

Perspectives from Beth McGrath Deputy Chief Management Officer U.S. Department of Defense

On July 1, 2010, Beth McGrath was sworn in as the U.S. Department of Defense's first Deputy Chief Management Officer, a Senate-confirmed and politically appointed position. In this role, Ms. McGrath leads the department's effort to better synchronize, integrate, and coordinate DoD business operations. She serves as the Principal Staff Assistant (PSA) and advisor to the secretary and deputy secretary of defense for matters relating to management and the improvement of business operations. Ms. McGrath is focused on achieving increased efficiency, greater effectiveness, and improved performance in the department's enterprise policies, processes, and systems. She is also responsible for implementing DoD's Continuous Process Improvement/Lean Six Sigma efforts, and was co-leading, with the director of national intelligence, an initiative to reform the government-wide security clearance process. Preceding her current position, Ms. McGrath served as the Assistant Deputy Chief Management Officer and the Principal Deputy Under Secretary of Defense for Business Transformation.

We had an opportunity to gain Beth McGrath's perspective when she joined me as a guest on The Business of Government Hour. The following is an excerpt of our conversation on a variety of topics related to how DoD is changing the way it does business.

Mission of DoD's Deputy Chief Management Officer

Our goal is to deliver a streamlined, 21st-century systems environment comprised of IT capabilities that work seamlessly together to support effective and efficient business processes and operations.

In 2001, there was significant focus on the financial audit within the department. As a result, we established the financial management modernization program. Over time, it became clear that it would take more than just achieving audit readiness. We need to reform our overarching business operations. In 2005, DoD established the business management modernization program to look more holistically across



the business enterprise and go beyond focusing on the financials. Congress also recognized that the department needed more tools in order to be successful. It was around that time that Congress required the department to develop and use a business enterprise architecture, an enterprise transition plan, as well as a more effective governance structure—tools that most corporations have as they manage their overall operation.

The National Defense Authorization Act established the deputy chief management officer position. It created both the position of the deputy chief management officer and codified the role of the deputy secretary of defense as the chief management officer or chief operating officer across the department.

Similarly, the act also identified the under secretaries of each military department as the chief management officers for their respective components. It put the structure across the department, across all of the business lines to effectively manage, oversee, and integrate the entire business space. These changes elevated the conversation across the entire enterprise.

The role of my office is to integrate; we're integrating and aligning strategy, process, information technology, and performance across the DoD enterprise in each of our business lines. It's really important to clearly communicate and articulate the mission, because at the end of the day we need to execute. We originally had a very small office, but it seems to grow daily. We started with about 12 people doing multiple jobs. Only recently, with the disestablishment of the business transformation agency, we've gone from about 12 to a little over 130 in the next year—percentage wise, it's a significant growth.

Challenges Facing DoD's Deputy Chief Management Officer

The size of this department is a clear challenge. Trying to implement initiatives across an enterprise as big as the 16th largest country in the world doesn't happen overnight and is certainly not easy. Coming up with a framework that can be executed, replicated, and implemented across the defense enterprise is absolutely another major challenge we face. I would also add complexity of our mission and how we execute it. Many of our business operations are very non-standard, frankly by design. When you put size and complexity together, one may wonder why anyone would want such a job. I think it's terribly exciting because it's also an opportunity to really make significant change for an enterprise of critical importance.

It is very important to build this coalition for change across the department, articulating the importance of our business support mission—how these functions really facilitate, empower, and enable our core national security mission. It is a tremendous opportunity, establishing the change agents across the entire department.

Strategy for Improving DoD's Critical Business Operations

I love to talk about our business enterprise architecture (BEA), but that wasn't the case a few years ago. When I talk about the holistic approach and the end-to-end process focus we have in the department, it is outlined in the BEA. It's the blueprint that drives the path ahead from a business perspective. The BEA is critical to the DoD because it defines business transformation



DoD's Business Enterprise Architecture (BEA) website.

priorities, business capabilities required to support those priorities, and systems and initiatives that enable these capabilities.

We need architects to build the BEA as they have the expertise to fit all the pieces together, but you really need business line owners to articulate how they want to execute their end-to-end process. In turn, the business owners provide that vision to the architects. The BEA needs to be executable and understandable. It also needs to align our strategy with a purposeful outcome, such as ensuring warfighters have the right capabilities, resources, and materials. The BEA also guides information technology (IT) investment management to align with strategic business capabilities.

The BEA needs to align to a specific strategy for it to be purposeful and meaningful. Our annual Strategic Management Plan (SMP) provides that strategy. It is a key driver of BEA content. The SMP sets the strategic direction for the department's business operations. We also align the SMP with the department's overarching strategic goals outlined in the 2010 Quadrennial Defense Review (QDR), which is updated every four years. Every year we talk about what's changed and how we need to adjust. We incorporate those changes in the SMP. In the 2011 SMP, we identified five overarching goals. We anticipate updating it again, expanding the goals from five to seven. We're putting additional focus on financial management auditability and our workforce. We are asking: do we have the right mix and number of civilian contractor and military personnel to do what we need to do?

Finally, we have our Enterprise Transition Plan (ETP), which is the conceptual roadmap that implements the BEA. It defines



DoD's Enterprise Training Plan (ETP) website.

the path to a transformed DoD enterprise and identifies business investments that provide enterprise capabilities that support the warfighter and decision-makers. It says here's where I am, here's where we need to be, and then how we're going to get there and by when.

Together, these documents and their contents identify the department's business mission area enterprise priorities (SMP), the target environment (BEA), the path to that target environment (ETP), and the progress towards that target environment (Congressional Report).

Focusing on Core Business Missions

We identified core business missions: weapons systems life-cycle management, material supply and services, real property and infrastructure, financial management, and human resources. These areas are very much aligned to the way DoD is organized. We have found that in order to drive business improvements or business operations, we really need to cut across the various functional areas. We're looking at end-to-end (E2E) processes. We identified 15 E2E processes to serve as the foundation for a shared understanding of the target architecture. We have chosen two areas—hire to retire and procure to pay—as our current main focus. It's really taking a look at defining the high-level end of the process. What standards are needed? What changes are needed? What systems do you have that are currently executing the processes? You'd be amazed what you find when you start mapping systems to process. It's also no secret that DoD has thousands of systems that are not interoperable.

If I'm trying to execute an end-to-end process, which is what we do every day, then our systems should be enablers in executing that process. Though it may not be terribly exciting to map systems to processes, there is a real opportunity to make things better and more seamless. We are mapping, aligning, and documenting the various processes and standards because those are the things that make things happen. We want these processes to be invisible to the operators in the field. At the end of the day, they just want their paycheck right and they want it fast. They want the information reliable and accurate so they can make informed decisions and achieve business outcomes.

Improving Financial Information and Achieving Audit Readiness

This is a very important topic within the Pentagon and with our key stakeholders in Congress and the Office of Management and Budget (OMB). In August 2009, Under Secretary and DoD Comptroller Bob Hale really prioritized his focus on achieving financial auditability—focusing on the information that the department uses every day to manage, budgetary information, and something the accountants refer to as existence and completeness of assets. Though I am not an accountant, I do co-chair with [Under] Secretary Hale the Financial Improvement Audit Readiness (FIAR) Board that oversees all of our actions and activities associated with achieving auditability.

Secretary Gates made audit readiness a key priority. Now, Secretary Panetta continues the pursuit and has, in fact, asked for us to accelerate our efforts. The current 2017 audit readiness goal is certainly a stretch goal. Under Secretary Hale and I have both testified and talked about our various audit strategies and our continued progress along the way. Frankly, in order to achieve auditability or any of our business outcomes, it takes the entire department. It requires putting the right structure in place, the right plans in place, having proactive oversight, and then frankly cascading the auditability outcome into the senior executive performance plans. Having such a structure keeps everyone's eye on the ball.

We need to continue to look at how our business operates in order for us to achieve financial auditability. If we don't have skin in the game across the department, then we're not going to be successful. In order to pass an audit we need a business environment that records the financial results of business events in a consistent and reliable manner.

Getting Off the GAO's High-Risk List

Government Accountability Office (GAO) releases its biannual High-Risk List, which highlights 30 areas that are most at risk of problems or failure. It has been said the DoD owns 15 of the 30 high-risk areas. Actually, DoD owns eight of the 30 and then shares another seven—that's how we get to owning half. We have spent a lot of time with our GAO partners to resolve some of the key high-risk issues we face. [In fact, GAO removed DoD's handling of personnel security clearances from the list.] In the personnel security clearance area, we were very focused on backlog and transaction time. We partnered with the Office of Personnel Management (OPM), which is the main investigative service provider for the federal government, along with the Office of Management and Budget (OMB), and the Office of the Director for National Intelligence (ODNI). It took everyone working together on the policy process and enhancing the information technology system to enable us to get off the high-risk list.

We started by employing Lean Six Sigma. We essentially locked everyone in a room and said we need to re-look at the process. Are there processes we should change because it was established back in the J. Edgar Hoover days and it may not be relevant to today? We discovered that there were changes that ought to be made in the federal investigative standards. OPM and ODNI as the policy owners stepped up and made changes to those federal investigative standards. We then looked at the actual backlog. We were able to take a 100,000 backlog for DoD down to zero, which is a significant improvement. In 2006, our average security clearance time was 165 days. Today, it's roughly about 47 days. We launched new tools to improve the speed and accuracy

of the security clearance process. [DoD unveiled the Rapid Assessment of Incomplete Security Evaluations (RAISE) tool, which tracks the quality of investigations conducted by OPM. OPM reports the results of RAISE to the Office of the Director of National Intelligence, which, as the security executive agent of the Performance Accountability Council, will arbitrate any potential disagreements between OPM and DoD and clarify policy questions. DoD also launched the Review of Adjudication Documentation Accuracy and Rationales (RADAR) tool, which tracks the quality of clearance adjudications.]

Along with our success improving personnel security clearance, we are also focusing on the high-risk issues associated with infrastructure management. We have a very good handle on our buildings and infrastructure management. I predict that infrastructure management will be removed from the next GAO High-Risk List. It's not by accident. It's because we have taken a very deliberate management approach. We sat down with GAO to find out what we needed to do. We have to understand our target and make the changes in our overarching business. It's not just to get off the list, but it's about making sustained improvement.

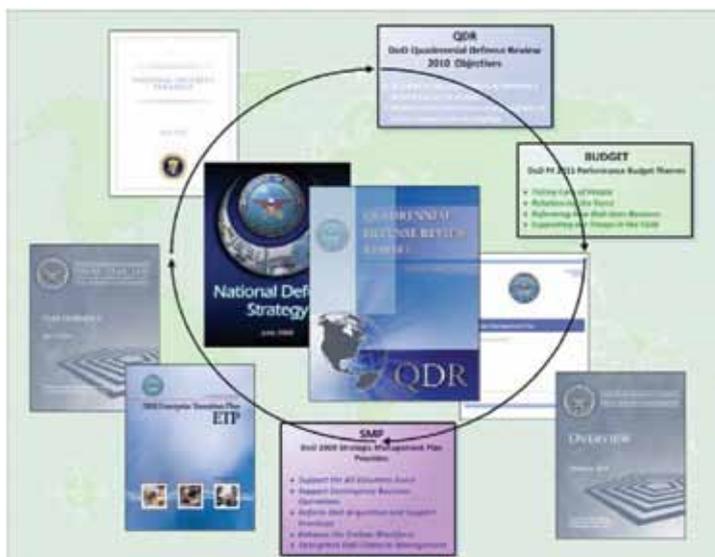
We're also making great strides in managing the business transformation high-risk issues. Of course that's my area and I pay a lot of attention to it. We are working very closely with GAO and it's all about do you have the structure in place to proactively manage the business environment within your organization.

Cutting Costs and Realizing Savings

Last year, then-Secretary Gates announced various cost-cutting and reform initiatives across the department. It involved pursuing \$100 million in overhead savings over the next five years—moving funds from what we refer to as tail to tooth. DoD sought to extract savings from mission support functions and reinvest it into DoD's core national security mission. We have also sought ideas from various entities, such as the DoD workforce, the Defense Science Board, and the Defense Business Board. We are always looking for ideas and lessons learned, asking: Are we organized in a way that optimizes the things we want to do or is there opportunity to make changes?

Characteristics of an Effective Leader

Being decisive is a very important characteristic of an effective leader. It is also important to be orderly and purposeful about the direction you're giving staff. You need to be confident but not overly so—confidence inspires confidence in others. A winning team is a winning team not by accident because





they believe in themselves and they believe in what they do. This confidence is also tied to being passionate. Really good leaders are those who are very passionate about what they do.

An effective leader also has the analytical ability to take a big problem and a big enterprise like defense and then break it down into manageable chunks. The last two characteristics would be that a leader possesses a commitment to excellence not only in the mission or work part, but in the people part as well. It's about maintaining high standards, raising the bar, and demanding excellence. [What] I do expect and strive for is to be the best you can and to give all that you have. Finally, people need to trust a leader. You need to have a strong sense of character. You really need to bring your A game always and have the trust in people to then drive a specific initiative, focus, or outcome.

Focusing on the Future

We reach out to organizations within our department and also with industry. I meet very regularly with industry to find out the challenges they have and how they approach these problems, bringing back what I have learned to my effort in DoD.

It is not by accident that we're taking this end-to-end cross-functional focus within the department. It's been done by many others. You look for cost-cutting opportunities. We're all about efficiencies right now. We don't want to just cut

the budget. We really want to take unnecessary costs out of the operation. To do this correctly, we need to understand what we're doing, how we're doing it, and what we can do better.

We're all experiencing the fiscal challenge right now. I think it's frankly just starting. It's very important to pursue additional efficiencies across the department to take them in a very strategic and smart way. You want to be informed about the impact of reducing resources in a particular area. In order to do that effectively I think you need to understand how we do what we do, who does it, and with what resources. It is both a challenge and an opportunity to inform and really drive our message forward. ■

To learn more about the DoD's Office of the Deputy Chief Management Officer, go to <http://dcmo.defense.gov/>



To hear *The Business of Government Hour's* interview with Beth McGrath, go to the Center's website at www.businessofgovernment.org.



To download the show as a podcast on your computer or MP3 player, from the Center's website at www.businessofgovernment.org, right click on an audio segment, select Save Target As, and save the file.



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