July | 09

Strategic Management Plan

Department of Defense

July 31, 2009

The U.S. Department of Defense is the largest organization in the world. It executes a budget more than twice that of the world's largest corporation, has more personnel than the populations of a third of the world's countries, and provides medical care for as many patients as the largest health management organization. The size and complexity of the Department's business operations and the rapid pace of change in the business environment, set against the backdrop of two major campaigns and worldwide economic uncertainty, make it imperative that we create more agile, responsive, and efficient business operations.

The Department of Defense has always endeavored to improve the efficiency and effectiveness of its business operations, and it has succeeded in many areas. However, even greater gains can be obtained by actively managing our performance by continuously evaluating how reliably our business processes deliver quality and timely results. Through these improvements, the Department will provide the best support and services for our troops in the field and their families at home, and be responsible stewards of the Nation's resources.

This 2009 Strategic Management Plan describes the steps DoD will take to better integrate business with our strategic planning and decision processes, and to manage performance. As the DoD Chief Management Officer, I am strongly committed to approaching the Department's business operations in a holistic manner by establishing enterprise priorities that reflect both our own lessons-learned and industry best practices.

I look forward to working with the Department's leaders, the new Administration, and Congress in meeting the challenge of creating effective and efficient business operations in support of the Department *writ large* and the American people.

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I. Introduction

The initial Strategic Management Plan (SMP), called for by the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2008 and issued by the Department of Defense (DoD) in July 2008, provided an executive overview of the Department's overall strategic planning and management framework.

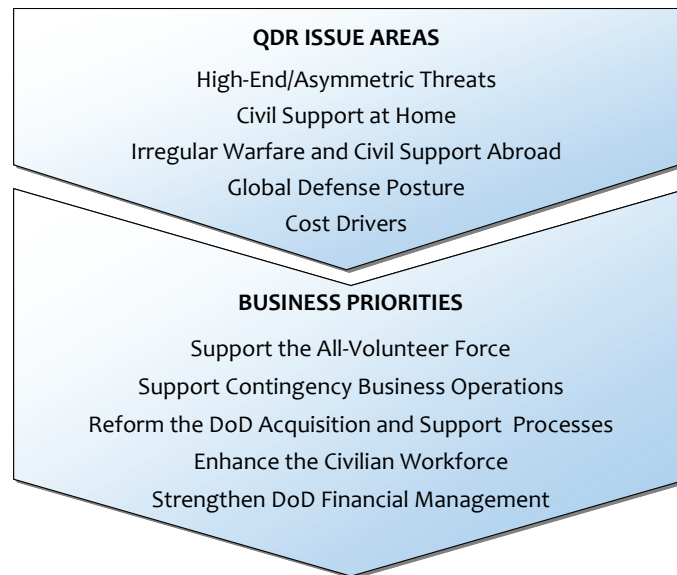| FY 2008 NDAA §904 Requirements |
| --- |
| Performance goals and measures for improving and evaluating the overall efficiency and effectiveness of business operations |
| Key initiatives to be undertaken in meeting performance goals and measures |
| Procedures to monitor the progress toward meeting performance goals and measures |
| Procedures to approve plans and budget for changes in business operations |
| Procedures to oversee all budget requests for defense business systems |

This second edition augments last year's SMP by describing the integrated activities that comprise the Department's performance management system, which enables the Department's leadership to enhance productivity by focusing resources on the key levers that drive success. It also establishes five top-level priorities for business operations. These priorities are intended to engage all levels of the organization in a cross-functional, holistic way—from the executives who define strategy, to process and functional owners who translate strategy to policy, to the line managers responsible for operational execution. The key outputs of this system are goals and measures, and associated key initiatives, for improving the performance of DoD business operations (see Section II).

This plan should be viewed as a living document. As performance results are collected and assessed, business priorities (and associated goals and measures) may be adjusted or refined to better focus and optimally align organizations and business processes to strategic outcomes.

In addition, as this edition of the SMP was being prepared for publication, the Department was midway through the 2010 Quadrennial Defense Review (QDR), which serves as the Department's overarching strategic plan.[1] The Department's working strategic direction is represented by five issue areas being addressed by the QDR analysis. (The QDR Report is scheduled to be released in February 2010.) The intention of this SMP is to support the direction being taken with the QDR, so the goals and measures associated with each business priority are aligned, to the maximum extent possible, with these five issue areas.

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[1] 19 U.S.C. §118.

QDR ISSUE AREAS

High-End/Asymmetric Threats

Civil Support at Home

Irregular Warfare and Civil Support Abroad

Global Defense Posture

Cost Drivers

BUSINESS PRIORITIES

Support the All-Volunteer Force

Support Contingency Business Operations

Reform the DoD Acquisition and Support Processes

Enhance the Civilian Workforce

Strengthen DoD Financial Management

QDR Issues Areas and DoD Business Priorities

Where appropriate, the Department's FY 2010 performance plan will be updated to reflect the priorities presented in this SMP, and any additional goals and measures assigned to the Department under the President's Management and Performance Agenda, and relevant QDR decisions (as available).

II. Business Priorities, Goals, Measures, and Key Initiatives

This section lists five top-level business priorities of the Department of Defense, as developed collaboratively by the Deputy Secretary of Defense, who serves as the DoD Chief Management Officer (CMO), with the Under Secretaries of Defense with primary responsibilities for business operations.[2] These priorities represent the enduring leading indicators of success for ensuring that business operations are synchronized across all DoD components. Business outputs are matrixed among key warfighter missions to optimally support the overarching strategic objectives established in the National Defense Strategy and refined in the Quadrennial Defense Review (QDR).

The Secretary of Defense has committed the Department to updating its strategic objectives in a manner that will ensure balance among current and future activities across the Department. Accordingly, the QDR is employing the framework described in the 2008 National Defense Strategy to balance risk across four dimensions: Operational Risk, Future Challenges Risk, Force Management Risk, and Institutional Risk.[3]

Of these four risk dimensions, the DoD business priorities established in this SMP most directly address Institutional Risk and Force Management Risk. The associated business outcomes and supporting performance goals and measures, along with key initiatives that must be undertaken to ensure performance goals can be met, are designed to ensure the Department's strategic management focus is balanced between improving near-term performance and addressing longer-term or emerging management challenges.

Balance is critical to DoD business operations.[4] The defense business enterprise must not only deliver the results expected under the terms of the National Defense Strategy, but also be responsive to emerging needs and capable of being quickly adapted to overcome unexpected problems. This is a complex task, since business operations include all of the workforce and operational infrastructure combatant commanders rely on to fulfill the missions assigned to them by the President and Secretary of Defense—activities which represent almost half of the annual defense budget.

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[2] Under Secretaries of Defense with core responsibility for business operations are the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Under Secretary of Defense for Personnel and Readiness; and the Under Secretary of Defense (Comptroller)/Chief Financial Officer. The Assistant Secretary of Defense for Network Information and Integration serves as the DoD Chief Information Officer.

[3] *National Defense Strategy* (Department of Defense, June 2008).

[4] Department of Defense Directive (DoDD) 5105.82, "Deputy Chief Management Officer (DCMO) of the Department of Defense," defines defense business operations as including the policies, processes, information, and systems relating to the end-to-end financial, logistical, facility management, human capital, acquisition, administrative, and other such functions of the Department of Defense that support the warfighter.

Accordingly, the enterprise goals and measures established in this SMP are balanced between management challenges that require long-term engagement and monitoring and shorter-term, high-priority initiatives. The key initiatives associated with individual goals were selected due to their immediate and direct effect on the Department's ability to fulfill its strategic warfighting imperatives, their impact on the Department's ability to effectively take care of its men and women in uniform, the high visibility of the particular initiative, or the potentially high return on investment and effort.

This balanced perspective is reflected in the management strategies implemented by the CMOs of the Military Departments and each Under Secretary of Defense with core responsibility for business operations, who maintain their own set of internal business priorities and supporting longer- and shorter-term goals, measures and initiatives that are aligned to the Department's enterprise priorities.

The remainder of this section provides performance outcomes, goals, measures and associated key initiatives for each business priority. A lead Under Secretary of Defense is associated with each outcome. However, to achieve the performance improvements listed, all of the Department's Principal Staff Assistants, to include the Under Secretary of Defense for Policy, the Under Secretary of Defense for Intelligence, and the Chief Information Officer, must collaborate to deliver results.

Because all the key initiatives listed in the following tables support top-level performance priorities, they are supported by the Department's FY 2010 budget proposal. Future updates to associated system architecture and transition plans, to include the DoD Business Enterprise Architecture and the DoD Enterprise Transition Plan, will be aligned to reflect the goals, measures, and initiatives listed in the following tables.

Business Priority 1: Support the All-Volunteer Force

Critical to the Nation's future security is the all-volunteer force, which the Secretary of Defense has called America's greatest strategic asset. The goals and measures associated with this priority monitor the results achieved by the business processes the Department uses to recruit, train, and retain military forces. Key initiatives highlight the Department's commitment to improve accession and retention processes and provide Quality-of-Life support to service members and their families, including Wounded Warriors.

Outcome	Goal	Measure	Key Initiatives
Maintain and shape a mission ready All Volunteer Force *USD(P&R)*	Meet end strength goals	Compare actual onboard strength to Congressionally authorized strength to determine aggregate manning levels for both active and reserve components	• Streamline the accessions/transfers process—include biometrics and the ability to pre-qualify applicants • Implement remote military entrance physical (pilot)
	Meet recruiting goals (numeric, quality and critical skills)	Compare actual accessions for the fiscal year to determine the percent of goal accomplishment for both active and reserve components	
	Meet retention goals (numeric and critical skills)	Compare enlisted service members who reenlist by category with the number eligible in each reenlistment category for both active and reserve components	
	Eliminate regular use of Stop Loss by March 2010	By August 2009, mobilize Army Reserve units without employing Stop Loss	• Increase Army end strength • Solicit volunteers to stay in-theater • Offer reenlistment bonuses, especially for deployers to stay or to go in-theater • Capitalize upon the Civilian Expeditionary Workforce
		By September 2009, mobilize Army National Guard units without employing Stop Loss	
		Beginning in January 2010, deploy regular Army units without employing Stop Loss	
		Reduce total number of personnel subject to stop Loss by 50% by June 2010	
Ensure the trust of the Total Force, their families, and the nation through superior care and support *USD(P&R)*	Provide superior cost-effective health care and support to the Total Force and their families	Percent of beneficiaries satisfied with military health care compared to the average civilian healthcare satisfaction rate	• Patient-Centered Medical Care • Performance -based budgeting /Prospective Payment System • Deployment-related initiatives
		Average percent Defense Health Program annual cost per equivalent life increase compared to average civilian sector increase	
	Slow the growth in health care costs *USD(C)*	Keep FY 2011 growth at or below current estimates	• Standardize medical supply chain • Reduce medical fraud, waste, and abuse • Medicare-matching payment initiative
	Improve the military population's Quality of Life (QoL)	Percent of military population whose quality of life has improved by their resident state/territory being in compliance with key DoD QoL issue criteria	DoD-state scorecards

Business Priority 1, Continued

Outcome	Goal	Measure	Key Initiatives
Ensure the trust of the Total Force, their families, and the nation through superior care and support—*Continued* *USD(P&R)*	Demonstrate commitment to wounded warriors through high quality care and support for service members, veterans, and family members	Seamless single Disability Evaluation System (DES) process that is responsive to Service Members and their families	• Complete DES Pilot and Evaluation • Implement Clinical and non-Clinical Care/Case Management initiatives • Design/Develop Virtual Lifetime Electronic Record • Implement Health Treatment Record recommendations approved by the Military Health System Senior Oversight Committee (SOC)
		Percent of military members participating in a single, disability evaluation/transition medical exam to determine fitness for duty and disability rating	
		Percent of wounded, ill and injured satisfied with health care *(Under Development)*	
		Percent of wounded, ill and injured satisfied with care coordination *(Under Development)*	
	Rapid personnel pay support for Wounded Warriors *USD(C)*	Number of days for initial pay contact for Wounded Warriors	Develop an interface between DoD pay and health care systems
Strengthen DoD partnerships with internal and external organizations to achieve common goals *USD(P&R)*	With Department of Veterans Affairs, establish a Virtual Lifetime Electronic Record	Meet milestones for accomplishment, as identified by the Director of the Interagency Program Office	Complete DoD-VA Data Sharing initiatives

Business Priority 2: Support Contingency Business Operations

Defense business operations must provide adaptable, responsive, effective support for the warfighter. Accordingly, the goals and measures listed here apply lessons learned on the battlefield and adapt industry best practices to enhance support to the deployed warfighter and to provide the necessary flexibility to address new, future challenges.

Outcome	Goal	Measure	Key Initiatives
Strengthen Total Force capability: achieve unity of effort and develop people to execute current and future missions *USD(P&R)*	Establish and deploy a Civilian Expeditionary Workforce (CEW)	Components meet identified participation rates *(Under Development)*	• Identify from within the Components emergency essential and non-combat essential assets; identify with the Combatant Commands the needed assets • Develop teams, units or detachments to be called upon as needed
		Increase the percentage of the CEW meeting the deployment readiness index criteria annually, up to 100% by 2013	
	Prepare for and manage pandemic influenza outbreak	*(Under Development)*	
Ensure effective logistics support for current major contingency operations *USD(AT&L)*	Provide material support in accordance with war fighters' desires	Percent of negotiated Time Definite Delivery standards met in area of contingency operation (currently U.S. Central Command)	• Provide Joint Force Commanders (JFCs) with processes, tools, and rules to provide effective operational level logistics support to joint operations • Leverage the Defense Material Readiness Board to identify, assess, and evaluate critical materiel readiness shortfalls • Implement Total Asset Visibility/In-Transit Visibility solutions to facilitate warfighter effectiveness • Provide the JFC with Foreign Excess Personal Property policies that effectively support processes in an operational environment
		Number of days of customer wait time (time from submission of order to receipt of order) for hard lift areas	
		Percent of Brigade Combat equivalents closed-force closure *(Under Development)*	
		Percent of Major Programs meeting Combatant Command (COCOM) Materiel Readiness Standards	
	Improve contingency contracting	Percent of Joint Contracting Command (JCC) fills	Adequacy of completed contingency operations guidance for developing Annex W, "Contract Support Integration Plan" – DoD Regulations – DoD Instruction – Combatant Commander Directives – Fragmentary Orders
		Percent of Contracting Officer Representative (COR) fills	
	Achieve full accountability and visibility of contractors supporting contingency operations	Percent of contracts and contractor population properly registered in the Synchronized Pre-Deployment and Operational Tracker (SPOT)	
	Integrate Operational Contract Support (OCS) into the planning process	Percent of Geographic Combatant Command plans that have been reviewed/analyzed for OCS equities	
Demonstrate good stewardship of public funds *USD(C)*	Improve business process internal controls in Afghanistan	Increase contract oversight	Implement multi-functional groups to strengthen the in-theater business environment
		Apply lessons-learned in Iraq to Afghanistan	

Business Priority 3: Reform the DoD Acquisition and Support Processes

Streamlined, focused acquisition and support processes result in more rapid delivery of capability and can generate savings for re-investment into the Defense enterprise. Accordingly, the goals and measures associated with the acquisition process focus on eliminating waste in the procurement process and improving underlying business processes and efficiencies for logistics, real property management, and industrial base management.

Outcome	Goal	Measure	Key Initiatives
Improve acquisition performance *USD(AT&L)*	Reduce the annual acquisition cost growth for Major Defense Acquisition Programs (MDAPs)	Percent of Major Defense Acquisition Programs (MDAPs) and Major Automated Information Systems (MAIS) cost and schedule increases, by fiscal year	Acquire MDAPs and MAIS programs at original cost, schedule, and performance
	Contract for services in a cost-effective manner	Percent of programs that meet requirements established in USD(AT&L) memorandum "Review Criteria for the Acquisition of Services" (February 18, 2009)	Conduct acquisition strategy and peer reviews to ensure adherence to the tenets of DoD's service architecture for competition, appropriate contract type, etc.
	Speed delivery of business system capabilities to the user community	Number of months between contract award and delivery of initial capability	Implement Business Capability Lifecycle policy for MAIS that have primary business application
	Improve acquisition processes and execution to support warfighter requirements	Number of months from program initiation to initial operating capability	Acquire systems through evolutionary acquisition
	Provide authoritative data for decision making	Percent of registered users in the Office of the Secretary of Defense that are provided service-oriented architecture-based services by December 31, 2009	Establish data governance for the key data elements used to report status and make actionable decisions on MDAPs
	Increase the use of fixed price contracts	Percent of contracts at Milestone B that are fixed price	Milestone decision reviews
		Percent of contracts at Milestone C that are fixed price	
	Increase the percentage of MDAPs initiated with low technical risk	Percent of program rated	• Competitive Prototyping • Preliminary design review before Milestone B • Independent technical readiness assessments
		Number of MDAPs initiated during the fiscal year	
		Percent of MDAPs initiated during the fiscal year with technologies demonstrated in a relevant environment	
	Assess programs as directed in the Weapon Systems Acquisition Reform Act of 2009	Percent of Problem Assessment Root Cause Analysis (PARCA) offices stood up	
		Percent of programs assessed	

Business Priority 3, Continued

Outcome	Goal	Measure	Key Initiatives
Integrate lifecycle management principles into DoD and Service acquisition, maintenance and sustainment processes *USD(AT&L)*	Ensure supportability, maintainability, and costs are considered throughout the acquisition cycle	Percent of major programs meeting established DoD sustainment metrics	• Establish program governance and DoD sustainment metrics reporting (materiel availability, material reliability, total ownership costs) in accordance with DoD lifecycle management policy • Implement 2009 DoD Product Support Assessment recommendations to apply next-generation sustainment strategies to achieve affordable weapon system readiness
Speed technology transitions focused on warfighting needs *USD(AT&L)*	Focus research and development to address warfighting requirements	Percentage of completing demonstrations programs transitioned per year	• Track programs that will transition within the next calendar year • Review programs that report no transition or fall below requirement, but still receive Research, Development, Test and Evaluation funds
Protect against nuclear, chemical and biological threats *USD(AT&L)*	Improve capabilities to prevent and mitigate attacks on U.S. personnel, facilities, and key assets	Achieve 90% destruction of the U.S. chemical stockpile by 2012 Establish nuclear, biological and chemical (NBC) -Countering Weapons of Mass Destruction (WMD) portfolio within DoD integrating Global Nuclear Defense and Chemical-Biological Defense for the FY 2012 program period and beyond Expand the DoD Nunn-Lugar Cooperative Threat Reduction Program by 2010, first with Pakistan and Afghanistan Expand the Biological Threat Reduction Program architecture	• Transformational Medical Technology Initiative • Global counter-WMD • Bio-surveillance initiative
	Enhance nuclear stewardship	Integrate the DoD and Department of Energy (DoE) program roadmap with milestones, deliverables, and cost estimates by January 2010 and improve Congressional support	• Strengthen and expand the activities of the Nuclear Weapons Council in support of the Nuclear Posture Review • Establish a working group to harmonize operational nuclear security standards across all DoD, DoE, and Nuclear Regulatory Commission nuclear facilities

Business Priority 3, Continued

Outcome	Goal	Measure	Key Initiatives
Enhance Industrial Base Management *USD(AT&L)*	Sponsor technology leadership and strategy initiatives with outreach to industry and academia	Number of structured 2-day long dialogues with academia technology leaders completed	Understand investment drivers and strategies to sustain technology leadership and identify opportunities/barriers to collaboration with DoD
Integrated joint supply chains from source of supply to operational customers *USD(AT&L)*	A synchronized end-to-end supply chain with challenging but achievable standards for each element of the supply chain	Percent of negotiated Time Definite Delivery standards met globally (by COCOM)	• Expand Defense Transportation Coordination Initiative concept to include additional commodities, modes, geographic areas and customers
		Percent of actual demand compared to forecasted demand *(Under Development)*	• Improve demand plan accuracy through improved forecasting techniques
		Number of days of customer wait time (time from submission of order to receipt of order) by lift area	• Implement Economic Movement Model to improve stock positioning • Implement Distribution Process Owner strategic opportunities to improve distribution from enterprise perspective
	Decrease average Customer Wait Time	Average Customer Wait Time	• Fully implement automatic identification technologies into supply-chain business systems

Business Priority 4: Enhance the Civilian Workforce

The Department of Defense employs more than 700,000 civilians in an array of critical positions worldwide, including many deployed to Iraq and Afghanistan. Civilians are valued members of the Department's Total Force and are critical to achieving the DoD mission. The goals and measures associated with this priority focus on sustaining and improving the quality and competence of the Department's civilian workforce, especially in the skill areas of finance, acquisition, and contract management.

Outcome	Goal	Measure	Key Initiatives
Human Capital Management practices that are responsive to a dynamic security environment *USD(P&R)*	Streamline the human resource hiring process	*(Under Development)*	Meet Office of Personnel Management guidelines and targets
	Decrease reliance on contract personnel	Number of positions in-sourced	DoD-wide in-sourcing Initiative
Reinvigorate the acquisition workforce *USD(AT&L)*	Right-shape and re-balance the acquisition workforce	Annual improvement in percent of acquisition positions filled with personnel meeting or exceeding Level II certification position requirements	Grow the acquisition workforce
		Annual improvement in percent of acquisition positions filled with personnel meeting or exceeding Level III certification position requirements	
	Progress toward achieving goal of growing the workforce by 20,000 positions by FY 2015	Annual increase in end-strength for acquisition professionals	
		Number of contractor work-year equivalents in-sourced for acquisition functions	Achieve 10,000 acquisition positions through in-sourcing
Strong Financial Management Workforce *USD(C)*	Hold workforce consistent, absent efficiencies	Track trends in the financial management workforce	Set up process for monitoring workforce health

Business Priority 5: Strengthen DoD Financial Management

To make informed decisions and ensure that resources are optimally aligned to priority tasks, the Department's leaders need access to timely, relevant, and reliable financial and cost information. The goals and measures associated with this priority focus on improving financial information for fact-based, actionable management decisions. Key initiatives address important management challenges related to improving the auditability of DoD financial activities.

| Outcome	Goal	Measure	Key Initiatives
Acquire needed resources and make the best of them *USD(C)*	Spend American Reinvestment and Recovery Act (ARRA) funds quickly and effectively	Percent obligation rates vs. project ground-breaking	• Optimize ARRA transparency through full automated reporting of high-visibility costs • Obligate to annual spending targets • Optimize transparency through full automated reporting of obligation rates and cancelling balances
		Percent obligations rates vs. planned obligations	
	Maintain an effective budget execution function	Achieve monthly planned obligations	
		Manage cancelling balances	
Pay people and vendors on time and accurately *USD(C)*	Sustain timely and accurate pay	Sustain 2009 accuracy rate for Defense Joint Military Pay System (DJMS)	• Renew DJMS change-control board process • Work to enhance integrated personnel and pay services • Address pay issues unique to the Reserve component • Conduct full statistical analyses of pay improper payments • Promote the use of e-Commerce
		Sustain military and civilian pay timeliness at 2009 rates or better	
		Reduce pay improper payments	
		Reduce vendor invoice backlog	
Demonstrate good stewardship of public funds *USD(C)*	Maximize Anti-Deficiency Act (ADA) compliance	Reduce late investigations	• Launch new Financial Improvement and Audit Readiness (FIAR) strategy • Re-synchronize Enterprise Transition Plan milestones to support a revised FIAR strategy
		Reduce actual violations	
	Increase the audit readiness of individual DoD components	Achieve auditability	
		Implement effective financial systems	
Improve Real Property Installation Management *USD(AT&L)*	Make visible real property assets and link with direct and indirect costs, consistent with revised FIAR strategy emphasis on existence and completeness	Percent of real property management systems compliant with the DoD enterprise-wide standard called Real Property Inventory Requirements (RPIR)	Implement real property inventory data standards, data elements and sustainable DoD business processes
		Percent of Defense Agencies' real property assets that are reconciled and captured in an enterprise-wide system	Develop a standard DoD real property inventory reconciliation process and tool for use across all DoD
		Percent of DoD financial management systems reporting expenditures by site-unique identifier and/or real property – unique identifier	Track actual expenditures at the asset level for real property and installations support

III. Performance Management System

The Deputy Secretary of Defense, acting as DoD Chief Management Officer (CMO), establishes cross-functional priorities for defense business operations and monitors the Department's performance against these priorities. The Deputy CMO (DCMO) and the DoD Performance Improvement Officer (PIO) assist the CMO by supervising performance management activities and identifying opportunities for cross-collaboration among key internal and external stakeholders.[5]

The responsibility for aligning business operations to CMO priorities is shared among the CMOs of the Military Departments and relevant Under Secretaries of Defense. The Under Secretaries of Defense establish management policies for one or more end-to-end defense-wide business processes; they also advise the CMO on whether to certify new investments in business enterprise systems. The CMOs of the Military Departments have primary management responsibility for directly carrying out business activities, including developing the annual budget requests that are submitted to the DoD CMO for review and approval during the Department's annual program and budget review.[6,7] Additionally, the DoD Chief Information Officer is responsible for setting policy and providing oversight of information processes, systems, and technologies, which are key enablers of improved business operations.

Roles and Responsibilities for Business Operations

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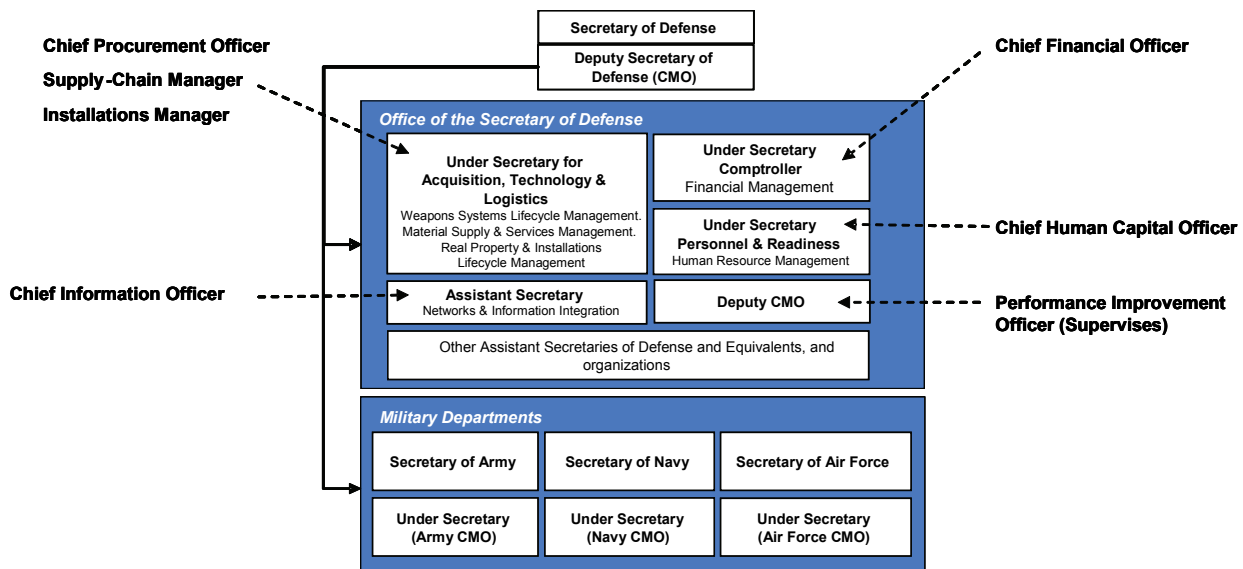
[5] Executive Order 13450, *Improving Government Program Performance*

[6] *National Defense Authorization Act for Fiscal Year 2008,* P.L. No. 110-181, §904

[7] For a complete description of the Department's strategic planning and decision process, to include developing program and budget plans, www.defenselink.mil/dcmo/documents/Final%20FY2008%20Strategic%20Management%20Plan.pdf

The roles and responsibilities within the Department's performance management system are described below. The following sections describe the overall management framework used to monitor and assess performance results throughout the year, as well as the key governance bodies responsible for cascading business priorities to supporting organizations.

Performance Management Roles and Responsibilities	
Deputy Secretary of Defense / CMO	• Define enterprise performance goals for business enterprise operations • Review progress periodically against business enterprise performance goals • Provide guidance and approve corrective action • Certify architecture compliance of business system investments costing more than $1 million • Review and approve budget request for business operations
DCMO	• Advise the CMO on performance goals and measures and assesses progress • Assist Under Secretaries of Defense and Military Department CMOs in aligning strategic plans, performance goals, and measures with SMP enterprise goals for business operations
Under Secretaries of Defense	• Recommend business priorities, measures and targets for business operations • Align and conduct business operations—from setting enterprise policy and standards to directly managing select programs or activities • Measure progress and take corrective action • Review architecture compliance of business system investments costing more than $1 million
CIO	• Monitor and evaluate the performance of programs related to information technology and national security systems • Promote improved work processes for information resource management
CMOs of the Military Departments	• Recommend business priorities, measures, and targets for business operations • Execute business operations • Measure progress and take corrective action • Develop budget requests for business operations and system investments
PIO	• Supervise performance management activities, including the development of annual performance plans and annual performance reports, as required by law

Performance Framework

The performance management framework employed by the Department aligns matrixed business-enterprise goals to overarching strategic-defense goals and cascades business-enterprise performance goals, measures, and annual performance targets throughout all levels of the organization. In turn, progress against these goals, measures and targets are monitored regularly throughout the year, for identification of any appropriate corrective actions. The paragraphs below describe key decision points within this framework. Associated management principles are displayed in boxes.

Step 1: Plan

Planning is the cornerstone of the Department's performance management process.

A key input for this step is the defense-wide strategic objectives defined by the National Defense Strategy and the Quadrennial Defense Review (QDR), which serves as the Department's overarching strategic plan.
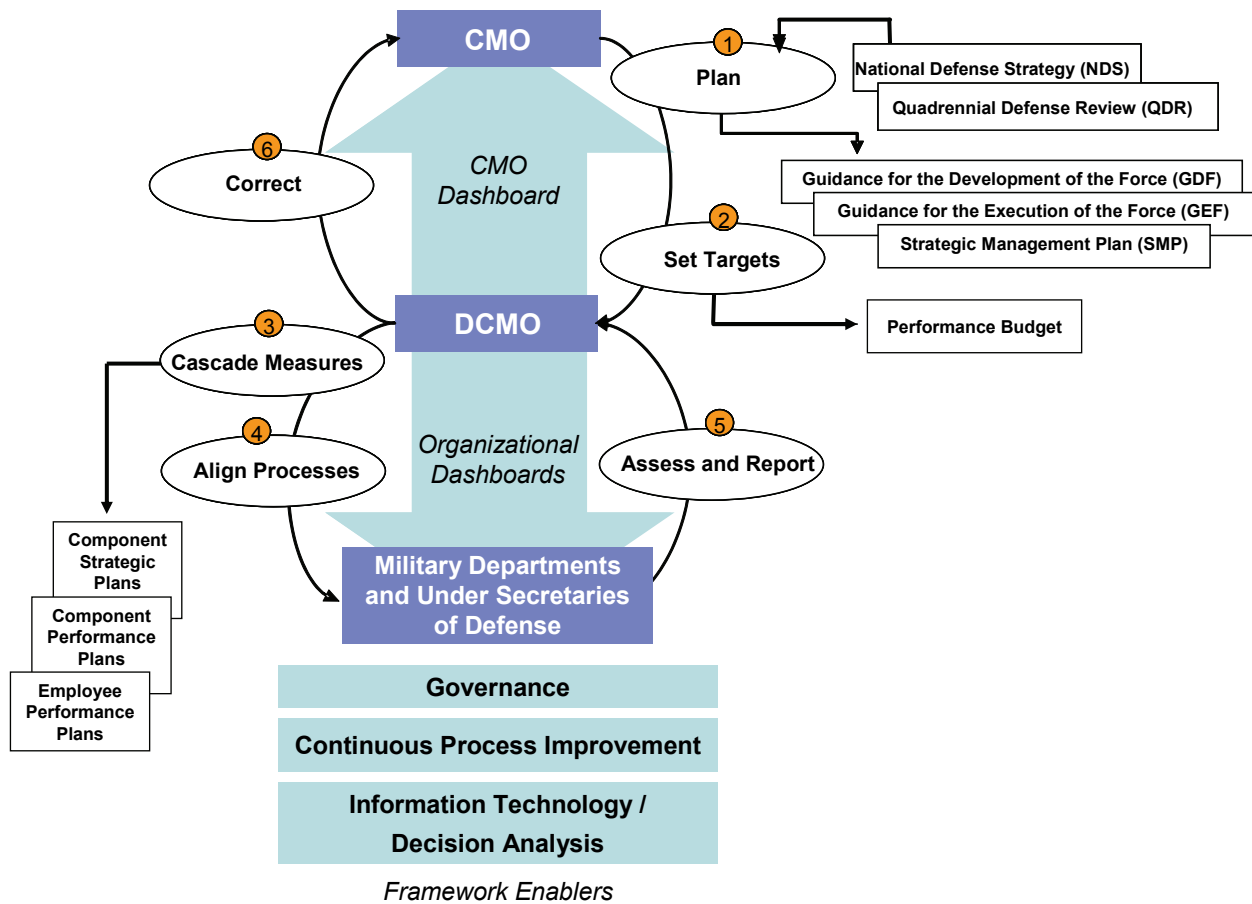
> **PLAN**
>
> • Limit the number of measures and focus on those that contribute ~80% of the expected result
>
> • Focus on outcomes, not just activities and numbers
>
> • Balance measures among different output perspectives: Stakeholders, Budget/Finance, Process and People/Learning

Other inputs include the government-wide performance priorities established by the President's Management and Performance Agenda for the Department of Defense and other cabinet agencies.

Led by the CMO and DCMO, this annual review is a collaboration among the Military Departments and the relevant Under Secretaries of Defense. The intent is to develop a set of integrated business priorities that address key performance issues of importance to all stakeholders. Supporting goals, measures, and key initiatives are selected based on their probability of overcoming a significant management challenge, their ability to drive needed change, or their importance to improving support to the Combatant Commanders.

Framework Enablers

The main output of this step is the Department's annual SMP, which in turn inputs to the performance plan and report submitted to Congress with DoD's annual budget. The SMP promotes strategic leadership by identifying top-level business enterprise priorities (and associated performance goals and measures), which focus the Department on working together to improve the efficiency and effectiveness of the targeted business operations. The Department's performance budget, which includes elements that summarize the resources needed to achieve the priorities for enterprise business operations, is then projected in the President's budget.

Currently, the planning cycle for validating and revising enterprise goals and measures is designed to correspond with the development of an annual SMP.

Step 2: Set Targets

After the top-level enterprise business priorities, goals, measures, and initiatives are established, they are monitored throughout the year and specific performance targets are set for each measure. These targets explicitly define what the Department expects to achieve.

Typically, targets are established for both efficiency measures (e.g., reducing cycle times or full-time-equivalent positions) and effectiveness measures (e.g., fewer safety mishaps or better-trained workforce). Performance targets should be measurable indicators of progress toward achieving desired end-states. They are tracked and assessed routinely throughout the year of execution.

Establishing performance targets is a collaborative process, the result of which is common agreement that the selected targets will accurately track progress against the business priorities and performance goals established by the SMP.

Step 3: Cascade Measures

The third step in the process is one of the most important. During this step, the leaders of the Military Departments and relevant Under Secretaries of Defense align their respective organizational performance goals and measures to the CMO enterprise-level goals and measures.

> **CASCADE MEASURES**
>
> - Reflect each organization's needs while aligning to a common set of priorities
>
> - Identify who is accountable for delivering results for each performance measure and empower them to make decisions and solve problems related to their results

After each update of the DoD SMP, each Military Department and relevant Under Secretary of Defense is expected to review their respective organizational strategic plans and associated objectives, measures, and targets, revising them as needed to reflect the broader (higher-level) business priorities set in the SMP. In addition, each organization is also expected to modify its incentive and accountability structure to ensure that proper attention is paid to the most important priorities.

Throughout these internal reviews, the DCMO and PIO, on behalf of the CMO, work with the Military Departments and relevant Under Secretaries of Defense to ensure changes are cross-leveled and integrated to maintain the top-level focus intended by the CMO, and as reflected in the SMP.

Step 4: Align Processes

As performance goals and measures are cascaded to supporting organizations and management processes, Under Secretaries of Defense and Military Departments may find it necessary to re-align operations or organizational structures so as to better integrate functional activities with larger, defense-wide end-to-end processes.

> **ALIGN PROCESSES**
>
> - Identify critical processes that align goals, then develop implementation plans
>
> - Define management and measurement systems to ensure critical processes succeed

The clearly defined goals and performance targets provided by the annual update of the SMP help identify process choke points and target Continuous Process Improvement (CPI) efforts or Lean-Six Sigma (LSS) projects to remove barriers to success.

Step 5: Assess and Report

Improved defense-wide business operations are the expected outcome of active performance management. To verify that results are being achieved, data on actual progress against each top-level performance target is collected and reported via a CMO-level dashboard, which is reviewed at least quarterly.

> **ASSESS AND REPORT**
>
> - Analyze and share actionable information, not just data
> - Rely on control metrics to guard against unintended consequences
> - Employ predictive analysis to identify problems before they occur

Each Military Department and relevant Under Secretary of Defense is expected to maintain a management dashboard. These supporting dashboards should be populated by goals and measures that support or cascade from the CMO dashboard, or by goals and measures that represent important organizational priorities that align with the Department's strategic goals.

Ideally, each of these dashboards will be capable of linking to supporting analysis and trend data that the Department may use to describe and explain performance results to Congress, the Office of Management and Budget, and other external partners. Dashboard information may also be used to inform the answers to *ad hoc* questions on special topics from the Secretary or Congress. Because information provided via Military Department and relevant Under Secretary of Defense dashboards (or similar data collection processes) can extend beyond the priorities monitored by the CMO, they could provide a mechanism that enables "deep dives" into issues and analysis of performance.

This information will allow the Department to quickly identify performance problems, drill down to analyze contributing factors, and act decisively to correct and close performance gaps.

Step 6: Correct

Taking corrective action is the final step in the Department's performance management process. When flat or negative performance trends appear, the accountable Under Secretaries of Defense and CMOs of the Military Departments identify and implement corrections. In cases where corrective action requires collaborative action across various organizations, the CMO may initiate longer-term change initiatives via a CPI/LSS project or change initiative.

Framework Enablers

Throughout each of the aforementioned steps, the CMO, DCMO and key stakeholders rely on enablers to inform their decisions and actions:

- **GOVERNANCE** provides the management structure and system necessary to ensure that organizations and individuals are held accountable for their performance management outputs, and that information flows among individuals and organizations via a defined process. Governance establishes both a routine cadence for the flow and review of performance information and a forum for deciding on the actions needed to correct problems or reward success.

- **CONTINUOUS PROCESS IMPROVEMENT (CPI)** is a comprehensive philosophy of operations, built around the concept that there are always ways in which a process can be improved to better meet the needs of the customer and that an organization should constantly strive to make those improvements. **LEAN SIX SIGMA (LSS)** is a disciplined process improvement methodology, endorsed by DoD leadership as a primary means by which the Department will become more efficient in its operations and more effective in its support to the warfighter. The Department has a cadre of trained LSS practitioners, who work with the Military Departments and relevant Under Secretaries of Defense and to effect positive change. The Department's CPI/LSS projects are selected to be strategically aligned with the priorities and goals contained in this document and the Department's other strategic instruments.

- **DECISION ANALYSIS** provides critical performance data to support timely decisions and corrective actions. Decision analysis enables stakeholders and their organizations to understand past, current, and projected performance. Ideally, organizational dashboards consolidate this information to enable trend assessments and related insights to allow more informed decisions based on performance results.

- **INFORMATION TECHNOLOGY (IT)** is a key enabler of improved business operations. The Business Enterprise Architecture (BEA) guides and constrains both investment and implementation of interoperable defense business-system solutions. It also defines the business capabilities required to support the Department's business priorities and the combinations of enterprise systems and initiatives that enable those capabilities. The BEA includes activities, processes, data, information exchanges, business rules, system functions, system data exchanges, terms, and linkages to laws, regulations and policies. The BEA supports the Department's overall Enterprise Architecture maintained by the Assistant Secretary for Networks and Information Integration / Chief Information Officer and extends the Federal Enterprise Architecture maintained by the Office of Management and Budget. Large business IT systems in development or targeted for modernization must be certified as conforming to the BEA. These systems are also subject to annual reviews by their respective Investment Review Board and the Defense Business Systems Management Committee to ensure they are proceeding to fielding and use as expected.

Related Outputs

The performance management dashboards provide the Department with a disciplined framework for linking related performance activities. Accordingly, the Department's performance management process provides two related outputs (in addition to the SMP) that further strengthen the CMO's ability to align strategic priorities to performance outcomes.

- The annual **PERFORMANCE BUDGET AND REPORT** reflect SMP-defined goals and performance measures for business operations in addition to performance goals and measures that support other important strategic objectives for the defense strategy, such as readiness, international programs, or activities in support of overseas contingency operations. The DoD performance budget includes the annual DoD performance plan, which integrates performance goals with resource categories. The annual performance report, published at the end of each fiscal year, describes the performance results achieved for taxpayer investments in defense activities, as required by the Government Performance and Results Act of 1993, P.L. No. 103-62.

- SMP-defined performance priorities inform the annual **ORGANIZATIONAL ASSESSMENT (OA) GUIDANCE AND OA REPORT,** which are required by the Office of Personnel Management (OPM) to certify that DoD has a performance appraisal system for senior executives and senior civilian leaders linking individual performance plans to expected organizational results. When fully implemented, the CMO dashboard, supported by Under Secretaries of Defense and Military Department dashboards, will provide a clearer line of sight between individual executive performance plans and agency strategic goals, program or policy objectives, or annual performance plans, as required by OPM certification criteria.

Supporting Governance Boards

At each organizational level throughout the Department, governance bodies reinforce the priorities set in the SMP by supporting management and decision processes.

At the top-level, two senior boards help the CMO oversee the Department's performance management system:

- The **DEFENSE BUSINESS SYSTEMS MANAGEMENT COMMITTEE (DBSMC**), established by 10 U.S.C. §186, sets priorities for business operations and identifies supporting performance goals, measures, and key initiatives. It also develops and approves annual updates to the SMP, and certifies that all business system investments more than $1 million comply with the DoD Business Enterprise Architecture. The Deputy Secretary of Defense chairs the DBSMC and the vice-chair is the DCMO. Representatives to the DBSMC include the Under Secretaries of Defense, the CMOs of the Military Departments, and others. The DBSMC meets monthly; performance information is reviewed at least quarterly.

- The **PERFORMANCE BUDGET SENIOR REVIEW GROUP (PBSRG)** sets annual performance targets for DoD performance goals; validates their integration with the annual DoD performance budget; and reports actual results for inclusion in the annual DoD performance report. The PBSRG is co-chaired by the Office of the DCMO and the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

Under Secretaries of Defense rely on in-house analytic resources and *ad hoc* assessments or review boards to collect and consolidate performance information on an as-needed basis from a range of supporting program offices or working groups.

Additionally, many Under Secretaries of Defense employ standing governance boards to monitor performance and set output goals. These boards establish and cascade performance goals and targets, driving accountability throughout their organizations. These boards include the following:

- **DEFENSE ACQUISITION BOARD** is the senior advisory board for defense acquisitions.

- **DEFENSE HUMAN RESOURCES BOARD** oversees competency-based human capital planning and advises on conceptual, strategic, implementation, assessment and accountability issues.

- **DOD AUDIT ADVISORY COMMITTEE** provides the Secretary of Defense, through the Under Secretary of Defense (Comptroller)/Chief Financial Officer, independent advice and recommendations on DoD financial management, to include financial reporting processes, systems of internal controls, audit processes, and processes for monitoring compliance with relevant laws and regulations. The Committee has no more than five representatives, who are distinguished members of the audit, accounting, and financial communities.

- **EXECUTIVE GOVERNANCE BOARD/CIO COUNCIL** advances interoperability, information assurance and sharing between and among DoD components.

- **FINANCIAL IMPROVEMENT AND AUDIT READINESS (FIAR) COMMITTEE** leads the process for establishing and monitoring FIAR Plan priorities.

- **JOINT LOGISTICS BOARD** reviews the status of the logistics portfolio and the effectiveness of the defense-wide logistics chain in providing support to the warfighter. This body guides logistics transformation at the DoD level.

- **OSD PERSONNEL/PAY COUNCIL** identifies and ensures the resolution of policy, systems, and procedural issues that negatively impact the pay of service members, military retirees, annuitants, and civilian employees. The Council strives to resolve issues, including regulatory barriers, which create pay problems.

IV. Military Departments

Section 904 of the FY 2008 NDAA, P.L. No. 110-181, designated the Under Secretary of each Military Department to serve as its CMO, with primary responsibility for business operations. Each CMO is responsible for developing a comprehensive business transformation plan for his or her Military Department. This plan is required to contain measurable performance goals and objectives to track progress toward achieving an integrated management system for business operations. The Military Department CMOs execute, as well as develop, these transformation and transition plans.

Changes in the nature of military operations have placed increased pressure on the business enterprise to provide mission-driven, adaptive, and agile services and information. The recent downturn in the global economy has created a constrained fiscal environment—with little relief expected in the near term. These challenges make it vital that the business infrastructures of the Military Departments be closer to their warfighting customers than ever before. To overcome these challenges, the CMOs of the Military Departments are finding ways to streamline and increase the efficiency of business operations, while promoting cost savings and increasing accountability.

The following paragraphs provide a brief overview of the steps each Military Department has taken to institutionalize the role of its CMO as a leader for business transformation. Each department's top priorities for achieving integrated management of business operations are also listed.

Department of the Army

An Army Enterprise Board has been established to review strategic issues and provide advice to the Secretary of the Army. The Board is developing an assessment architecture that is focused on clear, measurable outcomes that align performance goals for business operations with the Army's strategic imperatives.

The Under Secretary of the Army, as the Army CMO, is the senior governance and execution authority for the business transformation initiative required of the Secretary of the Army.

The Army CMO will use business transformation and architecture plans to establish performance goals and track results for associated performance targets and measures. The Army has identified broad priorities to guide its transformation of business operations:

Department of the Army—Business Priorities
Sustain soldiers, families and civilians in era of persistent conflict by recruiting and retaining quality men and women and growing the Army; improving the quality of life for soldiers, families, and civilians ; and providing world-class care for Wounded Warriors
Prepare to succeed in the current conflicts, by improving the processes for readying soldiers, units, and equipment for deployment
Reset the Army for future deployments and other contingencies by recapitalizing, applying lessons learned, providing integrated supply-chain support, and increasing time soldiers spend with families
Transform the Army into a force capable of meeting diverse challenges by reorganizing into modular organizations, using advanced technologies to provide global-response capabilities, and re-station and realign to support the new global posture, and re-engineer business processes to improve performance

Department of the Navy

As the DON's CMO, the Under Secretary of the Navy supervises the DON Deputy Chief Management Officer and the Director, Office of Business Transformation. The DON CMO chairs the Business Transformation Council and oversees the management and improvement of DON business operations.

The DON's business priorities focus on key issues that significantly impact business operations across the Department:

Department of the Navy—Business Priorities
Assure DON has the best acquisition organization and process in government and becomes the DoD model for defense acquisition system reform
Lead the Government in moving toward clean energy utilization and energy conservation
Implement the Bethesda/Walter Reed consolidation on cost and within the planned schedule, while maintaining quality for our Wounded Warriors
Develop and execute a detailed plan and program to effectively and efficiently relocate Marines from Okinawa
Assure personnel and systems perform flawlessly in support of the safety and security of nuclear forces
Transition to next generation information technology (IT) architecture while assuring critical infrastructure protection of both the new system and existing IT systems
Be the World leader in autonomous platforms
By FY 2012, achieve the goal set by the Secretary of Defense in the Guidance for the Development of the Force to reduce the mishap rate by 75% reduction over the DON's FY 2002 Baseline
Maximize the return on the Department's Human Capital resources
Take all reasonable actions to proactively pursue force wellness

Department of the Air Force

The Under Secretary of the Air Force, in his role as Air Force CMO, will represent business transformation issues at CORONA, a senior leadership forum that brings the Secretary and Chief of Staff of the Air Force, key senior executives and military leaders of major commands together for strategic planning and assessments three times a year.

The Air Force CMO also co-chairs the Air Force Council with the Air Force Vice Chief of Staff, to ensure business transformation issues are integrated into routine management. The Air Force's business priorities, which support the Air Force Strategic Plan, include:

Department of the Air Force—Business Priorities
Reinvigorate the Air Force nuclear enterprise
Develop and care for airmen and their families
Modernize Air Force air and space inventory, organizations, and training
Recapture acquisition excellence
Increase energy efficiency by reducing aviation fuel use, installation energy intensity, and (non-tactical) vehicle fleet petroleum

V. Conclusion

This second Strategic Management Plan for the Department of Defense describes a structured approach for developing cross-functional business priorities and establishing common management goals for business operations. It defines a performance management system for business operations that augments the Department's overarching strategic planning and decision framework. In particular, it provides clear, measurable information about the results achieved by business programs and activities, which can be used by the Department's Planning, Programming, Budgeting and Execution System and executive leaders to make better-informed decisions.

The enterprise-level goals and measures contained in this document represent only a subset of the performance improvement activities being undertaken across the Department to transform and improve defense business operations. Some performance goals and measures (and associated key initiatives) in this version of the DoD SMP focus on resolving enduring management challenges and represent interim steps on a long-term improvement path, while others represent near-term innovations that can quickly achieve positive change. They were all were selected because they are leading indicators of success for important enterprise outcomes.

Institutional change in DoD business operations must engage leaders at all levels of the organization. Each leader must find ways to link the activities and outputs of his or her organization to the outcomes established by the Deputy Secretary of Defense, acting as the CMO, and presented in this SMP. Given the size and complexity of the Department's business operations, a consequent system of diffused execution responsibility and a management plan are a necessity.

The Department will actively manage the performance of its business operations against the priorities, goals and measures identified within this Strategic Management Plan. Accordingly, this plan represents a commitment to provide superior service to military troops and their families by ensuring agile and effective business operations in support of current and future warfighting missions, while delivering high value in return for the American taxpayer's investment in the Department of Defense.

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Appendix: Acronym List

ADA: Anti-Deficiency Act
ARRA: American Reinvestment and Recovery Act
ASD(NII):   Assistant Secretary of Defense for Networks and Information Integration

BEA: Business Enterprise Architecture

CEW: Civilian Expeditionary Workforce
CFO: Chief Financial Officer
CIO: Chief Information Officer
CMO: Chief Management Officer
COCOM: Combatant Command
COR: Contracting Officer Representative
CPI: Continuous Process Improvement

DAB: Defense Acquisition Board
DBSMC: Defense Business System Management Committee
DCMO: Deputy Chief Management Officer
DES: Disability Evaluation System
DJMS: Defense Joint Military-Pay System
DMRB: Defense Material Readiness Board
DoD: Department of Defense
DoDD: Department of Defense Directive
DoE: Department of Energy
DON: Department of the Navy

FIAR: Financial Improvement and Audit Readiness
FY: Fiscal Year

GPRA: Government Performance and Results Act of 1993

IT: Information Technology

JCC: Joint Contracting Command
JFC: Joint Force Commander

LSS: Lean Six Sigma

MAIS: Major Automated Information Systems
MDAP: Major Defense Acquisition Programs

NBC: Nuclear, Biological and Chemical
NDAA: National Defense Authorization Act
NRC: Nuclear Regulatory Commission

OA: Organizational Assessment
OCS: Operational Contract Support
OMB: Office of Management and Budget
OPM: Office of Personnel Management
OSD: Office of the Secretary of Defense

PARCA: Problem Assessment Root Cause Analysis
PBSRG : Performance Budget Senior Review Group
PIO: Performance Improvement Officer
P.L.: Public Law
PSA: Principal Staff Assistant

QoL: Quality of Life
QDR: Quadrennial Defense Review

RPIR: Real Property Inventory Requirements

SMP: Strategic Management Plan
SOC: Senior Oversight Committee
SPOT: Synchronized Pre-deployment and Operational Tracker

USD(AT&L): Under Secretary of Defense for Acquisitions, Technology and Logistics
USD(C): Under Secretary of Defense (Comptroller)/Chief Financial Officer
USD(P&R): Under Secretary of Defense for Personnel and Readiness

VA: Veterans Administration

WMD: Weapons of Mass Destruction