

RECORD VERSION

STATEMENT BY

THE HONORABLE JOSEPH W. WESTPHAL
UNDER SECRETARY OF THE ARMY

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UNITED STATES ARMY
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INTRODUCTION

Chairman Skelton, Ranking Member McKeon, and members of the Committee, thank you for inviting us here to testify before you today. The Army greatly appreciates this Committee's continuing support of the men and women in uniform and your commitment to providing resources to support our Warfighter.

I am pleased to be here along with the Department's Deputy Chief Management Officer, Ms. Elizabeth McGrath, Navy Under Secretary Mr. Bob Work and Air Force Under Secretary, Ms. Erin Conaton. I welcome the opportunity to address your concerns and hear your perspectives on how we manage and provide resources to our forces during these highly complex times.

On March 1, 2010, I submitted the Army's Report to Congress on our progress towards implementing the business transformation requirements outlined in Section 908 of the Duncan Hunter National Defense Authorization Act (NDAA) for Fiscal Year 2009. I will submit our next requirement, the Army's Business Transformation Plan (BTP), to the Committee on October 1, 2010. I want to assure you that we are on track to meet the goals set for us by Congress.

In addition to the transformation task that Congress has directed us to implement, the Secretary of Defense, Robert M. Gates, has outlined an initiative to identify savings and efficiencies and reprioritize them to enable all of us to focus resources to sustain our Warfighter. On May 8, 2010, Secretary Gates challenged DoD as a whole to find \$100 billion in savings and efficiencies. The Army is committed to the

Secretary's objective and will work to enhance business transformation execution to help achieve some of these savings.

The Army is committed to transforming and realigning our priorities to meet the mandates of the President and Congress, while also remaining dedicated to providing the nation the best trained Soldiers to succeed in our missions around the world.

THE ARMY AT WAR

The United States Army is the preeminent land power in the world, with 1.1 million Soldiers and 279,000 civilians serving, with the support of their family members, in nearly 80 countries around the world. Our personnel are performing missions ranging from humanitarian work in Haiti, to supporting domestic missions, to fighting the wars in Iraq and Afghanistan. Over a million personnel have deployed. As of July 15th, 3,186 Army Soldiers have sacrificed their lives and 27,084 have been wounded. Today our Army is fighting two wars, assisting other nations in both humanitarian and security operations, supporting civil authorities at home, and preparing to deter and defeat new threats. The Army's Soldiers, Civilians, and Families faithfully shoulder the load that our Nation asks of them. With the support of the Congress, we are on track with our four-year plan to put the Army back in balance.

We are on track with our four-year plan to restore balance to the Army by 2011. This will allow our Soldiers increased time at home to recover from repeated combat deployments as well as the ability to reset and replace our equipment. Today we no longer have fifteen month tours and none of our mobilizing units have stop-loss Soldiers. This is due in great part to the help that Congress has given us with additional end strength and continued funding for vital equipment and infrastructure.

The success of our continuing efforts can be seen in our personnel. Our Army active and reserve forces continue to meet and exceed our recruiting and retention

goals. These figures are a testament to the fact that the Army's programs to help our Soldiers and Families are having a positive impact. As we continue with our business transformation, we hope to make it even easier for our Soldiers to transition into our Army civilian work force, so that we can retain their expertise and experience and reap long-term benefits from our investment.

We know that Congress supports our Soldiers, and is committed to giving them the best resources possible to ensure they complete the missions they are called upon to perform and return home safely. While we count on and appreciate continued Congressional support, we also recognize that we are facing constrained fiscal budgets. We understand that we cannot continue to request budget increases from Congress unless we can demonstrate we have done everything possible to wisely spend the resources we receive. Therefore, we are aligning, integrating and innovating our business processes to improve our transparency and the auditability of our programs.

We are also highly cognizant that Congress has given us several critical areas that we must address as we develop our Business Transformation Plan. These critical areas are defined in the list of High Risk Areas compiled by the Government Accountability Office (GAO). High Risk Areas on this list include Business Transformation, Business Systems Modernization, Financial Management, Supply Chain Management, Support Infrastructure Management and Contract Management. The Army seeks to improve in all Government Accountability Office High Risk Areas both because it is important to the support of our Warfighter, and also because it helps us to remain good stewards of America's tax dollars.

INTEGRATED MANAGEMENT SYSTEM

The NDAA for 2008 established the position of the Chief Management Officer (CMO), and directed the Under Secretary of the Army to be the primary manager of

business operations within the Army. The NDAA of 2009 further refined that role, and directed the Army to achieve an Integrated Management System (IMS) for our operations. Our efforts to create an Integrated Management System will be outlined in our Business Transformation Plan.

The goal of the Army's Business Transformation Plan is to align our generating force and business operations to support the agile and versatile operating force, so that we can provide Readiness at Best Value. To ensure the objectives of our Business Transformation Plan become an integral part of how we plan, prepare and execute our business operations, we have imbedded them into our most central planning document, the Army Campaign Plan (ACP). The Army Campaign Plan is the means by which the Army directs actions necessary to transform the Operating Force and Generating Force and enable the Army of the 21st Century. The Army Campaign Plan also traditionally includes all of our transformational and Service Title 10 activities, and provides guidance for developing our program and budget.

To assist in executing the NDAA directives, the Secretary of the Army established the Office of Business Transformation (OBT). The Office of Business Transformation will promote the development and implementation of a fully integrated management system, from end-to-end and top-to-bottom. Their role is to challenge our way of doing work and to help lead us in areas we haven't been before. They are a Center of Excellence to push innovation and drive creative thinking within the Army.

As the Chief Management Officer for the Army I am focused on managing and improving business processes. This includes managing our two functionally aligned senior leader forums, the Army Enterprise Board (AEB) and the Army Management Enterprise (AME). The Army Enterprise Board is the Department's most senior forum that advises the Secretary of the Army and the Chief Management Officer on the most complex, far reaching, and strategic issues facing the Army. The Army Management Enterprise is an advisory council that links the Secretariat, the Army Staff, Army Service Component Commands, Army Commands and Direct Reporting Units. This is an

important avenue for senior leaders to work to integrate efforts and it reaches out to our primary customer, the Army Service Component Commands, which are tied directly to our Warfighter.

Another process that the Chief Management Officer has primary responsibility for managing is the Planning, Programming, Budgeting and Execution (PPBE) cycle. In this financial management cycle, the Army takes a detailed look at requirements across the Army Enterprise, to ensure they are sufficient to meet the objectives of our Army Campaign Plan. Once our requirements are properly identified, then we must align our resources and transform our processes to enable us to meet our objectives. As part of our transformation we are intensively reviewing this requirements process, since identifying the most essential needs of our Warfighter is the first critical step in the full life-cycle of financial management.

We are seeking to make our acquisition process more agile, flexible and efficient. Initiatives such as the Rapid Equipping Force and Experimental Task Force are examples of successful programs that get emerging technologies into the hands of our Soldiers quickly. We need to expand upon these principles to develop a more responsive acquisition strategy that directly supports our Warfighter on the battlefield with the latest technologies.

In addition to managing our internal processes, part of the overall Chief Management Officer responsibilities is to align the Army vertically with the goals and objectives of the Office of the Secretary of Defense (OSD). The Army recognizes the importance of aligning with the Department of Defense's Core Business Missions, their Strategic Management Plan, the 2010 Performance Budget, as well as the Department of Defense Business Enterprise Architecture Guidance. This alignment is achieved through frequent and periodic senior leader reviews and through ongoing collaboration with the Department of Defense's Deputy Chief Management Officer and Business Transformation Agency.

The Army also coordinates horizontally with the other Services to ensure that we develop common business system architectures and find efficiencies in the way we operate across the department. All of the Chief Management Officers and Deputy Chief Management Officers within the Department of Defense meet frequently to coordinate our priorities. For example, the Defense Business Systems Management Committee (DBSMC) meets regularly to not only certify Information Technology investments across the Department of Defense, but to address strategic business issues that range from security cooperation efforts to financial improvement and audit readiness.

WAY AHEAD – BUSINESS TRANSFORMATION PLAN

Our efforts to transform operations are ongoing and in response to congressional legislation. Now we are able to take the processes, goals and objectives we are developing in our Business Transformation Plan, and build upon them to meet the challenge that the Secretary of Defense gave us to find savings and efficiencies in our operations. His directive will serve as our measurement goals to refine the business transformation processes already in action.

As we review our processes to transform and find savings and efficiencies, we seek to gain a better understanding of mission specific information systems, such as medical, personnel, finance, business and logistics as well as tactical, and then improve upon them.

One of our key enablers is the Army's Lean Six Sigma (LSS) program. The Army is using Lean Six Sigma extensively around the force to become more streamlined, agile and efficient. We have well over 1,000 personnel trained in the Lean Six Sigma principles, and we anticipate completing over 3,000 projects in fiscal year 2011. Lean Six Sigma programs help us to reduce cycle time as well as to improve the output

quality of our processes. Completed projects have yielded significant financial and operational benefits at organizations across the Army.

We also have established an aggressive cost culture initiative by which Army Leaders make resource decisions that are cost-informed. We are training military and civilians throughout the Army to conduct rigorous cost benefit analyses to support decision making and we now require that cost benefit analyses accompany proposals for new and increased requirements. This directive has permeated our resource reviews and given the Army an approach, not to make decisions based solely on cost, but to consider cost in making decisions.

We also are dedicated to addressing the Government Accountability Office High Risk Areas of Business Transformation and Business System Modernization by developing a well-defined Business Systems Architecture and Transition Plan encompassing end-to-end processes and capable of improving our business operations and information technology infrastructure. We have created and implemented the Army Force Generation (ARFORGEN) model of rotating forces on a cyclical basis, and are developing systems to synchronize the process. We are also developing Data Strategy and Standards and Network Architecture to improve the visibility, accessibility, and understandability of our data and services across the Army.

Another significant enabler to transformation is our Enterprise Resource Planning (ERP) Task Force. The Army is implementing commercial off-the-shelf software suites to modernize, streamline, and standardize processes used to manage people, money, programs, equipment and supplies. The initial benefits include reducing the cost of operating legacy systems, improving financial compliance, reducing inventory, enhancing data quality, and streamlining business processes.

CONCLUSION

In conclusion, we have the right legislation and the right leadership team to accomplish the task of managing our resources to provide Readiness at Best Value. We

are well on our way to meeting the legislative requirements of Business Transformation and will present our more comprehensive plan to you in October.

We are committed to providing open and transparent dialogue with Congress and welcome opportunities to update you on our progress. Again, I thank this Committee for its steadfast support of our men and women in uniform.

I look forward to your addressing your questions.