DEFENSE BUSINESS BOARD

DoD Core Business Processes

Task Group

October 23, 2014

Interim Update – Pending Study Completion

Terms of Reference

Tasking: From Deputy Secretary of Defense, Robert O. Work, "Transforming DoD's Core Business Processes for Revolutionary Change"

Task Group Members: Ms. Roxanne Decyk (Chair), Mr. Kenneth Klepper (Co-Chair), Mr. Emil Michael, Mr. Philip Odeen, and Mr. John O'Connor (Consultant)

Deliverables: Recommendations on how DoD can transform its core business processes based on proven best practices

Timeline: January 22, 2015

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Terms of Reference (continued)

Tasking:

- DoD spends $75B-110B managing its core business process
  - Human Resources (HR), Healthcare, Financial Flow, Acquisition and Procurement, Logistics/Supply Chain, and Real Property
- Consider private sector best practices in enterprise modernization and how they might be applied to DoD
- Review how modern agile business process redesign and agile reference architectures might bring cost savings to DoD
- Identify how private sector creates a cost conscious culture and consolidates information technology (IT) "utilities" to create efficient and agile organizational performance
- Consider a conceptual roadmap to support a staged modernization of the DoD enterprise using latest technologies in business process redesign
- Recommend an approach to establish a means (cash flow model) to identify and quantify the economic value of modernization
- Propose how enterprise modernization can best be structured to bring innovation and agility to the "end user" and gain efficiencies
- Recommend how those principles and practices might be incorporated into DoD's existing plans, such as the DoD Enterprise Roadmap

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Definitions & Assumptions

- **Definitions:**
  - **"Core Business Processes":** The minimum individual tasks to be accomplished to provide a certain level of consistency in output—without any consideration to hardware, software, or performance [1]
    - An idealized construct intended to express that organization's "main" or "essential" activity
    - A firm's success depends not only on how well each department performs its work, but also on how well the company manages to coordinate departmental activities to conduct the core business process
    - Includes core processes critical to the organizations effectiveness (e.g., finances, HR, and procurement)
- **Assumptions:**
  - These private sector best practices can be beneficial to DoD
  - Business process redesign is especially important now given budgetary constraints and emphasis on innovation and agility
  - Business process redesign provides great opportunities for cost savings, increased productivity, and transparency
  - Redesign will allow DoD to increase its mission effectiveness throughout the enterprise

[1] Identifying core business processes is first step toward customer satisfaction, by Guest Contributor, May 30, 2002

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Progress to Date

- ## Conducted 11 interviews to date:
  - Public Sector and DoD
    - Office of the Secretary of Defense (OSD), Joint Staff, Military Services, Defense Financial and Accounting Service, Defense Health Agency, and other federal government agencies (Government Accountability Office, etc.)
  - Private Sector
    - Edelman, Global Consulting Alliance, Kates Kesler, The Boston Consulting Group, Northrop Grumman

- ## Ongoing Task Group activities:
  - Continue interview process
  - Collect analytical data and metrics on current DoD processes and costs
  - Synthesize data and substantive findings and observations to provide actionable recommendations to the Department

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Observations

- Private and public sectors have been successful in transformational change initiatives

- Leadership is key – the most senior leaders are deeply involved

- Past DoD efforts have often been costly and failed to deliver desired outcomes
  - Frequent turnover of leadership or lack of full commitment to project
    - Unable to align all interested parties
  - Focus on modifying commercial off-the-shelf (COTS) rather than redesigning processes = $$$$ and difficult to update
  - Scale: Federal enterprises are vast, often fragmented
  - Congressional limitations

- Budgetary constraints leave two basic choices: rationing or redesign

- Redesign enables innovation and agility while dramatically reducing cost

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Observations (continued)

- Transformation change requires *two* simultaneous actions:
  - **Organizational:** Business process redesign & change management
  - **Technical:** Move to a modern, agile reference IT architecture
- Organizational = Culture change
  - Ensure strong, committed, visible, and consistent leadership
  - Establish new behaviors and relationships to increase efficiency
  - Identify internal and external stakeholders who are key to project success; create an effective engagement and communication strategy for all stakeholders
  - Engage in a communications process that supports people through the change, creates a transparent environment, and supports collaboration

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Observations (continued)

- Paradigm change: *First* redesign the core business process, *then* determine the right business system

- Best practices show that enterprise modernization is self funded through productivity

- Reference IT architectures allow for an agile end state and enable transformation

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Organizational Readiness for Change

INNOVATION AND AGILITY COMMAND CENTER

BUSINESS APPLICATIONS	Army	Air Force	Navy	Marines	PROCESS OPERATIONS
Human Resource Management					Recruiting, Training, Pay, Evaluations, Promotions, Awards, Transition, Retirement, Education, Commissary
Health Care Management					Tricare Benefits Management, Policy and Oversight, EHR and other IT support systems
Financial Flow Management					PPB&E and Support processes, Audit, Regulatory and Compliance Processes
Supply Chain & Logistics					Inventory Management, Distribution / Trans. Channel & Supplier Management, Order processing, Payments
Acquisition & Procurement					Acquisition lifecycle management Program Management, Procurement and Category Management
Real Property Management					Facilities Management, Real Estate Optimization, Property Lifecycle Management, Property Acquisition

(Left side vertical label) **INNOVATION AND AGILITY SUPPORT SERVICES**

Business Intelligence, Master Data & Analytics

IT, Infrastructure & Data Centers

(Left side vertical label) **INFORMATION TECHNOLOGY CORE SERVICES**

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Questions?

More to follow in January

Business Excellence In Defense of the Nation

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