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Before

**THE UNITED STATES SENATE**  
**COMMITTEE ON HOMELAND SECURITY**  
**GOVERNMENT AFFAIRS (SUBCOMMITTEE ON**  
**FEDERAL FINANCIAL MANGAGEMENT)**

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Chairman Carper, Senator Coburn, Members of the Subcommittee, thank you for this opportunity to provide information on the progress and direction of Defense Business Transformation.

Our Nation faces diverse challenges and greater uncertainty about the future global security environment than ever before. The Department's mission requires that its business operations adapt to meet these challenges and react with precision and speed to support our Armed Forces. The Department is currently engaged in a massive effort to transform the way it does business and fulfill its commitment to the American people to deliver enhanced defense business capabilities effectively and efficiently.

Over the past few years, DoD has built the foundation for improving and modernizing its business operations by engaging its leadership through the establishment of the Defense Business System Management Committee (DBSMC) and Investment Review Board (IRB) structure, standing up the Business Transformation Agency (BTA), developing the Business Enterprise Architecture (BEA) and its associated Federation Strategy, adopting Continuous Process Improvement principles and implementing Lean Six Sigma methodologies, and by issuing the Enterprise Transition Plan (ETP). More broadly, the Department has focused on five key areas, which together, are critical to the successful execution of our business transformation endeavor: Strategy, Process, Culture, Information, and Technology. We have made significant progress in this effort, and I would like to take this opportunity to review with you our major successes and recent accomplishments.

## **Defense Business Systems Management Committee (DBSMC)**

Since its inception in 2005, the DBSMC, in concert with the IRB, has served as the governance structure that guides the transformation activities of the business areas of the Department, such as finance, logistics, etc. As authorized by the FY05 National Defense Authorization Act and reiterated in the DBSMC Charter, the DBSMC has responsibility for approving: the business systems IT modernizations over \$1M, the Business Enterprise Architecture (BEA), and the Enterprise Transition Plan (ETP). This gives the DBSMC oversight and control of the BMA's enabler to transformation – material solutions.

Additionally, the DBSMC Charter extends the authority of the DBSMC beyond statutory requirements to include responsibility for ensuring that the strategic direction of the Department's business operations are aligned with the rest of DoD and for measuring and reporting the progress of the BMA's transformation. The DBSMC has also been an integral driving force behind the Department's adoption of Continuous Process Improvement (CPI) / Lean Six Sigma (LSS) methodology and the Department's shared focus on Enterprise Resource Planning (ERP) strategy. The DBSMC has provided invaluable top level direction for the business transformation efforts of the Department.

### **Investment Review Process**

The DBSMC/IRB investment review process provides a framework for effective investment decision-making that ensures alignment with the BEA standards and focuses on the needs and priorities of the Warfighter.

The DBSMC has overseen the development and implementation of the Business Capability Lifecycle (BCL), which, when fully implemented, will serve as the acquisition process for all Major Automated Information Systems (MAIS) level systems. The BCL will help resolve long-standing challenges that have impacted the delivery of business capabilities in a timely, well-informed manner – fragmented governance and reporting, a need for better-

defined requirements and more robust upfront solution analysis, and a need for continual access to comprehensive information to enhance visibility for all process stakeholders. Under BCL process rules, initial operational capability of a program must be reached within 12-18 months of the contract award or the business case will not be approved.

The DBSMC/IRB governance structure has produced significant improvement across a broad range of business systems, including two major enterprise-level programs – the Defense Travel System (DTS) and the Defense Integrated Military Human Resources System (DIMHRS). Based in large part on the significant upgrade performed this year to the reservation module within DTS, usage of the tool has increased dramatically. This year, there has been a ~75% increase in vouchers processed monthly basis over last year. The next phase of the program will add additional types of travel to the tool’s capability, which will further increase usage. We are also preparing to make the use of DTS mandatory for all trip types that the tool has the capability to handle. Finally, we will align DTS with the government-wide travel system, e-Travel, to capture government-wide travel data that can then be used to make more effective strategic sourcing decisions. Under the direct leadership of the DBSMC, the DIMHRS program has achieved effective governance to keep the program on track for initial operating capability for the Army by October, 2008.

### **Business Enterprise Architecture (BEA)**

The BEA has allowed us to establish clear benchmarks for the alignment of business systems to the Department’s future business environment. It has also allowed us to make important and measurable progress, as acknowledged by recent Government Accountability Office (GAO) reports.

As we continue to evolve the BEA, a key objective is to produce an architecture that can be harnessed as an executive decision-making mechanism while simultaneously supporting the implementation of information technology systems and services. The recently released *Concept of Operations for Business Enterprise Architecture (BEA) Requirements* addresses

this objective by 1) outlining a further maturation of the Department's architecture development approach that addresses both top-down strategic requirements and bottom-up tactical requirements, and 2) expanding the governance process to encourage users and stakeholders to shape architecture form and content. This approach is already drawing from new sources of requirements, better evaluating the priority of requirements, and providing improved governance for the BEA development cycle.

When BEA 5.0 is released in March 2008, it will help achieve interoperable, efficient, transparent business operations by including and integrating data standards, required business rules and system interface requirements for the enterprise systems and ERP target programs. Including this information also supports alignment to and implementation of the direction of the BMA Federation Strategy and Roadmap.

### **Continuous Process Improvement (CPI) / Lean Six Sigma (LSS)**

Lean Six Sigma (LSS) is an important part of the Department's Continuous Process Improvement (CPI) effort. A disciplined improvement methodology, LSS has been endorsed by DoD leadership as the means by which the Department will become more efficient in its operations and more effective in its support of the warfighter. By focusing on becoming a "lean" organization, the DoD will eliminate waste, improve quality and put its resources and capital to the best use in meeting the goals in the Enterprise Transition Plan. On April 30, 2007, the Deputy Secretary of Defense instructed the Office of the Deputy Under Secretary of Defense-Business Transformation to create a DoD CPI/LSS Program Office to drive DoD-wide CPI/LSS activities. Current activities include working with the Defense Acquisition University to create a Green Belt and Black Belt training infrastructure, tracking training and project metrics from all OSD and Component organizations, and selected DoD-wide projects.

One of the most ambitious process improvement projects that has been undertaken to date is an end-to-end reform of the government-wide security clearance process. DoD is working

in close cooperation with the Director of National Intelligence and the Office of Management and Budget on this effort. The interagency team has been charged with creating a new clearance process that is fair, flexible and adaptive, managed and highly automated end-to-end, reciprocal, and delivering timely, high-assurance security clearances at the lowest reasonable cost by December, 2008. The team has completed the first phase of its work.

### **Enterprise Transition Plan (ETP)**

The ETP reflects the strategic and tactical partnership between the Enterprise- and Component- levels by providing a big picture view of defense business transformation efforts at every level within the business mission area. In a little over a week, we will release an updated ETP. As we committed to Congress, we have updated this plan every six months since its initial delivery in September 2005. With the publication of the ETP the Department, for the first time, provided its internal and external stakeholders a comprehensive view of the systems and initiatives that will transform the largest business entity in the world. The plan continues to mature and communicates our transformation plans, and provides senior management with a tool for monitoring progress against those plans. All significant milestones in the ETP are shown in 6, 12, and 18 month increments. For example, our most recent publication reflected success on over 83% of the Enterprise milestones detailed in the first version of the ETP. The ETP has also been expanded to include the progress of the Department's CPI/LSS efforts.

### **Accountability**

While the DBSMC/IRB governance structure provides direction and oversight at the Enterprise-level, with participation from the Components, we would be remiss if we failed to acknowledge the dedication and commitment the Components have demonstrated in their own transformation. In partnership with the Components, the Department has taken major strides in business transformation by using the strategic concept of tiered accountability.

Tiered accountability requires each tier in the DoD organizational structure, Component or Enterprise, to focus on those requirements specific to their tier and leave the responsibility and accountability for other elements to the appropriate tier. Tiered accountability in the Department encompasses the broad area of policy setting; the detailed establishment of process and data standards; as well as the ultimate execution of business operations.

### **Business Transformation Agency Agile and Accountable Workforce**

True transformation requires visionary leaders and an agile, collaborative and accountable workforce that embraces change and achieves results. In the span of less than two years, the BTA has gained a significant robust and organic capability to manage and oversee the Department's transformation efforts. In February 2006, the first permanent BTA Director was selected, providing a constancy of leadership and a focus for Enterprise wide decision making across the Department. And, using the Congressional special hiring authority for highly qualified experts (HQEs), BTA has created a complementary workforce composed of career civilians, term-appointed civilians, military members and contractors who have collectively contributed to our continuing progress in assuring standardization and mitigating the risk associated with large business systems implementations across the DoD. We appreciate Congress' recognition of the need to develop a multi-dimensional workforce and the continued support for hiring HQEs as an integral part of maintaining transformation momentum.

### **Working Relationship with the Government Accountability Office (GAO) and the Office of Management and Budget (OMB)**

DoD regularly and proactively engages with GAO and OMB to communicate its progress and achievements in defense business transformation. GAO has acknowledged the Department's progress in several reports over the past two years and both organizations continue to be constructive partners in our overall transformation efforts. GAO's May report, entitled "DOD Business Systems Modernization: Progress Continues to Be Made

in Establishing Corporate Management Controls but Further Steps are Needed” (GAO-07-733) was the most positive NDAA Compliance report the Department has received to date, and contained a single new recommendation and officially closed 10 others. GAO stated the following:

Given the demonstrated commitment of DOD leadership to improving its business systems modernization efforts and its recent responsiveness to our prior recommendations, we are optimistic concerning the likelihood that the department will continue to make progress on these fronts.

The Department has also been in regular dialogue with OMB regarding a number of transformation initiatives. In both the effort to align DTS and e-Travel and the initiative to reform the Security Clearance process, described previously in this testimony, DoD and OMB are working closely together to bring increased capabilities to the entire Federal government. In other cases, OMB is helping DoD leverage lessons learned from similar initiatives across the Federal space.

We continue to welcome GAO and OMB’s insight, as well as that of all our government partners, as we work together to accomplish our transformation priorities and achieve our shared goals.

## **Conclusion**

We are pleased that we are showing progress in our business transformation efforts and that this progress has been recognized by our oversight bodies. However, aligning the strategy, controls, people, processes, and technology to truly effect enterprise-wide change in an organization as large and complex as the Department of Defense is an enormous undertaking, which has also been recognized by GAO and OMB. The challenges that business transformation faces should not be underestimated. We believe

though, that our persistent focus on accelerating the pace of change will enable continued progress.

The Department is well aware that business transformation is a marathon and not a sprint. Following this course, the Department has made steady and significant progress, achieving tangible results that are yielding positive outcomes in business operations.

We appreciate and value the support of Congress over the last several years as we have established new governance and discipline in our business transformation efforts. We are anxious to demonstrate that this support will reap benefits for both the taxpayers who fund our efforts and for the Warfighters who defend this nation. Mr. Chairman, we thank you and the members of the subcommittee for your continued support.