

Introduction: Changing the Way the U.S. Department of Defense Does Business

The U.S. Department of Defense is one of the largest and most complex organizations in the world, managing a budget more than twice that of the world's largest corporation and overseeing millions of personnel operating worldwide. To manage this very large and complex organization, DoD has developed and maintained some 4,150 different business processes and systems. Given the size and complexity of the department's finances and operations along with the rapid pace of change, engagement in major military campaigns, and worldwide economic uncertainty, it is imperative that DoD create more agile, responsive, and efficient operations. To this end, DoD continues to pursue enterprise business transformation efforts. As Secretary Panetta¹ noted in September 2011 Congressional testimony, the challenge of the defense budget relates to everything DoD does to fulfill its critically vital mission—protecting the U.S. and advancing U.S. national security interests.



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To successfully achieve its mission in an era of fiscal constraint, the department has sought to reform many of its mission support functions, including core business processes and enterprise business systems, and to recast how it does business with the ultimate goal: to better support the urgent needs of the warfighter while ensuring taxpayer dollars are spent responsibly. Doing this will provide the best support and services for troops in the field and their families at home, and will enable the department to be a responsible steward of the nation's resources.

“We must continue to tackle wasteful and duplicative spending and overhead staffing. We must be accountable to the American people for what we spend, where we spend it, and with what result.”

—Leon Panetta
Secretary of Defense

Strengthening mission support performance through transforming business operations, while also ensuring accountability across the enterprise, continues to frame much of the DoD's efforts. DoD leadership needs access to timely, relevant, and reliable financial and cost information to make informed decisions and ensure that resources are properly aligned to mission. Improving financial information for fact-based, actionable management decisions is a key strategic priority for the department, and rests on improving the operation and auditability of DoD financial activities. Another closely related strategic priority involves the transformation of DoD's business operations, forging an enterprise approach that realizes



¹ Secretary of Defense Leon E. Panetta, Testimony before the Senate Armed Services Committee. September 22, 2011.



efficiencies, eliminates duplication, and provides business operations that are adaptable, responsive, and supportive of the department's core mission. How is DoD improving its business operations and systems? What is DoD doing to modernize processes to become more efficient and control costs? How is DoD improving financial information and audit readiness?

Tackling these enterprise challenges, such as improving financial information, modernizing business systems and operations, and achieving audit readiness, requires a focused approach and solid oversight. It also involves fostering a more integrated way of thinking about management within the department. To that end, DoD has put in place a solid governance structure led by the deputy secretary, who is responsible for department-wide business operations and management issues, but who, in many of these efforts, is also supported directly by the department's comptroller and deputy chief management officer (DCMO), respectively.

"I'm determined to make these decisions strategically, looking at the needs that our Defense Department has to face not just now, but in the future, so that we can maintain the most dominant military in the world, a force that is agile, ready, capable, and adaptable."

—Leon Panetta
Secretary of Defense

In the following pieces, we explore many of these questions, offering critical insights into how DoD is changing the way it does business. To do this, we present the perspectives of two key DoD leaders directly involved in the enterprise reform: Bob Hale, Under Secretary of Defense and Comptroller, and Beth McGrath, Deputy Chief Management Officer. Both bring an exacting combination of practical knowledge and understanding of the work to be done and the progress achieved to date. They have spearheaded a promising partnership between the CFO and DCMO communities within the department and are collaborators as well as leaders in making the secretary's vision a reality. In the end, it is clear that their collective focus is on enhancing the department by making it more efficient, accountable, and strategic in the use of mission support resources with the ultimate aim: providing the best possible support to the warfighters.

