DEPARTMENT OF THE ARMY

2013 Annual Report on Business Transformation

Providing Readiness at Best Value

1 MARCH 2013

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COMPLIANCE STATEMENT

This report fulfills the requirement outlined in Section 901 of the National Defense Authorization Act (NDAA) for Fiscal Year 2012. This legislation directs the Secretary of Defense to submit to the congressional defense committees a report on Department of Defense business systems compliance not later than March 15 of each year from 2012 through 2016. This legislation further directs the Secretary of Defense to include a copy of the most recent report of the Chief Management Officer of each military department on implementation of business transformation initiatives by such department in accordance with section 908 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (Public Law 110–417; 122 Stat. 4569; 10 U.S.C. 2222 note).

UNDER SECRETARY OF THE ARMY
WASHINGTON

MARCH 1, 2013

For twelve years we have been a Nation engaged in combat operations in Southwest Asia. With more than 172,000 Soldiers deployed or forward stationed in nearly 160 countries worldwide, our Army performs a unique, broad set of roles and missions as an indispensible part of the Joint Force. We also remain an Army in transition. While we remain engaged in Afghanistan, we are also balancing the competing requirements of downsizing the force, adapting to a changing security environment and meeting the requirements of Defense Strategic Guidance—all in an environment of declining resources. With the continued support of the Congress, we will maintain a high level of readiness to defend the Nation.

The Army recently published its *2013 Army Strategic Planning Guidance* which provides the vision, direction and objectives for the Army and our institutional goals to meet our Service Title 10 requirements. The Army will retain its ability to dominate on land across the range of military operations to prevent conflict and destabilizing activities, shape the security environment and win our Nation's wars when prevention and shaping prove insufficient. In support of these efforts, we will continue to adapt the business operations of the Institutional Army to produce readiness at best value.

I am pleased to approve this 2013 Report on Business Transformation. Our active governance of business processes and, particularly, of our Enterprise Resource Planning systems, is already making the Institutional Army more efficient and effective, and these improvements benefit the Army as a whole. Across the Army, continuous process improvement and other business initiatives are improving our stewardship of resources. This report details the progress we have made in these areas and focuses upon the improvements in our business processes, our efforts to achieve financial auditability and our path toward achieving energy security. We are driving efficiency gains into everything we do, improving our support to the Army's agile and versatile operating force while producing readiness at best value.

Joseph W. Westphal

SECTION 1: INTRODUCTION

The emerging environment presents a complex range of threats, challenges and opportunities, making it likely that U.S. forces will be called on to fulfill a broad range of military operations. The Army will ***prevent*** conflict by remaining a credible force with sufficient capacity to dissuade adversaries from challenging American interests. The Army will ***shape*** the environment, building positive relationships and capabilities that enable nations to effectively protect and govern their citizenry. Finally, when called, the Army will fight for the Nation and ***win*** decisively and dominantly. At the same time, fiscal constraints require us to deliver strategic land power in the most cost-effective way possible.

Improving Army business management allows better focus on four areas emphasized in the *2013 Army Strategic Planning Guidance*. Our first priority remains supporting operations in Afghanistan. Second, while reducing the size of the Army, we will invest wisely in those institutional processes that preserve readiness. Third, we must improve the agility and transparency of the Institutional Army to enable our operating forces to adapt to emerging challenges. And fourth, we will enhance the effectiveness and efficiency of our business processes to meet the requirements of the Department of Defense (DoD). In support of all of these priorities, we will continue to expand resource stewardship throughout the Army.

> The Institutional Army provides the bedrock upon which the Army builds and sustains readiness.

Army Business Transformation focuses specifically on improving the business processes and information technology that drives the Institutional Army. The Institutional Army generates the trained and ready land forces that fulfill a broad array of defense missions. The magnitude and scope of the Army's business transformation effort makes it one of the most complex projects ever attempted. The interdependencies between functions and processes defy simple, directed solutions. With the unpredictability of future missions and fiscal challenges, neither the Army nor the Nation can risk mission failure.

In addition to improving the way we generate forces, we must properly manage the demands we place on our ecosystems, environment, electromagnetic spectrum and supplies of energy and water. The Army's multi-faceted approach described in this report enables the Army to preserve readiness and fulfill its commitments within lower budgets. In preparation for this responsibility, the Institutional Army must perform its activities faster, smarter and cheaper to provide trained and ready forces at best value for the Nation today and in the future.

SECTION 2: ARMY BUSINESS TRANSFORMATION ACTIVITIES

Improving Army Business Processes

In 2012, the Army, with support from the DoD Chief Financial Officer and Deputy Chief Management Officer, made significant progress toward achieving its business transformation objectives. The Army established effective governance mechanisms over the business mission area, defined and reengineered critical business process, conducted significant continuous process improvement activities at every echelon within the Institutional Army, improved vertical integration of activities and Army wide unity of effort with its Integrated Management System and achieved dramatic progress toward establishing a federated business enterprise architecture with four major Enterprise Resource Planning (ERP) systems at its core.

Army Business Governance Accomplishments

> The Army completed mapping seven of the 15 Department of Defense End-to-End business processes.

In December 2011, the Army published the Army Campaign Plan (ACP) for Fiscal Year 2012. The Army devoted a full annex of the ACP to business transformation and included a detailed appendix that established the Business Systems Information Technology (BSIT) Implementation Plan. Army actions taken in accordance with this plan framed the Army's cost-informed investment practices for enterprise governance, improved the efficiency and effectiveness of business operations, established responsibilities and tasks required for the Army to meet 2014 and 2017 auditability requirements and improved policy and business process alignment between the Army and DoD.

The ACP also formally established the Army's Enterprise Business Governance structures which chartered the 2-Star BSIT Working Group, the 3-Star BSIT Review Group and the Executive Steering Group hosted by the Under Secretary of the Army/Chief Management Officer and Vice Chief of Staff of the Army. These three forums provided additional levels of collaboration on business and cross-functional issues. Through the BSIT governance forums, the Army addressed critical issues such as Enterprise Resource Planning system management, investment portfolio management toward the target operating environment, auditability requirements and coordination of input to the Office of the Secretary of Defense's Defense Business Council.

Throughout 2012, the Army implemented the BSIT management framework to integrate and streamline the business systems and improve synchronization of business decisions. The BSIT management framework provided a methodology for evaluating investments in new information technology to support business processes as well as the continued sustainment, enhancement or elimination of legacy business systems. Governance focused upon Army core

enterprise resource planning systems, and the BSIT management framework proceeded along three complementary lines of effort: business process reengineering, business systems IT portfolio management and business enterprise architecture.

Business Process Reengineering

Business process reengineering (BPR) is a logical methodology for assessing and correcting process weakness. Section 1072 of NDAA 2010 (reiterated in Section 901 of NDAA 2012) modified the BPR requirements of the DoD's investment review process. The NDAA stipulated that funds available to the DoD, whether appropriated or non-appropriated, would not be obligated for Defense Business Systems (DBS) in excess of $1 million over the period of the current future-years defense program until the Pre-Certification Authority had determined that appropriate BPR had been undertaken. DoD has taken a holistic approach to BPR which includes portfolio and end-to-end perspectives.

The Army is instituting a standardized Business Process Management and Reengineering (BPM&R) methodology to enable an enterprise view of our current business processes and identify improvement opportunities. This methodology utilizes end-to-end business process scenarios as the core framework to guide BPM&R throughout the Army. Process champions apply resources to solving business decisions related to the structuring of end-to-end business processes and investing in business systems.

Conducting BPR is an ongoing process that focuses on increasing efficiencies and streamlining the business processes. Ensuring the appropriate BPR has been undertaken validates that the business process supported by the system has been streamlined or eliminated and reduced of unique requirements and interfaces to the maximum practical extent. As the Army continues to map its end-to-end business processes to comply with business enterprise architecture requirements, we are leveraging Lean Six Sigma expertise to identify systemic constraints and choke points, non-value added steps, cross-domain conflicts and other impediments to efficient process flow.

In 2012, the enterprise-wide deployment of Lean Six Sigma continued to drive efficiencies into major processes across the Army—2,979 projects which yielded $3.2 billion in benefits with another 1,300 projects in progress. These continuous process improvement efforts increased throughput, reduced delays and improved the effectiveness of the Institutional Army while reducing costs. Throughout 2012, the Army's Lean Six Sigma program trained 1,408 leaders. We also trained 304 senior and mid-grade leaders on how to sponsor Lean Six Sigma initiatives. Finally, the Army implemented a pilot Six Sigma Qualification Course for General Officers and

Senior Executive Service (SES) which familiarized 23 senior leaders on continuous process improvement.

Business Systems Information Technology Portfolio Management

During 2012, the Army matured the BSIT governance to complement the structure and mission of the Office of the Secretary of Defense's Defense Business Council, and the Army evolved the BSIT into the Army Business Council in early 2013. In conjunction with that reorganization, the Army is formally assigning business mission area and functional responsibilities to five domain leads and as well as codifying the business requirements validation processes.

In March 2012, the Army conducted functionally-based portfolio reviews in the domains of Human Resource Management (HRM), Acquisition (ACQ), Financial Management (FM), Logistics (LOG) and Installation, Energy and Environment (IE&E). During these annual reviews, the Under Secretary of the Army and Vice Chief of Staff of the Army reviewed the strategic goals and investment strategies for the Army business systems supporting each of the five business areas, noted above. These reviews ensured that investments were aligned with the priorities, goals and objectives of the Army.

Using a new Congressionally mandated investment process, the Army certified 317 Defense Business Systems.

In response to the language in the Fiscal Year 2012 National Defense Authorization Act, the Office of the Secretary of Defense and the Army restructured the Defense Business Systems (DBS) investment process to include an annual certification of all DBS with a cost of more than $1 million over the Future Years Defense Program (FYDP). This expanded the number of Army certification requests to OSD from 44 defense business IT systems in 2012 to 317 for 2013, a significant increase in the number of reportable IT systems to OSD. This created a significant improvement in transparency and a step toward a federated approach of managing Defense Business Systems. The OSD core business mission areas published functional strategies and the military departments prepared Organizational Execution Plans (OEP) that addressed how the military departments would invest in DBS that support those strategies.

Army Business Enterprise Architecture

Army Business Enterprise Architecture (BEA) is a fundamental element of the BSIT management framework. It defines the processes, operational activities, business rules, information exchanges and systems parameters involved in the conduct of Army business operations. The Army continues to map end-to-end business processes to capture the business architecture in its entirety. Once achieved, the Army will be able to direct changes to business processes via

top-down command and resource channels and horizontally across business functions. Furthermore, these architecture efforts will identify cross-domain friction points and establish the data standards required for managing the enterprise. They also will provide opportunities to conduct extensive business process reengineering, bridge end-to-end process gaps and retire redundant systems. The Army BEA serves as a reference for business process and systems owners to ensure investments are interoperable, compliant, auditable and support DoD goals and objectives. The Army BEA is structured around the 15 end-to-end business processes identified in the DoD BEA and incorporates Army business practices and procedures.

Adoption of the end-to-end processes as a framework fits naturally in the Army ERP systems landscape, particularly because ERP functional capabilities and data flows are integrated in these solutions using end-to-end processes. The Army established a comprehensive Army Business Enterprise architecture management construct for rationalizing Business Mission Area systems. This construct ensures that consistent design and implementation guidance is provided for developing business systems that support the 15 BEA end-to-end business processes.

A key component of the Army BEA is the establishment of a Common Operating Environment (COE). The COE is an approved set of computing technologies and standards that enable secure and interoperable applications to be rapidly developed and executed across a variety of computing environments. It also facilitates the development of a knowledge repository for maintaining business process information used to manage investments across their lifecycles. The COE will transform the Army's business system investment by simplifying data integration across domain business systems. This common environment facilitates the federated approach that will eventually enable the Army to merge legacy system requirements into core enterprise resource planning systems. As the myriad of Army IT systems and business practices are forced to align under standard architectural and interface controls, the Army will also be able to exercise more effective business process reengineering over its end-to-end processes.
The role of the Army’s Chief Information Officer/G6 is particularly critical to this effort. Making the information environment within the Army Network more interoperable creates the necessary business enterprise architecture envisioned for our target operating environment. Foremost, the Network must provide ubiquitous coverage from the sustaining base in the continental United States all the way to our operating forces in forward areas. Second, a single identity access system based upon credentialing must be established to maximize user access and participation. Business system IT architectural and interface configuration controls will facilitate a more rapid, more deliberate and lower risk environment within which the Army can consolidate disparate IT systems.

This will enable the Army's ERP systems, which are inherently integrated, to improve quality of cross-functional data exchanges without reliance upon translation, special interfaces, or other mechanisms of exception management. Finally, and perhaps the most relevant to our business architecture efforts, the Army must map its data needs to authoritative sources by functions, linked together by end-to-end processes. These efforts are technologically complex and are dependent upon our ability to map and govern the business mission area in its totality. Further, these efforts require programmatic stability and steady funding because delays in one system will create downstream challenges that will impede progress for other enterprise systems.

Although the magnitude of governance requirements in the Business Mission Area was (and remains) extensive, the Army concentrated its efforts upon the evolution of its four critical ERPs throughout 2012. This focus enabled the Army to reduce program risks associated with these complex ERPs and their associated business processes. Due to the Army's active leadership and emphasis upon planning, governance and assessment, the Department substantially increased the sophistication with which it synchronized business processes and their supporting architectural and reengineering efforts. As a result, the Army made substantial progress with its four core ERP systems.

General Fund Enterprise Business System

The General Fund Enterprise Business System (GFEBS) represents an unprecedented leap forward in Army financial management by fulfilling congressional mandates for auditability and fiscal responsibility. It is also revolutionizing the Army's long-standing budget and spend culture to a more cost conscious culture. GFEBS modernizes decades-old financial processes and consolidates disparate systems into one ERP. This ERP strengthens financial management and provides the general ledger financial systems required by the Federal Financial Management Improvement Act, enabling auditability. GFEBS provides significant benefits to the Army's financial management portfolio through the introduction of new business processes. The benefits of GFEBS will be felt throughout the Army from HQDA to the operational level. Army leaders will have greater visibility of operational activities at the command and garrison levels, improved forecasting and better decision making ability because of accurate and real-time cost data.

In July 2012, the Army completed the deployment of GFEBS, providing services to more than 53,000 users at 200+ locations in 71 countries. GFEBS brings the active and reserve components into the same integrated financial system. The real-time nature of GFEBS has reduced the need for data calls and gives the Army more accurate data on funds availability and execution. Financial managers can now focus on the cost center information readily available in GFEBS to inform cost analysis of current year performance that will subsequently inform future program

and budgeting decision making. Recent fielding has enabled significant business process change including elimination of intra-Army general fund reimbursable orders, compliance with DoD Financial Management Regulation obligation criteria and standardized funds and cost centers.

Today, GFEBS provides the global financial template that is the foundation for the other Army ERPs. Beginning in 2013, GFEBS will manage a significant portion of the Army General Fund. GFEBS continues to pass internal audits. This ERP is a major success, and it is paying dividends today. Further, as long as fiscal pressures do not delay implementation of programmed efforts in GFEBS and its feeder systems, GFEBS will enable the Army to achieve mandated auditability goals by Fiscal Year 2014 and 2017.

Global Combat Support System-Army

The Global Combat Support System-Army (GCSS-Army) contains the functionality associated with the business areas of supply, maintenance, property and tactical finance. When fully fielded, GCSS-Army will replace the existing suite of legacy Standard Army Management Information System (STAMIS) which includes the Standard Army Retail Supply System, Standard Army Maintenance System Enhanced, Property Book Unit Supply Enhanced, a host of unique applications and the materiel management structure associated with these systems.

Currently, the Army does not have integration across its financial systems or among other domains such as Logistics. Global Combat Support System-Army (GCSS-Army) will integrate a significant portion of the financial capabilities of the Army. This integration allows for a single data entry into the system—significantly decreasing the number of manual reconciliations currently being performed throughout the Army. Integration also improves planning, programming, budgeting and execution through the use of integrated output data from financial and non-financial sources. The GCSS-Army system will feed vital, up-to-the-minute information to senior civilian and Army leadership. GCSS-Army and GFEBS will establish and maintain financial and asset management systems that will not only give Congressional overseers the level of financial accountability they need from the Department, but also provide Army and DoD leadership with timely, accurate data that will enable them to make sound business decisions. Additionally, there will be significant savings in personnel-related matters as a result of the implementation of GCSS-Army. Roles will be re-distributed and realigned to appropriately work within the system.

GCSS-Army is an integrated system where users with access and permissions can login and perform their business area missions regardless of their position in the modular structure or location throughout the world. The Army deployed its first generation of the Army's first enterprise logistics system in Fiscal Year 2008. Release 1.0 was successfully implemented in the

11th Armored Cavalry Regiment B Direct Support Unit and replaced the Standard Army Retail Supply System. The Operational Assessment proved highly successful and provided valuable information that was leveraged for the July 2010 "Go Live" of Release 1.1 which integrated Maintenance, Property Book, Unit Supply and Finance for tactical logistics with Retail Supply. GCSS-Army is 80% developed and tested and received a full deployment decision in December 2012. The remainder will be included in Release 1.2.

Logistics Modernization Program

To comply with Federal directives such as the Chief Financial Officers Act of 1990 and the Federal Financial Management Improvement Act of 1996—laws that were enacted to increase the efficiency and visibility of financial operations across the DoD, the Army decided to implement a commercial off-the-shelf-based, best-in-class ERP solution to revolutionize the Army's national-level logistics systems and business processes. This solution was the Logistics Modernization Program (LMP).

LMP replaces two major legacy systems supporting the Army Working Capital Fund supply and industrial activities. It also provides a modern solution capable of supporting Army end-to-end business processes. It generates efficiencies in re-manufacturing, allows greater visibility of process constraints to enable improved process flow, improves recognition of the total costs of ownership by capturing all cost associated with equipment repair and facilitates management decision making at local and enterprise levels through access to near real-time data. The LMP improves Army Working Capital Fund financial statements, and it will enable the Army to achieve full Standard Financial Information Structure and Federal Financial Management Improvement Act compliance. To date, the LMP provides users benefits in three principal areas. It streamlines the Army's supply chain processes, employs an information technology (IT) platform that delivers superior performance to its users and it supports our warfighters. Today, the LMP manages $4.5 billion worth of inventory, processes transactions with 50,000 vendors and integrates with more than 80 DoD systems. The LMP is deployed to 4,000 users at the Army Communications-Electronics Life Cycle Management Command, Tobyhanna Army Depot, the Defense Finance and Accounting Service and a dozen other Army and DoD locations. When fully deployed, LMP will support more than 17,000 logistics professionals. The next incremental improvement is scheduled to reach Milestone B in May 2013.

The Integrated Personnel and Pay System–Army

The Integrated Personnel and Pay System-Army (IPPS-A) is the Army's web-based Human Resources (HR) solution to provide integrated HR capabilities across all Army Components. Once implemented, IPPS-A will create a comprehensive personnel and pay record for all Soldiers for their entire careers. IPPS-A is designed to alleviate the Army's current reliance on

more than 50 stove-piped HR systems that do not properly share information with one another. After fielding, IPPS-A will provide a centralized resource for Soldiers, leaders and human resources professionals to better manage personnel and pay information.

IPPS-A will be launched incrementally in five phases, or "releases," over the next six years. Each release will build upon the system's previous release, starting with IPPS-A's first release planned for Fiscal Year 2013. This first release will interface with 17 personnel systems and build the foundational database of trusted personnel data for all future releases. In addition, this release will provide each Soldier access to the Soldier Record Brief, an eventual replacement for the Officer and Enlisted Record Briefs. This release will also create nine multi-component reports for HR professionals. Subsequent releases will interface with current HR and Pay systems, and in certain cases, subsume their functions.

Strengthening Financial Management–Achieving Financial Auditability

The Army Financial Improvement Plan (FIP) establishes a strategy to achieve an auditable Statement of Budgetary Resources (SBR) by Fiscal Year 2014, as directed by Secretary of Defense Leon Panetta in October 2011. It requires the verification of Existence and Completeness of equipment by December 31, 2013, and all financial statements by Fiscal Year 2017. The FIP provides the roadmap to implement auditable business processes and effective internal controls across the Army's business environment. The FIP also addresses auditability of the systems supporting the Army's business processes, such as General Fund Enterprise Business System (GFEBS), Global Combat Support System-Army (GCSS-Army), Logistics Modernization Program (LMP) and other feeder systems. All of these ERPs must comply with federal systems standards and successfully withstand the scrutiny of financial statement audits. Having compliant, auditable systems with integrated and automated controls is critical to sustaining Army business processes that reduce or mitigate financial risks.

The Army, with the support of the Office of the Secretary of Defense and agencies across DoD, is maintaining a robust schedule of audits and tests of GFEBS and our other ERP systems to ensure compliance. The Army achieved a favorable audit opinion on the first of three mock audits for business processes related to 2014 Statement of Budgetary Resources (SBR) requirements at three installations using GFEBS. The second SBR mock audit is underway, and the third mock audit will begin in July 2013. The DOD Inspector General will conduct audits to assess the existence and completeness of assets, including the audits that are already underway that assess three missile categories and the real property assets at 23 installations. The Army is conducting monthly testing by random sample to assess if internal controls are in place and operating effectively. All of these efforts allow the Army to continually assess its performance and ensure it is on track to meet its audit readiness goals. Army senior leaders

recognize that achieving an auditable business environment requires compliance by all process owners, so they are implementing controls to ensure all Army organizations contribute to audit readiness. We have trained more than 16,000 people in audit readiness as of January 2013 and are making all training materials available on the Army Learning Management System to cover the organization. If the progress across the ERPs is sustained as it was in 2012, then the Army should meet its auditability goals in 2014 and 2017.

Promoting Resource-Informed Decision Making

Given DoD's overall fiscal challenges, the Army's senior leadership has embraced a cost culture. Leaders work to ensure that the Army derives the best possible value from the expenditure of limited funds. The Army, with substantial DoD support, has implemented a broad array of complementary efforts to promote resource-informed decision making. Much work remains to inculcate this cost culture throughout the rest of the force, and this effort will take several years to become ingrained across the institution.

As a first step, the Army directed that major initiatives or requests for additional funding be accompanied by a thorough cost benefit analysis (CBA). The Army has integrated CBA into critical decision making processes at Army Headquarters, and senior leaders routinely use CBA results as a foundation for their decisions. The development, analysis and consideration of rigorous cost benefit analyses has become embedded in our decision making processes at lower echelons as well and is helping us make better resource-informed decisions. The Army continues to develop and refine tools and resources to support the CBA process, using Lean Six Sigma improvement efforts to inform these processes.

> Using a Cost Benefit Analysis Review Board, the Army reviewed over 300 cost benefit analysis cases to validate $80 billion dollars in funding requests.

In 2012, the Deputy Assistant Secretary of the Army for Cost and Economics published a guidebook for the Army-wide conduct of CBA. In conjunction with providing guidance, the Army trained over 3,000 individuals on CBA. Today, 90% of all Army organizations use cost benefit analysis to support resource-informed decision making. In Fiscal Year 2013, the Army will continue to use CBA to support resource-informed decision making by using the Cost Benefit Analysis Review Board.

The Army also conducted eight successful iterations of the four-week Cost Management Certificate Course (CMCC) and graduated 103 leaders. This graduate-level course is aimed at senior military and civilian analysts. The curriculum helps the Army develop a cadre of change agents who work at all organizational levels to improve mission effectiveness through the

smarter use of limited resources and to develop clear and defensible cost benefit analyses. Areas of concentration include managerial costing, operations management, cost controls and organizational development.

To provide teeth to the Army's implementation of a cost culture, the Army integrated cost benefit analysis and Lean Six Sigma continuous process improvements into its core resource adjudication mechanisms. The Army PowerSteering IT system captures enterprise-wide Lean Six Sigma continuous improvement efforts and enables both the enacting commands and the Headquarters Department of the Army to assess benefits. Significant work remains. The Army's existing processes of accounting and resource allocation provide superb control and visibility of expenses from the headquarters through enacting commands, but this method of accounting does follow the functionally-aligned, end-to-end accounting approaches that would best inform continuous process improvement efforts.

The Army will promote a permanent focus on creating readiness at best value and executing continuous process improvement to make existing processes more efficient. Army senior leaders will drive the cost management process, holding their subordinates accountable for cost effectiveness. The Army will continue to promote resource-informed decision making and continuous process improvement by providing CBA training and Lean Six Sigma courses to Army staffs at all levels. Further, leaders will hold commands accountable for conscientious stewardship of resources.

Implementing an Integrated Management System

The Integrated Management System (IMS) captures the totality of Army decision making and creates assessment mechanisms through the Army Campaign Plan. The IMS enables Army leadership to make resource-informed decisions and provide our Nation with trained and ready forces at best value. The IMS assigns responsibility and focuses effort, provides leadership and direction, monitors execution, ensures synchronization and defines progress as a basis for resource allocation. Moreover, the IMS informs the Office of the Secretary of Defense's Strategic Management Plan (SMP) to improve vertical integration. The Army made significant improvements within the IMS that have enhanced the Army's ability to plan, govern and assess performance across all of the major operational, resourcing and business systems management activities across the Army.

> The Army uses the Planning, Programming, Budgeting and Execution process, the Army Campaign Plan and the Army Business Council as three key levers in its integrated management strategic planning.

Plan

The Army uses the IMS as a framework to integrate enterprise systems and processes into a holistic management perspective that recognizes the complementary nature of three core planning processes. The Army Campaign Plan assigns responsibilities for execution of the Army Plan and assesses synchronization and execution. The Planning, Programming, Budget and Execution (PPBE) process allocates resources across the Army program. Finally, the Army Business Council (ABC) integrates business functions, manages the ERP Federation, guides Network development, frames and manages the Target Architecture and strengthens investment management through portfolio reviews.

The Army Campaign Plan (ACP) 2011 incorporated business transformation and continuous process improvement part of the Army's overall transformation plan. Integration within the ACP was critical because the ACP linked business transformation efforts to wider Army outcomes and provided mechanisms to measure progress. The ACP document, strategy map and associated forums brought greater transparency to the Army's business transformation efforts. And most important, the ACP identified which Army leaders were accountable for completing the Army's transformation objectives.

This past year, we have seen three major successes: business transformation is integrated into Army strategic management and sits at the forefront of business operations, transformation includes not only the Operating Force and Generating Force but also Business Operations, and performance of Army business transformation initiatives are measured (metrics and milestones) and envisioned to link to the Army budget and Program Objective Memorandum (POM) with funding metrics tied to each of the nine campaign objectives with the Army Campaign Plan.

Govern

Execution of the PPBE process and the ACP both entail governance structures led by Army senior leaders. The Senior Review Group (SRG), co-chaired by the Under Secretary of the Army/Chief Management Officer (USA/CMO) and the Vice Chief of Staff of the Army (VCSA), serves as a senior level forum that resolves resource allocation and other PPBE-related issues with final strategic resourcing decisions made by the Secretary of the Army and the Chief of Staff of the Army. The ACP assigns accountable leadership for campaign objectives and their associated major objectives to the Assistant Secretaries of the Army supported by the Army Staff, Army Commands and Direct Reporting Units. The ACP establishes unity of effort across the Army enterprise through its campaign and major objectives which align to the Army's Title 10 responsibilities. The Army Business Council synchronizes and integrates Army business

processes and practices to achieve effective and efficient outcomes. The USA/CMO serves as chair with the VCSA as vice chair with senior Army business leaders.

The USA/CMO and his supporting organizations are improving Army business processes and synchronizing them to produce readiness at best value to the Army. This must be conducted within the scope of the PPBE process for executing the POM. What on the surface may appear to be separate and distinct activities is in reality, a step-by-step and integrated approach to managing the Army. The IMS is not an overhaul of existing processes but a comprehensive understanding of how the ACP, PPBE, ABC and other Army business processes work together to achieve unity of action in support of the DoD's Strategic Management Plan and the *National Military Strategy*.

Assess

The Army is committed to establishing meaningful metrics and measuring our progress. As directed by the Secretary of the Army and codified in the ACP, the Strategic Management System (SMS) is used to track the Army's performance in meeting ACP campaign and major objectives. The SMS is an Army Enterprise, web-based performance management tool that aligns goals, objectives and metrics, captures strategy execution and provides a common operating picture of performance progress. The hierarchy structure in SMS supports operates upon an underlying premise that strategic outcomes are derived from a series of linked tasks to which resources are dedicated. Accountability for those outcomes is identifiable and can be monitored in SMS. As such, the SMS is the performance measurement component of the IMS and links execution to strategy. The SMS also supports the assessment component of the OSD DCMO's Strategic Management Plan by providing vertical integration between DoD and Army users.

In Fiscal Year 2012, the Under Secretary of the Army and the Vice Chief of Staff, Army hosted monthly Performance Assessment Updates with Assistant Secretaries of the Army to review the Army's progress toward achieving stated ACP outcomes. The detailed reviews of campaign objectives, major objectives, sub-tasks and metrics led Army leadership to incorporate a horizontal integration plan which ties Title 10 mandated functions to the accomplishment of *Army Strategic Planning Guidance*.

Subordinate commands use SMS to incorporate their strategic plans directly into the ACP and show nesting and integration within the tool. Commands leverage SMS by incorporating SMS metrics into their internal plans, creating common operating pictures of critical initiatives for leaders across the enterprise and tracking performance of selected strategies or plans.

Using SMS results, organizations are able to shift the bulk of their analysts' efforts from time-consuming collection and reporting to detailed analyses. Combining the improved analysis with the ability to import data from authoritative sources provides Army Senior Leaders with validated metrics showing progress toward accomplishing Title 10 and other congressionally mandated functions.

The steady increase in SMS users demonstrated the emphasis that leaders at all levels placed on transforming business processes. Unfortunately, funding shortfalls required that SMS be placed in a sustainment mode at the start of 2013. While the Army continues to provide SMS services in support of existing initiatives, the SMS Program Office now requires supporting commands to fund systems tailoring, command-unique training and other high-level integration functions for the system.

In Fiscal Year 2012, the number of Strategic Management System users nearly doubled, from 7,000 to 13,500.

Enhancing Army Energy Security

The Army is becoming increasingly energy and water efficient. We are working to become more reliant on renewable power resources and more resource resilient–capable of quickly adapting to utility disruptions or catastrophic events. To assure critical mission performance, mitigate adverse impacts and preserve future operational flexibility, the Army continues to improve its energy security and sustainable practices, strengthening capabilities to provide reliable power to U.S. and overseas installations, deployed forces and individual Soldiers. Energy security and sustainability have been identified as a Campaign Objective inside the Army Campaign Plan.

Energy Initiatives Task Force

The Energy Initiatives Task Force (EITF) is the Army's enterprise-wide management office to partner with private industry for development of large-scale renewable energy projects that provide secure, resilient installation electricity and help deploy renewable energy to reach the Army 1 gigawatt goal by 2025. During 2012, the EITF screened more than 180 Army and National Guard installations to identify the best potential sites for renewable energy development and is now conducting due diligence with over a dozen installations on solar, wind, biomass and geothermal renewable energy projects. Two Requests for Proposal (RFPs) were released to industry for energy project construction under Power Purchase Agreements. Three additional projects are positioned to move forward in early 2013. The EITF also worked closely with the US Army Corps of Engineers-Huntsville to develop and release a $7 billion Multi-Award Task Order Contract (MATOC) RFP for the procurement of clean renewable energy projects. This MATOC represents a significant step toward procurement of renewable energy

for the Army and other Services that will significantly reduce the timelines to acquire clean, secure energy with private sector financing.

Net Zero Installations

The Army initiated 13 Energy Conservation Investment Program projects which will save 73 billion BTUs of energy and generate 81 billion BTUs of renewable energy.

The Army's Net Zero Installation Initiative supports installations that will consume only as much energy or water as they produce and eliminate solid waste to landfills. In 2012, the Army completed a Net Zero Programmatic Environmental Assessment (PEA), finding that net zero implementation would not result in significant adverse environmental effects, provided that installation-specific analyses and best management practices to mitigate potential environmental effects are used during construction and operation of potential projects. The Army completed energy audits, renewable energy assessments and energy roadmaps at the nine net zero energy pilot installations along with an in-depth energy security assessment. Material flow surveys were conducted at six of the eight net zero waste pilot installations to gather baseline information for a roadmap of future improvement projects and actions. The Army's first-ever water balance assessments were conducted at the eight net zero water pilot installations to understand baseline water consumption and the kinds of facilities and activities where water is being used. This information will help create roadmaps that sequence individual projects to be implemented through 2020. Joint Army and the Environmental Protection Agency projects are being examined at two net zero pilot installations, including innovative pipe identification and leak detection technologies, water reuse using a membrane bio-reactor and an education campaign to increase understanding of the value of water.

Army Sustainability Report

Recognizing the complexity and scope of the Army's sustainability initiatives, the Army published a significantly revamped Sustainability Report in September 2012. This report summarizes Army-wide sustainability status, achievements and trends. It can be read at: http://usarmy.vo.llnwd.net/e2/c/downloads/269536.pdf.

Operational Energy

In 2012, the Assistant Secretary of the Army for Installations, Energy and Environment established the Operational Energy and Contingency Basing Task Force to establish Army policy and guidance and provide oversight for operational energy (OE) and contingency basing (CB), as well as to interface with external federal organizations. The Chief of Staff, Army formally appointed the Deputy Chief of Staff for Logistics, G-4, as the Army Staff lead for Army Operational Energy, to synchronize $3 billion in energy-related acquisition expenditures and

$800 million in related science and technology investment. An Army Operational Energy Initial Capabilities Document (ICD) was approved and accepted as a Joint Staff document. Army Centers of Excellence at Forts Lee, Benning and Leonard Wood established operational energy doctrine teams to revise and update Army doctrine accordingly. Concerted efforts across the Army led to accelerated in-theatre fielding of operational energy solutions, including solider power solutions with five Brigade Combat Teams, new more efficient generator sets (Advanced Mobile Power Systems) and shower water reuse systems. Deployment of energy advisors at the Brigade level and combined efforts of Army Senior Leaders has lowered energy use at the battlefield tactical edge by as much as 50%. These savings have in turn reduced associated operational and security asset requirements, expanded the options for Field Commanders and simultaneously improved the operational readiness of key electronics assets.

SECTION 3: TRANSFORMING THE INSTITUTIONAL ARMY

Implementing Change

Transforming the Institutional Army comprises one of the most complex projects that any organization has ever attempted. Whereas the Institutional Army spans hundreds of thousands of activities that are widely diversified, its output to the Nation is a single product—trained and ready land forces. While this focus helps synchronize the Army's efforts in transformation, its existing business processes must produce land power capability more efficiently and effectively. Given the sheer complexity, scope and criticality of our transformation, risks are inherent. These risks are exacerbated by budgetary uncertainty and changing mission sets for the operating force.

> Senior Leaders across the Army are performing in-depth assessments of their organizations and processes with the ultimate aims of improving performance, enhancing agility and decreasing costs.

Given the criticality and magnitude of the effort, the Secretary of the Army with support of the Under Secretary of the Army/Chief Management Officer and the entire HQDA Staff are working to produce lean, adaptive, scalable and capability-focused organizations that can adjust to investment reprioritization and shifting missions. The 2013 *Army Strategic Planning Guidance* prioritized Institutional Army Transformation. In the near-term, the Institutional Army Transformation Commission (IATC), supported by the Office of Business Transformation (OBT), will diagnose opportunities where senior leaders may garner efficiencies or savings. The Secretary of the Army, in some instances, will direct broad-ranging action where enterprise-level changes are required. These short-term initiatives span the breadth of Institutional Army activities such as acquisition processes, human capital management, service contracts and restructuring organizations. All are geared toward making current organizations more agile and providing readiness more effectively and efficiently.

The Under Secretary of the Army in his role as the Chief Management Officer manages the Army Business Initiatives. New Business Initiatives are nominated through the BSIT governance forums for USA/CMO endorsement and Secretary of the Army approval. Once approved, the accountable staff lead will develop performance metrics to be tracked in SMS. Performance status updates and recommendations to consolidate, modify or close-out business initiatives are presented to the BSIT forum for final approval by the Secretary of the Army.

Over a longer time horizon, the Army's Office of Business Transformation will modernize business operations, reinforce continuous process improvement efforts, institutionalize an integrated management system and transform business systems information technology. These

combined efforts provide the foundation from which to build the Army of the future. The Army must continually look for ways to improve adaptability, agility, innovativeness, efficiency and transparency in the Institutional Army so that it can better develop and field trained and ready units that can meet combatant commander demands and execute the requirements of national strategy. All elements of the Institutional Army present opportunities for improvement. While detailed implementation planning is still ongoing, the following paragraphs outline a few notable successes.

Successes in 2012

Army Force Generation Business Architecture

In 2012, the Army made the following improvements: the creation of an authorized force structure consumable by the Army's ERPs such as GFEBS, GCCS-Army and IPPS-A; the mapping of the detailed business processes associated with the force assignment, force apportionment and sourcing of COCOM requirements; and the initial mapping of how the Army generates forces. This initiative will improve the Force Generation process by providing commanders and supporting enterprises readily accessible information, enhancing decision making and resolving friction points and gaps in the Army's Force Generation Process.

This initiative's scope expanded as a result of mapping the key end to end business process, Deploy to Redeploy and Retrograde. The scope also broadened as a result of the Army's adherence to the Joint requirements associated with the Global Force Management Data Initiative (GFMDI). The mapping of Deploy to Redeploy and Retrograde clearly indentified that there are integral activities on both the front and back end of the process of Army Force Generation that must be considered with force generation. Also integral are the business systems supporting the process and the associated data. As a result of the GFMDI to standardize data, the Army has made significant strides by first creating a data enhanced Authorized Force Structure housed within the Army's Organizational Server. Significant challenges remain to align Army systems associated with planning, sourcing and generating forces to utilize this authorized force structure data. Nevertheless, that Army is aggressively pursuing this initiative so that our force structure representation allows for a greater level of synchronization and collaboration between Army systems supporting Army and Joint planning systems.

Authoritative Data

This initiative implements Army Directive 2009-03, Army Data Management, which directs that data be treated as a strategic asset to create and support a network-enabled environment that gives decision makers access to timely and secure authoritative data. This initiative serves as a

technical framework and process to expose the data consistently across the Enterprise to support current as well as future requirements. Authoritative Data is one of three key initiatives to implement the DoD Data Strategy within the Army.

In Fiscal Year 2012, the business initiative completed implementation of new decentralized Authoritative Data Sources (ADS) registration and approval process. Army Data Stewards/Functional Data Managers are executing the ADS process and registering within the DoD Enterprise Authoritative Data Source (EADS) Registry. In addition, 15 Army ADS Process Use Cases to use DoD EADS Registry have been updated which yields 100% complete and delivered. The Registration of Systems in the end-to-end process mappings are 15% complete. The accomplishment of these goals allows the Army to gain trusted data to support decision making and portfolio management.

The way ahead for this business initiative is 1) exercise ADS Process within IPPS-A, 2) finalize the relationship between Army Data Stewards and E2E Business Process Champions, and 3) publish the Army Information Architecture, which solidifies DoD Authoritative Data guidance, to be incorporated in the next version of Common Operating Environment no later than the 2nd Quarter of Fiscal Year 2013.

Enterprise Traceability

This initiative integrates data from existing systems to provide transparency of equipment procurements from budget requests to unit-level deliveries. This supports transparency of reserve component equipping and other ongoing actions to improve property accountability. It transitions the Army from manual data collection and integration to a method that is systematic and audit-ready. It also supports Financial Improvement and Audit Readiness and property accountability and the Army's Item Unique Identification (IUID) program. IUID allows Army personnel to precisely identify what items are needed in the field, supports analysis of reliability, age, condition and effects of maintenance modifications. The IUID capability also improves the Army's ability to optimize logistics processes and reduce total ownership costs.

During Fiscal Year 2012, the Army focused on improving Item Unique Identification (IUID) data flow from the acquisition community to unit property records with a goal of achieving an IUID rolled throughput yield of at least 80%. Two Program Managers (PMs) sustained 100% success: PM Soldiers Sensors and Lasers and PM Tactical Vehicles. Three PMs achieved a 56% to 74% increase in success over the previous year: PM Joint Attack Munitions Systems, PM Soldier Protection & Individual Equipment and PM Force XXI Battle Command Brigade-and-Below Blue Force Tracking. Seven PMs achieved over 50% success

We will develop a method to systematically collect transparency data during the transition period between legacy and ERP systems and ensure requirements are coordinated with ERP systems as they are developed. The Army plans to implement transparency and reporting capabilities in a fully mature ERP environment. Improvement in component-level feeder data will increase the accuracy of budget justification documents and the efficiency in the budget development process. This initiative integrates data from existing systems to provide transparency of equipment procurements from budget requests to unit-level deliveries. This supports transparency of reserve component equipping and other ongoing actions to improve property accountability. It transitions the Army from manual data collection and integration to a method that is systematic and audit-ready.

Army Item Unique Identification

This business initiative establishes the Item Unique Identification (IUID) as the global data key in the Army Logistics Architecture Enterprise and permits data across our automated information systems (AIS) to be linked to the individual item level of detail and support improved life-cycle management and financial accountability. The Army Equipping Enterprise System and the emerging lead materiel integrator systems position the Army to exploit existing systems as well as new processes and technologies to improve traceability.

Army items subject to DoD and Army IUID policy must be assigned a unique item identifier (UII) and registered in the DoD IUID Registry. The UII is a globally unique and unambiguous identifier that distinguishes an item from all other like and unlike items. The UII shall be used globally as the common data key in financial, property accountability, acquisition, supply, maintenance and logistics automated information systems to provide asset accountability. The Army published Army Regulation 700-145 IUID in September 2012. The Army began using mobile marking teams to accelerate the rate of marking items in Fiscal Year 2012.

The Army Network

The Network is the core to a more capable and better trained expeditionary Army, and it also creates a single, secure and standards-based digital environment within which Army business system information technology programs operate. This past year, an Army team identified several reforms to support our network modernization strategy that we expect will save us $1.5 billion annually beginning in Fiscal Year 2015. The Army is improving IT-portfolio management and integration of Network capabilities and technologies by re-aligning organizational roles, responsibilities and authorities. The Army is improving regulations for developing and enforcing architecture rules which will reduce waste and risk to IT systems. Robust cost benefit analysis and targeted cost savings inform every effort and also help to identify and fix systemic technical, process-based and organizational impediments. Additionally, to deliver current

technology faster to the operating force, the Army is expediting "Buy" versus "Build" decisions in the acquisition process.

Enterprise Email and Calendar

This business initiative collapses Army email, currently running on multiple, segregated, non-standard Microsoft (MS) Exchange 2003 systems, into a DISA-provided MS Exchange 2010 cloud-based solution. Enterprise Email is one of the Army's key IT efficiency projects that will generate total savings of $380 million from Fiscal Years 2013 to 2017. The cost benefit analysis indicates that we can reduce the cost for delivering email services by over 60% through the use of this DISA managed service. The Army began migrating 1.4 million unclassified email accounts from Army-owned legacy MS Exchange systems to the DISA email service in February 2011. As of the end December 2012, we had migrated over 650,000 Army and Joint users in various locations to NIPR Enterprise Email (EEmail) and over 2,000 SIPR users.

The Army established a formal acquisition program for EEmail in January 2012 with quarterly program updates to the Army Acquisition Executive. The Army CIO has executed EEmail under Title 40 and Title 44 authorities. The Army will audit EEmail to measure progress toward achieving efficiencies and terms of the Service Level Agreement. We expect to complete email migration to include Army non-deployable email systems, Army Knowledge Online (AKO) and AKO-Secure mail by the end of March 2013. We will also assist the enterprise email migration of users in various joint commands. Secure email migrations began in November 2012 and should be completed by the end of March 2013.

Army Enterprise Service Desk

The original Army Enterprise Service Desk (ESD) approach included two integrated components: 1) ESD technicians using both information technology and business processes and 2) Enterprise Service Management System using a ticketing system. The Army’s CIO/G-6 coordinated with US Cyber Command and US Army Network Enterprise Technology Command (NETCOM) to revise the Service Desk and Service Management strategy and business case using a decentralized, non-enterprise level implementation approach. NETCOM will implement managed service desk and service management solutions separately. This will provide a single point of contact for all LandWarNet service requests, issues and inquiries. Key initiatives for Army Enterprise Service Desk support the development of the common operating environment: user identification, management uniformity, situational awareness and increased interoperability. All will provide cost avoidance.

Army Data Center Consolidation Plan

The Army Data Center Consolidation Plan (ADCCP) reduces the Army's data center inventory worldwide, improves the security of Army information assets and enables the Army to provide managed information services at the enterprise level. The ADCCP is a key element of the strategy to transform the LandWarNet, the Army's existing network and portion of the DOD Global Information Grid, into a fully integrated information enterprise activity. Implementation of the ADCCP will reduce data center infrastructure operations, support costs and environmental impacts by shifting data center operations to managed enterprise operations that are more efficient and effective. In addition, the plan consolidation will increase the Army's overall IT security posture by making it easier to defend the network, protect information assets and respond to threats.

As of December 2012, the Army has closed 54 non-Base Realignment and Closure data centers resulting in approximately 700 server efficiencies, 800 application efficiencies and 25 personnel efficiencies. At the end of calendar year 2012, the ADCCP's teams visited ten Army installations to complete physical discovery of reported data center assets to ensure reporting accuracy. Looking ahead, the discovery team will perform analysis on each installation's data centers to provide a recommendation on a consolidation plan to a single installation processing node.

Acquisition Business (ACQBIZ)

Army Acquisition users are constrained by the suboptimal configuration of business systems and the outdated policies and procedures that encumber the ability to locate, access and share accurate and timely acquisition data. This business initiative addresses these problems through better use of information and information technology resources.

The Army managed this business initiative through Councils of Colonels and senior level forums from Army Program Executive Offices and senior leaders from the Assistant Secretary of the Army for Acquisition, Logistics and Technology. The Army conducted user workshops to ensure enterprise requirements were addressed. We began the collapsing of applications into a modernized integrated data environment with a common user interface. This effort established the foundation for future application collapse reducing redundant data and the need for data calls, while improving the quality of data and the user experience through a modernized and common user interface. An initial capability for the Army Acquisition Dashboard was created, which allowed managers at all levels to manage their portfolios and drill down to program specifics. Efforts in 2012 provided a solid foundation for growth in continuing improvements in efficient management of the acquisition domain.

Procure-to-Pay Pilot

The Procure-to-Pay (P2P) Pilot tests the ability of an ERP system to conduct the entire end-to-end P2P process internally. The Army's current ERP implementations require interfaces to numerous legacy systems, many of which are DoD-wide systems that optimize a sub-element or organization but hinder the effectiveness of the overall business process. The Army's P2P Pilot will eliminate the need for custom interfaces to and from the Standard Procurement System and Automated Disbursing Systems by improving the effectiveness of business processes, reducing cost of ownership and improving audit readiness.

The P2P Pilot is in Phase I-B and consists of three major capability roll-outs: Treasury disbursement, Supplier Self Service (SUS) for vendor interaction and Procurement for Public Sector (PPS) for procurement and contract management. Treasury disbursement and SUS are within the scope of the current GFEBS contract. Treasury disbursement began in December 2011. During a six-month evaluation period in 2012, it was assessed as a stand-alone capability. This roll-out has been determined successful by processing 1,498 invoices for approximately $82.5 million.

The Supplier Self Service roll-out began its evaluation period on October 2012. Vendor Payment successfully processed its first two invoices on November 2012, and roll-out should be complete by May 2013. These two capabilities should be integrated with Procurement for Public Sector roll-out to provide for an end-to-end business process and be evaluated during a six-month live evaluation at Fort Jackson planned in late 2013.

As a component to the P2P Pilot, the Army has implemented a number of changes for how it handles service contracting. Service contracts account for roughly 21% of every dollar Army spends. These efforts include providing a single focal point for service acquisition at each command and staff element, consolidating acquisition requirements generation, post-award management and dedicated contracting activities, aggregating cost, performance and schedule data for all service contracts to ensure management visibility, ensuring subject matter experts are aligned with the processes and reducing cycle time from requirement generation to contract execution.

Temporary Organizations

Two years ago, the Army began reviewing temporary organizations that had been activated to fill organizational gaps or capability shortfalls identified during the course of the wars in Iraq and Afghanistan. All of these organizations were established out of necessity, and all made significant contributions to our warfighting effort. Nevertheless, many of these task forces have evolved into semi-permanent organizations even after their initial mandates to fulfill capability

gaps have faded. The Secretary of the Army, with the support of the Institutional Army Transformation Commission, directed that selected temporary organizational capabilities be reviewed for potential integration by Army Commands or within HQDA staffs. By the end 2012, we migrated the capabilities and processes of four temporary organizations.

Army Headquarters Transformation

In July 2012, the Secretary of the Army directed the Under Secretary of the Army and the Vice Chief of Staff of the Army, in collaboration with the principal officials of the Headquarters, Department of the Army (HQDA) to review the outputs, processes and organizations of HQDA and its field operating agencies to sharpen our focus on statutory requirements, policy and oversight. Our long-term goal is to reduce the workload of HQDA and its FOAs to approximately two-thirds of October, 1, 2010, levels by the end of Fiscal Year 2018. Additionally, data and concepts developed during this study informed current activities and near-term planning. The AHT effort will transform the HQDA into a more agile, flexible and responsive structure. The result is a Headquarters capable of managing issues across the strategic horizon while retaining a responsive decision making capability to support emergent demands—all while accomplishing our statutory responsibilities at less cost .

> The Army is reviewing the workload of our headquarters and its field operating agencies with a goal of becoming a more agile, flexible and responsive organization.

Training and Doctrine Command Reforms

The U.S. Army Training and Doctrine Command (TRADOC) trained over a half-million students at 33 schools in over 1,500 courses last year. This volume exceeded that of any other education institution in the world. To more efficiently execute an effort of such magnitude, TRADOC is assessing a university model that would consolidate administrative functions among schools with the potential to flatten organizational structures. Across TRADOC, the command is implementing reforms that will link an automated training resource system with other Army systems to streamline work, reduce manpower and waste, aid decision makers and match resources to required training missions. Such a system is critical to enabling the Army to have the adaptive, flexible and responsive individual learning system necessary to support the operational force. The Army will also reinvest military personnel into TRADOC to ensure that the institution captures the lessons learned from a decade of war. Further, the Army will make sure that current and relevant military leaders will train the next generation.

Civilian Hiring Reform

The civilian hiring process needs to be quicker, more efficient at matching management requirements with applicants and more effective at bringing civilians on board. Civilian Hiring Reform will lead to more effective recruitment and on-boarding of high quality candidates in 80 days or less and reduce rework of civilian personnel hiring actions.

In Fiscal Year 2012, the Army conducted a pilot test of the new hiring process. The Army used participants from a variety of CONUS and OCONUS locations. The Army extended the pilot program to a full year which allowed a larger number of recruitment actions to be subject to the new methodology. The extension facilitated continued identification of best practices, garnered more lessons learned and helped the Army refine its supporting tools and business procedures. A total of 372 recruitment actions were completed using the new hiring reform procedures. Fill time was reduced from 119 days before the test to 79 days (34% reduction in fill time). The data also reflects more than 73% reduction in rework, 65% reduction in time required to open a vacancy announcement and a 52% reduction in time to issue a referral list.

Army Corrosion Prevention and Control

This initiative identifies costs associated with corrosion prevention and control (CPC) activities related to science and technology, research and development, systems engineering, logistics supportability analysis, packaging, preservation, storage, technical publications, manpower, construction, training and education. In 2012, the Army updated and published the CPC Strategic Plan organized around our top 25 CPC challenges. We continued to refine the guidance provided to the acquisition and installation communities.

Through cost sharing technology demonstration projects with OSD, we have identified, tested and validated new CPC technologies that have a desirable return on investment. The Deputy Assistant Secretary of the Army (Acquisition Policy and Logistics) is designated as the Corrosion Control and Prevention Executive in response to Section 903, Fiscal Year 2009 NDAA. The Army conducted a pilot corrosion assessment to evaluate the effectiveness of the overall CPC program and a more formal study of aviation parts storage procedures at multiple locations. As a result of these efforts, we are building a business case to show that a more robust CPC program could save the Army hundreds of millions of dollars per year.

Fleet Management Expansion

In Fiscal Year 2012, the Army completed the transfer of personnel and support equipment from the Army Training and Doctrine Command to Army Materiel Command. We approved four out of five local Memoranda of Agreement and anticipate signing the fifth MOA in early 2013. Equipment readiness rates have improved to an average of 97% across the year for the

customer's 76 critical fleets. Efficiencies consisted of an annual cost avoidance of $15.6M. Continuing process improvements with Lean Six Sigma and supply chain management will find additional efficiencies. Significant changes are expected as the Fleet Management Expansion directorate continues to participate in wave one of the Global Combat Support System-Army fielding.

Institutionalized Business Initiatives

The 2011 Army Business Transformation Plan identified 26 business initiatives. As Army leaders work these initiatives through milestones they become institutionalized within the department. In 2012, we closed out two business initiatives—Civilian Workforce Transformation and Army Civilian Leader Development. The Army migrated these business initiatives into the Army Campaign Plan and successfully closed them in August 2012.

SECTION 4: CONCLUSION

To sustain Army readiness in a period of declining resources, we are shifting from a budget and reporting focus to a cost and performance culture in the Institutional Army. Our near- and mid-term focus remains upon managing the enterprise resource planning systems which allow resource-informed decision making and ensure the Army achieves audit readiness goals in 2014 and 2017. We will also apply Lean Six Sigma/Continuous Process Improvement to complete the mapping of our 15 end-to-end business processes across the enterprise and within supporting commands to reengineer business processes. These efforts create efficiencies and improve effectiveness while reducing complexity and cycle times. Our energy projects will make the Army more efficient and more resilient. Finally, the Army continues to aggressively pursue a variety of initiatives under a robust mechanism of governance that will help us drive efficiency gains into everything we do.

APPENDIX: ARMY SUCCESS STORIES IN BUSINESS TRANSFORMATION

Army's advancements in business systems governance answers auditability question

Army Success Story

Army Chief Management Officer leads Army into new era of Business Systems performance

In 2012, the Army published the Business Systems and Information Technology (BSIT) Implementation Plan within the Army Campaign Plan. This established a business IT management framework that was built upon three components: enterprise business governance, End-to-End process management and the business enterprise architecture. Throughout 2012, the Army enjoyed improved synchronization of business operations by operating through the lens of business IT systems with a focus on four core Enterprise Resource Planning (ERP) systems.

The Army successfully deployed the General Fund Enterprise Business System (GFEBS) in July 2012. GFEBS consolidated general fund financial systems and, beginning in 2013, will manage a significant portion of the Army General Fund. GFEBS passed internal audits and formed the centerpiece for the Army's financial auditability efforts. Today, GFEBS is 97% compliant with Federal Financial Management Improvement Act and other statutory and regulatory requirements, standards, attributes and business rules. This system and active Army governance will enable the Army to achieve mandated auditability goals by Fiscal Years 2014 and 2017.

The Global Combat Support System – Army (GCSS-A) gives the Army greater visibility of major equipment serviceability, availability and costs. GCSS-A received a full deployment decision in December 2012 and is 80% developed and tested.

The Logistics Modernization Program (LMP) is deployed to all Army maintenance depots, and the program is completing a renovation of its financial structure. It will meet 22 of the 23 OSD Comptroller issues in early 2013.The next incremental improvement is scheduled to reach Milestone B in May 2013.

The Integrated Personnel and Pay System-Army (IPPS-A) expects to complete Increment 1 – a consolidated personnel database for all Army components (Active & Reserve) later this year. Increment 2 – improved personnel management and pay integration is pending contract award this year.

The Army is implementing the changes to its Defense Business Systems investment management in response to the FY2012 National Defense Authorization Act. That law expands the certification to include all Defense Business Systems with an estimated cost of more than $1 million over the Future Years Defense Program. Under this new process, the Army prepared Organizational Execution Plans in response to OSD Functional Strategies. The Organizational Execution Plans for FY2013 included investments in 317 Army business IT systems at a costs of $2.25 billion. Managing all of these systems was no easy task, and the Army has succeeded so far through active governance. Today, the Army continues to mature its business management by establishing the Army Business Council. This capstone business governance forum integrates business operations and activities as well as business systems IT.

The Army transforms financial management and steps toward full auditability

Army Success Story

The Army deploys the General Fund Enterprise Business System (GFEBS) in 2012

How do you distribute over $100 billion, maintain effective controls, execute funds wisely, account for them accurately and report on all of this activity with auditable results? And how do you accomplish all of this with numerous organizations across the United States and the world, including war fighters in combat zones? The U.S. Army has the answer: General Fund Enterprise Business System (GFEBS).

For the first time, the Army has fielded an integrated financial system that accounts for expenditures and captures the costs of operations during peace and war. The system integrates financial, real property and other asset data, as well as cost and performance data. GFEBS standardizes business processes and transactions across the active and reserve components. It improves oversight and creates opportunities to identify and correct mistakes, enforces internal controls such as segregation of duties and traceability to prevent misappropriation of funds and provides more timely, reliable and accurate data for decision-making and effective stewardship.

GFEBS is first Enterprise Resource Planning System in DOD to …

- **Deploy to regional Unified Combatant Commands**
- **Enable real property management at Joint bases**
- **Process Foreign National payroll**
- **Disburse funds directly through Treasury**
- **Integrate with Medical Logistics systems**

GFEBS is the first Army-wide ...

- **Commercial-off-the-shelf Enterprise Resource Planning System**
- **FFMIA-compliant financial system for General Fund**
- **Consolidated financial management capability for General Fund**
- **Cost accounting and management capability**

GFEBS will enable the unqualified financial audit opinions mandated by Congress and directed by the Secretary of Defense; GFEBS already complies with 97% of the 5,500 Federal Financial Management Improvement Act of 1996 (FFMIA) and other statutory and regulatory requirements, standards, attributes and business rules. Today, the Army is using GFEBS to systematically conduct audit readiness evaluations of organizations, and the system is used across the Army and the Defense Financial and Accounting Service.

Additionally, GFEBS enables the Army to adopt a cost culture for resource-informed decision making. The system is a single, integrated and web-based solution that replaces many expensive and outdated legacy systems. It also streamlines Army—Department of Treasury funds disbursement processes which reduces transaction costs and improves auditability. Deployment of GFEBS enabled the Army to retire 13 systems in 2012, which brings the total retired to 31 and supports the plan to retire over 100 systems by 2017. GFEBS includes interfaces that exchanges data with over 50 partner systems.

The Army completed enterprise-wide fielding of GFEBS in just 45 months. By July 2012, GFEBS supported 53,000 users across the Army dispersed over 200 sites in 71 countries. In Fiscal Year 2012, GFEBS processed over 50 million transactions valued over $78 billion, and GFEBS is presently processing payroll transactions bi-weekly for 215,000 Army civilians and foreign nationals. Developed in time of war, GFEBS enables the Army to transform financial management with an emphasis on auditable data, cost management and effective stewardship.

A cost culture creates readiness at best value

Army Success Story

Army cost management initiatives change Army leader culture

Today, the Army is engaged in its twelfth consecutive year of combat operations and retains over 172,000 Soldiers deployed or forward stationed in nearly 160 countries. While the Army's activities remain indispensible to the Nation's defense, its worldwide operations are inherently expensive. Given the federal government's fiscal challenges, the Army's leadership has embraced a cost culture to ensure the best possible value is achieved from the expenditure of Army funds. In response to emerging challenges and in support of DoD's business initiatives, the Army implemented a broad array of efforts to promote resource-informed decision making:

- Integration of formal cost benefit analysis (CBA) in all resource and requirement approval decisions
- Promoting stewardship as part of our cost culture
- Formal tracking and adjudication of claimed benefits with specific emphasis upon cost savings and cost avoidance
- Development of a cost benefit analysis workflow tool that was deployed to major Army commands
- Transformation and optimization of the financial management workforce
- Implementation of the General Fund Enterprise Business System (GFEBS), captures cost management metrics in the Enterprise Resource Planning system and eliminates redundancy of transactional work
- For FY12, enterprise-wide deployment of Lean Six Sigma is projected to drive efficiencies into major processes across the Army with benefits of cost savings/cost avoidance valued over $3B
- Establishment of senior leader cost culture and Lean Six Sigma courses
- Publication by the Deputy Assistant Secretary of the Army for Costs and Economics (DASA-CE) of a guidebook for the Army-wide conduct of cost benefit analyses

Reinforcing these efforts, the Army's core resourcing decision boards have codified the requirement to employ a HQDA level cost benefit analysis. In 2012, over $80B of current and future Army requirements decisions have been supported by cost benefit analysis. Approximately three thousand individuals have been through the cost benefit analysis training, and in collaboration with Lean Six Sigma methodology, cost benefit analyses process improvements are being implemented across virtually every major command and field operating agency in the Army.

In 2012, over $80B of current and future HQDA requirements decisions have been supported by CBA

Today, 90% of all Army organizations use cost benefit analysis to support resource-informed decision making. As a result of these efforts, the Army will reinvigorate capabilities worn down by a decade of war, develop new capabilities for the changing security environment and exercise a conscientious stewardship over scarce resources to provide readiness at best value.

Army Lean Six Sigma improves responsiveness to combatant commanders

Army Success Story

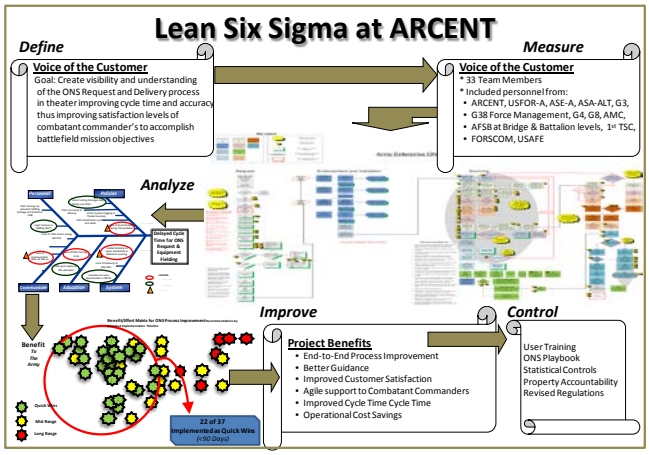
The Army uses Lean Six Sigma to reduce fielding timelines and save money

The Third U.S. Army / Army Central (ARCENT) identified significant system and procedural challenges that impeded the Army's ability to support U.S. Central Command when it requested new capabilities. Commanders submitted Operational Needs Statements (ONS) that requested items such as unmanned aerial vehicles, jammers, biometric devices and other capabilities that would help them prosecute the wars in Iraq and Afghanistan. Typically, commanders requested new capabilities, and the supporting Army systems required over a year just to adjudicate the request. If the request was validated, units fielding the capabilities struggled with a host of systems and procedural challenges that further delayed the application.

In fall 2010, ARCENT initiated a Lean Six Sigma project to reduce the time it took for Central Command to request and receive the new capabilities needed to accomplish the mission. In a two-phased process improvement effort, ARCENT worked with stakeholders throughout the Army to improve the quality of ONS submissions, create better visibility of assets and tracking and enhance accountability throughout the system. After conducting an extensive process review, ARCENT found that it often retained untracked capabilities within theaters of operation that could meet the operational needs of commanders without requiring new materiel or personnel solutions.

Between October 2010 and June 2012, ARCENT conducted a Lean Six Sigma process improvement program to re-engineer and improve the end-to-end process associated with operational needs statements. Within the ARCENT headquarters, cycle times dropped from 130 days to 39 days—a 70% improvement. As the change effort identified Army enterprise-level challenges, other stakeholders to include the Headquarters Department of the Army, Forces Command, Army Materiel Command and others supported ARCENT's efforts. Within seven months of the project's start, the revised processes and improved tracking realized cost avoidance totaling almost half a billion dollars. Further, the business practices developed in this initiative informed related efforts across other supporting Army commands.

By improving the transparency of the ONS process, promoting better asset visibility and reducing the delays inherent within the process, the Army avoided over $905M in costs by avoiding the unnecessary transportation of equipment into and out of theater. Across Southwest Asia, this effort reduced cycle times of processing requests that could not be sourced in theater from 348 days to 170, a 51% decrease with further improvements ongoing—fulfilling the Army's vision of providing agile and versatile forces to combatant commands while improving military readiness at best value.



Army Information Technology Management Reforms (ITMR) – implementing LandWarNet 2020

The Army is identifying enterprise-wide efficiencies while modernizing its network

The Network continues to be one of the Army's top modernization priorities. The Army has identified reforms that will enable it to modernize the Network and realize efficiencies, with the goal of achieving $1.5B in annual savings beginning in Fiscal Year 2015. The ITMR initiative sets conditions to achieve the objective cost efficiencies while maintaining mission effectiveness and security.

During the past year, the CIO/G-6 and ASA (ALT) led an intra-Army Implementation Planning Team that established three working groups with a focus on Governance, Architecture and Agile Acquisition reforms. The Army developed implementation plans to achieve the Army's strategic vision of a single, secure and standards-based network. Robust cost benefit analysis and targeted cost savings informed every effort within implementation and helped to identify and fix systemic cross-functional, organizational and business process impediments

The following are highlights of the ITMR reforms:

- Ensures a network strategy that is integrated with the Joint Information Environment
- Establishes technical architecture rules and a central information repository to support investment decisions
- Implements a requirements approval process informed by cost benefit analysis and Army governance to ensure that IT investments comply with enterprise Network strategy and architecture rules
- Establishes the Resource Integration Group to advise Program Executive Groups during the Planning Programming Budgeting and Execution process
- Establishes an IT Portfolio Management construct that supports the LandWarNet 2020 strategic vision and is optimized with effective and affordable IT solutions
- Establishes an agile acquisition process for IT products and services that delivers capabilities to the customers at the right place and at the right time

The Army's Information Technology Management Reforms effort will undergo progressive iterations of planning and execution. However, the Army is already moving forward with several of the reforms. The Secretary of the Army approved the CIO/G-6 "LandWarNet 2020 and Beyond" strategy which will serve as the playbook for modernizing the Network. Also, the CIO/G-6 published one of the five IT reference architectures, "Identity, Credential and Access Management," which provides the standards and guidance consistent with ITMR principles. The CIO/G-6 will publish more reference architectures for thin/zero client computing, top-level security, Network Operations and unified capabilities in 2013.

The Army migrates to Enterprise Email

Army Success Story

The Army migrates to Enterprise Email

Enterprise Email, a cloud-based service provided by the Defense Information Systems Agency (DISA), is the Army's foremost information technology efficiency initiative. Enterprise Email is the first of the major Army Information Technology consolidation efforts, and it will generate annual savings in excess of $75M per year through the elimination of disparate and duplicative instances of email servers. Enterprise Email also improves the Army's security posture, provides the ability for its users to operate anywhere in the world using a single identity, enhances operational effectiveness through joint interoperability and collaboration, enables standardization of hardware and software, improves configuration control, centralizes administration and enhances financial transparency.

In 2008, the Army recognized and began to address the problems associated with redundant email systems. Most Army installations hosted their own email servers and employed separate support staffs. Army Knowledge Online also hosted an email service used by the entire Army, resulting in a second, duplicate mailbox for approximately 800,000 Army users. The segmentation of service produced a number of inefficiencies and operational risks for the Army: lack of calendar-sharing across organizations, inefficiencies as Soldiers and Civilians transferred between duty stations, duplicate email services deployed throughout the Army at significant costs, underutilized hardware, security vulnerabilities due to disparate authentication mechanisms including username/password, lack of Continuity of Operations capability and non-compliance with statutory and regulatory requirements to journal specific email messages.

The Army's Chief Information Officer/G-6 conducted a cost benefit analysis in 2009-2010 to address these problems, and it determined that acquiring Enterprise Email as a service from DISA was the best approach for providing email for the institutional Army. In December 2010, the Army directed all commands to migrate to Enterprise Email, and the U.S. Army's Network Enterprise Technology Command assumed the lead for migrating users and decommissioning legacy servers. By the end of 2012, more than 750,000 Army users had migrated to Enterprise Email, and the user base continues to expand. Once migrations conclude, the Army will shift its long-term focus to the continuous improvement of the end-to-end service through analysis of performance metrics.

The scope of the Army's Enterprise Email effort extends beyond simple consolidation of email servers. Enterprise Email has established the framework for an entire suite of shared enterprise services supported by trusted identity and access management controls. Ultimately, Enterprise Email serves as the pacing item for a more robust, more capable and more effective Global Information Grid. As the first Service to adopt Enterprise Email, the Army has led DoD and initiated a new era of enterprise-wide IT capabilities operating within an integrated network environment.

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