enabler for the Marine Corps Logistics Modernization strategy. The design is focused on enabling the warfighter to operate while deployed with reach back from the battlefield. The core is modern, commercial-off-the-shelf enterprise resource planning software. The system will provide visibility of logistics information throughout the Marine Corps from the operating forces conducting deployed operations around the world to sustainment planners in Continental United States based supporting establishment organizations.

GCSS-MC Block 1 will replace 30-year old legacy supply and maintenance information technology systems. Future incremental development will focus on enhancing capabilities in the areas of warehousing, distribution, logistics planning, decision support, depot maintenance and integration with emerging technologies to further improve asset visibility.

GCSS-MC will provide a single system that supports common processes for requesting supplies/logistics in both deployed and garrison environments. The system will provide enterprise visibility of information that will enhance in-transit and total asset visibility, increase equipment accountability, reduce redundant requisitioning, enhance financial reporting, support Logistics Chain Management over the last tactical mile and serve as the foundation for future process improvements.



Department of the Air Force

The Air Force business transformation vision is to create capabilities that provide rapid and predictive operational support and response through situationally-aware Commanders. The Air Force business transformation strategy is to:

- Focus operational support on improving joint warfighter effectiveness by integrating high value operational threads across Domains and across combat and combat support functions.
- Set common goals and priorities across the operational support of the Air Force Enterprise.
- Reengineer critical processes, identify and prioritize processes for improvement and redesign them whenever they fall short of the immediate or long-term expectations.
- Move systems into a modern information framework. Leverage existing initiatives of the Air Force and the Office of the Secretary of Defense, while synchronizing and accelerating them to achieve transformation.
- Harvest resources to complete operational support transformation and support modernization of Air Force and joint capabilities.

ERP: Defense Enterprise Accounting and Management System-Air Force (DEAMS-AF)

DEAMS replaces legacy systems with financial accounting software (general ledger, accounts payable, accounts receivable, financial reporting, billing, etc.). DEAMS will use a Joint Financial Management Improvement Program/Financial Systems Integration Office certified commercial off-the-shelf software package as its core system software. It will conform to requirements promulgated by the Office of Management and Budget, Chief Financial Officers (CFO) Act, Government Performance and Results Act, Government Management Reform Act, Federal Financial Management Improvement Act, the Business Enterprise Architecture and other related laws, regulations and policies.

DEAMS will be implemented using an incremental approach, deploying several versions over several years. Increment One, Spirals 1 and 2, will be implemented for U.S. Transportation Command, Air Mobility Command operations and tenant organizations located at Scott Air Force Base (AFB). Increment One, Spiral 3, will include the remainder of Air Mobility Command, Surface Deployment and Distribution Command and Military Sealift Command. Increment Two will include the remainder of the Air Force.

DEAMS will deliver timely, accurate and reliable financial information to support effective business decisions by DoD managers. When fully implemented, DEAMS will comply with all CFO Act, SFIS requirements and promote development of DoD-wide financial management solutions and processes and improve financial visibility.

ERP: Expeditionary Combat Support System (ECSS)

ECSS delivers the Air Force Logistics Domain's IT enabler to sustain the force. It improves warfighter capability by transforming Air Force Logistics business processes. Composed of a commercial off-the-shelf ERP application, ECSS will replace approximately 240 wholesale and retail legacy logistics and procurement (acquisition) IT systems.

Use of ERP/COTS products will provide the warfighter and Air Force Enterprise in general with DoD and industry best business practices and capabilities at all Air Force Enterprise echelons in the areas of product support and engineering, supply chain management, expeditionary logistics command and control, acquisition and procurement, and maintenance, repair and overhaul. ECSS will be compliant with the Joint Technical Architecture and Business Enterprise Architecture, will meet the Chief Financial Officer Act and Joint Financial Management Improvement Program requirements and will implement SFIS and Defense Logistics Management System standards.



Defense Logistics Agency (DLA)

DLA is the bridge between the warfighter and the American industrial base, playing a central role in safeguarding America's national security. The Military Services rely on DLA for 100% of their subsistence items, medical materiel, tents, construction and barrier materiel, clothing, footwear and protective garments—the essential items for personnel readiness. DLA also provides 100% of the Military Services' worldwide fuel and energy requirements, the lifeblood of any military force. Additionally, DLA provides approximately 95% of the repair parts the Military Services require to keep their equipment combat-ready. In FY08, DLA customers received more than \$37B of DLA products and services.

DLA's mission is to support the warfighter. DLA occupies a pivotal role within America's national security apparatus. The ability of the military to generate and sustain combat readiness requires repair parts, troop support materiel and energy products to flow seamlessly from the source of supply to the warfighter.

Even as DLA provides unparalleled logistical support to warfighters in the field, the Agency faces new challenges. There are opportunities to improve end-to-end supply chain support to the warfighter, by streamlining inventories, reducing storage costs and improving fill rates to help sustain operational readiness and industrial support production lines. As the logistics enterprise continues to evolve, the future is about building partnerships with the warfighters DLA serves to improve logistics support across the Department.

DLA's vision is to extend the Enterprise forward to meet the needs of the warfighter by providing the right item, right service, at the right place, right time...every time. To achieve this vision, DLA has embraced three major strategic thrusts, each designed to move the Agency beyond its traditional wholesaler responsibilities. They are:

Extend the Enterprise—this strategic thrust provides focus and organization to the effort to move DLA closer to the warfighter. At its heart, "Extend the Enterprise" is about geographically expanding current capabilities and competencies, acquiring new capabilities and making all capabilities more accessible to the warfighter. DLA employees, inventories and logistics capabilities will be located forward, beyond traditional Agency borders, to capitalize on best value opportunities to improve warfighter readiness. This strategy will allow DLA to extend deeper into customer operations and to expand business operations through Base Realignment and Closure (BRAC) efforts.

Connect Warfighter Demand with Supply—this strategic thrust leverages multiple DLA initiatives to establish a seamless, effective and efficient supply network that links the Services to the source of their material—the American industrial base. This strategy transforms demand planning capabilities and the processing of demand signals throughout the supply chain. DLA will improve forecast accuracy through collaboration and improve supplier performance and reduce delivery time through collaborative supply planning and strategic material sourcing.

Deliver Supply Chain Excellence—this strategic thrust recognizes that warfighter support diminishes if a supply chain sub-optimizes or fails to perform. Because processes are embedded in the systems of an enterprise, systems reengineering is at the heart of process reengineering. DLA will focus on improving and refining the overarching DoD business model by leveraging information technology. Achieving supply chain excellence depends on human capital. DLA will ensure the workforce is enabled, empowered and motivated to deliver and sustain supply chain excellence. Both process reengineering and workforce empowerment will be enhanced through the application of continuous process improvement strategies.

DLA's three strategic thrusts are foundational to the Agency's four goals, or priorities. The four priorities are:

- 1) Warfighter Support
- 2) Internal Processes
- 3) Learning and Growth
- 4) Stewardship



ERP: DLA Enterprise Business System (EBS)

Completion of the Business Systems Modernization (BSM) program and successful delivery of the DLA Enterprise Business System (EBS), as DLA’s core business model, have fundamentally transformed supporting processes and systems architecture. EBS, coupled with the Distribution Standard System (DSS) and the Integrated Data Environment (IDE) program, form the cornerstone of the Agency’s logistics capabilities. These transformational efforts represent significant progress in DLA’s transition to net-centricity. To guide these efforts, DLA has adopted an approach of managing a portfolio of capabilities based on an Agency-wide Component Enterprise Architecture that aligns with the DoD’s BEA.

EBS, DLA’s ERP platform for supply chain management, was developed and introduced into DLA operations with investment dollars managed through the BSM, Customer Relationship Management (CRM) and Product Data Management Initiative (PDMI) programs. BSM, CRM and PDMI, along with the Reutilization Business Integration (RBI) initiative, are now part of the EBS process/systems integration framework. The fusion of separate investments into a single supply chain management platform, coupled with Enterprise data services capabilities (provided by IDE), provides the ability to extend the Enterprise forward to the warfighter, outward to the supplier and across the DoD in an auditable, coordinated and interoperable fashion.

With incorporation of the Distribution Planning Management System (DPMS), DSS now provides a fully integrated storage and distribution capability, including optimizing transportation planning for vendor shipments and providing customers with real-time supply chain information and supporting storage and transportation capabilities. Information is being made available at the time of vendor shipment—key supply chain information that was never available before.

This approach provides a better understanding of DLA’s transition path and its plan to become net-centric. Figure 15 depicts DLA’s integration of systems and processes through the EBS capability.

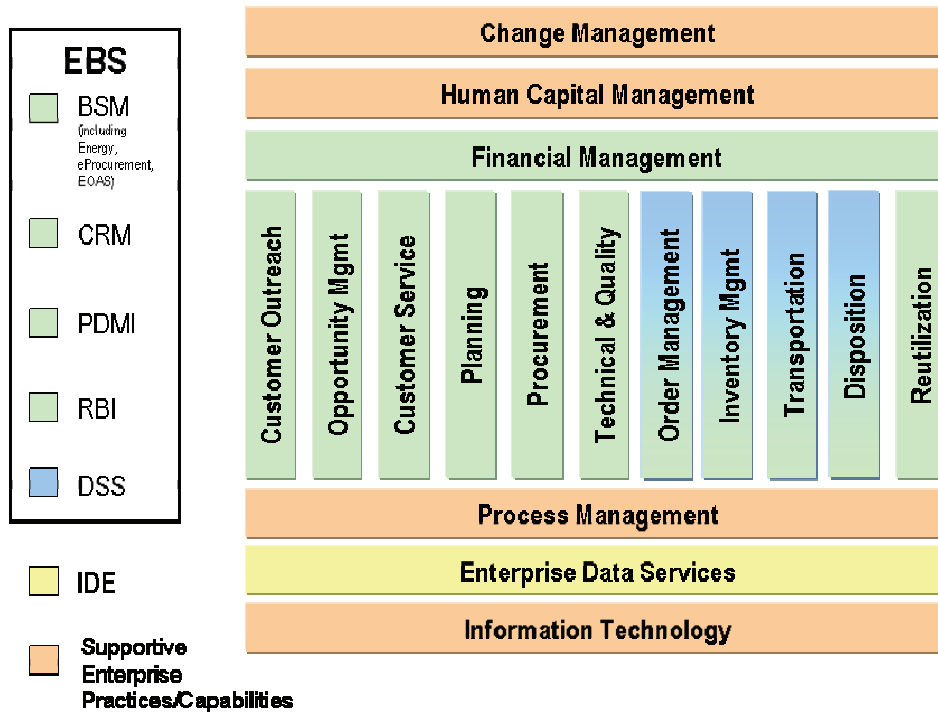


Figure 15: DLA’s EBS Process/System Integration Framework



U.S. Transportation Command (USTRANSCOM)

USTRANSCOM is assigned significant responsibilities for coordinating and synchronizing DoD distribution. Providing rapid global mobility support to the warfighter, across the full range of military operations in an era of transformation, presents several unique challenges in the areas of readiness, modernization, process improvement and support to our people.

As a supporting command, USTRANSCOM is working to improve DoD deployment and distribution operations and increase Joint Force Commanders' freedom of action across the full range of employment. USTRANSCOM will:

- Provide common-user and commercial air, land and sea transportation, terminal management and air refueling to support global deployment, employment, sustainment and redeployment of US forces.
- Serve as the Mobility Joint Force Provider to identify and recommend global joint sourcing solutions to the Chairman and supervise implementation of associated decisions.
- Provide DoD global patient movement through the Defense Transportation System (DTS).
- Serve as the Distribution Process Owner (DPO) to coordinate and oversee the DoD E2E distribution system and to develop distribution process improvements that enhance the defense logistics and global supply chain management system.

USTRANSCOM's basic strategy is to maintain excellence in the command's enduring transportation and global patient movement missions, while seeking to improve distribution processes for the warfighter. USTRANSCOM's vision remains the same:

USTRANSCOM is responsible for creating and implementing world-class global deployment and distribution solutions in support of President, Secretary of Defense and Combatant Commander assigned missions.

ERP: Defense Enterprise Accounting and Management System (DEAMS)

DEAMS replaces legacy systems with financial accounting software (general ledger, accounts payable, accounts receivable, financial reporting, billing, etc.). DEAMS will use a Joint Financial Management Improvement Program/Financial Systems Integration Office-certified commercial-off-the-shelf software package as its core system software. It will conform to requirements promulgated by the Office of Management and Budget, Chief Financial Officers Act, Government Performance and Results Act, Government Management Reform Act, Federal Financial Management Improvement Act), the Business Enterprise Architecture and other related laws, regulations and policies.

DEAMS will be implemented using an incremental approach, deploying several versions over several years. Increment One, Spirals 1 and 2 - DEAMS will be implemented for USTRANSCOM, Air Mobility Command operations and tenant organizations located at Scott Air Force Base. Increment One, Spiral 3-the remainder of Air Mobility Command, Surface Deployment and Distribution Command and Military Sealift Command. Increment Two-the remainder of the Air Force.

DEAMS will deliver timely, accurate and reliable financial information to support effective business decisions by DoD managers in the execution of their duties. When fully implemented, DEAMS will comply with all CFO Act and GMRA requirements, promote development of DoD-wide financial management solutions and processes and improve financial management visibility.



Key elements of the strategy to achieve this vision include having E2E Total Asset Visibility (TAV) and In-transit Visibility (ITV); improving decision cycle time by providing IT support to turn real-time distribution data into actionable information; promoting DoD-wide financial accountability solutions; and optimizing E2E distribution through improved and standardized resources, processes and systems. USTRANSCOM is putting in place agreements with its Joint Deployment and Distribution Enterprise Community of Interest partners to optimize cooperation across the DPO Span of Influence.

To realize these strategic goals, USTRANSCOM is transforming from a systems-oriented delivery focus to an enterprise-services focus to improve delivery of capability to the warfighter. This capability-focused initiative is referred to as the Corporate Services Vision (CSV). The CSV, combined with the revised and improved USTRANSCOM Corporate Governance Process (CGP), will deliver new capabilities by leveraging, when possible, capabilities or services in existing programs of record to reduce redundancies while increasing the speed of delivery of new capabilities into the warfighter's hands.

Defense Finance and Accounting Service (DFAS)

DFAS was created in 1991 to reduce the cost of Defense Department finance and accounting operations and to strengthen management of finance and accounting activities across the Department. Since its inception, DFAS has consolidated more than 300 installation-level offices into 13 and has reduced the workforce from about 28,000 to approximately 13,000 personnel.

The DFAS's vision is transforming with the warfighter to remain the trusted financial partner for the DoD. BRAC impacts DFAS by integrating many sites into five major centers. The organization will continue to shift its focus to be a joint service provider, to smoothly meet the needs of all the armed services.

Key aspects of DFAS's transformation strategy to achieve the vision include taking a leadership role in standardizing and improving finance and accounting activities across all components of the Department. It also focuses attention on the valuable role DFAS plays in supporting DoD to prevail in the Global War on Terror. Equally important are the changes DFAS has made to improve its processes for developing strategy and the DFAS Balanced Scorecard (BSC). Those improvements include a clearer connection of the goals and objectives in the strategy to specific measures on the DFAS BSC.

DFAS continues its commitment to process improvements and risk management initiatives. DFAS also remains committed to attracting, retaining and developing its employees, who make it all happen.

