Independent Assessment of the CMO – Summary Points

Tasking and Taskforce: The FY20 NDAA, required the Secretary of Defense to conduct an independent assessment of the CMO with six **specific** areas to be evaluated. The Defense Business Board was selected on Feb 3, 2020 to conduct the independent assessment, assigning Arnold Punaro and Atul Vashistha to co-lead the effort. Two additional DBB board members comprised the taskforce, David Walker and David Van Slyke. These individuals more than meet the independence and competencies required by the NDAA.

Approach: The DBB taskforce focused on the CMO office and DoD business transformation activities, since 2008. The taskforce reviewed all previous studies going back 20 years and completed over 90 interviews, including current and former DoD, public and private sector leaders. The assessments of CMO effectiveness since 2008 focused on the performance of the CMO as an organizational entity, not an appraisal of any administration or appointee.

Conclusion: The DBB concluded that there is a critical need for a top-level official to drive the Business Transformation effort within DoD with the support of and in partnership with the SD and DSD. This critical need is driven by changing near peer and other threats, growing fiscal pressures and the failure of past business transformation efforts. At DoD, transformation needs to be redefined as making major changes in the size, structure, policies, processes, practices, and technologies to improve the economy, efficiency and effectiveness of the organization. Transformation goes far beyond traditional cost cutting exercises and can result in much larger sustained reductions in costs and improvements in effectiveness over time that can be used to enhance readiness. Transformation within DoD includes many actions, including addressing the many GAO High-Risk areas, reducing the tail (overhead) in order to sharpen the tooth (readiness), while rationalizing the workforce mix (e.g., military, civilian and contractors), and restructuring/rightsizing the Fourth Estate.

Since its establishment in 2008, the OCMO has not delivered the level of Department-wide business transformation envisioned in the legislation, or in the expectations of multiple SD, DSD, and other senior officials, and the Congressional defense leadership. The CMO still does not have an approved charter—a fundamental DOD document that provides leadership and authority. Of great significance, during this 12+ year period, the DCMO and then CMO PAS position has been either vacant or filled by a non-PAS individual in an "acting" or "performing the duties of" status for almost 50% of the time. Additionally, there has been significant overlap and confusion across the Department on the role and responsibilities of the CMO relative to the role of the DSD as the COO and other PSAs. In addition, the position has been frequently assigned or assumed tasks unrelated to the core transformation mission, which served to displace focus and effort away from the critical job of long-term transformation of the Department.

Assessment:
1. **Task number *One***: *The extent to which the position has been effective in achieving the desired results, and in exercising its specified powers and authorities*: **Nearly unanimous response from the interviews and document reviews that the position has not been effective**. DoD has not had true transformation of major business processes in decades.

   - While the OCMO has made positive changes and identified savings, they have not been transformational and led to sustained improvements in effectiveness and reductions in costs of existing business processes.

2. **Task Number *Two***: *The perspectives of the Under Secretaries of the military departments based on their experiences as the Chief Management Officers of their military departments*: **Unanimous response from interviewees that the role has not been effective with little value added**.

   - Service CMOs report being much more effective based on their inherent authorities as the line Under Secretary in their military departments by having control of people, budgets and data.

3. **Task Number *Three***: *The extent to which the ingrained organizational culture of the Department of Defense poses fundamental structural challenges for the CMO position*: **Nearly unanimous response that the DOD culture and subcultures remain resistant to transformational business process changes**.

   - This is a significant problem and has been for many years. Strong incentives and norms persist to "ignore" or "wait out" transformational or budgetary changes that may negatively affect one's position or organization. This is compounded by the short tenures and high percentage of "Acting" senior DoD officials.

4. **Task Number *Four***: *The observations of the Comptroller General of the United States on progress and challenges during the 10 years since the establishment of the CMO positions in agencies throughout the Executive Branch, including in DoD*: **Consistent responses among those interviewed that the CMO has not been effective in most areas**. The position has lacked the formally designated authorities and responsibilities to transform and institutionalize enterprise-wide business process changes.

- Only one DoD High Risk Area on GAO's list has been eliminated in over two decades while additional items have been added, pointing to a lack of sustained leadership to business process transformation enterprise wide. GAO continues to believe that the CMO position, as designed and implemented, has not been successful.

5. **Task number *Five:*** *An identification and comparison of best practices in the private sector and the public sector of a CMO-like position*: **Private and public sector best practices have not been effectively adopted within the DoD.** T

   - The private sector has evolved to a shared services management model known as Global Business Services. In this approach, successful business transformation processes involve the transfer of a function along with ownership of the related people, resources, data, budgets and tools.

   - Relevant domestic and international government agencies have CMO related positions with significant authority and resources. Most are the #3 official and have direct responsibility for a number of Mission Support units (e.g., CFO, CHCO, CAO, and CIO).

6. **Task number *Six:*** *An identification and assessment of differences in responsibilities and authorities of the CMO with the DoD Chief Operating Officer (COO) and the Deputy Secretary of Defense (DSD)*: **There is much overlap and confusion between the Deputy, the CMO and other organizations and PAS officials with respect to responsibilities and authorities.**

   - Despite a recognition of this, DOD senior leadership has not taken adequate steps to clarify the differences via a formal Charter for the CMO position.

   - Additionally, as currently structured and authorized, we do not believe the CMO can review and oversee the 4th estate and simultaneously jumpstart and drive business transformation successfully across the department.

In addition to the effectiveness of the CMO position alone, additional areas ripe for reforms include:

- The Defense Agencies and Field Activities have grown substantially in number, costs, and scope. The SD has correctly targeted them for improved management and efficiencies.
- The Defense Working Capital Funds (DWCF) are used by some DAFAs and the services in the range of $100 billion annually. There are close to 200,000 personnel in the organizations that use DAFAs. The DWCF do not always realize the purported advantages of decreased costs, price transparency, and price stability.
- The large DOD intelligence agencies have also grown in size, complexity, and cost as the threats have changed. However, they have not been subject to the same degree of review and scrutiny in terms of reforms, effectiveness, and efficiency.

Major Recommendation: Based on the results of the required statutory assessment pursuant to section 904 of the FY 202 NDAA, the Defense Business Board recommends that the Office of the Chief Management Officer be disestablished and replaced by one of the three alternative described below as selected by the Secretary of Defense.

Three Possible Alternative Options to Address the Above Opportunity:

1. **Re-designate the CMO as a Level III Principal Undersecretary for Business Transformation**. This position would focus solely on business transformation. The relationships and authorities of and between DSD, PSAs, MilDeps, and defense agencies and field activities would need to be clarified. All activities under the CMO other than business transformation would be divested to other officials.

2. **Two Deputy Secretaries of Defense, one focused externally (Policy and Strategy) and one focused internally (Resources and Management)**. Despite recommendations by the GAO for this approach over the years, it has never been supported by incumbent SDs or DSDs.

3. **Enhanced single Deputy Secretary of Defense as Chief Operating Officer of DOD**:
   a. Eliminate CMO and distribute key responsibilities and staffing to:
      i. CAPE, Comptroller, Undersecretary for Acquisition and Sustainment, CIO.
      ii. Establish a Level IV Performance Improvement Officer whose function would be business transformation with a focus on defense wide and defense agencies and field activities.

Under All Options:

1. Update the terminology: use a title other than CMO, both for OSD roles and military department roles.

2. Strengthen key existing organizations, such as CAPE, Comptroller, J-8, and OSD(LA) have been seriously weakened by serial budget cuts and these organizations are fundamental to enterprise reform, the NDS implementation, and ensuring SD/DSD priorities are implemented in DOD and approved by the Congress.

3. Require a shift to benchmark performance and outputs against near-peer threats, especially China.

4. Require an industrial net assessment on the DOD support base benchmarked against China.

5. Consider a term appointment (e.g., 5 years) with a performance contract for the revised CMO related position.