



Report to the Secretary of Defense

Task Group on A Culture of Savings Implementing Behavior Change in DoD

Report FY11-01

- **Recommendations for implementing a well-planned and structured culture of change process to promote risk taking, willingness to change, a mindset of affordability with taxpayer funds, continuous improvement, and to preserve funding levels that will support the Department's core mission in defense of our Nation**

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A Culture of Savings

TASK

Due to the current and projected fiscal climate, the Secretary of Defense (SECDEF) remains concerned over the Department of Defense's (DoD) ability to sustain current force structure levels as well as to continue critical modernization of military capabilities. It is imperative that the Department identify and pursue every opportunity to economize and increase the efficiency of its business operations.

The SECDEF tasked the Defense Business Board (DBB) to form a Task Group to provide recommendations to materially reduce overhead and increase the efficiency of the Department's business operations. The Task Group was also asked to identify both short- and long-term opportunities to achieve budget savings as well as to make process or organizational changes that would yield long-term operational efficiencies. A copy of the official Terms of Reference (TOR) outlining the scope and deliverables for the Task Group can be found at **Appendix A**.

As part of this overarching Task Group, a supporting Task Group was formed to evaluate implementing behavioral change in DoD through a culture of savings. The Task Group was also tasked to formulate recommendations for implementing a well-planned and structured culture of change process to promote risk taking, a willingness to change, a mindset of affordability with taxpayer funds, continuous improvement, and to preserve funding levels that will support the Department's core mission in the defense of the United States.

This supporting Task Group was chaired by Fernando A. Amandi and also included Neil Albert and Patrick Gross. The Task Group Executive Secretary was Captain Michael Bohn, USN.

PROCESS

The Task Group researched and sought input from numerous documents, studies, conferences, and officials, as well as conducted workshops in order to understand and analyze previous studies and initiatives that attempted to create a culture of change within the Department. The complete list of these resources can be found in **Appendix B**.

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The Task Group presented their findings and recommendations to the full Board on January 20, 2011 and they were unanimously approved (**see Appendix B**).

FINDINGS

The Task Group observed that there are compelling reasons for the Department to change its business culture and operations. The Department has attempted to reform and improve the efficiency and effectiveness of its business operations for years. For the last 20 years, the majority of SECDEFs concluded that continuous improvement is essential and, therefore, they launched numerous reform and change initiatives with varying degrees of success. As a result, it remains important that in every new administration, the transition teams are well versed on previous and current change initiatives in order to inform the incoming leadership and sustain momentum. A culture of change is especially necessary during this constrained and unprecedented fiscal environment. The efficient and effective use of resources is more critical now than in any other period since World War II. The U.S. Government is on a path to insolvency unless fundamental fiscal structural change occurs. This will have significant adverse impact on DoD's funding levels for the foreseeable future.

Many DoD senior officials and other personnel interviewed believe that there are substantive barriers to creating lasting cultural change within the Department. The stovepipe structure of the Department and turf protection behavior make it difficult for cultural and institutional change. Furthermore, the Department needs to upgrade its change management skills. The senior leadership's rapid turnover and organizational misalignment are also significant barriers to change. Additionally, many tend to impose unrealistic expectations, for both short- and long-term change objectives.

The Task Group also discovered that command and control structures are not aligned with end-to-end processes. The Department procures business solutions based on the premise that all stakeholders involved in implementing those solutions are aligned around common approaches, scopes, requirements, and expected outcomes. That is usually not the case.

Cultural resistance within the Department is overwhelming and real; therefore, a formal, top led and sustainable change process is essential for success. The Department needs dedicated full-time governance and a process-aligned organizational structure in order to drive and sustain real behavioral

Defense Business Board

change in the business support areas. Senior leadership is essential to drive and sustain cultural change.

The Deputy Secretary of Defense (DEPSECDEF), who serves as the Chief Management Officer (CMO), is the senior-most official responsible for the execution of all support functions. The DEPSECDEF is the first position where unity of command and authority for all support processes occurs in the current DoD organizational structure. The time allocation and focus necessary to affect and sustain this level of change requires the DEPSECDEF's intense day-to-day focus to lead business operations of the Department.

The SECDEF's efficiency initiative is an excellent first step to commence cultural change, however, a well led and planned institutional cultural change process is essential to consolidate, build on, and sustain this efficiency objective. The SECDEF and DEPSECDEF should ensure that the right governance is in place around every transformation initiative taking place or scheduled to maintain momentum.

There are essential tenets that must be implemented in order to create and sustain cultural change. Behavioral change implies a long-term effort. Cultural behavior can only change if hearts and minds are first won. Transformational and lasting change is a major strategic undertaking. It requires the senior-most leaders' direct and active involvement, their time, experimentation, and incentivized objectives. The will and skill to lead and execute a sustainable change process must be nurtured, developed, and rewarded. Resistance forces must be engaged and educated in order for them to understand and subscribe to the need for change. Controlled and careful planning is essential to prevent service disruption, maintain defense readiness, and improve stakeholder's morale. Leadership, organizational structure, empowerment, and associated alignment are necessary to make a collaborative environment possible. Behavioral change implies new rituals, reorganization, change agents, intensive communications, education, rewards, celebrations, and persistence.

RECOMMENDATIONS

Based on the above findings, the Defense Business Board offers four recommendations to enable the Department to employ a culture of change within DoD which will promote risk taking, a willingness to change, a mindset of affordability with taxpayer funds, continuous improvement, and the preservation of funding levels that will support the Department's core mission to safeguard and defend the United States.

1. The DEPSECDEF should assume a more intensive day-to-day role in leading and driving this change initiative or designate a comparable senior leader with full authority to do so. Anything short of this commitment will not meet the objective.
 - a. The SECDEF and DEPSECDEF should integrate functional end-to-end processes into a more efficient and effective support structure using a supply and demand organizational model.
 - b. These senior officials should consult, on an ongoing basis, with available advisory boards to leverage their expertise on business processes, change management, and best practices.
 - c. The SECDEF and DEPSECDEF should ensure that the right governance is in place for every ongoing and scheduled transformation initiative to maintain and increase momentum.
2. Create an action plan with a sense of urgency, open communications, and careful planning. This is the first phase, which should be completed in 2011.
 - a. Launch a formal cultural change management process led by SECDEF and DEPSECDEF and publish the rationale and a vision statement that will implement this initiative.
 - b. Develop and launch a high-level, on-going communication program to inform all DoD stakeholders of benefits and risks if not done.
 - c. Establish the CMO as the Lead Cultural Change Agent of DoD.
 - d. Create or reinstate a Change Management Program Office reporting to the CMO (see model on the last page of **Appendix B**).
 - e. Bring in subject matter experts (SME) to consult and help to plan and design the cultural change blueprint.
 - f. Identify an operational initiative with which to drive behavioral change, while further integrating support areas, redefining end-to-end functional processes, reducing costs, and increasing efficiency and accountability.

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3. The second phase of this initiative should occur between 2011 and early 2012. In this phase, goals, roles, and responsibilities should be defined.
 - a. Set achievable goals to create traction and confidence.
 - b. A well-structured and actionable blueprint, with the lead change agent in place, will steer the change process in a way to minimize disruptions and promote widespread buy-in.
 - c. Ensure the current and incoming leadership is properly trained and skilled in managing change in large organizations and breaking down institutional barriers to progress.
 - d. Require cross-organizational career responsibilities within the business mission area to foster the importance of end-to-end alignment in business operations as a prerequisite for promotion to the Senior Executive Service (SES).
4. The next elements of the second phase should begin in late 2011 and continue to be implemented beyond 2013. This phase is when senior officials will be trained, tested, and rewarded based on their performance.
 - a. Conduct periodic personnel reviews of key business department heads' capabilities to ensure they have the appropriate experience and training to oversee large-scale business functions and change management processes effectively.
 - b. Produce and require completion of training and information modules for all staff on change management skills.
 - c. Change the hiring profile for key business positions as the appropriate skill sets are redefined and validated.
 - d. Align individual and shared reward systems to incentive programs in support of change initiatives through performance metrics.
 - e. Produce reporting scorecards to communicate results, substantiate performance, give recognition, and rewards.
 - f. Celebrate successes visibly and often.

CONCLUSION

A well led and structured cultural change process will facilitate, optimize, and support all current and future efficiency initiatives in the Department. The cultural change initiative is primarily focused on the 40% overhead classification areas, including all support functions in the Military Services, OSD, the Defense Agencies, and the Field Agencies. Whether this initiative is achieved through

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statutory changes or organizational and governance realignments from within DoD, these initiatives must take place to eliminate the current structural inhibitors that seriously burden and limit DoD's ability to maximize performance and reduce operating costs in its business support functions. Furthermore, cultural change is critically required in order for the Department to be more agile, efficient, and cost effective in support of our War Fighters and Coalition Partners. As a result, there will be many substantive benefits to be realized for the Department, Congress, our Allies, and the U.S. Taxpayers.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'F. A. Amandi', with a long horizontal flourish extending to the right.

Mr. Fernando A. Amandi
Task Group Chair

APPENDIX A
TERMS OF REFERENCE

Defense Business Board

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SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

MAY 17 2010

MEMORANDUM FOR THE CHAIRMAN, DEFENSE BUSINESS BOARD (DBB)

SUBJECT: DBB Terms of Reference – “Reducing Overhead and Improving Business Operations”

I remain concerned over the ability of the Department of Defense to sustain current force structure levels and to continue critical modernization of military capabilities given the current and projected fiscal climate. For these reasons, it is imperative that the Department identify and pursue every opportunity to economize and increase the efficiency of its business operations.

As the Department’s independent advisory board for economic and business affairs, I request you form a task group to provide recommendations on options to materially reduce overhead and increase the efficiency of the Department’s business operations. This effort should identify both short- and long-term opportunities to achieve budget savings as well as make process or organizational changes that will yield long-term operational efficiencies.

The offices of Under Secretary of Defense (Comptroller), Cost Assessment and Program Evaluation, and Director of Administration and Management will serve as your principal support resource and will provide assistance as necessary. Other Department of Defense elements will provide assistance if determined to be necessary.

This effort should be completed by September 1, 2010, with an interim briefing to me by July 1, 2010.

A handwritten signature in black ink, which appears to read "Robert M. Gates", is positioned below the text.



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APPENDIX B

**FINDINGS AND RECOMMENDATIONS PRESENTED
TO THE FULL BOARD ON JANUARY 20, 2011**

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DEFENSE BUSINESS BOARD



A CULTURE OF SAVINGS IMPLEMENTING BEHAVIOR CHANGE IN DOD

Task Group

January 20, 2011

Task Group Overview

Terms of Reference

As the Department's independent advisory board for economic and business affairs, provide recommendations on options to materially reduce overhead and increase the efficiency of the Department's business operations. This effort should identify both short- and long-term opportunities to achieve budget savings as well as make process or organizational changes that will yield long-term operational efficiencies.

Deliverables

Recommendations for implementing a well planned and structured culture of change process to promote risk taking, willingness to change, a mindset of affordability with taxpayer funds, continuous improvement, and to preserve funding levels that will support the Department's core mission in defense of our Nation.

Task Group Members

Mr. Fernando A. Amandi (Chair)

Mr. Patrick Gross

Mr. Neil Albert

Military Assistant

Captain Michael Bohn, USN



Task Process – Due Diligence

■ DOCUMENTS, STUDIES, CONFERENCES, OFFICIALS, AND WORKSHOPS

- Goldwater - Nunn - Defense Reorganization: The Need for Change - 1985
- President's Blue Ribbon Commission on Defense - Packard Commission - 1986
- Clinger-Cohen Act of 1996 requiring establishment of performance measures on IT
- Defense Reform Initiative - DRI - 1997
- GAO Improved Performance Measures to Enhance DoD initiatives - 1999
- Beyond Goldwater - Nichols - Center for Strategy and International Studies (CSIS) - Phase II - USG and Defense Reform for a New Strategic Era - 2004
- Beyond Goldwater - Nichols - CSIS - Phase IV - Defense Governance – 2005
- DoD 2006 Quadrennial Defense Review
- Project on National Security Reform - 2008 - Forging a New Shield - 2008
- Overview of National Security Strategy - White House - 2009
- DoD Agency Financial Report for FY 2009
- DoD 2010 Quadrennial Defense Review
- DoD Defense Budget 2010
- Revised Organizational Structure for the Office of the Secretary of Defense (to Congress - 2010)
- Debt, Deficits, and Defense: A Way Forward - Sustainable Defense TF - 2010
- The Defense Manpower Requirements Report (DMRR) - 2010
- US Budget for FY 2011
- DoD Defense Budget 2011
- Summary of DoD Reorganization Studies - ODAM
- Biennial Review of Defense Agencies and DoD Field Activities
- Creating Defense Excellence: Defense Addendum to Road Map for National Security



Task Process – Due Diligence

- **DOCUMENTS, STUDIES, CONFERENCES, OFFICIALS, AND WORKSHOPS (Continued)**
 - U.S. Commission on National Security/21st Century
 - “Creating a Chief Management Officer in the Department of Defense Task Group Report” - DBB Report FY06-4. Robert Hale Task Group Chairman
 - Navy Future Personnel and Pay Solution (FPPS) - Business Case November 30, 2009
 - Case for Shared Services in the Public Sector - Accenture Shared Services in Government - AT Kearney
 - 2009 Global Shared Services Survey Results - Deloitte
 - Shared Services - a Benchmark Study - The Johnson Group
 - Economics of Business Process Outsourcing - Technology Association of Georgia
 - State of Shared Services and Business Process Outsourcing - Accenture
 - Public Sector Outsourcing Surge in 2010 - National Outsourcing Association
 - Naval Postgraduate School - NPS - Culture Change and Shared Services Models
 - Center for Strategy and International Studies - CSIS
 - Institute for Defense Analysis - IDA
 - Business Transformation Agency
 - ODAM – Office of the Secretary of Defense
 - American Society for Quality - Cultural Change
 - Cost Assessment and Program Evaluation - DoD
 - Comptroller DoD
 - Vice Chairman Joint Chiefs of Staff - SKI WEB - Information sharing
 - Deputy Chief Management Officer
 - GAO findings - CMO - High Risk List



Findings

Compelling Reasons to Change

- DoD has been trying to reform and improve the efficiency and effectiveness of its business operations for years
 - Secretaries of Defense Johnson, Wilson, McNamara, Laird, Schlesinger, Rumsfeld, Brown, Weinberger, Cheney, Aspin, Cohen, Rumsfeld (term 2), and Gates have all concluded that continuous improvement is essential and have launched numerous reform and change initiatives
 - It is important that in every new administration, the transition teams are well versed on previous and current change initiatives underway to inform the leadership and sustain momentum
- Unprecedented times – uncharted fiscal territory
 - Efficient use of resources is more critical now than in any other period since WWII
 - Increasing fiscal deficits - reduced tax revenues - rising non-discretionary expenses
 - Public debt and funding constraints at federal, state, and local levels
 - US Government on a path to insolvency unless fundamental structural change occurs



Findings

Leadership's Call to Action

- "Changing spending as usual requires changing politics as usual. The bottom line is this; we simply cannot continue to spend as if deficits don't have consequences, as if waste doesn't matter." *President Obama*
- "DoD cannot expect America's elected representatives to approve budget increases each year unless we are doing everything possible to make ever dollar count." *Robert Gates*
- "If we are to meet the myriad of challenges around the world in the coming decades.....new institutions are needed for the 21st Century, new organizations with a 21st Century mindset." *Robert Gates*
- "The biggest challenge in instilling a culture of savings at the Department is changing the way people think. We need to change people's thinking so they think about the costs of things they're doing as well as the value. It's the biggest challenge, but it's probably the most important endeavor." *William Lynn*
- "I can't underplay the fact that so much is about cultural change – we still have these cultural change issues that get in the way of CIOs being able to move at amazing speed. It usually comes down to one main cultural issue, and that's personal control." *Dave Wennergren*
- "There are too many programs under way. We cannot afford everything we might desire; therefore, in the future the Department must balance capacity portfolios to better align with budget constraints and operational needs, based on priorities assigned to war fighter capabilities." *Dr. Ashton Carter*



Findings

Main Barriers to Change as Perceived by DoD Personnel

- Cultural/Institutional change is difficult
- Turf protection – stovepipe structure
- Unprepared workforce – change management skills
- Leadership rapid turnover and organizational misalignment
- Unrealistic expectations – short-term vs. long-term



Findings

Listening to Our Own DoD Leadership

OSD – Military Services – Combatant Command Perspectives

- “Business transformation is not easy, it requires us to change the way we think, not just how we do things differently.”
- “We are a layered, bureaucratic organization with four Services and 29 agencies, both military and civilians, operating in a complex process that is very difficult to get our hands around. Within this complex structure, there is the challenge of cultural differences that exist between military and civilian personnel.”
- “My service is very tribal and we don’t view ourselves as an enterprise. Given this tribal, stovepipe culture, it is clearly challenging to move towards a more standardized, enterprise way of doing business.”
- “The systems are discussed, but new cultural changes are not talked about or when they are talked about, people are cavalier about them. The complexity of DoD, and the rigidity of bureaucracies in general, make change efforts difficult; nonetheless, some changes can happen, even if one can’t change everything.”
- “Personnel may be unprepared for or lack the necessary skills to manage or, in some cases, make the changes required.”
- “Ideally both insiders and outsiders should collaborate and build on each set of skills, but both groups may be unprepared to engage in the type of collaboration necessary for true integration.”
- “Enterprise changes mean that, to some degree, the power for making business decisions is centralized and thus taken from the hands of individual business owners.”



Findings

Listening to Our Own DoD Leadership

OSD – Military Services – Combatant Command Perspectives

- “Organizations have difficulty letting go of control and trusting their areas of responsibility to different—perhaps untested—entities within the enterprise. Turf battles over power and control are real and it may be unrealistic to expect the change agent to overcome resistance without additional authority or levers for influence.”
- “The constant turnover of leaders, both military officers and civilian political appointees, is a major obstacle to change.”
- “Some leaders (perhaps understandably) are focused on short-term problems rather than the longer-term issues that characterize enterprise changes.”
- “Leaders have been traditionally tasked with understanding the combat environment rather than the business environment and therefore may not understand the relationships between business problems, processes, and systems.”
- “Unrealistic expectations may, in some cases, be the result of DoD constituencies overlooking small wins and, perhaps unfairly, criticizing the absence of big wins.”
- “The need to recognize ‘small victories’ within change efforts is critical because large victories are longer term and more subtle.”
- “Measuring successes prematurely, in order to comply with short-term demands of success, may lead to measures that lack credibility or don’t adequately demonstrate the gains being sought.”
- “Another challenge for the change agents is that they are reliant to a large extent upon the cooperation and collaboration of others in the enterprise to implement new ways of thinking and doing business.”



Findings

Cultural Resistance is Real and Change is Necessary

- The Department needs dedicated governance and structure to drive and sustain real behavioral change, especially in business support areas
- Limited data collection and cost accounting methodologies handicap officials who desire to promote more effective and efficient operations
- Cumulative implementation of directives, regulations, and congressional mandates on top of organizational layers, outdated legacy systems, and fragmented manual processes have taken a heavy toll. There is no 'Sunset Clause' provision.
- Support functions grow relentlessly, are disconnected, and increase in complexity
- Impressive 'titling' conventions, and many well-intentioned change efforts and studies are often diluted down to 'prototype units'
- Attempts to modernize business systems have been met with considerable resistance causing a proliferation of stand alone platforms
- Inhibitors are not related to technology, but rather functional governance, structural alignment, fragmented ownership of processes, skill sets, and a deep-seated cultural resistance to change
- Reward and incentive systems are not set up to promote the achievement of shared goals along end-to-end process performance outcomes



Findings

Senior Leadership is Key to Drive and Sustain Cultural Change

- The DEPSECDEF, as the Chief Management Officer (CMO), is the most senior official responsible for the execution of all support functions and the first position where unity of command and authority for all support processes occurs in the current DoD organizational structure
- The leadership of a senior-level, fully empowered, and dedicated change agent is essential to drive and sustain change
- The issue is one of 'time allocation' and 'operational focus' for senior leadership to drive change and create higher levels of efficiency and cost effectiveness - Secretary of Defense - Deputy Secretary of Defense/Chief Management Officer
- Military Departments are under intense GAO criticism for failure to deliver on their business modernization programs that consistently underperform and significantly exceed cost and schedule



Findings

DoD Boards' Experience Should be Fully Leveraged

- It is difficult to evaluate overall DoD performance in terms of its ability to support war fighters with efficient and effective business practices because the Department does not have sufficient specific performance measures that would enable this evaluation
- Data is not accessible or easily shared, and in many instances inconsistent and often not available
- Governance boards, especially on business systems approvals, have been more tactical than strategic in defining how to achieve breakthrough performance improvement or to drive and enforce transformational approaches to business management, execution, and IT systems enablement
- With some exceptions, these boards advise the senior member of the group but do not have quorum requirements and do not vote or make operational decisions



Findings

Cultural Change is Not Technology Driven

DoD has spent nearly \$6 Billion on its Enterprise Resource Planning (ERP) based transformation efforts to date but less than 10% of the Department's total obligation authority is actually being transacted and managed through these systems.

This integration challenge is primarily due to the lack of effective governance and alignment around best practices to utilize these tools as designed to achieve mission outcomes.



Technology will not fix the underlying business problems by itself



Findings

Command and Control Structures are Not Aligned with End-to-End Processes

- DoD procures business solutions based on a premise that all stakeholders involved in implementing that solution are aligned around a common approach, scope, requirements, and expected outcomes. That is usually not the case.
- The Department, which is a strong hierarchical organization, may believe it can overcome this lack of alignment through military-like discipline but since there is no process ownership taking control of the existing systems, each organization involved has its own interests at heart
- There are many functional organizations involved with no clear ownership or leadership of the problem. This means that communication of policies is cumbersome and coordination is usually insufficient or lacking.
- Command and control organizational structures are not aligned with end-to-end processes on the supply side (business operations and support functions)

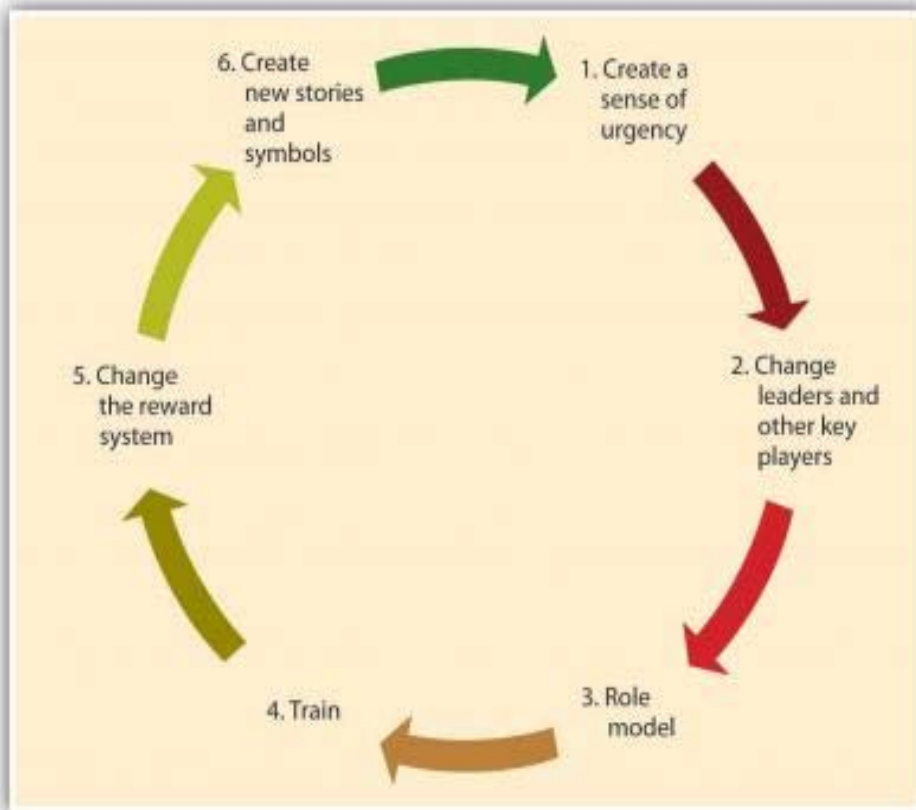
KEY FINDINGS:

- ***The Secretary of Defense's plan to reduce overhead is an excellent first step to initiate cultural change***
- ***A well led and planned institutional cultural change process is essential to consolidate, build on, and sustain this efficiency objective***
- ***The SECDEF/DEPSECDEF should ensure that the right governance is in place around every transformation initiative taking place or scheduled***



Culture Change Models

Continuous Improvement:



Tenets to Create and Sustain Change

- Behavioral change implies a long-term effort. It is an ongoing campaign.
- 'Cultural' behavior cannot change without winning hearts and minds
- Transformational and lasting change is a major strategic undertaking
- Requires direct, active involvement of the most senior leader/commander; time; experimentation; and incentivized objectives
- The will and skill to lead and execute a sustainable change process must be nurtured, developed, and rewarded
- Do not underestimate resistance forces. Engage and lead them.
- Controlled and careful planning is essential to prevent service disruption, maintain defense readiness, and improve stakeholder morale
- Leadership, organization structure, empowerment, and associated alignment are all necessary to make a collaborative environment possible
- Behavioral change implies new rituals, some re-organization, change agents, intensive communications, education, rewards, and persistence



A Future State Vision for the Department of Defense



AS IS

Transaction-oriented
Isolated workers
Local information
"Silos" of data
No common architecture
Stand alone applications that lack interoperability
Redundant systems; capability gaps
Tactical utility to individual programs
Increased cycle times and transaction costs

FUTURE

Strategic, enterprise approach
Knowledge-bases, collaborative workers
Shared business intelligence
Integration - logistics, finance, & other communities
Enterprise Architecture
Net-centric, interoperable applications
Rationalized systems
Strategic value to the Department
Decreased cycle times and transaction costs



Recommendations

General Management

- The Secretary and Deputy Secretary should re-evaluate their division of labor to enable the DEPSECDEF, if acting as the CMO, to assume a more intense role in leading and driving the change initiative or designate a comparable senior leader with full authority to do so
- The Secretary and Deputy Secretary should integrate functional end-to-end processes into a more efficient and effective support organization using a supply and demand organizational model
- Initially focus on the GAO's High-Risk List as they all relate to business operations. This is the area that can yield the most benefits from establishing a culture of savings and efficiency.
- Consult, on an ongoing basis, with available Advisory Boards to leverage their expertise on business processes, change management, and best practices
- The Secretary and Deputy Secretary should ensure that the right governance is in place around every ongoing and scheduled transformation initiative



Recommendations

Action Plan: Sense of Urgency, Communications, and Planning

PHASE 1 – Leadership, Planning, and Governance (2011)

- Launch a formal cultural change management process led by SECDEF or DEPSECDEF and publish the rationale and a vision statement to get from the “As Is” to the “To Be”
- Develop and launch a high level on-going communication program to inform all DoD stakeholders of benefits (why, what, when, who, and how)
- Establish the CMO as the Lead Cultural Change Agent
- Create or reinstate a Change Management Program Office reporting to the CMO (see model in **Annex A**)
- Bring in subject matter experts to consult, facilitate planning, and help design the culture change blueprint
- Identify an operational initiative with which to drive behavior change, while further integrating support areas, re-defining end-to-end functional processes, reducing costs, and increasing efficiency and accountability

Nothing is more critical for sustainable cultural change than senior leadership who will articulate the vision, create the framework, and drive change with goals, metrics, and reward systems to yield desired behavior and outcome over time



Recommendations

Define Goals, Roles, and Responsibilities

PHASE 2 – The Journey Begins (2011 – 2012)

Embark on the journey to change from the ‘As Is State’ to the desired ‘Future State’

- Overwhelming the system with “too much too fast” will increase the backlash that can build up against the change effort. Set achievable goals to create traction and confidence.
- A well-structured and sequential plan, with the lead change agent in place, will steer it in a way to minimize disruptions and promote buy-in
- Given typical turnover period for senior managers, necessary organizational changes of any position can be prudently transitioned in a two-year period
- These changes can occur at the time of an administration change, or begin in a phased approach as current leaders depart during a current administration
- Ensure current and incoming leadership are properly trained and skilled in managing large organizations and breaking down institutional barriers to progress
- Require cross-organizational career responsibilities within the business mission area to foster the importance of end-to-end alignment in business operations as a prerequisite for promotion to the Senior Executive Service
 - Effort would mirror the successful requirement for military personnel to serve in joint billets before becoming eligible for promotion to General or Flag Officer



Recommendations

Training, Testing, Rewards, and Performance

PHASE 2+ – Intellectual Capital, Consolidation, and More Accountability **(2011 – 2013+)**

- Conduct periodic personnel reviews of key Business Department Heads' capabilities to ensure administrative personnel have the appropriate experience and training to oversee large-scale business functions and change management processes effectively
- Produce and require completion of training and information modules for all staff on change management skills
- Change hiring profile for key business positions as the appropriate skill sets are redefined and validated
- Align individual and shared reward systems to incentive programs in support of change initiatives through performance metrics
- Produce reporting scorecards to communicate results, substantiate performance, give recognition, and rewards
- Celebrate visibly and often



Benefits to Congress and Department of Defense

- Enable DoD leadership to focus on defense core missions, turbo charge business support capabilities, and instill a culture of savings and accountability
- Enable SECDEF and DEPSECDEF to improve communications with congressional oversight committees, the media, and with internal and external DoD stakeholders
- Enable SECDEF and DEPSECDEF to foster closer relationships with intra-government security agencies, coalition partners, and allies
- Foster with GAO a working process to bring and maintain all business support operations in auditable status to ensure efficient and effective use of taxpayer funds
- Enhanced war fighter support (supply and service) performance
- Better supply side governance and organizational alignment
- Clearer roles and responsibilities for internal and external service providers
- Creating a continuous improvement environment which challenges the status quo
- Break down barriers that constrain business transformation and behavioral change



Conclusion

A well-structured Cultural Change process will facilitate, optimize, and support all efficiency initiatives in the Department, now and in the future

- The cultural change initiative's primary focus is on the 40% overhead classification areas including all support functions in the Defense Agencies, Field Organizations, OSD, and the Military Services
- Whether this is achieved through statutory changes, and/or organizational and governance adjustments from within the Department, they must take place to break the current structural inhibitors
- The need for change is real and compelling
- The fiscal position of the US Government demands it
- The tools and benefits of cultural change are proven and available
- The will and skill are in place and can be readily augmented
- Cultural change is required to be more agile, efficient, and cost effective in support of our war fighters and coalition partners



Annex A

Change Program Office Resource Model

