

2009 Department of Defense Maintenance Symposium & Exhibition



JD Sicilia
Director, DoD Lean Six Sigma Program Office



Strategic Context

Performance Management



Barak Obama
President of the United States

“We cannot meet the challenges of today with old habits and stale thinking.”



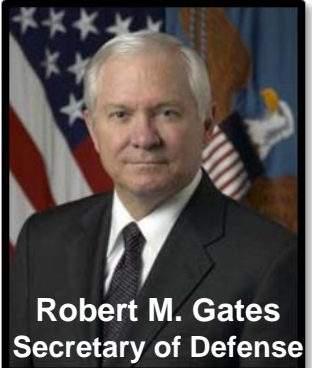
Strategic Context

Performance Management

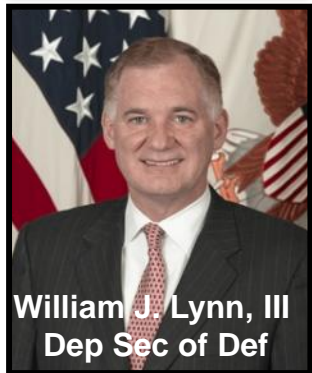


“The test of a performance management system is, is it being used to make important resource allocation and budget decisions.”

“Leadership starts with putting together the right team and articulating the right goals for the organization. Measurement means translating those goals into operating plans with clear metrics and frequent checkpoints. A motivated workforce requires creating a culture to attract, develop, and retain the best talent. Together, they lead to strong performance, accountability, and, ultimately, to improved results.”



“The simple reality of our strategic context is that operational needs are outstripping our current resourcing process. An incredibly fossilized systems approach built during the cold war at the height of the industrial age has now become an anchor dragging down the rapid/adaptive requirements needed for the informational age.”



“President Obama has made it clear that it is time to break out of the conventional thinking that has failed to keep pace with unconventional threats.”

DoD is the largest organization in the world

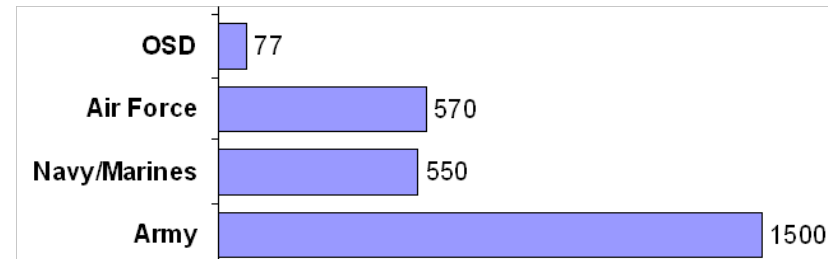


Performance Management

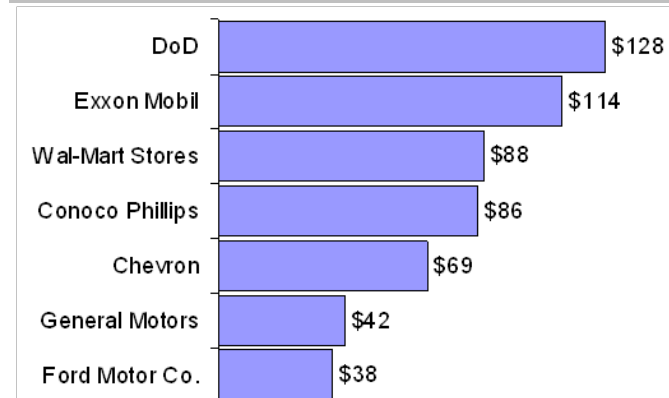


- ★ \$533 Billion budget FY10
- ★ 5 Million people are committed to our national defense
- ★ Imagine DoD in terms of a country*
 - By population, it is greater than 43% of the world's countries
 - By GDP, it is the 16th largest* economy

Workforce (in thousands)



Net fixed assets (in billions) excluding military equipment



Largest performance management deployment ever undertaken

*1 - World Bank, 2006

*2 - w/ supplemental



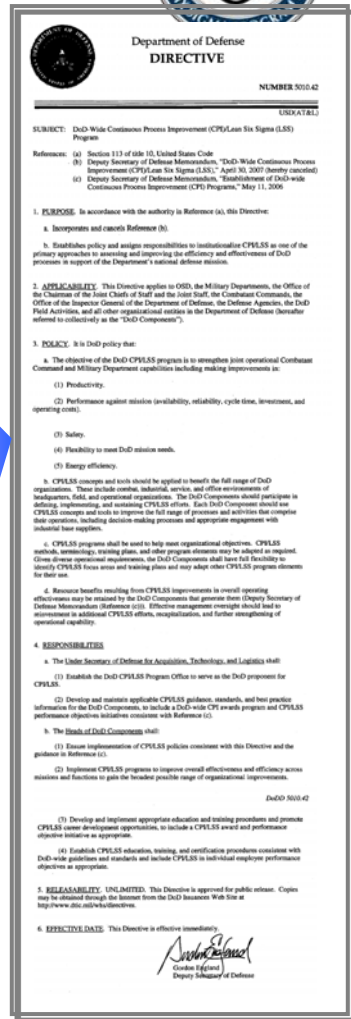
Performance Management is DoD strategy

Performance Management



- ★ On May 15, 2008, issued a **Directive*** to all DoD components, establishing policy to use LSS to improve:
 - Productivity
 - Performance against mission
 - Availability, reliability, cycle time, investment, and operating costs
 - Safety
 - Flexibility to meet DoD mission needs
 - Energy efficiency
- ★ On July 17 2009, issued an **Instruction*** to guide implementation

Lasting change starts with policy that transcends administration changes



* <http://www.dtic.mil/whs/directives/corres/pdf/501042p.pdf>

Office of Management and Budget Guidance



Performance Management



★ On June 11, 2009 OMB issued a memorandum for heads of Departments and Agencies for planning for the President's Fiscal Year 2011 Budget and Performance Plans

“Our goal is to build a transparent, high-performance government capable of addressing the challenges of the 21st century.”

“To be successful, we must focus resources...in health reform, clean energy, and education. At the same time, we must enforce fiscal discipline... and improve performance across the board.”

- ★ Identify Agency High Priority Performance Goals
- ★ Guidance on FY11 budget submission to OMB
- ★ Hiring Reform
- ★ Improve Employee Satisfaction and Wellness



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

June 11, 2009

M-09-20

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Peter R. Orszag
Director

SUBJECT: Planning for the President's Fiscal Year 2011 Budget and Performance Plans

Our country faces extraordinary challenges – from jump-starting our economy and rebuilding our infrastructure, to transforming our energy supply and slowing global warming, to reducing health care costs and expanding health insurance coverage, to educating our children and retooling our workforce, to fulfilling our obligations to our servicemen and women and our veterans and achieving diplomatic and military success overseas. To meet all of these challenges, and the many others our Nation faces, we must transform our government to operate more effectively and more efficiently.

Our goal is to build a transparent, high-performance government capable of addressing the challenges of the 21st century. The American people deserve a government that works, where the public interest is prioritized, where the impact of government spending is transparent and held to high, objective standards, and where results and good management matter.

The FY 2011 Budget will be an important step in the President's effort to change how Washington does business and put our fiscal house in order. The FY 2011 Budget will continue the work needed to build a new foundation of long-term economic growth, job creation, and prosperity. To be successful, we must focus resources on our highest national priorities, including investments in health reform, clean energy, and education. At the same time, we must enforce fiscal discipline, making sure that we invest in what works, do not waste taxpayer dollars on programs that do not work or are duplicative, and improve performance across the board.

This memo provides specific guidance on four deliverables for agencies:

1. Identification of a limited number of high-priority performance goals.
2. Submission of the FY 2011 Budget.
3. Steps to reform agency hiring processes.
4. Steps to improve employee satisfaction and wellness.

Over the next several months, OMB also will work with Congress, interagency management councils, experts in Federal management policy, Federal employees, and other key stakeholders to craft a broad management and performance framework that will achieve near-term priorities and overcome long standing management challenges. This effort will include addressing the high-priority performance goals discussed below and will help inform budget decisions. The framework also will further promote reforms to Federal procurement and



DoD Guidance

Performance Management



July | 09

★ July 31, 2009 Hon. Lynn issued the DoD Strategic Management Plan

Strategic Management Plan

Department of Defense

- Imperative that DoD create more agile, responsive, and efficient business operations
- Call for actively managing performance by continuously evaluating how reliable business processes deliver quality and timely results



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

July 31, 2009

The U.S. Department of Defense is the largest organization in the world. It executes a budget more than twice that of the world's largest corporation, has more personnel than the populations of a third of the world's countries, and provides medical care for as many patients as the largest health management organization. The size and complexity of the Department's business operations and the rapid pace of change in the business environment, set against the backdrop of two major campaigns and worldwide economic uncertainty, make it imperative that we create more agile, responsive, and efficient business operations.

The Department of Defense has always endeavored to improve the efficiency and effectiveness of its business operations, and it has succeeded in many areas. However, even greater gains can be obtained by actively managing our performance by continuously evaluating how reliably our business processes deliver quality and timely results. Through these improvements, the Department will provide the best support and services for our troops in the field and their families at home, and be responsible stewards of the Nation's resources.

This 2009 Strategic Management Plan describes the steps DoD will take to better integrate business with our strategic planning and decision processes, and to manage performance. As the DoD Chief Management Officer, I am strongly committed to approaching the Department's business operations in a holistic manner by establishing enterprise priorities that reflect both our own lessons-learned and industry best practices.

I look forward to working with the Department's leaders, the new Administration, and Congress in meeting the challenge of creating effective and efficient business operations in support of the Department *enit large* and the American people.



Performance Goals

Performance Management



DoD High-Priority Performance Goals

Lead

1. Increase Energy Efficiencies

USD(AT&L)

2. Reform the Personnel Security Clearance Process

USD(I) with ODCMO

3. Execute Virtual Lifetime Electronic Record (VLER) milestones

USD(P&R)

4. Streamline the hiring process

USD(P&R)

5. Implement DoD-wide in-sourcing initiative

USD(P&R)

6. Provide effective business operations and ensure logistics support to Overseas Contingency Operations

USD(AT&L) and USD(C)

7. Increase the audit readiness of individual DoD components

USD(C)

8. Reform the DoD Acquisition Process

USD(AT&L)

9. Enhance the security cooperation workforce

USD(P)



So What?

Performance Management



Performance Management $Y = F(x_1, x_2, x_3)$

Y = Performance management

X_1 = Strategy

X_2 = Performance Level

X_3 = Budget Data

Performance Improvement Projects

Container Management

Energy

Hiring Reform

Strategic Alignment



Performance Management



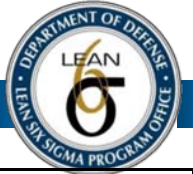
Business Priority 2:
Support Contingency Business Operations

Business Priority 3:
Reform the DoD Acquisition and Support Processes

**DoD input to OMB Memo
Preparation for FY 2011
Budget and Performance
Plans...**

Priority Performance Goal 7:
Provide effective business operations
and ensure logistics support for
overseas contingency operations

Container Management Charter



Performance Management

Problem Statement	Varying levels of accountability, visibility and transparency in the container management process prevent leaders from making data-driven decisions for efficient management of containers.
Business Case:	<p>Benefits – <i>Supports High-Priority Goal 6. Provide effective business operations and ensure logistics support to Overseas Contingency Operations</i></p> <p>Stop unnecessary purchases (Approx. 22k containers per year –or \$31 million annually)</p> <p>Reduce detention costs by 50% (Estimated detention for the last 10 month in Afghanistan is over \$10 million and trending up)</p> <p>Reduction in asset losses (est. 40k lost or \$60 million)</p> <p>Demonstrated World Class Inter/Intra Theater Reverse Supply Chain Management Capability</p>
Unit:	Container
Defect:	Insufficient accountability, visibility, and transparency in the container management process. Defects have cost the DoD est. \$600 million to date
Customer Specs	Manage 100% of current theater assets for Deployment, Sustainment, Retrograde and redeployment operations
Measure Start:	When container comes under DoD control
Measure Stop:	When container is released from DoD control
Scope:	CENTCOM AOR



VBC Container and Material Recovery Effort



Performance Management

- Proof of Principal Approach (Victory Base Complex, Taji)
 - Initial pilot ran 4/10-4/20; periodic OSD monitoring since then
 - Assemble team with both container recovery and material disposition competency and authority (Task Force 586, 840th DDSB)
 - Establish dedicated yard (VBC) to handle container inspection and material disposition
 - Coordinated and conducted inventories at pilot sites
 - Generate transportation movement request for containers to be reclaimed
 - Execute recovery of containers and disposition of material contents
- Results:

Material Value Recovered	
Total # of Items Recovered to Date	239,390
Commercial/White Gear Value Recovered (CAGO)	\$880K
Highest Dollar Value Item	\$111K
Total Material Recovered to date	\$36.7M
463L Pallets & Pallet Nets Recovered	\$4.7M
Container Value	\$1.4M
Total	\$43.7M

Update as of 9/9/09

Recovery value averages \$1.6 million per week



Lessons Learned

Performance Management



Performance Management is Critical to Successful Change

- ★ Strategically Aligned Projects
- ★ Leadership Support
- ★ Consistent Approach to training across DoD
- ★ Master Black Belt Guidance to DoD Components
- ★ Integration/Replication of Projects
- ★ Human Capital



Performance Management



Questions?