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STATEMENT BY

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BEFORE THE

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DEPUTY CHIEF MANAGEMENT OFFICER ELIZABETH A. MCGRATH
SUBMITTED STATEMENT
HOUSE ARMED SERVICES COMMITTEE
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Mr. Chairman, Congressman McKeon, members of the Committee:

Thank you for the opportunity to discuss the Department of Defense's efforts to improve its business operations. As the Deputy Chief Management Officer, I am the Deputy Secretary's primary agent for improving the cross-cutting management of the Department's business activities. It is a pleasure to appear before you with my Military Department Chief Management Officer counterparts. We sincerely look forward to continuing our work with you in the months and years ahead as we jointly strive to bring greater efficiency, increased effectiveness, and further agility to the Department.

The Department has always endeavored to improve the efficiency and effectiveness of its business operations. The imperative to achieve results through transformational change, and the engagement of senior department leadership, have never been greater. Secretary Gates and Secretary Lynn have clearly articulated the pressing need for reform, driving action in many areas such as acquisition reform, and personnel hiring reform. Today, I'd like to share with you our overarching management reform efforts as well as some recent successes. Our approach emphasizes improving our ability to assess execution through performance management, to develop mechanisms to ensure leadership accountability, and to make needed changes to the way we procure information technology. In each of these areas, we rely heavily on tools Congress has provided us through the last several National Defense Authorization Acts.

I'd like to review for you our efforts in the areas of strategy, governance, process improvement and information technology.

Strategy

The Department has worked diligently to devise and implement an integrated enterprise-wide business strategy to guide our transformation efforts. This Strategic Management Plan, required by statute and most recently published in July 2009 aligns the many planning and execution documents that exist throughout the enterprise, tying together many disparate planning efforts. It identifies five cross-functional, enterprise-wide business priorities: (1) support the all-volunteer force; (2) support contingency business operations; (3) reform the DoD acquisition process and support processes; (4) enhance the civilian workforce; and (5) strengthen financial management. These 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 that are critical for success.

Other business documents are clearly linked to the SMP, including the Department's Performance Budget, which is submitted as part of the Secretary's Budget Justification, and also the Organizational Assessment, which is used as part of the performance appraisal process for members of the Senior Executive Service. The SMP has also served as the basis for the Department's high-priority performance goals, which were included in the fiscal year (FY) 2011 President's Budget as a key part of this administration's management agenda. The Department has aligned its family of plans, including the Financial Improvement and Audit Readiness (FIAR) Plan, the Logistics Strategic Plan and the Enterprise Transition Plan, with the SMP. We will ensure that further direction contained in the Department's overarching strategic plan, the 2010

Quadrennial Defense Review (QDR), published February 2010, is incorporated into the next SMP, which we anticipate publishing this fiscal year.

Governance

Successful strategies rely on effective management oversight framework to drive adoption, monitor implementation, and ensure accountability for performance. This area of governance features a number of important changes, including the creation of the Chief Management Officer, Deputy Chief Management Officer, and Military Department Chief Management Officer positions. Each of us have established agendas which we execute in partnership with the rest of the Department's business leaders. At the enterprise-level, the integration of these officials into the Defense Business Systems Management Committee (DBSMC) permits us to hold the Department's senior leaders accountable for their results and for the quality of their underlying measures. In this way we ensure that we are measuring those things that are directly tied to the business outcomes that we are seeking to achieve.

We have also streamlined and automated the performance reporting process for these measures to speed data collection and provide a more near real time picture of the Department's business operations. As priorities or performance measures change, this improved process and automation will enable rapid and agile adaptation.

Process Improvement

In addition to these management reforms, we are delivering key efficiencies and tangible benefits to the taxpayer, to the Department and to our warfighters through the improvement of our business processes. These improvements are being pursued in the

Department's individual processes, such as that for granting security clearances, as well as the Department's end-to-end business processes, such as Procure-to-Pay or Hire-to-Retire. For us, the use of Continuous Process Improvement (CPI)/Lean Six Sigma has been instrumental. All three military departments and the Office of the Secretary of Defense have embraced Lean Six Sigma as a first-line approach to performance management, teaching our workforce to think of performance in terms of systematic processes improvements, and the application of metrics to achieve it.

For example, personnel trained in the Lean Six Sigma method helped make major performance enhancements to submarine maintenance and repair at Pearl Harbor, where they were incurring significant overtime and driving up costs. Through a Lean Six effort, the facility increased job completion from 94% to 98%, while decreasing job cost by 33% and overtime by 49%. It is this kind of performance improvement that will improve efficiency and effectiveness and help us reach the Department's cost savings goals.

Information Technology

As the committee knows well, Information Technology is a key enabler of our business operations and another area with the potential for major improvements across the enterprise. While this has long been an area of emphasis, significant opportunities remain to improve the acquisition and investment oversight processes and deliver modern IT systems that support effective and efficient business processes. The Deputy Secretary has made clear that one of his highest management priorities this year is improving the acquisition, development and fielding of IT systems. To this end, we leverage the tools and share the priorities the Congress has provided though legislation.

Our current approach to implementing IT systems takes too long, costs too much, and often fails to deliver the performance improvements we seek. On average, it takes 81 months in DoD from when an IT program is first funded, to when it is fielded. Given the rapid state of improvement in the IT field, this means that we are delivering systems that are outdated before we ever turn them on. In contrast, the iPhone took two years from concept to delivery. It is clear that we need a different approach.

Recently, Secretary Lynn established an IT Acquisition Reform Task Force, whose activities are guides by four key principles: speed, incremental development, governance, and adaptability.

- First, heeding Secretary Gates' call to make our department more agile, speed must be our overarching priority. We need to match the acquisition process to the technology development cycle. In IT, this means 12 to 36 months cycles, not 7 or 8 years.
- Second, we must acknowledge that incremental development, testing, and whenever possible, fielding of new capabilities, provides better outcomes in IT than trying to deploy large complex systems in one "big bang."
- Third, to achieve speedy, incremental improvements, we need to carefully examine how to establish the requirements that govern acquisition. Systems must always be tailored to serve the needs of end users, but departing from already developed, out-of-the-box solutions in IT imposes great costs. To achieve speed, we must be willing to

sacrifice or defer some customization. Making use of established standards, and open modular platforms, is of paramount importance.

- Fourth, the department's IT needs range from modernizing nuclear command and control systems to updating basic office software on our office computers. We must recognize that different IT applications demand different levels of oversight and enterprise integration.

With these principles in mind, we are working to outline a series of IT acquisition paths that apply high levels of institutional due diligence where it is needed and strip away excess requirements where it is not.

We are positioned to manage the business portfolio using the tools of acquisition oversight, investment review, architecture alignment and business process re-engineering. The structure of the CMO permits this enterprise management approach because it provides cross functional insight into the entire business portfolio. In the Office of the DCMO we:

- Execute Milestone Decision Authority responsibility for our business Major Automated Information System (MAIS) programs;
- Lead the Overarching Integrated Product Team (OIPT) review process on behalf of the Under Secretary of Defense (Acquisition, Technology & Logistics) for the remaining business MAIS programs.
- Utilize the Investment Review Board (IRB) structure created by Congress in the FY2005 NDAA to ensure that these MAIS programs have

consistent oversight from an acquisition perspective and a compliance-based investment review perspective.

- Leverage the Business Enterprise Architecture (BEA) to improve the quality of the investment decisions and further develop the end-to-end business process concept, making it easier for the IRBs to manage portfolios and rationalize our many business system investments.
- Ensure, through business process re-engineering, that we are not automating inefficient, legacy processes and that we are pursuing improvements across the full spectrum of business operations.

In closing, it is clear that focusing on business operations at the Department of Defense is an area of great and immediate interest to the senior leadership, as well as an area of serious activity and concerted efforts. We are on the way to creating better business processes that will create the kind of lasting results that our country deserves. My CMO counterparts and I look forward to the continued opportunities to work with the Congress to optimize performance across the Department.

I look forward to your questions.