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
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
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

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

- 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
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
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
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
Questions?

More to follow in January

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