

**HOLD UNTIL RELEASED BY THE  
HOUSE COMMITTEE ON ARMED SERVICES**

**STATEMENT BY**

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**BEFORE THE**

**PANEL ON DEFENSE ACQUISITION REFORM  
COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES**

**MARCH 11, 2010**

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Chairman Andrews, Representative Conaway, Members of the Panel, thank you for the opportunity to testify before you today to discuss the Department's commitment to and progress in the use of performance management to help achieve our strategic goals. An important element of my responsibilities as the Assistant Deputy Chief Management Officer (DCMO) for the Department of Defense (DoD) is serving as the DoD's Performance Improvement Officer. Performance Management is often used simply to describe the act of performance measurement and reporting, or simply people management. Strategic Performance Management is about identifying what matters, measuring it and then managing it to improve the effectiveness, efficiency and overall performance of an organization. It does not measure performance for measurement's sake, but in a way that's relevant to what the organization is trying to achieve on a broader scale, and in a way that can then be fed back into every employee's daily working life.

The Department of Defense has always endeavored to improve the efficiency and effectiveness of its business operations. Today, the need to achieve this transformation has never been greater because the role that the Department's business operations play has never been more profound. Our business operations directly support our combat operations in Afghanistan and Iraq in increasingly intricate ways, provide critical services to the men and women in uniform and their families at home, and help to ensure that our nation is ready to respond to new threats in an increasingly complex operational environment. With increasing

demands on the Federal Budget, a demand for greater government transparency, and the overall pace of change in the business environment, execution of our business must become more agile and responsive and provide enhanced financial stewardship for the American people. However, with the size and complexity of the DoD this transformation is not easy and will take time. A key component in achieving results is the execution of a meaningful and robust strategic performance management system.

At one of your most recent panel hearings, Congressman Andrews made the following observation. He said, “The Panel began with the question of how well the defense acquisition system is doing in delivering value to the warfighter and the taxpayer. For most categories of acquisition, only anecdotal information exists about instances where the system either performed well, or poorly. Even where real performance metrics currently exist, they do not fully address the question. The Panel continues to believe that real metrics are needed.” It is our view that, when measures are appropriate and well defined, progress is made, and people can be held accountable for performance. Generally, the more frequently we collect and capture performance data, the better able we are to provide DoD leadership with transparency into operations and thereby enable decisions to be made with accurate, authoritative information. The Department shares this panel’s important view that performance measures will help DoD achieve its goals in not only the acquisition arena, but throughout the Department’s Business Mission Area. We

are committed to driving the use of performance measures throughout the Department and supporting the efforts by the Office of Management and Budget to extend performance management and improvement throughout the Federal Government.

The performance management framework employed by the Department must align matrixed business-enterprise goals to overarching strategic-defense goals and cascade those business-enterprise goals, into specific measures and annual performance targets throughout all levels of the organization. In turn, progress against these goals, measures and targets must be monitored regularly throughout the year and improved upon using proven process improvement methodologies.

Given the importance my office and the rest of the Department place on performance management, I was very pleased to see the emphasis on the use of this tool in your acquisition reform recommendations. The Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) has instituted performance measures and has stood up the Office of Performance Assessment and Root Cause Analysis (PARCA), with its scope of operations being the Major Defense Acquisition Programs (MDAPs). Establishing the PARCA office is a tremendous step in the right direction for DoD acquisition and we believe that careful performance assessment of MDAPs and other programs of

record in the Department will lead to a more efficient and effective use of resources.

The DoD Strategic Management Plan (SMP), released in July 2009 and created by the 2008 National Defense Authorization Act, is the Department's first step in the establishment of integrated goals and measures throughout the DoD. The SMP, which is aligned with the Quadrennial Defense Review, set the strategic direction for the Department's business operations and was developed collaboratively between the Deputy Secretary of Defense/Chief Management Officer, the Office of the Deputy Chief Management Officer, the Under Secretaries of Defense, and the Military Departments. The SMP outlines five cross-functional, enterprise-wide business priorities: (1) support the all-volunteer force; (2) support contingency business operations; (3) reform the DoD acquisition and support processes; (4) enhance the civilian workforce; and (5) strengthen DoD financial management. The responsibility for aligning business operations to these priorities is shared among the Under Secretaries of Defense and the Chief Management Officers of the Military Departments, with the assistance and cross-functional integration of the Office of the Deputy Chief Management Officer. These priorities are also cascaded into the Department's Performance Budget, which is part of the DoD budget submission, and Organizational Assessment, which holds our Senior Executive Service members accountable at the individual level for the success of the overall enterprise.

The five priorities encompass the most pressing business management challenges currently facing the Department and are supported in the SMP by specific outcomes, goals, measures and key initiatives critical for success. These outcomes, goals, measures, and key initiatives also served as the basis for the development of the Department's High Priority Performance Goals (HPPGs), which were included in the FY11 President's Budget and are a key part of this Administration's management agenda. USD(AT&L) goals and measures span the breadth of DoD acquisition ranging from insourcing acquisition functions and growth of the acquisition workforce, to lowering cycle times and Nunn-McCurdy breaches for MDAPs to increasing the Department's use of renewable energy.

To accomplish the second part of the framework – the improvement of our business through the use of proven process improvement methodologies - the Department makes great use of the Continuous Process Improvement (CPI)/Lean Six Sigma (LSS) Program to help DoD leaders demystify and streamline complex processes, and create appropriate metrics to ensure that these new processes are yielding the right results.

LSS is a proven set of tools and a methodology that can, when applied properly, provide flexibility and an effective improvement or solution to a problem. LSS is not a “cure-all” - but it does provide a structured framework for organizations to

follow as they seek to improve their processes. The Department adopted LSS as its preferred management tool in 2007 because it differed from other quality improvement concepts in that it focuses on mapping processes that produce measurable results. For DoD, LSS offers a rigor that leads implementing teams to data-driven conclusions and provides concrete proof of process improvement. Although only three years young as a DoD-wide way of improving performance, LSS has a growing number of DoD practitioners. As of February 2010, there are over 26,000 trained practitioners in our Department; more than 21,700 are trained Green Belts and more than 4,400 are trained Black Belts. Nearly 22,000 projects have been completed. To better enable strategic alignment to Enterprise goals, the Department established a LSS program office, staffed with accomplished Master Black Belts with targeted military and industry experience in specific DoD business disciplines. A Master Black Belt is an individual highly trained in LSS methodologies, who leads complex problem-solving projects and coaches other members of an organization on performance improvement practices. Each Master Black Belt is assigned a portfolio of projects aligned to a specific OSD component or military department that are reviewed and briefed regularly to senior DoD leadership and the results are beginning to stack up.

One specific project that has both DoD-enterprise and broad Federal Government impact is an effort to reform the Personnel Security Clearance Process. The Federal Government needs a qualified, trusted workforce available to execute its

missions successfully. The processes used to determine eligibility for access to classified information and/or suitability for Federal employment present timeliness and efficiency challenges. Hiring and clearing processes that involve the acquisition of background information on an individual often are not sufficiently standardized or coordinated to allow for individuals to efficiently move between agencies and/or positions requiring access to sensitive information.

In June 2007 the Joint Security and Suitability Reform Team was established to create and realize a transformed, modernized, fair, and reciprocal security clearance process for the Executive Branch. The Reform Team is a collaborative, multi-stakeholder endeavor leveraging and enhancing the capabilities of the DoD, the Office of Management and Budget, the Office of the Director of National Intelligence and the Office of Personnel Management. The Reform Team used LSS methodology to design a reformed security clearance process and is now assisting federal agencies to implement these changes.

Leadership focus and accountability have resulted in significant and measurable process improvements. The Department and its partners have shortened cycle times for security clearances (military, civilian, and contractors) and eliminated longstanding backlogs of clearance cases. The Intelligence Reform and Terrorism Prevention Act (IRTPA) of 2004 established the goal for completion of 90 percent of all clearances within 60 days by the end of 2009, where practicable.

Performance data for FY 2006 indicated that clearances were taking 165 days, on average, across the Federal Government. The DoD cycle time was reduced to 82 days by December 2008 and just 62 days as of September 2009, thereby helping the Executive Branch meet IRTPA goals. DoD's application of specialized automation has enabled tens of thousands of cases to be adjudicated more efficiently, saving man-years of effort. Greater use of automation also enables vastly improved performance measurement, such as the number of days to complete an initial investigation and the number of adjudications completed electronically.

The dramatic reduction in security clearance processing time is a noteworthy and long-sought achievement. These improvements enable greater responsiveness in hiring and reassigning the workforce and result in stronger alignment of human capital to the Department mission.

CPI/LSS is also being widely embraced in the Military Departments and

Components:

- Army depots are winning Shingo<sup>1</sup> prizes for improved processes, and installations around the world are using LSS to leverage efficiencies of scale, improve safety reporting, and racking up cost avoidance dollars, all while improving combat capability and providing benefit to the warfighter.

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<sup>1</sup> The Shingo Prize is recognized as the premier award for operational excellence. It is the only award program in the world focused on lean manufacturing and the elimination of waste. The prize is awarded annually by the Jon M. Huntsman School of Business at Utah State University.

- Air Force leadership has issued clear direction to implement LSS through the Air Force Smart Operations for the 21st Century (AFSO21) CONOPS and Implementation Plan. The Air Force is extending its focus on LSS into the Air National Guard and the time savings being realized through improved processes are allowing additional training and certification of Airmen. The Air Force also won a prestigious award for streamlining the maintenance and repair process of the C-5.
- Aircraft Repair & Overhaul: US Naval Aviation Depot, Cherry Point had a 310 day turnaround for H-53 aircrafts and a throughput of 23 aircrafts per year. Upon completion of the improvement project the turnaround time dropped to 180 days and the depot delivered 23 aircrafts in six months for an increase to 46 per year.

In closing, I want to emphasize that performance management at DoD - initiating change and measuring results to ensure that change leads toward the right outcomes - works well. However, it is an ongoing process, and the holistic approach we are taking is new to the Department. We are committed to managing the right things in the right way, not only for the taxpayer, but for our brave men and women in uniform. I appreciate the work of this panel in looking for potential solutions to some of the most difficult challenges facing our Department and look forward to your questions.