BUSINESS TRANSFORMATION

U.S.ARMY

CHANGING THE WAY WE DO BUSINESS

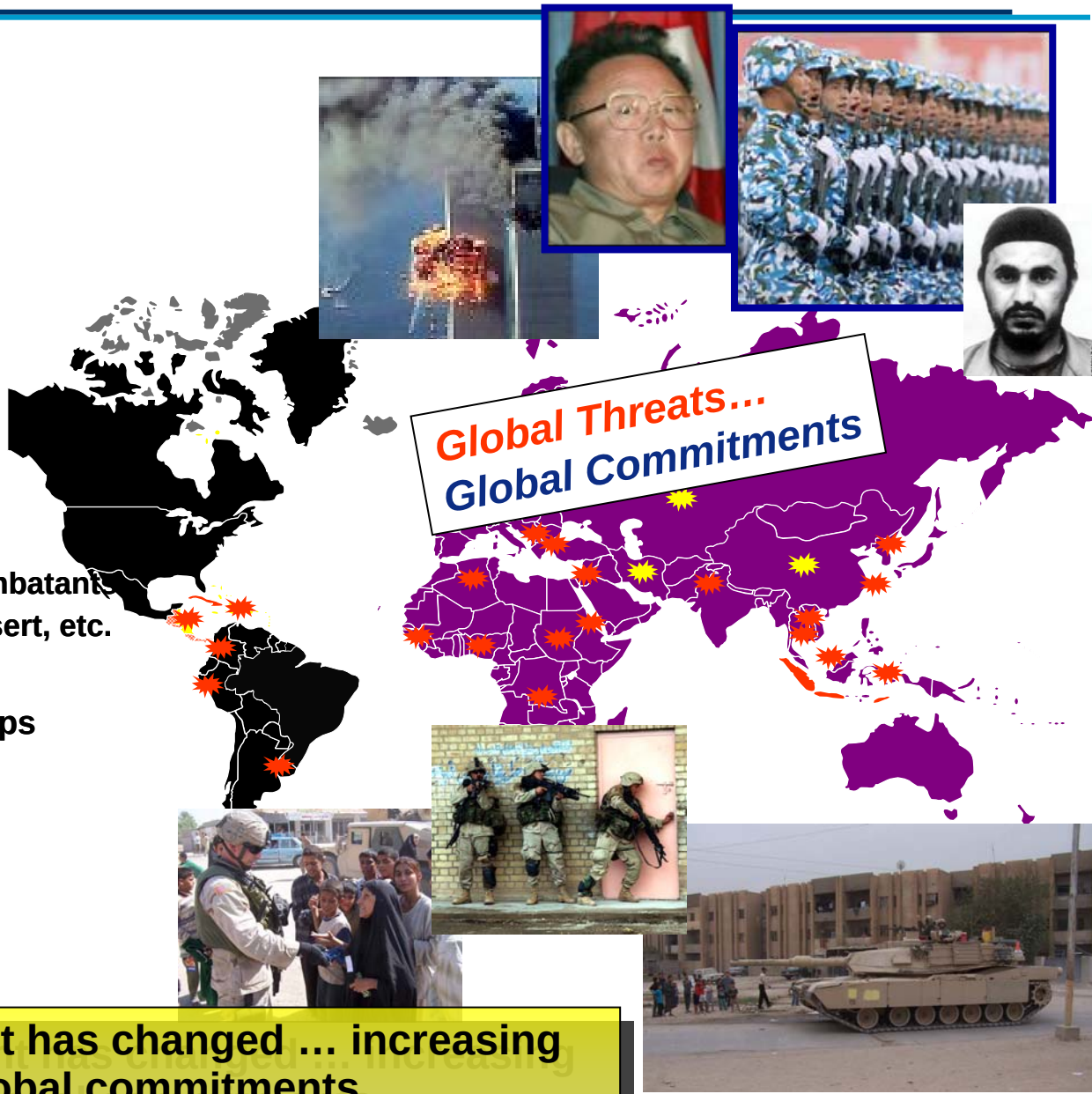
AUSA Business Transformation Panel
11 October 2006

Agenda

▪ Introduction	LTG Ted Stroup (Ret)
▪ Kick-off	Mr. Michael Kirby
▪ Continuous Process Improvement	MG N. Ross Thompson, III
▪ Organizational Analysis and Design	Dr. Steve Clement
▪ Business Situational Analysis	Mr. William Hansen
▪ Professional Development	Ms. Vicky Jefferis
▪ Business Case Studies Update	Dr. Roger Harvey
▪ Questions and Answers	Mr. Michael Kirby

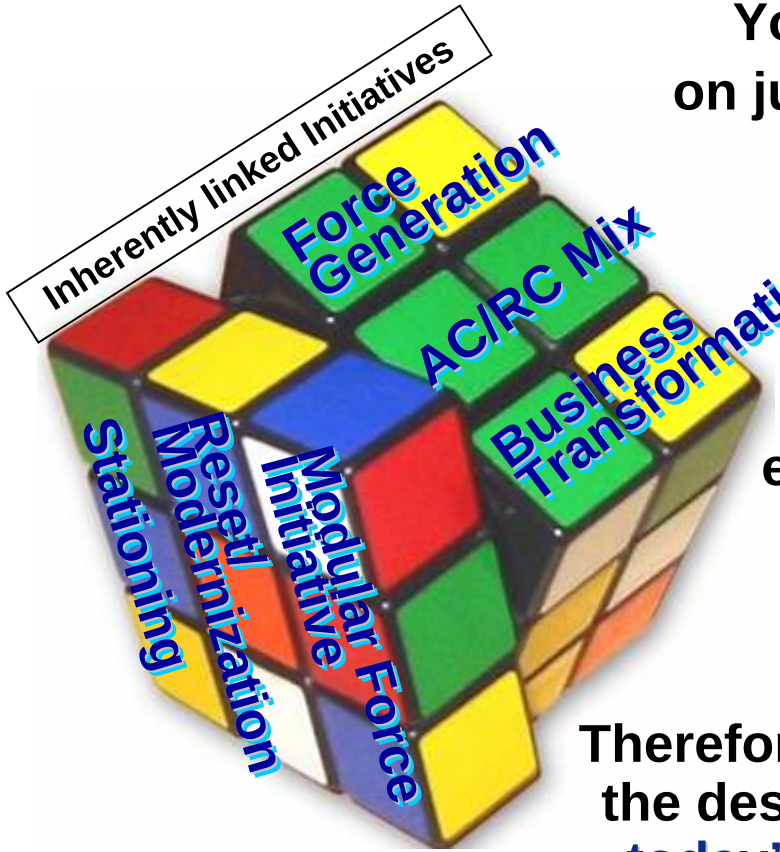
Today's Full Spectrum Challenges

- **Complex Threats**
  - Conventional—traditional
  - Unconventional—asymmetric
- **Complex Environment**
  - World wide Commitments
  - Culture, Language
  - NGO's
  - Media
  - Political
  - HN Police and Military
  - Mix of Combatants and Non-combatants
  - Full range of Terrain: Urban, desert, etc.
- **Full Spectrum Operations**
  - Conventional High Intensity Ops
  - Stability Ops
  - Support Ops



The security environment has changed … increasing your Army's global commitments.

Building the Army Now and for the Future - Complex Interrelationships



You cannot focus on just one initiative…

… you have to consider the effect that each has on the whole…

Therefore you have to focus on the desired outcome – to win today's war and prepare for future conflicts.

Will directly influence:
- **Recruiting / Retention**
- **Public Support**
- **Army Resourcing**

Consistent and flexible funding and execution will allow the Army to synchronize these interdependent initiatives to sustain global commitments.

The Army's Top Priorities

Win the Long War While Sustaining the All-Volunteer Force

recruit and retain Soldiers, while providing a quality of life commensurate with the quality of their service

Accelerate the Future Combat Force Strategy

resource and execute modular force conversions as rapidly as possible, enable early spinout of Future Combat System technologies, and execute the global restationing plan of the Total Army

Accelerate Business Transformation and Process Improvement

* CSA 14 Oct 05 memo to CJCS

Strategy is balance of ends, ways, and means

Business Transformation…Essential to Providing the Financial Resources Required for a Relevant and Ready 21st Century Army

Business Transformation
Changing and Improving the Ways the Army does Business

Increasing the Operational Army End Strength and Relevancy

- Growth of 40,000 Soldiers by FY07
- 125,000 changes in units and skills to be better aligned to the security environment

Army Modular Force

- Ongoing total redesign of the Operational Army
- More powerful, flexible, rapidly deployable, FULL SPECTRUM
- Brigade Centric…self sustaining, standardized

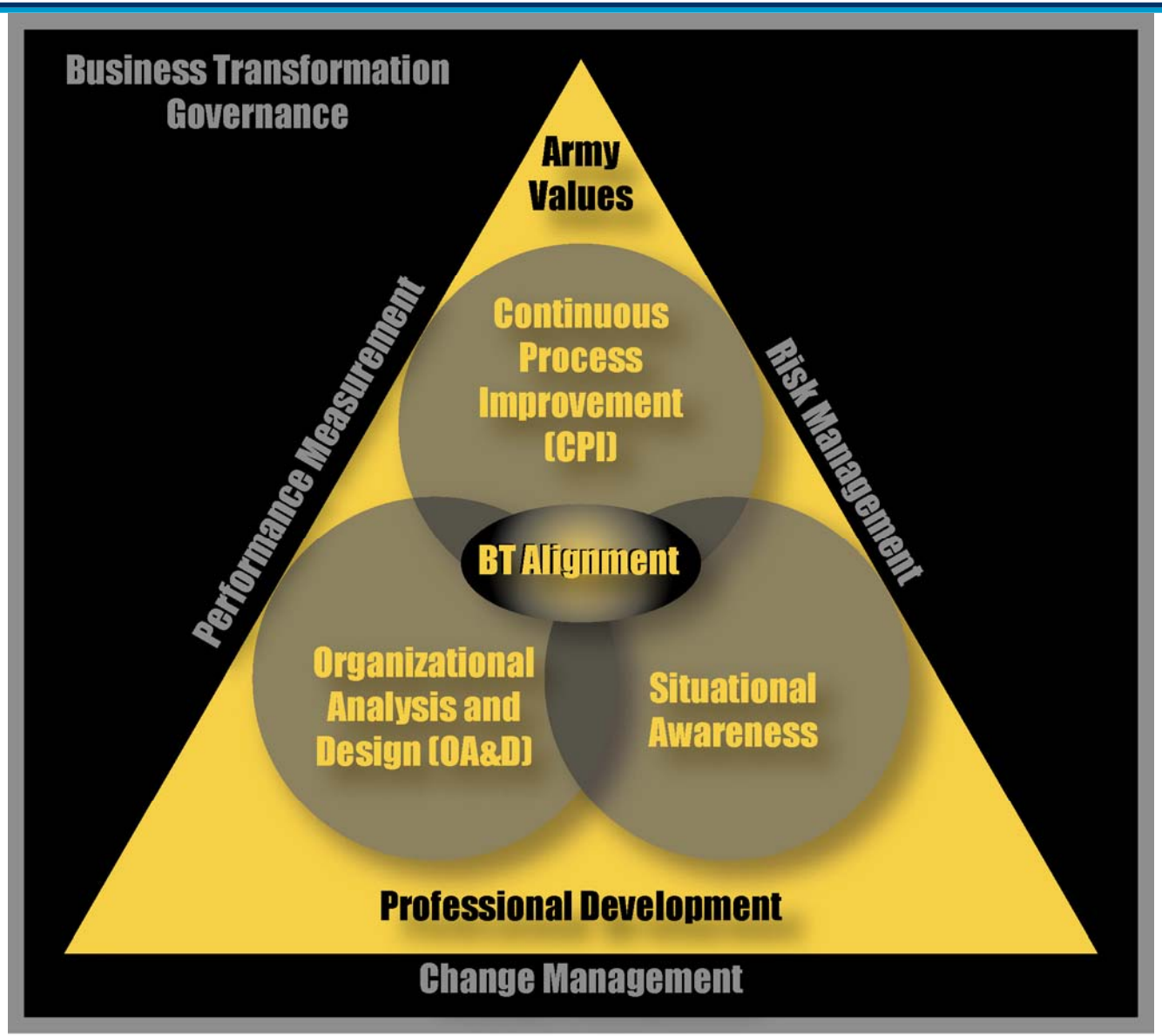
Resetting the Force

- Army Depots operate 24/7 where needed
- Life Cycle Management Commands enhance support to the warfighter
- Army Equipment Campaign Plan… structured program reduces cost and cycle time

Future Combat System

- Near Term: Inserting advance technologies for the current Force
- Long Term: Modernize and Transform by establishing a networked Future Force that consists of 18 manned and unmanned platforms (Brigade centric)

Business Transformation is focused on people, process, and technology



United States ARMY VALUES

U.S.ARMY

LOYALTY

DUTY

RESPECT

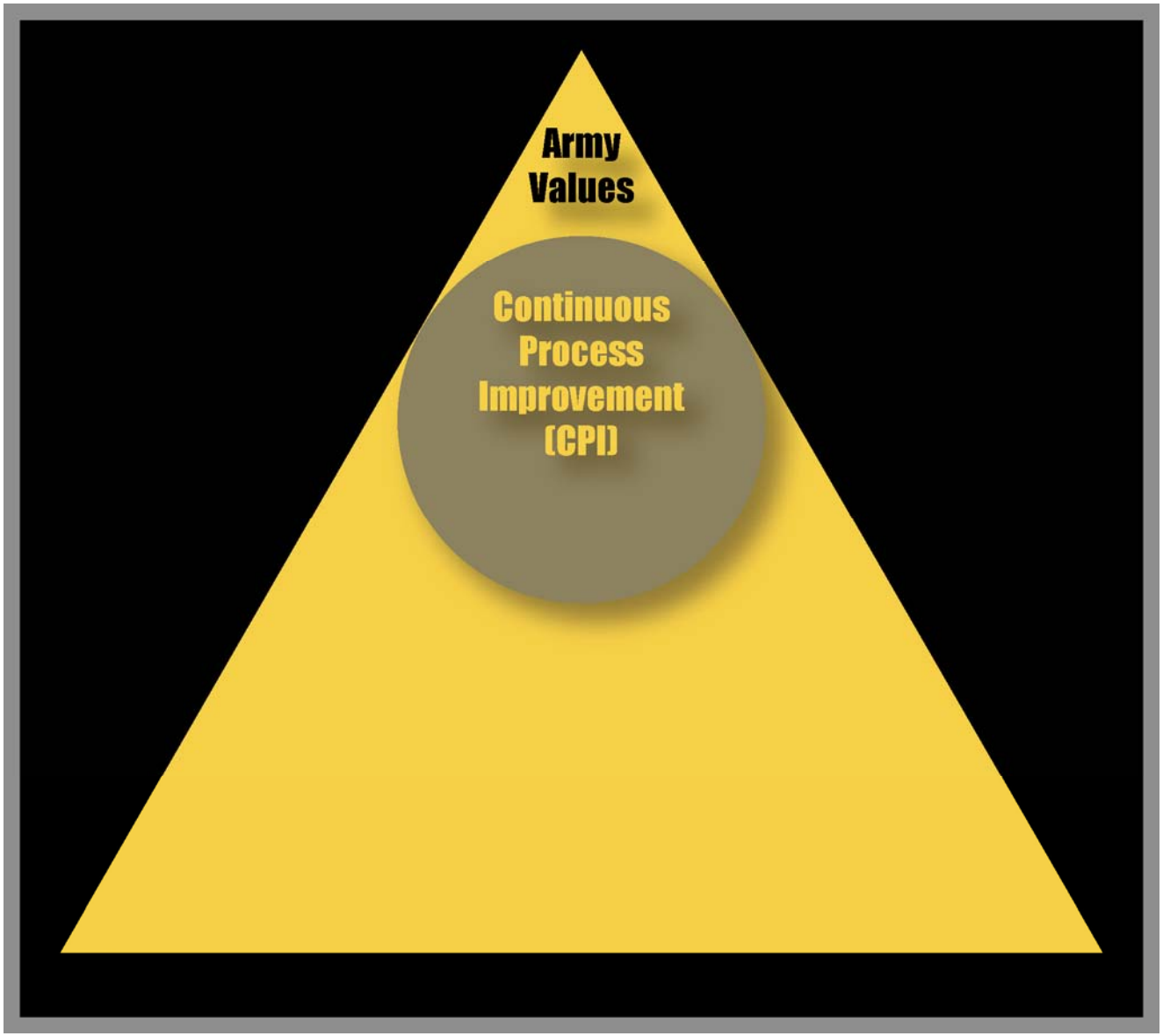
SELFLESS-SERVICE

HONOR

INTEGRITY

PERSONAL COURAGE

Continuous Process Improvement – MG N. Ross Thompson, III



Army's Base Program Issue

Missions and Resources Out of Balance

Army Vision: Relevant and Ready Landpower in Service to the Nation

ENDS

Army Mission: To Provide Necessary Forces and Capabilities to the Combatant Commanders in Support of the National Security and Defense Strategies

WAYS

Provide Relevant and Ready Landpower for the 21st Century Security Environment

- Support Current Global Operations with Relevant and Ready Landpower
- Build a Campaign Quality, Modular Force with Joint & Expeditionary Capabilities for *Today and Tomorrow*
- Develop LandWarNet Operational Capabilities
- Execute Major Acquisition Programs
- Restructure Army Aviation

Train and Equip Soldiers to Serve as Warriors and Grow Adaptive Leaders

- Reinforce Our Centerpiece: Soldiers as Warriors
- Train Soldiers
- Enhance Combat Training Centers
- Grow Adaptive Leaders
- Equip our Soldiers

Sustain an All-Volunteer Force Composed of Highly Competent Soldiers that are Provided an Equally High Quality of Life

- Recruit and Retain the All-Volunteer Force
- Care for Soldiers and Army Families
- Improve Soldier and Family Housing

Provide the Infrastructure and Support to Enable the Force to Fulfill its Strategic Roles and Missions

- Adjust the Global Footprint to Create "Flagships of Readiness"
- Implement Business Transformation Initiatives
- Develop the LandWarNet Institutional Infrastructure
- Enhance Logistics Readiness
- Enhance Strategic Communications

TRANSFORMATION

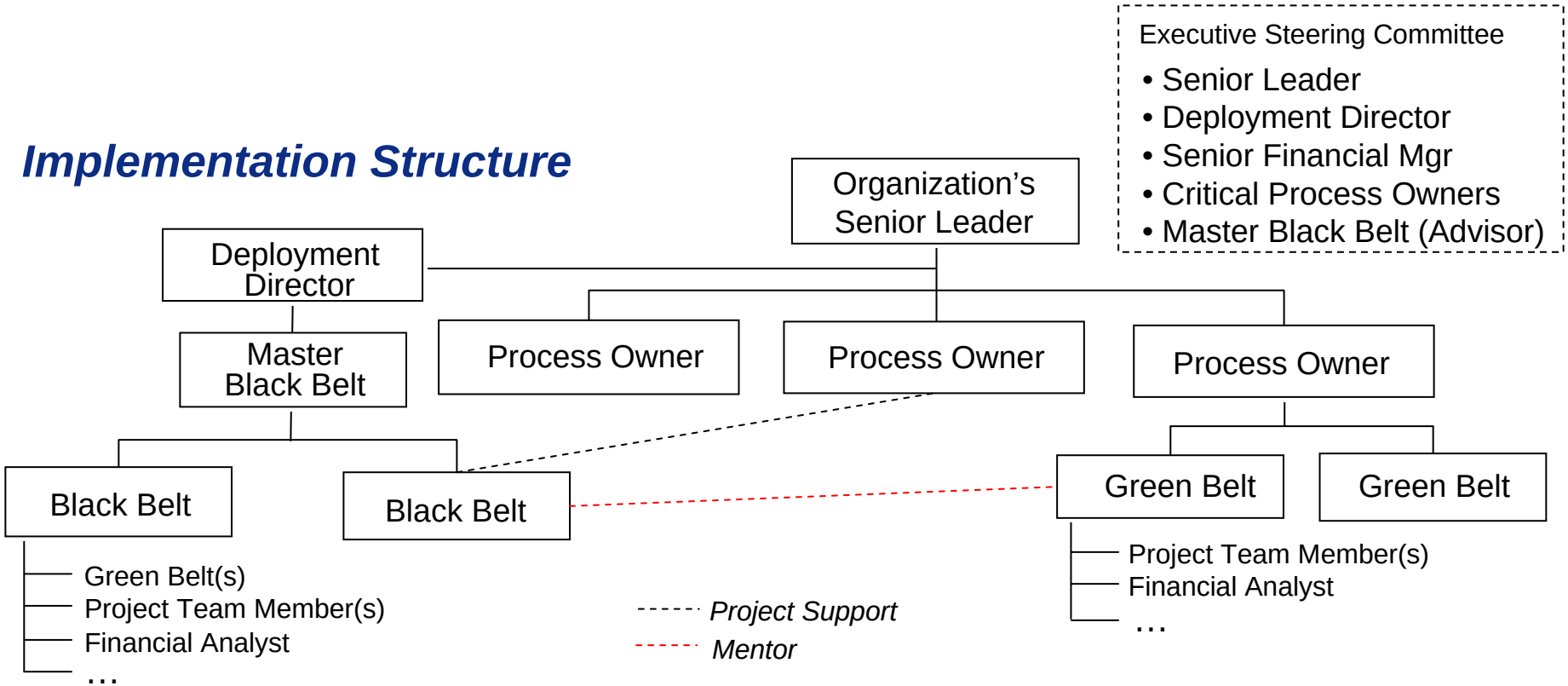
MEANS

Secure Financial Resources and Legislative Authorities to Meet Requirements

7 July 06

Task Organization

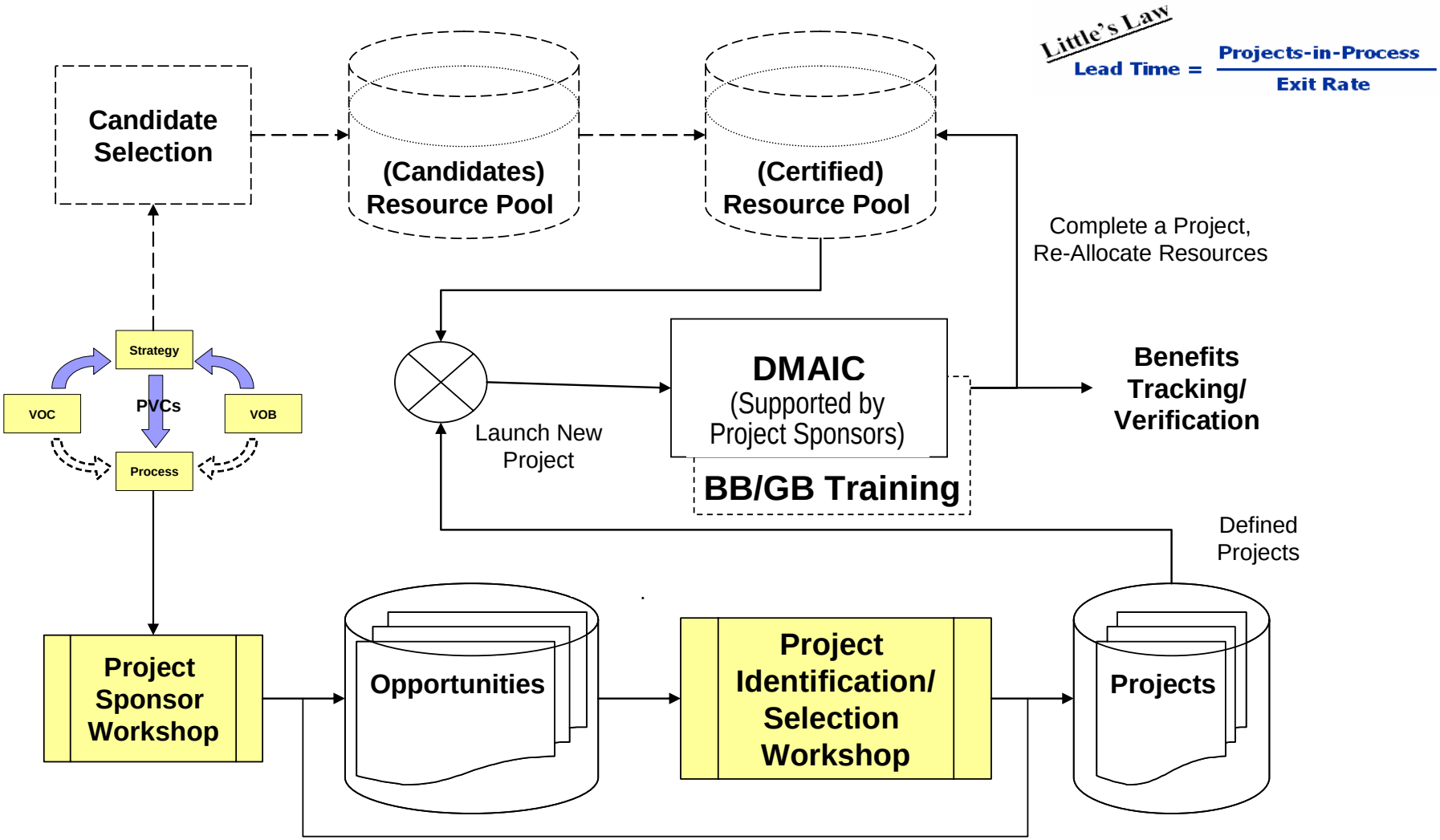
Implementation Structure



Execution Infrastructure:

- Translates senior leader priorities into a set of projects chosen to optimize capabilities.
- Continuously transforms operations, measures outcomes, and improves financial results.
- Integrates Lean Six Sigma responsibilities into the existing structure.
- Includes organization structure, processes, measures, and tools.
- Lean Six Sigma is viewed as the way we do business.

LSS Project Execution Process



BT Resource Generation

	Organization Populations			Black Belts		Green Belts		Projects in progress (Power Steering)		Projects completed (Power Steering)	
	(FTE)			(Certified)		(Certified)		BB / GB		BB / GB	
	Uniform/ Civilian/ Contractor			Uniform/ Civilian		Uniform/ Civilian					
Current	1,037.4K	225K	~ 250K	0	0	0	0	127	307		
Planned (FY07)	1,032.4K	225K	~ 250K	` 400	~ 900	~ 700	~ 1700	> 1300	> 1500	> 1300	> 2400

Level of Leadership and Organizational Readiness

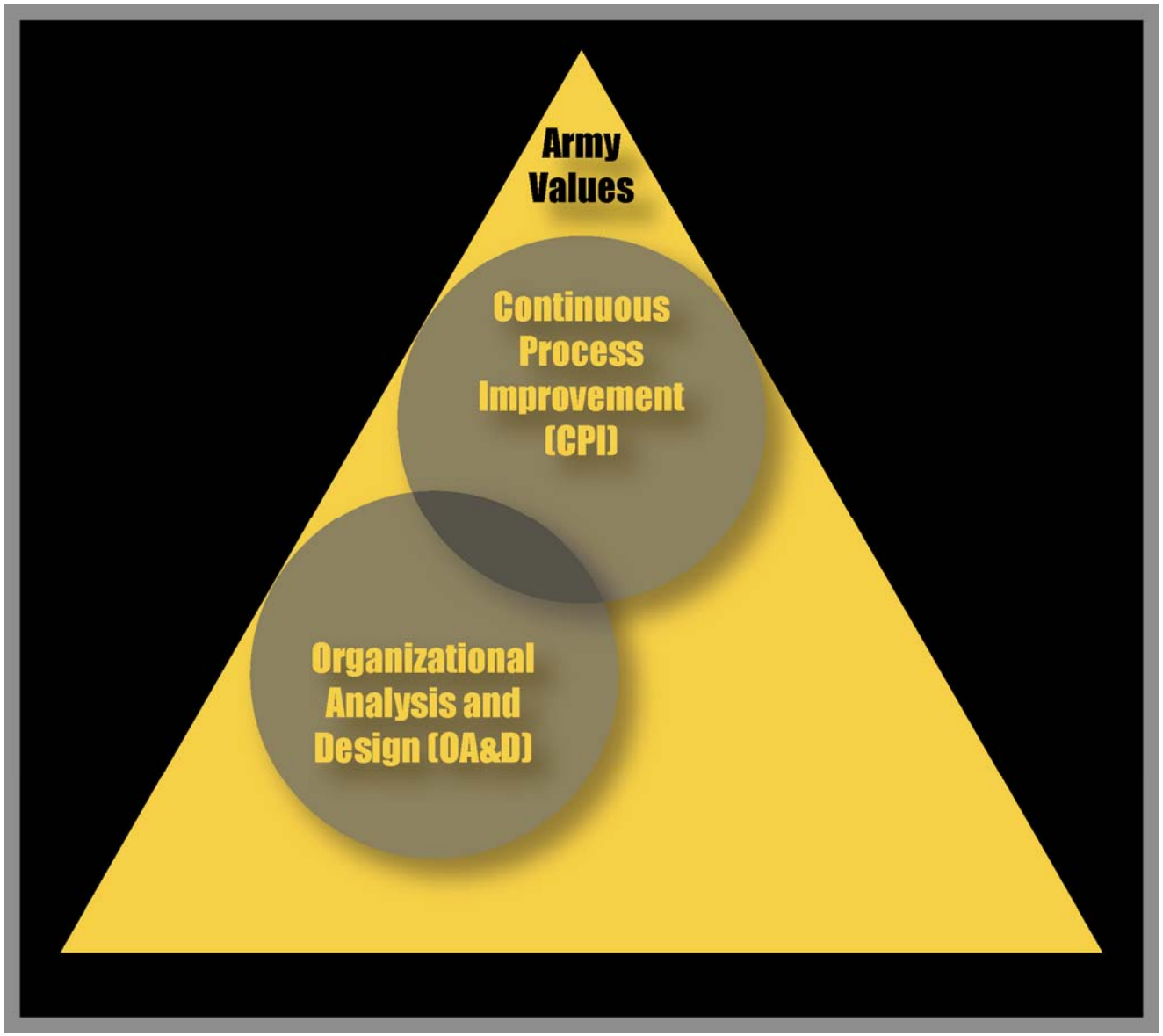
	# of Executives	# of Project Sponsors	Project Identification Events	% of FTE's involved in Events
Current	1235	249	28	
Planned (FY07)	2189	2358	451	

Illustrates Organization's ability to provide critical human resources and expertise to drive transformation and execute projects.

Summary

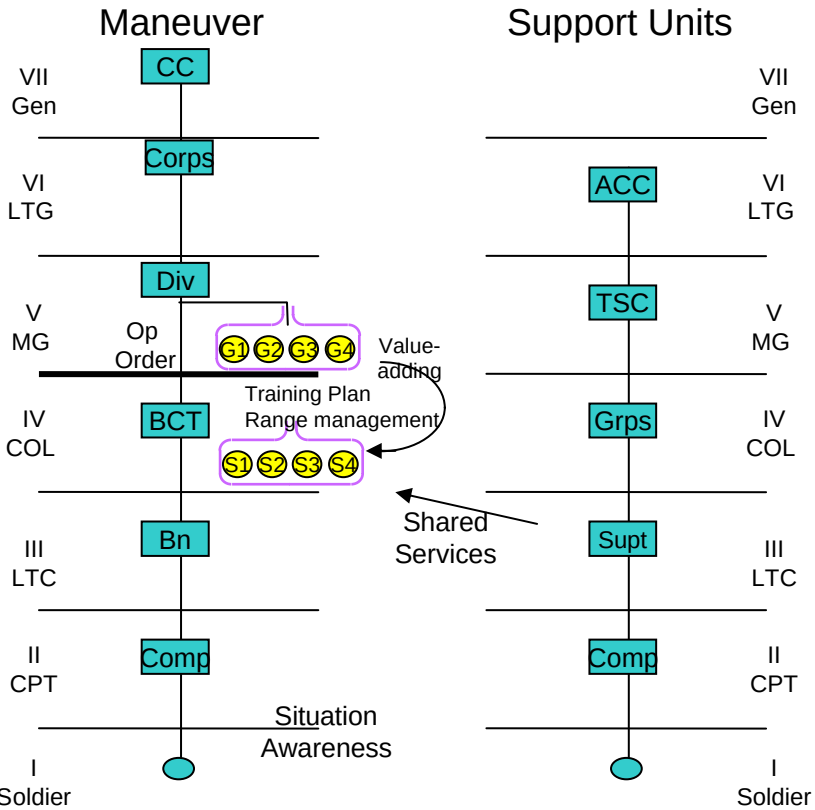
- Apply Leadership focus, personally attend training / workshops, lead and participate in projects.
- Resource project teams.
- Ensure Project Execution enabled by training.
- Achieve Results.
- Redeploy resources and replicate successful projects.
- Apply Lessons Learned.
- Change the Way We Do Business.

Organizational Analysis and Design – Dr. Steve Clement



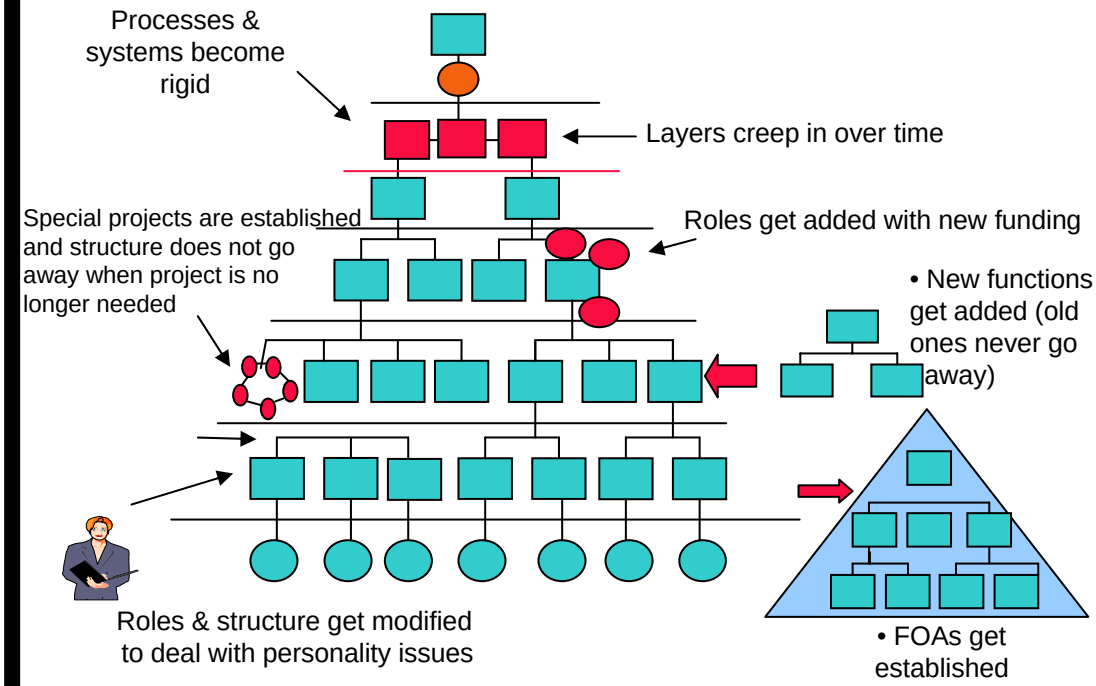
The Growth of Organizations

Warfighting Organizations
(Regulated by the crucible of combat)



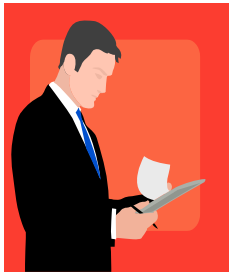
- Clearly defined roles and accountabilities
- Correct number of organizational layers
- One command role / org layer
- Supportive systems and processes
- Solid doctrinal base
- Continuous learning - Lessons learned / AARs
- Combat adaptive

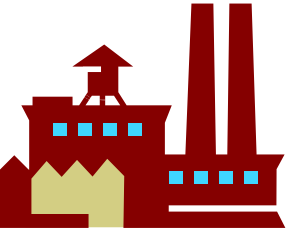
Non- Warfighting Organizations
(These organizations tend to grow randomly and become bureaucratic)



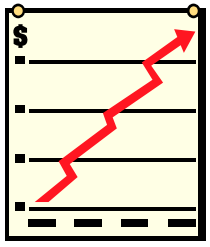
- Unclear roles and accountabilities
- Too many organizational layers
- Overlap and duplication of functions
- Rigid systems and processes
- Limited (or no) doctrinal base
- Excessive overhead
- Resistant to change
- Lack of sufficient customer focus

Organizational Analysis





Industry
Best Practices



Performance
Improvement

Organizational Design Principles

1. Focus on the customer
2. Concentrate on the core business
3. Organize around the work
- **Eliminate "non-value added" work**
- **The Hog won't butcher itself**
- **Strategy drives structure**

4. Differentiate between strategic level staff work and operational work
- **The present will always drive out the future**

5. Establish the correct number of organizational layers
- **Align functions at the correct layer**

6. Establish clear accountabilities, authorities and critical systems
- **Delegate decision making to the correct organizational level**

7. Define the nature of required working relationships
8. Develop and implement a change management strategy

Organizational Analysis

Organizational Design Principles

1. Focus on the customer
2. Concentrate on the core business
3. Organize around the work
   - Eliminate "non-value added" work
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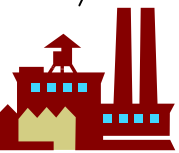

Industry
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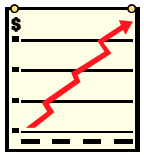
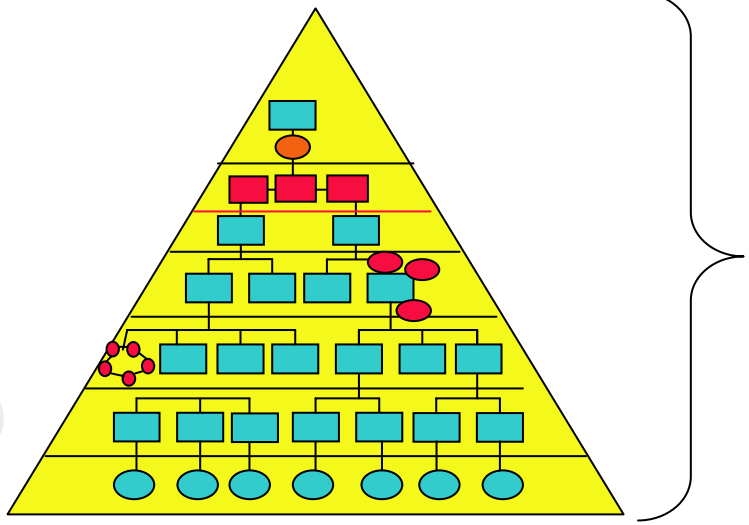


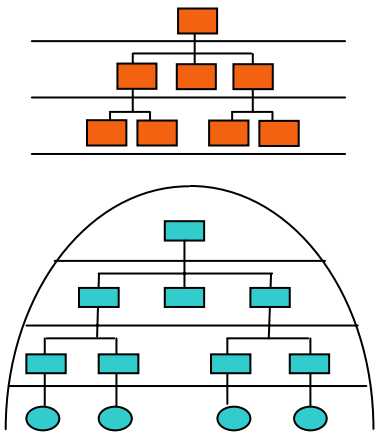
Performance
Improvement



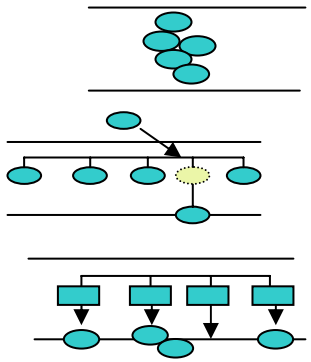
Typical organizational pathologies

- Role overlap /crowding
- Too many layers
- Subordinates not capable of operating at the correct level
- Delegation disease
- Non-value adding contribution
- Excessive overhead

Overhead



Depot / School

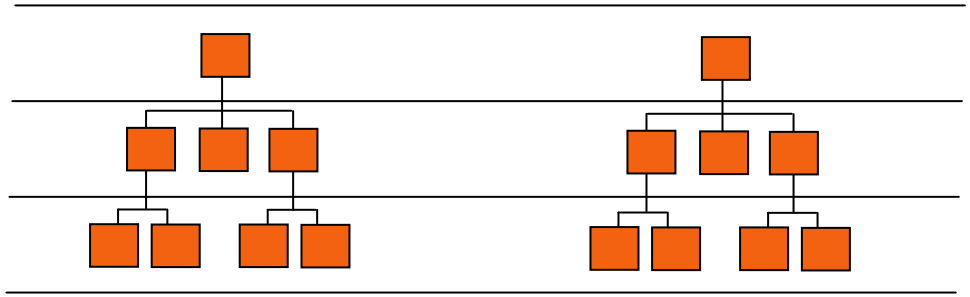


Reduce excess management capacity.

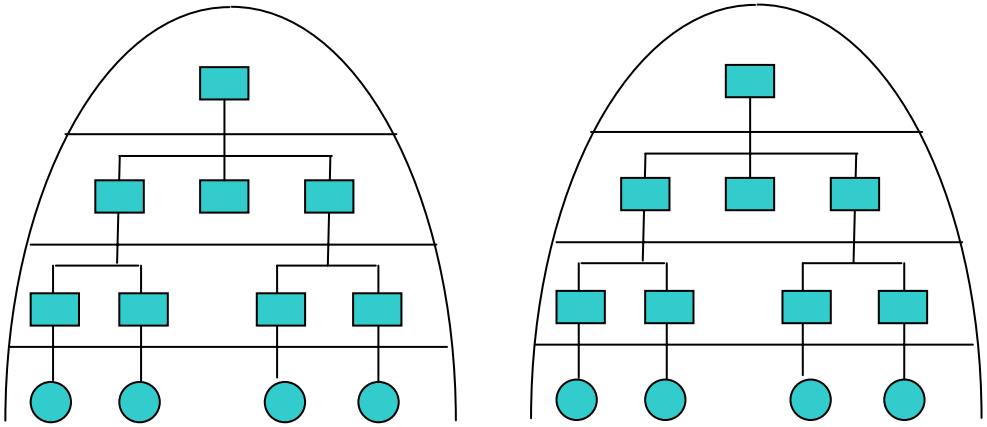
ORGANIZATIONAL DESIGN INC

Organizational Analysis & Design

Overhead



Do they add-value to your work?
Would you pay for their service if you had a choice?



Depot / School

Garrison

Front-Line Production Units

Efforts to Date

OAA

DAS

IMA

ORGANIZATIONAL DESIGN INC

Value-added contribution by organizational level

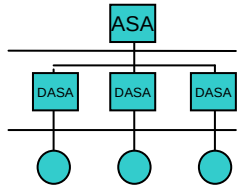
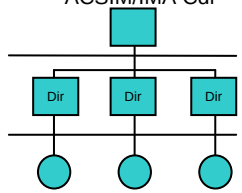
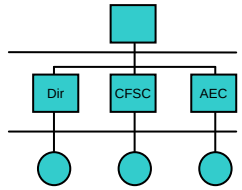
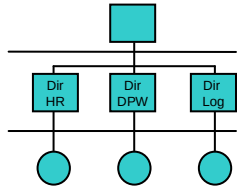
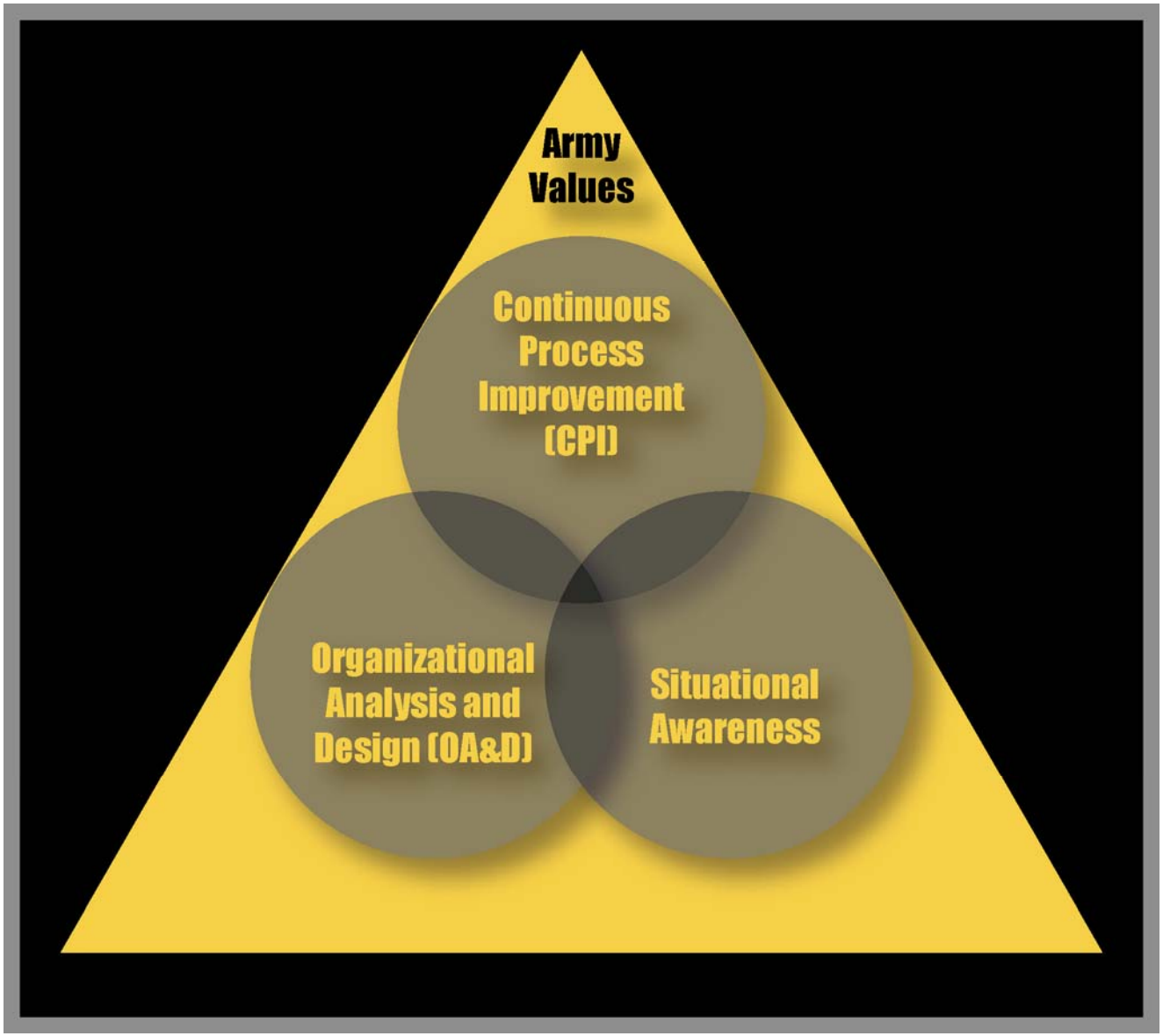
		Activity	Critical Tasks	Organization	Examples
VII	Tasks • • •	• Policy Oversight • External Affairs • Governance	• Set vision: Structure, Processes, and Systems • Define Mission • Establish Values • Create Culture • Formulate Enterprise Projects	 Small high level staff = 25-40	Warfighters focus on core mission BRAC DoD Joint Bases RCI Project
VI	Tasks • • •	• Policy Formulation • Strategy Development • Program Integration	• Global Awareness (Political, Economic, Social, Technical, Informational) • Portfolio Management • Resource Allocation • Design Systems	ACSIM/IMA Cdr  ARSTAF/ Fwd Cmd = 75-90	Well Being Strategy Environmental Policies NAF strategy
V	Tasks • • •	• Strategy Implementation • Program Development	• Business Unit Management • Resource Management • Cross-functional Integration • Create Supportive Climate • Formulate Business Unit Projects	DCD IMA / Cdr CFSC, AEC  Operational Cmd = 400-500	Well Being Programs Environmental Programs NAF Programs
IV	Tasks • • •	• Program Execution	• General Management • Functional Integration • Manage people, processes, activities to achieve goals & Objectives • Utilize three level team working mode • Interact with key opinion formers	Garrison Command  Operational Cmd = 150-300	Well Being Program Execution Environmental Program Execution NAF Program Execution- Child Care Centers

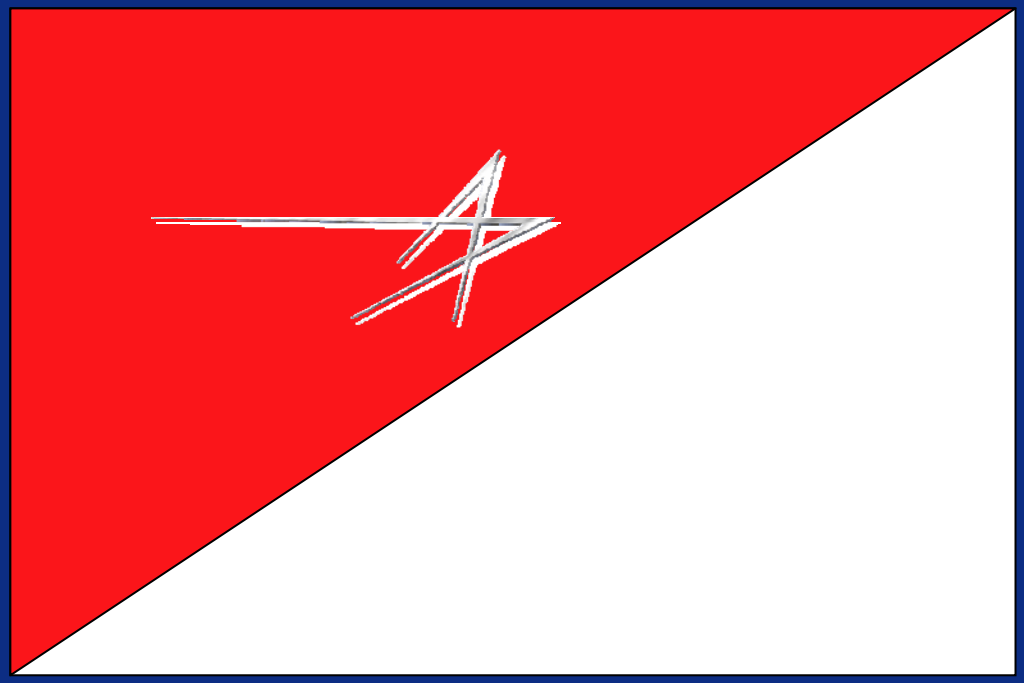
Figure 9

Situational Analysis – Mr. William Hansen



Business Situational Awareness

LMCO



“Scouts Out”

Situational Awareness

The result of a dynamic process of perceiving and comprehending events in one's environment, leading to reasonable projections as to possible ways that environment may change, and permitting predictions as to what the outcomes will be in terms of performing one's mission.

A Participant of Situational Awareness must:

- Monitor and integrate information from multiple data streams (five senses).
- Mentally evaluate information to avoid overload.
- Be able to detect and focus on problems without losing the "big picture".

Situational Awareness is dynamic and not a stable phenomenon.

The situation changes even as we are experiencing it. It is transitory at best.

Operational Situational Awareness

Knowledge and understanding of the current situation which promotes timely, relevant, and accurate assessment of friendly, enemy, and other operations within the battle space in order to facilitate decision making. An informational perspective and skill that foster an ability to determine quickly the context and relevance of events that are unfolding.

Army Field Manual 1-02 (September 2004)

Military situational awareness pursues answers to three questions: Where am I? Where are my enemies? Where are my friends?

Most of us suffer from too much information

and not enough situational awareness.

Business Situational Awareness

Decision making under stress working in an environment that is uncertain and dynamic characterized by :

- Shifting and competing goals
- Time constraints
- High stakes
- Multiple players
- Ill structured problems

If you can observe and Assemble relevant data,

your odds of making a good decision are vastly improved.

Business METT-T

Mission	Deliver a quality product on time & budget
Enemy	Competition
Terrain &	Market, Regulations, Congress & Wall Street
Troops & Support	Capital & Workforce Available
Time Available	Time Available

Defense Industry

- **OSD Processes**
- **Vacillating Customer Needs**
  - **Today versus tomorrow**
- **Political Influence**
- **Balanced Production**
- **Supplier Base**
- **Competitive Intelligence**

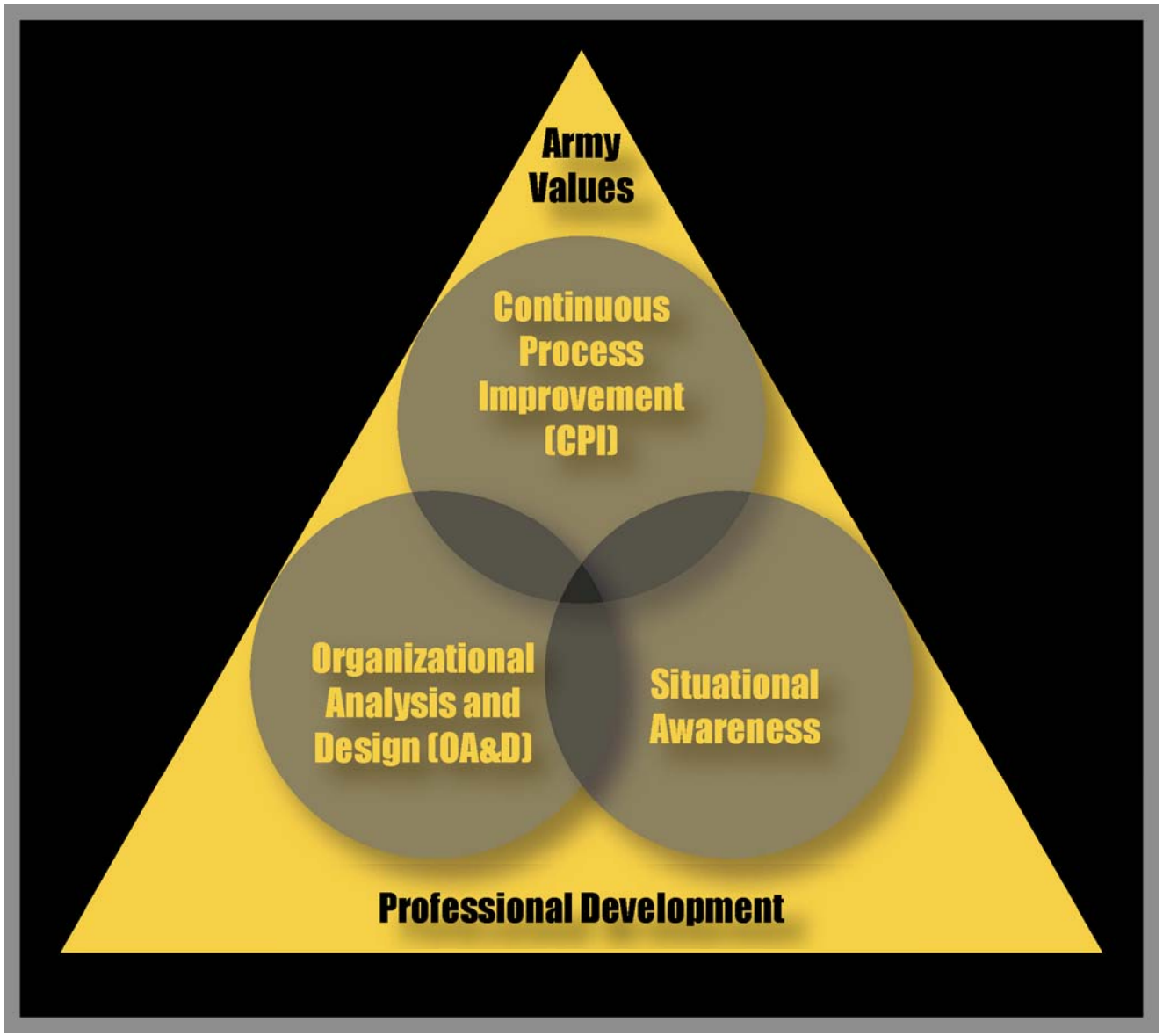
Results of Poor Business Situational Awareness

In the movie Other People's Money, Corporate Raider – Larry the Liquidator (Danny DeVito), speaking at a shareholders' meeting, uses a best in class buggy maker's denial of situational awareness in 1915 as automobiles become available to the middle class.

He goes bankrupt

making the best damn buggy in the world.

Professional Development – Ms. Vicky Jefferis



Developing 21st Century Civilian Corps Leaders

Service to the Soldier,
Servants to the Nation

There is no clear identity for civilians

The Army must have –

- **a systematic approach for identifying the roles, missions, and functions of the Civilian Corps as part of the total force**
- **a comprehensive set of strategies and conditions to acquire, manage, sustain, and retain a vibrant Civilian Corps**
- **a well-managed, integrated, and sufficiently resourced system to develop the Civilian Corps and Pentathlete leaders**

Leader Development Path to 2025

FROM TODAY

- Fragmented leader development programs
- Limited integration with military training
- Leader courses recommended
- Early development only for interns
- Little or no Army orientation
- Weak coaching, counseling, mentoring skills
- Functional experts
- Few cross-functional opportunities
- Limited strategic focus
- Unclear career paths

ENABLERS

- Comprehensive leader development system
- Progressive and sequential Civilian Education System
- Leverage distance learning technology
- Central, easily accessible learning site
- Emphasize self-development supported with tools
- Early orientation to Army and leadership
- Accountability in evaluations

→

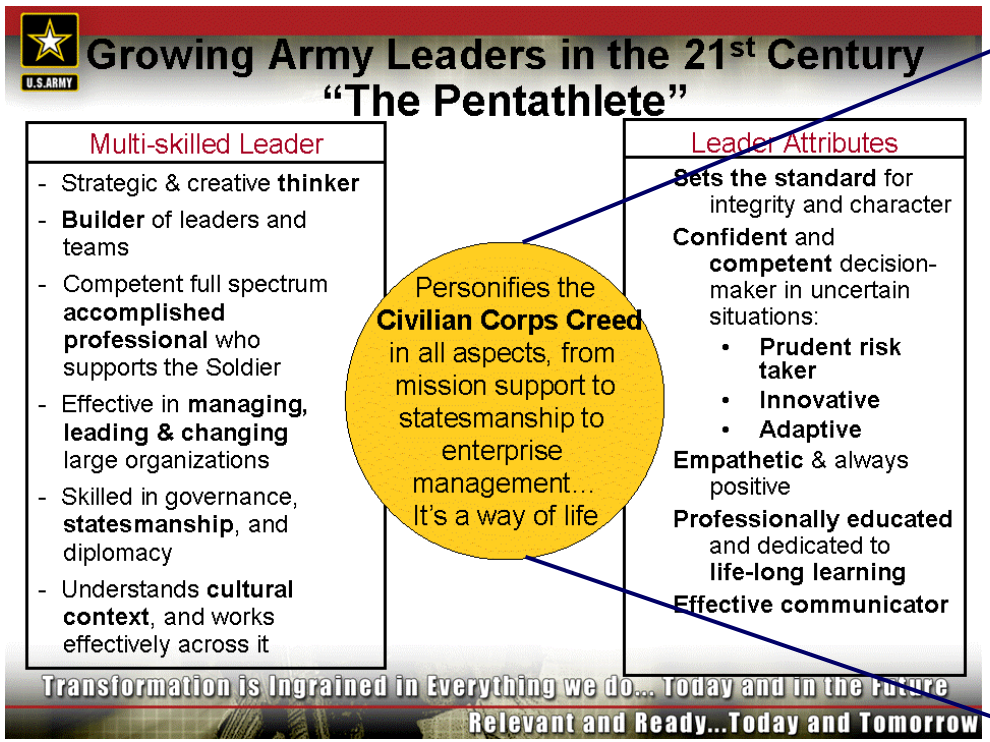
- Human capital strategy
- Broader career fields
- Intern programs
- Central management of competitive talent pool
- Increased and broader operational assignments

→

TO THE FUTURE

- Knows the Army
- Embodies Army values
- Professionally educated
- Life- long learner
- Leader of change
- Confident and self-aware
- Sharing learning across and outside of Army
- Adaptive and innovative
- Business leader with strategic focus
- Multi-functional, multi-skilled
- Effective across cultures
- Team coalition builder

First Things First



U.S.ARMY

- ❖ **Formally establish the Civilian Corps and communicate the vision**
- ❖ **Announce a Civilian Corps Champion and establish a Civilian Corps Implementation Office (C^2IO)**
- ❖ **Define the roles, missions, and functions of the Corps**

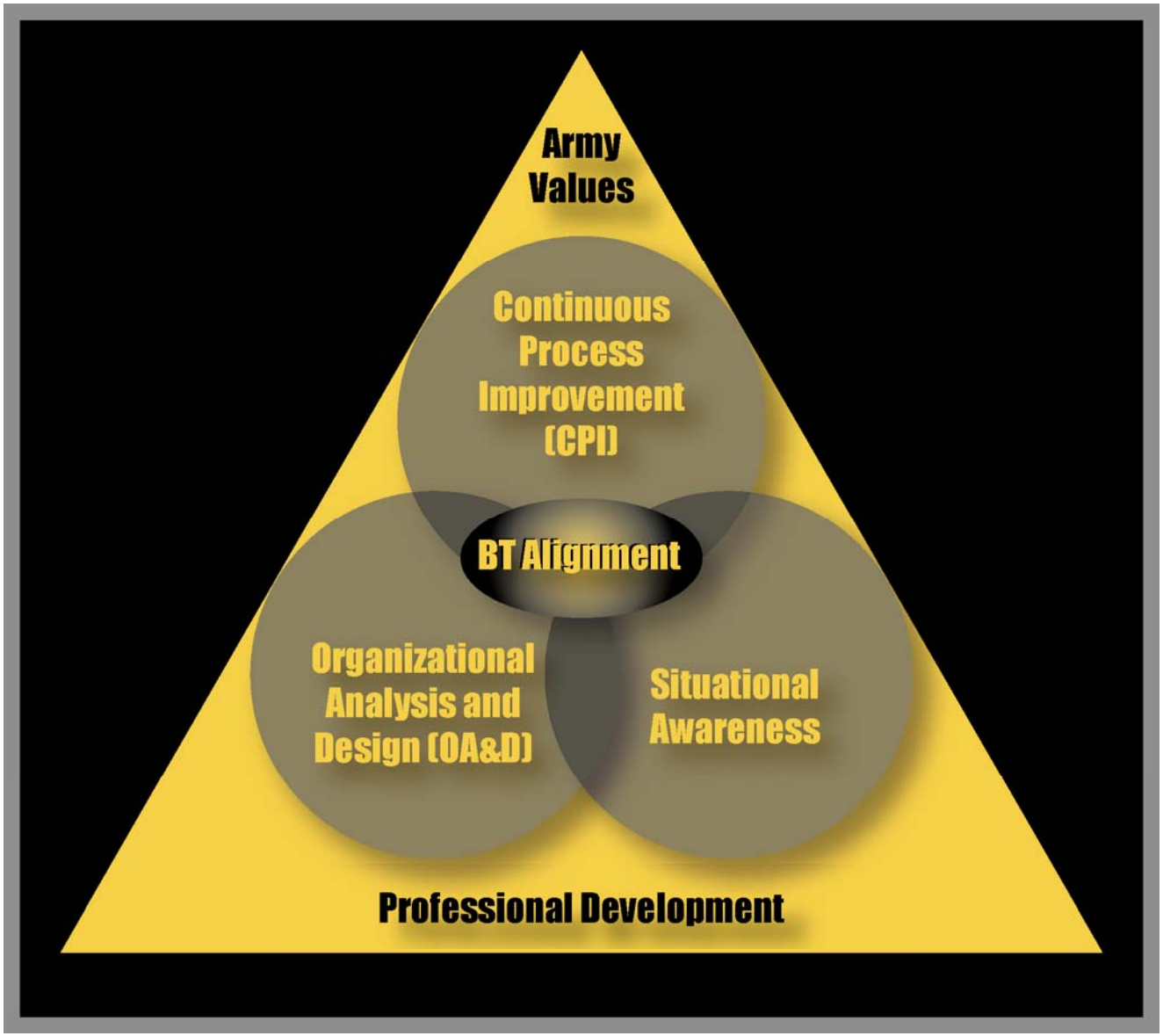
Changing a Culture

A Civilian Corps with a clearly stated vision and the systems and tools to develop civilian Pentathletes

- **Set the conditions**
  - ✓ **Define vision for the Corps**
  - ✓ **Establish visible leadership commitment**
  - ✓ **Develop aligned/unified policy and systems**
  - ✓ **Include the entire Corps**
  - ✓ **Require accountability at all levels**
- **Build the bench**
  - ✓ **Provide comprehensive training/education**
  - ✓ **Promote broad exposure/experiences**
  - ✓ **Promote and support self-development**
  - ✓ **Identify and manage a talent pool**

. . . smart succession planning

Business Case Studies Update – Dr. Roger Harvey



B O T S –
A Case of Business Shock 'n Awe

PRESENTED TO

AUSA Business Transformation Panel
11 October 2006

DEVELOPED AND PRESENTED BY

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Here's your situation . . .

- Retired Army officer … YOU join a multi-national company … CEO assigns YOU to a plant as the new General Manager … YOU have never run a plant before … CEO says "we're probably going to close the plant in three years" … hands YOU a book to read
- Factory has no external customers … refurbishes equipment for the company's operations throughout the world
- Revenues of $120 million … operating loss of $32 million … lowest productivity, highest wages, and broken production processes compared to the company's other 5 factories
- First Day: 5 hours of briefings by VP's … built around meaningless performance measures … YOUR comment at the end of the briefing: "I would do corporate a favor by closing this plant" …managers and employees' premonitions confirmed

What would YOU do?

a) Turn in YOUR resignation ... go back to the easy life … re-join the Army

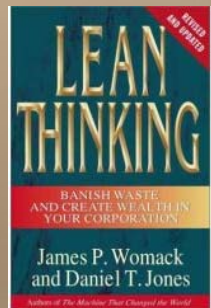
b) Read the book

c) Maintain the status quo … wait for the company to close the plant

d) Accept the Challenge …Be an Innovator …Lead the Change

e) None of the above

Answer: *Accept the Challenge . . . Be an Innovator . . . Lead the Change*



Sources

CASE
Letterkenny Army Depot:
The Army Teaches Business A Lesson in L6σ
BY
Roger K. Harvey & Chet Labetz

CASE
Letterkenny Army Depot:
Finance Innovations Support L6σ Success
By
Chet Labetz & Roger K. Harvey

ARTICLE
The Imperative of a Culture of Innovation in the Army: Adapt or Die
by
BRIG. GEN. David Fastabend
And
Robert H. Simpson

www.valueassociates.org

Letterkenny Army Depot - - Under Fire

- Recap PATROIT missile systems, HMMWVs, material handling equipment, generators, and mobile kitchen trailers
- 18,864 acres, 2.2 million labor hours, 1 million Sq Ft of shop floor space, 2,723 people employed
- Operating Budget exceeding $375 million

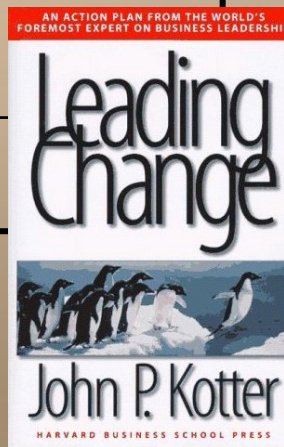
In 2002 …

- Operating Loss of $32 million on Revenues of $120 million
- Highest hourly wage rates among all depots
- Ranked lowest in productivity among all depots
- 1,800 jobs paying an average of $46,000

The Twentieth- and Twenty-first-Century Organization Compared [1]

Dimensions	Twentieth Century	Twenty-First Century
Leadership [2]		
Structure		
Processes [2]		
Systems		
Performance Measures [2]		
Culture		

1. John P. Kotter, *Leading Change*. Harvard Business School Press. 1996
2. Added by Roger K. Harvey



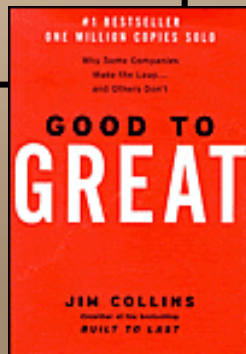
Accept the Challenge …Be an Innovator … Lead the Change

The Twentieth- and Twenty-first-Century Organization Compared

Dimensions	Twentieth Century	Twenty-First Century
Leadership	➢ **Senior managers will manage** ➢ **Protect status quo** ➢ **First What, then Who**	➢ **Senior managers will lead; lead other leaders; build coalitions … lower level employees will manage** ➢ **Change leaders offer credibility, clarity of vision, and ability to articulate vision** ➢ **First Who, then What (Collins)**

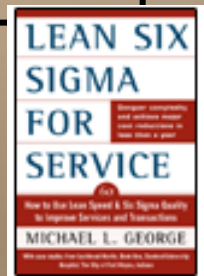
The Twentieth- and Twenty-first-Century Organization Compared (Continued)

Dimensions	Twentieth Century	Twenty-First Century
Leadership	➢ **Spend time and energy motivating people** ➢ **Set Goals and Strategies based on bravado**	➢ **Good people motivate themselves; don't de-motivate them** ➢ **Set Goals and Strategies based on understanding**



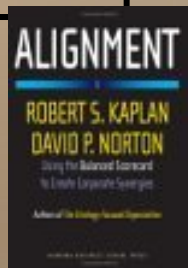
The Twentieth- and Twenty-first-Century Organization Compared

Dimensions	Twentieth Century	Twenty-First Century
Processes	➢ Batch ➢ Push ➢ Lean Manufacturing ➢ Single entity ➢ Quality variation ➢ Functional accounting	➢ Continuous, one-piece flow ➢ Pull, standard work, visual mgt. ➢ Lean Administrative/Office ➢ Supply Chain ➢ Six Sigma ➢ Activity-Based Costing (ABC/M)



The Twentieth- and Twenty-first-Century Organization Compared

Dimensions	Twentieth Century	Twenty-First Century
Performance Measures	➢ Single Dimension, Finance focus ➢ Return on Investment ➢ Income Statement ➢ Productivity & Efficiency ➢ Activity (means) based	➢ Strategy Maps and Balanced Scorecards … Alignment ➢ Economic Value Added (EVA) ➢ Activity-Based Costing ➢ Faster-Better-Cheaper; output to ? (Collins) ➢ Results based



Accept the Challenge …Be an Innovator … Lead the Change

The Twentieth- and Twenty-first-Century Organization Compared

Dimensions	Twentieth Century	Twenty-First Century
Culture	➢ Inwardly focused ➢ Centralized ➢ Slow to make decisions ➢ Political ➢ Risk averse ➢ Bureaucratic to compensate for incompetence and lack of discipline (Collins)	➢ Externally oriented ➢ Empowering ➢ Quick to make decisions open and candid ➢ More risk tolerant ➢ Adaptive, innovative, learning ➢ Continuously experimenting ➢ Disciplined

Accept the Challenge …Be an Innovator … Lead the Change

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ORGANIZATIONAL CULTURE AND LEADERSHIP

Success…

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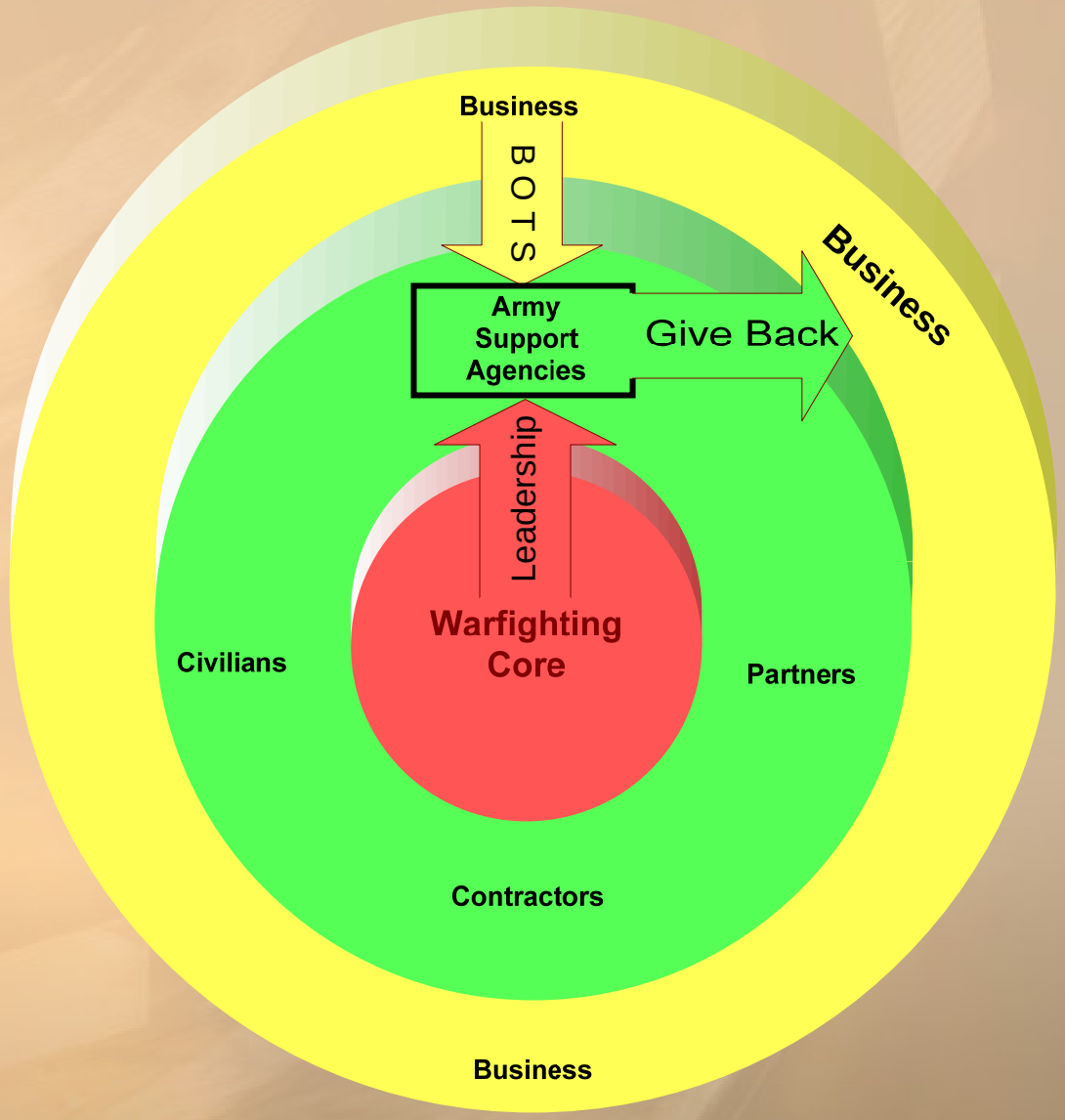
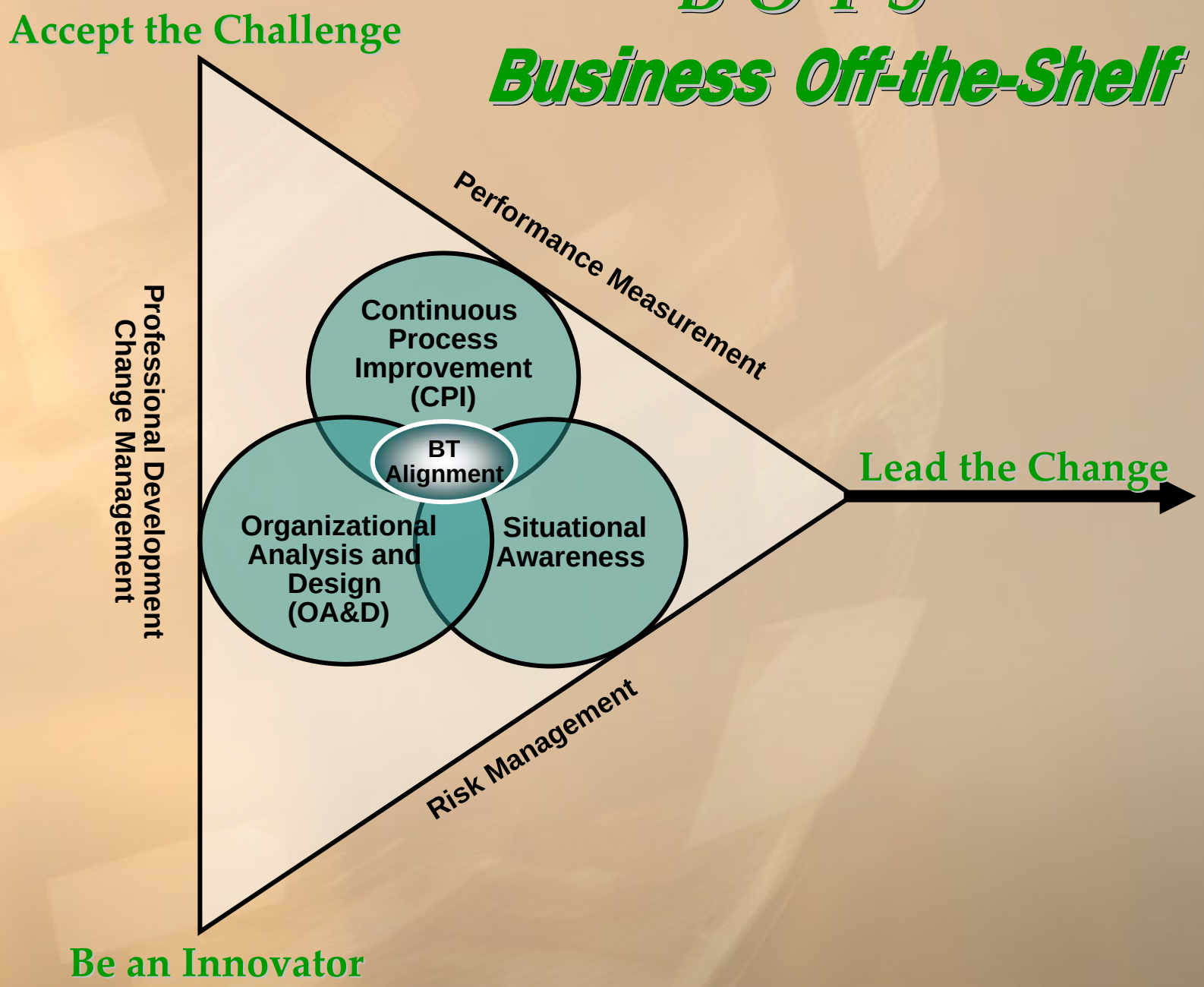


B O T S –
Business Off-the-Shelf



B O T S –
A Case of Business Shock 'n Awe

Accept the Challenge . . .

Be an Innovator . . .

Lead the Change

It's Time for a Rock
ROLLING ROCK
CONTENTS 12 FL. OZ.
ROLLING ROCK
Extra Pale
PREMIUM BEER
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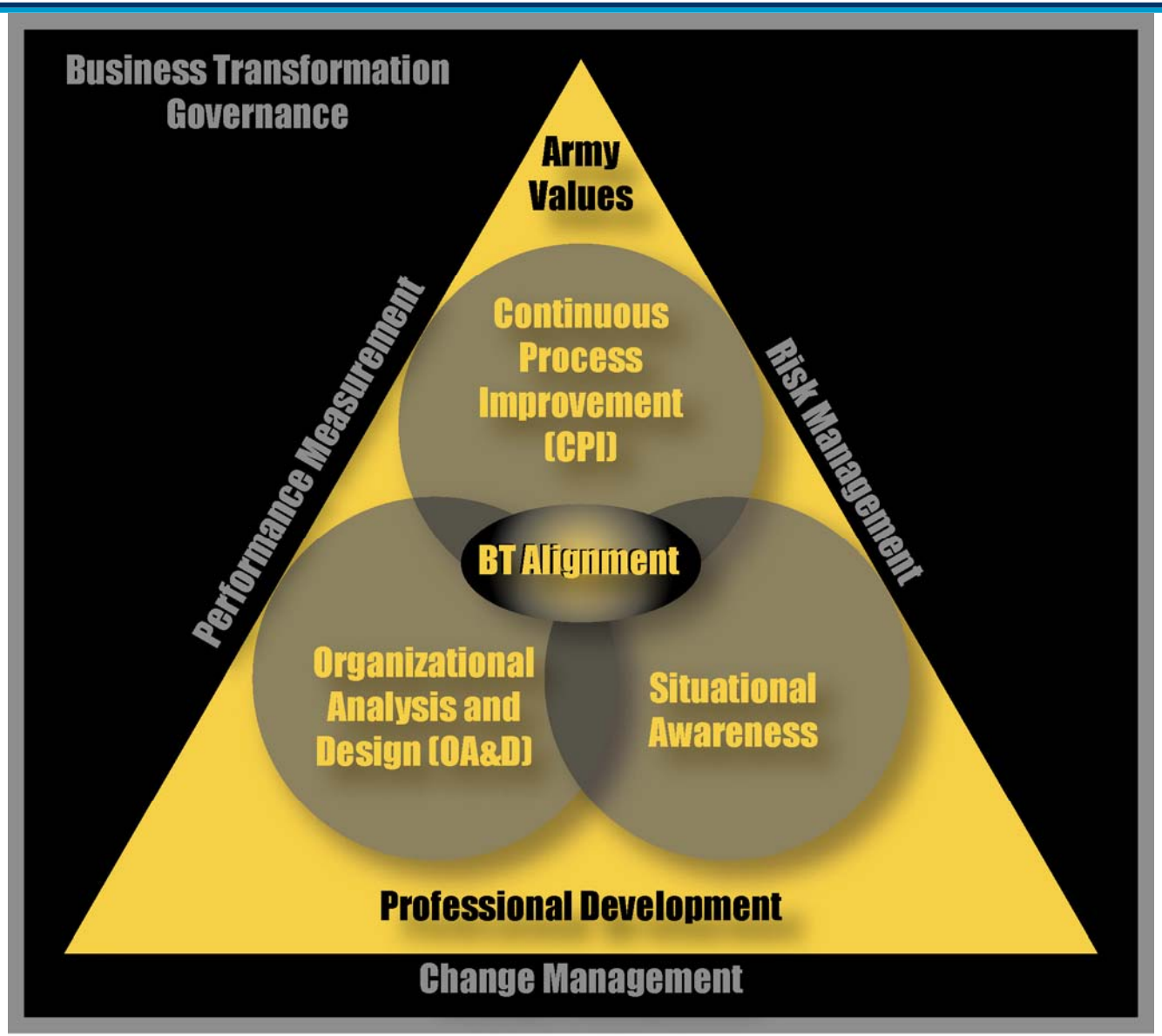
Business Transformation is focused on people, process, and technology



Army Transformation Done Right

VISION

- A fundamental change in how the Army does business.
- Apply proven business principles to the Army's business problems

DESIRED EFFECTS

- Maximizing return on taxpayers' dollar
- A culture that drives costs down vs. driving budgets up. …"Defending the Nation is more important than defending the budget"
- A culture of continuous improvement.

Payoff – an Army which effectively and efficiently provides the necessary forces and capabilities to the Combatant Commanders in support of National Security and Defense Strategies