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# DEPARTMENT OF THE ARMY

## *2012 Annual Report on Business Transformation* *Providing Readiness at Best Value*

1 MARCH 2012

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Preparation of this report/study cost the Department of Defense a total of approximately \$35,000 for the 2012 Fiscal Year. Generated on 2012Feb27 1642 Ref ID: 9-47FB881

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**UNDER SECRETARY OF THE ARMY  
WASHINGTON**

**MARCH 1, 2012**

We have been a Nation at war for the past ten years, and America's Army has proven – on and off the battlefield – that we are the premier war fighting force in the world. Over the past year, we successfully concluded combat operations in Operation Iraqi Freedom/Operation New Dawn. In Afghanistan, over 65,000 Soldiers continue to conduct combat operations and transition security responsibilities to the Afghanistan National Security Forces. Our accomplishments in Iraq and Afghanistan came with an enormous cost, as 4,500 Soldiers rendered the ultimate sacrifice and almost 33,000 returned as Wounded Warriors. Throughout all of this adversity, our Soldiers, Civilians and Family members demonstrated repeatedly through their courage and resilience that our Army remains the Strength of the Nation.

As President Barack Obama stated in introducing his new national defense strategy, the country is at a turning point after a decade of war and considerable increases in defense spending. Even as large-scale military campaigns recede, the Nation will still face a growing array of security challenges. Army forces, as part of the Joint Force, will be required to prevent conflict, shape the security environment, and win decisively when required. The Army will continue to provide homeland security support to civil authorities. This includes Army Reserve and National Guard units providing distinctive capability to our citizens affected by natural disasters. Movement toward the Army of 2020 will require examination of a broad range of Army capabilities – from organizational structure to training, from leader development to equipping. As the Army changes to meet this new strategy, we will continue to adapt our business operations to ensure we provide trained and ready forces at best value to the Nation.

This 2012 Report on Business Transformation provides an update on progress made in transforming our Institutional Army, implementing an integrated management system, strengthening our financial system, improving the governance and management of our business systems information technology, enhancing Army energy security and promoting a cost culture throughout the Army. By improving Army business operations we can align our business process to better support our agile and versatile Operating Force to produce readiness at best value.

In these challenging times, our Army will join in Department of Defense efforts to maximize efficiency by identifying and eliminating redundant, obsolete programs, responsibly reducing end-strength and by evolving our global posture to meet future security challenges.

A handwritten signature in black ink, reading "Joseph W. Westphal".

Joseph W. Westphal

## SECTION 1: INTRODUCTION

The Army is in transition. Operation New Dawn has concluded in Iraq and the Army continues to reduce its presence in Afghanistan. Barring significant and unforeseen changes, the size of our presence in the Middle East will decrease over time. At home, an economic reality will drive some very tough decisions about the development of Army 2020, a smaller land force which will be a key component of Joint Force 2020.

As President Barack Obama stated in introducing his new national defense strategy, the country is at a turning point after a decade of war and considerable increases in defense spending. Even as large-scale military campaigns recede, the Nation will still face a growing array of security challenges. Army forces, as part of the Joint Force, will be required to prevent conflict, shape the security environment, and win decisively when required. Movement toward Army 2020 will require examination of a broad range of Army capabilities – from organizational structure to training, from leader development to equipping. As the Army changes to meet this new strategy, we will continue to adapt our business operations to ensure the Army provides trained and ready forces at best value to the Nation.

This report fulfills the requirement outlined in Section 908 of the Duncan Hunter National Defense Authorization Act (NDAA) for FY09 (Public Law 110-417). This legislation directs the Secretary of each military department, acting through the Under Secretary of the Army/Chief Management Officer (USA/CMO), to carry out an initiative for the business transformation of the military department. This legislation further directs the USA/CMO to submit to the Congressional defense committees by March 1, 2012, a report on the actions taken and actions planned to be taken to carry out the business transformation initiative of the military department. This 2012 report is the final report in accordance with NDAA 2009.

## SECTION 2: ARMY BUSINESS TRANSFORMATION ACTIVITIES

### ***Transforming the Institutional Army***

The Secretary of the Army has challenged the Institutional Army to become more efficient and innovative. As the part of the Army charged with organizing, manning, equipping, training and sustaining Soldiers, the Institutional Army is adapting to better develop and field trained and ready units to meet Combatant Commander demand.

The Secretary of the Army established the Institutional Army Transformation Commission (IATC) to seek areas within the Institutional Army for transformational improvement. The IATC performs research to develop and validate assertions, and collaborates with senior leaders to mutually identify actionable opportunities. Once opportunities are identified, the responsible senior leader develops an implementation plan in response to a directive from the Secretary of the Army. The senior leader directs the transformation in accordance with the approved plan. The IATC continues involvement through the improvement cycle of *plan, do, check, adjust*, making sure that efforts stay on track.

During 2011, the Secretary of the Army issued seven directives to senior leaders intended to produce in-depth assessments of their organizations and processes with the ultimate aim of achieving improved performance with increased affordability. These directives include the broad areas of materiel development and sustainment, services acquisition, human capital management reform, requirements generation, information technology management, management of headquarters growth and temporary organizations, and installation management. The IATC will continue their important work of stimulating transformational initiatives, conducting research in a number of areas including regional structures, logistics, mission support elements, requirements generation, and post production software support. We will continue to see results from the IATC as it works to help the Institutional Army organizations become agile and adaptive.

### ***Strengthening Financial Management-Achieving Financial Auditability***

The Army Financial Improvement Plan (FIP) provides the roadmap to implement auditable business processes and effective internal controls across the Army's business environment. The FIP also addresses auditability of the systems supporting the Army's business processes, such as General Fund Enterprise Business System (GFEBS), Global Combat Support System – Army (GCSS-Army), Logistics Modernization Program (LMP) and other feeder systems, which must comply with Federal systems standards and successfully withstand the scrutiny of financial statement audits. Having compliant, auditable systems with integrated automated controls is critical to sustaining Army business processes that reduce or mitigate financial risks.

The FIP also establishes a strategy to achieve an auditable Statement of Budgetary Resources by FY14, as directed by Secretary Panetta in October 2011. It requires the verification of Existence and Completeness of equipment by December 31, 2013 and all financial statements by FY17. The Army has incorporated lessons learned from the successful audits of the US Army Corps of Engineers

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Financial Management System and the 2011 audit by an independent public accounting firm of five business processes at three installations<sup>1</sup> operating GFEBS, which resulted in a positive (qualified) opinion. This successful audit provided independent validation of consistent, standardized business processes across three GFEBS installations.

Strengthening financial management also includes the modernization of decades-old financial processes and systems into GFEBS. During FY11, GFEBS added 33,000 end users – a remarkable number given a new system with new data structures and new business processes. At the beginning of FY12, GFEBS was operational in hundreds of organizations, with 19 commands fully operational across more than 180 sites and with 40,000 users worldwide, including the National Guard in all 50 states and 4 territories.

In 2012, GFEBS will complete fielding and add 15,000 more users. At end state, GFEBS will bring all components onto the same integrated system. The transformational nature of GFEBS is that transactions originate outside the traditional finance office, bringing originating organizations into the enterprise process and eliminating the redundancy of transactional work. Financial managers will begin to focus more on the cost center information readily available in GFEBS to inform cost analysis of current year performance that will subsequently inform future program and budgeting decision making.

GFEBS is the cornerstone of achieving mandated audit readiness. The Army is using GFEBS deployment waves for systematically conducting audit readiness evaluation and discovery. Audit readiness evaluations began with GFEBS Wave 1 organizations at Forts Jackson, Stewart and Benning and then expanded to Wave 2 organizations in 2012. GFEBS is one of several Enterprise Resource Planning (ERP) solutions that the Army is implementing – all are being developed in a federated approach. It provides the global financial template which is the foundation for the other Army ERPs.

It is important to note that establishing and maintaining an auditable business environment relies heavily on the business process owners outside of the financial management field. Consequently, senior Army leaders are holding Army executives across all business functions accountable for contributing to the Army audit readiness goals.

### ***Enhancing Army Energy Security***

In the face of escalating energy costs and price volatility, the Army is committed to managing its resources in a sustainable manner that meets mission requirements with enhanced power and fuel performance. Army Power and Energy is organized into three lines of effort: Soldier Power, Basing Power and Vehicle Power. To accomplish its energy goals, the Army is researching, developing and deploying a variety of advanced technologies and improved management practices for energy, water and waste to ensure availability of multiple energy sources, preserve

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<sup>1</sup> Audit readiness evaluations began with GFEBS Wave 1 organizations at Forts Jackson, Stewart and Benning.

future operational flexibility and mitigate adverse impacts from volatile energy prices and uncertain rising energy costs. Last year, our energy costs were more than \$4 billion, of which liquid fuel represents about 70%.

*Energy Initiatives Task Force.* In September 2011, the Army stood up the Energy Initiatives Task Force (EITF) to work with private industry to develop large-scale renewable energy projects that are directed at meeting the Army's renewable energy goals. The Army estimates that it will require more than \$7 billion in private sector investment to meet the federally mandated goal of 25% renewable energy by 2025. These projects are complex and require significant expertise in renewable energy development (capabilities that are not available at the installation level). Working with the private sector, the EITF will provide the Army with the most strategically efficient enterprise-level capability.

*Net Zero Installations.* The Net Zero vision is a holistic approach to reducing and addressing energy, water and waste at Army installations. The program establishes a framework of reducing, re-purposing, recycling and composting, energy recovery and disposal to guide installations toward achieving Net Zero in an environmentally responsible, cost-effective and efficient manner. In April 2011, we identified six pilot installations each for energy, water and waste and two integrated installations striving towards Net Zero by 2020<sup>2</sup>. At the pilot installations, the Army will conduct energy and water audits and material flow surveys to help develop strategic project road maps that provide project-level details for each year through 2020. Also, the Army is working with the Environmental Protection Agency's Office of Research and Development to seek out innovative technologies that can accelerate and enhance Net Zero goal attainment.

*Other Installation Energy Improvements.* The Army is updating energy policies and procedures. We are revising the Installation Master Planning Guide to reflect principles of sustainability and energy efficiency. In 2011, the Army adopted American Society of Heating, Refrigerating, and Air Conditioning Engineers 189.1 for High Performance Sustainable Buildings as our building standard for military construction. We have also adopted policies to accelerate the deployment of solid state lighting and to incentivize the construction of high efficiency structures.

*Operational Energy.* The Army is expanding our efforts to improve the operational energy performance of our deployed forces. This includes a portfolio of activities ranging from Soldier awareness and cultural change to rapid equipping of contingency forces and technology development efforts. We are working with other Services, the Department of Energy and others to develop, field and deploy improved capabilities – focused on energy management, efficiency and networking – including smart power grids, efficient generators, advanced Soldier power and fuel

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<sup>2</sup> The pilot installations for energy are Fort Detrick, Fort Hunter Liggett, Kwajalein Atoll, Sierra Army Depot, West Point and Parks Reserve Forces. The pilot installations for water are Aberdeen Proving Ground, Camp Rilea, Fort Buchanan, Fort Riley, Joint-Base Lewis-McChord and Tobyhanna Army Depot. The pilot installations for waste are Fort Detrick, Fort Hood, Fort Hunter Liggett, Fort Polk, Joint-Base Lewis McChord, and US Army Grafenwoehr. The integrated pilot installations are Fort Bliss and Fort Carson.

accountability systems. These improvements provide advantages in the forms of extended range and endurance, flexibility and resilience, enhanced mobility and freedom of action.

### ***Reforming the Acquisition Process***

As a result of uncertain funding, insufficient contract oversight, and an ineffective requirement determination process, the Army has initiated a significant reform of our acquisition process. As part of the Acquisition Reform initiative, we have taken steps towards improvement through a series of capability portfolio reviews (CPRs).<sup>3</sup> These reviews serve to revalidate, modify or terminate programs based on the Army's need and the affordability of the program.

We have also started to fix an inefficient procurement system that too often wastes precious resources and fails to provide needed systems in a timely manner. For example, the Army commissioned a comprehensive review of our acquisition system that, based on the findings and recommendations, produced a blueprint for acquisition reform. These changes fall into four areas:

- Realignment of acquisition requirements combined with a sharper focus on the needed competencies of acquisition professionals.
- Expansion of stakeholder (acquisition professional and Soldier end-user) participation in developing requirements, planning and acquisition solicitation.
- Reappraisal and streamlining of acquisition strategies and the attendant risk in such streamlining.
- Improvement in the selection, development and accountability of the people involved in the acquisition process.

We are implementing these recommendations as part of our broader effort to reform the Institutional Army.

### ***Implementing an Integrated Management System***

The Integrated Management System (IMS) is an integrated set of business management processes enabling Army leadership to make resource-informed decisions and provide the Nation with trained and ready forces at best value. Integrated management assigns responsibility and focuses effort – *Plan*; provides leadership and direction, monitors execution and ensures synchronization – *Management*; and defines progress against planned execution – *Measurement*.

*Plan.* The Army uses the IMS as a framework to integrate enterprise systems and processes into a holistic management perspective that recognizes the complementary nature of two key processes: the Planning, Programming, Budget and Execution (PPBE) process, which allocates resources

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<sup>3</sup> The Army embarked on non-materiel capability portfolio reviews (CPRs) to address a workforce which has substantially grown over the last decade. The USA and VCSA led these reviews that looked at divestiture of functions, realignment of spaces, and downsizing across the Army to meet workforce goals. These efforts have provided a comprehensive review of Army manning and set conditions for future change.

against the Army's top priority programs, and the Army Campaign Plan (ACP), the execution element of The Army Plan.

*Management.* Execution of the PPBE process and the Army Campaign Plan both entail governance structures led by Army senior leaders. The Senior Review Group (SRG), co-chaired by the USA and VCSA, serves as a senior level forum that resolves resource allocation and other PPBE-related issues with final strategic resourcing decisions made by the Secretary of the Army and the Chief of Staff, Army. The ACP assigns accountable leadership for campaign objectives and their associated major objectives to the Assistant Secretaries of the Army supported by the Army Staff, Army Commands and Direct Reporting Units. The ACP is comprised of nine major campaign objectives and supporting major objectives which align to the Army's Title 10 responsibilities and support strategic Army outcomes.

*Measurement.* The Secretary of the Army directed the development of performance metrics to track the Army's progress in meeting campaign and major objectives. Beginning in 2012, the USA and VCSA will host monthly Performance Assessment Updates which will review progress toward achieving stated ACP outcomes. The reviews use metrics developed at the campaign and major objective levels. Utilizing SMS to review each campaign objective every four months, we will review the entire ACP three times per year. SMS is an existing Army-wide, web-based performance management tool that aligns goals, objectives and metrics; captures strategy execution and provides a common operating picture of performance progress. SMS provides the capability to track the progress of ACP campaign and major objectives and other Army initiatives in real time. During 2011, the SMS customer base grew by over 5,200 users. Several organizations adopted SMS as their performance management tool. Examples include:

- The Assistant Secretary of the Army (Installations, Energy and Environment) is utilizing SMS to monitor, synchronize and report progress for Army-wide execution of energy and sustainability strategies.
- The Office of the Surgeon General fully automated the Army Medical Command's Strategic Plan into SMS. The command conducts Quarterly Performance Management Reviews based on readily-available information in SMS.
- The Army National Guard monitors its Strategic Plan and published national metrics that track progress in SMS.

The SMS Program Office will continue to train users and deploy the tool to allow the Army to better see ourselves during plan execution, make needed adjustments and provide feedback into the next PPBE cycle.

### ***Improving Army Business Processes***

The goal of improving Army business processes is to ensure our Army in transition continues to provide trained and ready forces at best value to the Nation. We have established a framework for

mapping and improving Army components of the 15 Department of Defense (DoD) Business Enterprise Architecture End-to-End (E2E) processes. Process mapping enables the Army to better understand how work gets done and identifies cross-domain dependencies. Mapping also enables us to pinpoint reengineering efforts, improve process efficiency and invest wisely in business systems.

Our initial focus is expanded mapping of five of the 15 DoD E2E processes: Acquire-to-Retire, Hire-to-Retire, Deploy-to-Redeploy/Retrograde (D2R/R), Environmental Liabilities and Procure-to-Pay (P2P). Expanded mapping began with development of a standardized list of operational activities. These activities provide the entry points for further analysis of performance measures, inputs, outputs, controls, business rules, supporting systems and other resources.

Looking ahead to 2012 and beyond, the Army will institute a standardized Business Process Management and Re-Engineering (BPM&R) methodology to enable an enterprise view of our current business processes and identify improvement opportunities. This methodology will utilize E2E business process scenarios as the core framework to guide BPM&R throughout the enterprise. Process champions apply resources to solve business decisions related to the structuring of extended E2E business processes and investing in business systems.

Process mapping is one component of improving business processes. To improve efficiency, the Army is defining, reengineering and applying Lean Six Sigma/Continuous Process Improvement (LSS/CPI) to our priority processes. In FY11, Army organizations continued to implement the Secretary of the Army's directives to achieve savings and efficiencies through the LSS/CPI program. With over 1,400 projects conducted, the Army reduced costs by \$1.6 billion and avoided additional costs of approximately \$3.6 billion. For example, the Army Test and Evaluation Command, utilizing 300 trained LSS personnel, achieved \$115 million in savings. The Army is also using LSS/CPI in combat environments. The operational benefits of a streamlined logistics throughput into Iraq and Afghanistan, coupled with financial benefits of \$81.6 million, demonstrate the applicability of this rigorous methodology.

To replicate these accomplishments, the Army continues to move subordinate commands towards a self-sustainment LSS/CPI construct. As part of this effort, the Army is implementing a Black Belt Qualification Course for General Officers and Senior Executive Service (SES) members. This leader program uses the latest adult learning techniques by combining small group instruction, desk side one-on-one coaching, homework and e-learning, thus maximizing the senior leader's time. Finally, we strengthened the linkages between our project management database, PowerSteering, and GFEBS in order to better inform the resourcing of Army programs through internally-generated savings.

### ***Transforming Business Systems Information Technology Management***

In February 2011, the Army published the Business Systems Information Technology (BSIT) Strategy. The BSIT Strategy establishes governance to ensure we make the appropriate investment

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in ERPs and other business systems. Supporting auditable financial statements is a primary objective of the Army BSIT Strategy. The Army's investment strategy reflects a logical approach to balancing the operational risk to Soldiers, the financial risk of declining budgets and the programmatic risk associated with achieving full auditability by FY17. From an operational perspective, the Army ERPs focus on the core business processes necessary to effectively organize, man, equip, train and sustain Soldiers while providing units the asset visibility required to operate effectively. From a business perspective, the Army's ERPs will eliminate more than 250 legacy systems, provide financial management and reporting for Army General Funds, and better align business processes and associated investments to our output – trained and ready forces for Combatant Commanders.

Recent reviews of ERP schedules and costs have focused on how each developing program supports financial auditability. Program delays or resource constraints require adjustments as they occur; however, we are confident that the program schedules are optimized to support FY17 audit readiness and the cost estimates are reasonable. Unplanned delays or constrained funding may increase costs as the result of having to rely on manpower-intensive and manual audit processes. It is essential the Army continue the current paths for Integrated Personnel and Pay System-Army (IPPS-Army), GCSS-Army, LMP and GFEBS.

In 2011, the Army expanded our BSIT governance by establishing the 2-Star BSIT Working Group and the 3-Star BSIT Review Group. These two groups provide additional levels of collaboration on business and cross-functional issues. Through the BSIT governance forums, the Army addressed critical issues such as the IPPS-A acquisition strategy, synchronization of financial audit readiness activities, E2E business process improvement and a methodology for Business Mission Area Portfolio Reviews. BSIT governance also enabled coordinated Army positions on Office of the Secretary of Defense (OSD), Congressional and Government Accountability Office (GAO) requests for information.

The Army will continue to advance BSIT management by refining our enterprise governance and conducting Business Mission Area Portfolio Reviews. These two efforts will help shape the Army's future business system target environment. We will use BSIT governance to validate enterprise business systems requirements, such as Enterprise Email and DoD Collaboration Services, and adjudicate cross-functional issues that require synchronization across multiple stakeholders. The BSIT forums will ensure Army-level collaboration of key business issues, review candidate business initiatives and recommend business initiatives for inclusion in our transformation plans. Based on the portfolio management approach laid out in the BSIT Strategy and following the success of other CPRs, we will conduct Business Mission Area Portfolio Reviews beginning in March 2012. These reviews will ensure our business systems investments are aligned with the Army strategy. We will use the results of the portfolio reviews to inform Program Objective Memorandum (POM) 2014-2018 and begin planning for POM 2015-2019.

***Promoting Resource-Informed Decision Making***

The Army's Cost Culture focus is the backbone of promoting resource-informed decision-making and continuous improvement through cost management. Both efforts contribute to mission effectiveness by improving Army leaders' ability to make resource-informed decisions and drive cost effectiveness.

In support of this, the Army directed that resource decisions submitted to headquarters be accompanied with a thorough Cost-Benefit Analysis (CBA). In FY11, the Army integrated CBA into more than a dozen supporting decision-making processes at Army Headquarters. The development, analysis and consideration of rigorous cost-benefit analyses is becoming embedded in our decision-making processes at lower echelons as well, and is helping us make better resource-informed decisions. The Army continued to develop and refine tools and resources to support the CBA process. Our revised CBA Guide provides comprehensive guidance on the preparation of CBAs and the new CBA Workflow Tool simplifies the submission and review process. In FY11, the CBA Review Board (CBARB) completed review of 129 CBAs with a total dollar value of more than \$45 billion.

The Army conducted eight successful iterations of our four-week Cost Management Certificate Course (CMCC). This graduate-level course, aimed at senior military and civilian analysts, helps the Army develop a cadre of change agents who work at all organizational levels to instill cost management into the Army culture. In FY11, 162 leaders graduated from CMCC. The Army developed and conducted validation of two courses designed for officers, enlisted, and civilian personnel at junior and mid-grade levels – Principles of Cost Analysis and Management (PCAM) and Intermediate Cost Analysis and Management (ICAM). These courses will give graduates practical tools to enable them to implement cost management principles at installation and command levels. GFEBS is the Army's new enterprise-level system that links financial accounting, funds control, asset accounting and cost accounting. GFEBS is being fielded in waves throughout the Army; in advance of each wave, training is conducted to ensure new users are able to use the complete range of GFEBS functionality for both fiduciary and cost accounting.

In FY12, the Army will continue to use CBA to support resource-informed decision making by completing work on more than 169 CBAs valued at more than \$22 billion currently in process, in addition to new CBAs submitted. The Army will continue to revise and improve the CBA Guide, and will improve the CBA submission and review process by building additional functionality into the CBA Workflow Tool and scaling it for use at Army command level.

Also in FY12, the Army will offer three education courses for both financial and operational management professionals: four sessions each of PCAM and ICAM will be offered at the Soldier Support Institute and two offerings each via mobile training team; and eight CMCC sessions (for approximately 170 students) at the Naval Postgraduate School. The Army will also offer training for new GFEBS users, and offer focused CBA training classes throughout the year. The Army is developing a new professional development program, the Cost Management Executive Course,

intended for the Army's general officers, SES members, and Sergeants Major and focus on senior leaders' roles in driving cost management programs.

The Army identified metrics to evaluate performance in implementing a Cost Culture focus. The metrics include the percentage of GFEBS-equipped organizations that are using GFEBS data and analysis to conduct cost management reviews; the percentage of commands and subordinate organizations that are using CBA to support decision making; and an assessment of each organization's cost management maturity – its capability to carry out a cost management program on a sustained, effective basis. The Army established reporting requirements for these metrics in FY12 and will collect initial data to serve as a baseline from which to measure progress.

To adopt a cost culture, the Army will promote a permanent focus on this new mindset and behaviors to promote cost effectiveness and continuous improvement. Army senior leaders will drive the cost management process, holding their subordinates accountable for cost effectiveness. The Army will continue to promote resource informed decision-making by providing CBA training courses to Army staffs at all levels. The Army will continue the policy that requires a cost-benefit analysis to accompany any request for new or increased funding, and it will continue incorporate the requirement for CBA into all Army requirements and resourcing processes.

## SECTION 3: PROGRESS OF ARMY BUSINESS INITIATIVES

The Army continues to see progress in the management and execution of Business Initiatives submitted in the 2011 Army Business Transformation Plan. Business Initiatives are focused on improving readiness and warfighting capabilities; improving cycle time; eliminating waste or redundancy; and improving quality, reliability and customer satisfaction.

Business Initiatives are managed by the USA in his role as the CMO. New Business Initiatives are nominated through the BSIT governance forums for USA endorsement and Secretary of the Army approval. Once approved, the accountable staff lead will develop performance metrics tracked in SMS. Status updates and recommendations to consolidate modify or close-out business initiatives are presented to the BSIT forum for final approval by the Secretary of the Army.

The following business initiatives were covered in Section 2 as they support large business transformation efforts: ***Financial Management Improvement Plan, Army Energy Security and Sustainability, Business Systems Information Technology Governance and Cost Culture***. Following is a status of the remaining business initiatives initially reported in the Army's 2011 Business Transformation Plan:

### ***AcqBusiness***

Army Acquisition users are constrained by the current suboptimal configuration of business systems and the outdated policies and procedures that encumber the ability to locate, access and share accurate and timely acquisition data. This business initiative addresses these problems through better use of information and information technology resources.

The Army established a governance structure which includes a senior leader forum and an action officer level forum to vet and prioritize information management needs. We defined the framework for the Next Generation Environment, built the prototype for the Executive Dashboard and included data mapping from the legacy environment to initial reporting needs. This enabled AcqBusiness to standardize data and eliminate data redundancy. The Army conducted a series of workshops to review and define data business rules to ensure accurate program reporting and serve as the cornerstone for future efforts in this area.

### ***Procure-to-Pay Pilot***

The Procure-to-Pay (P2P) Pilot tests the ability of an ERP system to conduct the entire E2E P2P process internally. The Army's current ERP implementations require interfaces to numerous legacy systems, many of which are DoD-wide systems that optimize a sub-element or organization but hinder the effectiveness of the overall business process. Army P2P Pilot will eliminate the need for custom interfaces to and from the Standard Procurement System and Automated Disbursing System.

The P2P Pilot is in Phase I-B and consists of three major capability roll-outs: Treasury disbursement, Supplier Self Service (SUS) for vendor interaction, and Procurement for Public Sector (PPS) for procurement and contract management. Treasury disbursement and SUS are within the scope of the current GFEBS contract. Treasury disbursement went live in December 2011. Treasury disbursement and SUS capabilities will be evaluated as stand-alone capabilities during a six-month live evaluation period at Fort Jackson. It is envisioned these two capabilities will be integrated with PPS to provide for an E2E business process and be evaluated along with PPS during a six-month live evaluation at Fort Jackson planned in late 2013.

### ***Authoritative Data***

This business initiative improves mission effectiveness by enabling the reuse of reliable, accessible, understandable, and trusted data. The use of Authoritative Data Sources (ADS) also increases efficiency by reducing duplicative data sources and enables the implementation of secure information sharing.

The Army re-established the Army Data Board in August 2011 to oversee Army Data Management. We appointed an Army Chief Data Officer along with Army Data Stewards from the Assistant Secretaries of the Army, Deputy Chiefs of Staff, Army Commands, and other organizations. The Army Data Board adopted a new strategy for governance of the ADS process by decentralizing the identification, nomination and registration of authoritative data. This new direction in governance empowers the Army Data Stewards from the various communities of interests to identify ADS within their respective areas. The Army Data Board acts as the decision body that adjudicates conflicts during this process. We have set up infrastructure, built expertise, aligned policies with DoD, developed Army policies and produced architecture products.

We will complete the ERP Exposure Study to identify data exposure gaps between business systems and operating force and make recommendations. The Army will publish an updated Common Operating Environment that will include the Army Information Architecture, which solidifies authoritative data guidance. Lastly, we will establish the relationship to address authoritative data between the Army Data Stewards and the E2E process owners.

### ***Enterprise Traceability***

This initiative integrates data from existing systems to provide transparency of equipment procurements from budget requests to unit-level deliveries. This supports transparency of reserve component equipping and other ongoing actions to improve property accountability. It transitions the Army from manual data collection and integration to a method that is systematic and audit-ready.

During FY11, the Army focused on improving Item Unique Identification (IUID) data flow from the acquisition community to unit property records with a goal of achieving an IUID rolled throughput yield of at least 80%. Six of the 11 Program Executive Offices (PEOs) that oversee the

Program Managers (PMs) have made significant improvements in flowing IUIDs into the unit property book system: Soldier, Combat Support & Combat Service Support, Chemical Biological Defense, Ground Combat Systems, Aviation, and Command Control Communications – Tactical. Several PMs achieved great results ranging from gains of 60% to over 70% and others have sustained a 99% success rate for several quarters. In addition to solving a critical gap to traceability, IUID can potentially save the Army at least \$466 million from FYs12-17 in both transparency and supply chain processes.

The Army will achieve an IUID rolled throughput yield of at least 80% for new procurement equipment in FY12 while improving IUID data flow into property records across the entire acquisition community, establishing control measures for items requiring IUID to improve registration and systematic linkage between delivery, contract, appropriation, and plan data. We will develop a method to systematically collect transparency data during the transition period between legacy and ERP systems and ensure requirements are coordinated with ERP systems as they are developed. The Army plans to implement transparency and reporting capabilities in a fully mature ERP environment. Improvement in component-level feeder data will increase the accuracy of budget justification documents and the efficiency in the budget development process.

### ***Army Force Generation Business Architecture***

This business initiative synchronizes the multiple business activities that contribute to the force generation process. This will provide for efficiency of operations without compromising readiness by increasing awareness of the inputs and constraints associated with Army Force Generation (ARFORGEN). The Army conducted a series of workshops to identify the process steps and business systems used in support of ARFORGEN. This effort provided input to the BSIT Strategy that was published in February 2011.

The ARFORGEN Business Architecture shed light on the need to document the D2R/R E2E Army business process. We documented this process and assigned a senior LSS practitioner to aid in identification of process improvement opportunities. The Army expects to capture the relationships among D2R/R process activities and other supporting E2E processes. Understanding these relationships will allow us to better synchronize ARFORGEN activities and associated business systems and data, streamline activities and achieve greater efficiencies throughout process execution.

### ***Army Data Center Consolidation Plan***

In February 2010, the Office of Management and Budget instituted the Federal Data Center Consolidation Initiative (FDCCI) directing all Federal Agencies to develop plans to consolidate existing data centers. The objective is to improve efficiency and security postures, and to control costs. In response, we developed the Army Data Center Consolidation Plan (ADCCP). The plan consolidates our worldwide data center inventory, improves the security of information assets and

enables us to provide managed information services at the enterprise level while transitioning to standardized computing environments.

The Army CIO/G-6 established an ADCCP project office during FY11. The project team is responsible for the successful execution of the ADCCP and is empowered and authorized to act on behalf of the CIO/G-6. An ADCCP Execute Order (EXORD) was issued in May 2011, which incorporated recommendations from six Army Audit Agency (AAA) reports dating back to November 2004. The EXORD establishes a target of closing 185 Army data centers within five years to gain efficiencies, improve performance and increase security. In FY11, the Army closed 18 data centers related to the Base Realignment and Closure Act (BRAC) and eight data centers directly tied to the ADCCP.

During FY12, the Army plans to close at least 36 data centers. The Army will eliminate redundant applications prior to migration to the Defense Information Systems Agency (DISA) Defense Enterprise Computing Centers (DECCs), commercial cloud computing services, or approved Army Data Centers. The Army plans to adjust future data center closure or consolidation schedules based on FY12 progress, and Information Technology hardware, software and infrastructure assessments.

### ***Transfer of the Directorate of Logistics to Army Materiel Command from Installation Management Command***

In October 2011, the Army Materiel Command and Installation Management Command Commanders signed a Memorandum of Agreement transferring all IMCOM DOL functions and associated resources to AMC. Through this realignment, the Army will achieve better productivity and savings for installation DOL support functions. This will be accomplished by eliminating redundancies, improving effectiveness, gaining efficiencies and reducing the overall logistics foot print, while simultaneously supporting ARFORGEN.

Mission outcomes realized through AMC's assumption of 73 of 74 IMCOM DOLs include: the reduction of Field Logistic Readiness Centers (FLRCs) from 16 to 5 resulting in an estimated cost avoidance of \$100 million; \$100 million worth of repair parts returned to the wholesale system; additional savings as a result of incorporating borrowed military manpower into the Food Service and Ammunition Supply operations; and reduction in redundant contracts in the out-years. Future outcomes include: the right-sizing of the Army installation logistics capabilities in support of ARFORGEN; elimination of redundant logistics support programs; reduction of unfunded permanent over-hires within the DOLs; and the transition from left behind equipment to unit maintained equipment.

### ***Potential Transfer of Army Materiel Command Special Installations to the Army Installation Management Command***

This business initiative established a pilot program between AMC and IMCOM to examine the reassignment of the AMC Special Installations to IMCOM to adjust responsibilities for management of AMC Special Installations and to leverage IMCOM's core competencies. The Army initiated a CBA in 2011 and is reviewing the optimum relationship for the transfer of AMC special installations to IMCOM. The analysis is identifying changes to the way IMCOM would manage installation support services and sustain the Army's organic industrial base that will reduce requirements for AMC. This, in turn, will reduce the AMC product and service rates and result in an overall reduction in the cost to AMC customers. The comprehensive CBA delayed planned transfer actions until all phases of the transfer are fully analyzed. The CBA will be completed and transfer decisions will start implementation in 2012.

### ***Civilian Workforce Transformation***

This business initiative enables a flexible and adaptable Civilian workforce to support the Total Army. The following actions detail progress within this initiative:

- Completed mapping of its 315,212 Civilians to one of 31 career programs. The Army's goal is to have all 31 career programs operationally capable by the end of FY13. We plan for functioning career programs supported by integrated talent management processes, robust experiential development programs for senior Civilians, and strong leader and functional training opportunities for the remainder of the civilian cohort by FY14.
- Issued a new policy regarding the roles and missions of Army Career Programs and updated Civilian Personnel Career Management policy for Civilian Functional Chief Representatives (FCRs). This revised policy, the first major update since 2001, outlines new FCR roles and responsibilities for Civilian Career Program Managers.
- Validated the Army Career Program Office staffing and conducted a 6-month manpower study to validate the manpower required to implement the new Army Career Program Policy. Funding pending, 86 additional career support personnel positions will augment the current 59. These positions will support the FCRs in the day-to-day execution of their career management responsibilities.
- Implemented a Civilian Human Resources Agency (CHRA) hiring reform beta-test. This effort seeks to reduce the hiring time of new employees. The beta-test sites include Fort Myer, Fort Lee and US Army Alaska.
- Re-established the Army Senior Executive Resources Board. This executive-level board, under Civilian Senior Leader Management Office guidance, meets on a recurring basis to oversee the implementation of Army SES talent acquisition, development and succession planning processes.
- Consolidated the Civilian Senior Leader Development Office with the Civilian Senior Leader Management Office. This action brings the management of Army Civilian GS-15s under control of the Army SES Management Office. This new office organization mirrors

uniformed senior leader management. The Army introduced the Senior Enterprise Talent Management (SETM) Program for its GS-15 workforce. The SETM is an education, training and development program for our GS-15 Civilians.

- Implemented Army Career Tracker-Civilian (ACT). ACT aggregates data on training, education, and experiential learning from source systems into one personalized easy to use portal, providing enlisted Soldiers, officers and Civilians a more efficient and effective way to monitor their training and leader development. ACT allows supervisors and mentors to track and advise users on their leadership development while providing career program managers the ability to reach their geographically dispersed careerists.
- Implemented the e-gov initiative Electronic Official Personnel Folder (eOPF). The eOPF replaces the paper-based Official Personnel Folders (OPF), provides electronic web-enabled access to files and enables constant direct access to records by employees, human resources personnel and others as required via a secure site.

### ***Civilian Hiring Reform***

Civilian Hiring Reform will lead to more effective recruitment and on-boarding of high quality candidates in 80 days or less and reduce rework of civilian personnel hiring actions. The Army completed the new hiring process beta-test at Joint Base Myer-Henderson Hall Civilian Personnel Advisory Center with the Military District of Washington (MDW) in September 2011. It incorporated a 5-phase methodology: pre-planning and forecasting, pre-positioning of recruitment documents, use of the USA Staffing tool, use of Defense Information System for Security (DISS) Clearance Adjudication Tracking System (CATS) and use of Army Electronic Entry on Duty (e-EOD) application.

A total of 27 MDW recruitment actions were subjected with the new methodology. Fill time was reduced from 165 days to 87.5 days after eliminating delays associated with the Army-wide hiring suspension and budget reductions (47% reduction in fill time). The data reflects more than 50% reduction in classification work, 55% reduction in time to open a vacancy announcement and 59% reduction in time to issue a referral list.

Pending successful pilot results, the Army will conduct enterprise-wide training, education and change management plans, including a robust communication plan for acculturation of improved civilian E2E hiring process model. We will begin data assessment and development of annual staffing plans and recruitment under the new 80-day E2E hiring model in FY13. We will complete development of doctrinal material, business processes and systems based on initial successes and lessons learned from beta-test and pilot program. Lastly, the Army will deploy an automated workforce planning tool for hiring officials to review position descriptions and recruitment forecasting.

### ***Army Civilian Leader Development***

This business initiative assists the Army in training, educating and providing experiences that progressively develop the Army Civilian Corps. We developed and implemented a comprehensive Army Civilian Training Policy to include training and leader development for all Army Civilians. The policy is included in the recently revised AR 350-1, Army Training and Leader Development. We will develop a strategic communications plan to enact a shift in Army culture that recognizes the need for and value of Civilians attending training.

The Army implemented the Civilian Training Student Account (CTSA) for Army Civilians attending Senior Service College (SSC). The CTSA realigns Army War College (AWC) students to the G-3/5/7 student record from their command organization record. Students are centrally funded and managed while attending AWC. This is an investment required for the Army to have trained and educated leaders. We will enhance the civilian training website to include a training catalog, help desk with constant support, collaboration center, and Senior Service College student center.

The Army revised the Supervisory Development Course (SDC) to address an NDAA 2010 requirement to train civilian and military supervisors of Army Civilians. The revised SDC is comprehensive, includes current legal requirements and addresses critical supervisor competencies. The Army developed the policy and implemented the mandatory supervisory training for all first time supervisors during their first year of appointment and refresher training for all supervisors every three years. As of November 2011, there are 6,189 employees enrolled in the SDC and 893 graduates.

The Army will leverage the ACT portal to provide visibility of civilian training and professional development records and integrate existing systems. We will also leverage GoArmyEd to provide education benefits, manage central funds, pay invoices, enforce regulatory requirement and monitor student progress.

### ***Holistic Review of the Army Family Covenant***

The effects of more than 10 years of war and inadequate dwell time at home have resulted in cumulative stress on Soldiers, Families and communities that has significant implications for the Army and our Nation. We have implemented an unprecedented number of personnel-focused programs including Comprehensive Soldier Fitness, Wounded Warrior Program and Health Promotion, and Risk Reduction and Suicide Prevention to ensure the continued care, support and services that sustain the high quality of our force. As we draw down the Army, we must honor our veterans with the very best support, care and services they deserve as they make the transition from military service to civilian life. We are committed to our Soldiers and their Families, who are the strength of the Army. A different fiscal reality does not change what our Soldiers and Families have earned for their service and sacrifice. It does, however, mean that as we make choices about the benefits we provide, we must make sure we do the important things and do them well. In

FY12, this initiative will enhance service delivery and gain efficiencies of \$75 million. The Army will strengthen Soldier and Family programs and provide simpler, easier access by improving service delivery. This initiative will support Soldiers and Families by facilitating access to services throughout the ARFORGEN cycle by building resiliency and reducing dependency.

### ***Fleet Planning***

The purpose of this business initiative was to establish a unified approach to determine common planning factors for economic useful life for weapon systems, leverage IUID and condition-based maintenance enablers and establish a standard data source with the capability to link to LMP to improve visibility and response to fleet requirements. As a result of this initiative, the Army completed two LSS Black Belt Projects that help define and standardize processes that can be used across commodities, developed a Standard Operating Procedure that can be utilized across the Life-cycle Management Command (LCMC) community and conducted numerous system portfolio reviews that addressed fleet management issues. We developed and conducted the LCMC Fleet Planning Course to assist PMs and fleet planners in developing fleet management strategies. The Army also developed a Critical Mission Management Tool (CMMT) to assist fleet managers. We will continue development of Obsolescence Policy, Fleet Planning Standard Operating Procedures, and Fleet Planning Course instruction. The Army will utilize fleet planning process in support of FY12 Weapons System Reviews.

### ***Fleet Management Expansion***

Fleet Management Expansion (FMX) is an initiative between TRADOC and AMC to improve the readiness and maintenance support of TRADOC's training base equipment. The progress realized through this business initiative includes alignment of personnel, skill and maintenance to match the equipment being supported. AMC assessed requirements and developed plans to meet the Programs of Instruction. Simultaneously, AMC improved operational readiness rates for ground (86% to 97%) and aviation equipment (42% to 75%) from FY02-11. Furthermore, \$114 million costs avoidance was realized between FY03-11. FMX's future milestones include: sustaining improvements through stewardship, partnership and resource optimization while meeting mission objectives; continuing to align core competencies; and maintaining improved readiness and realizing efficiencies during a time of reduced, limited or diminished resources.

### ***Army Item Unique Identification***

This business initiative establishes the Item Unique Identification (IUID) as the global data key in the Army Logistics Architecture Enterprise and permits data across our automated information systems (AIS) to be linked to the individual item level of detail and support improved life-cycle management and financial accountability. The Army Equipping Enterprise System and the emerging lead materiel integrator systems position the Army to exploit existing systems as well as new processes and technologies to improve traceability

The Army issued policy and guidance for implementing IUID marking on items, item traceability using Property Book Unit Supply Enhanced, automated arms room inventory management, technical documentation for labeled legacy items and legacy mark progress reporting. The Army marked and registered more than eight million items in the DoD IUID Registry – accounting for more than 70% of all items in this registry. We also established an SES Steering Group for IUID governance. We will continue modeling major IUID impacts in Army AIS and identify gaps and redundancies in materiel, technical, policy and business process requirements. The goal is to have capabilities for use by the end of 2017.

### ***Enterprise Email and Calendar***

This business initiative collapses Army email, currently running on multiple, segregated, non-standard Microsoft (MS) Exchange 2003 systems, into a DISA-provided MS Exchange 2010 cloud-based solution. EEmail is one of the Army's key IT efficiency projects that will generate total savings of \$380 million for FYs13-17. The CBA indicates that we can reduce the cost for delivering email services by over 60% through the use of this DISA managed service. We began migrating 1.4 million unclassified email accounts from Army-owned legacy MS Exchange systems to the DISA email service in February 2011. As of the end December 2011, we have migrated over 302,000 Army and Joint users in various locations.

The Army established a formal acquisition program for EEmail in January 2012 with monthly program updates to the Army Acquisition Executive. The Army CIO has executed EEmail under Title 40 and Title 44 authorities. AAA will audit to measure progress toward achieving efficiencies and terms of the Service Level Agreement. We expect to complete email migration to include Army non-deployable email systems, Army Knowledge Online (AKO) and AKO-Secure mail by the end of September 2012. We will also assist the enterprise email migration of the Joint Staff and Europe Command and Africa Command. Secure email migrations will begin in 2012 and be completed by the end of September 2012.

### ***Army Corrosion Prevention and Control***

This initiative identifies costs associated with corrosion prevention and control (CPC) activities related to science and technology, research and development, systems engineering, logistics supportability analysis, packaging, preservation, storage, technical publications, manpower, construction or training and education. In 2011, the Army published a CPC Strategic Plan. We are updating this plan to comply with subsequent Congressional direction.

Through cost sharing technology demonstration projects with OSD, we have identified, tested and validated new CPC technologies that have a desirable return on investment. The Deputy Assistant Secretary of the Army (Acquisition Policy and Logistics) was designated as the Corrosion Control and Prevention Executive in response to Section 903, FY09 NDAA (Public Law 110-417). The Army published two policy memorandums to institute additional oversight of CPC and initiated a Business Case Analysis (BCA) to justify funding for the CPC program.

### ***Secure Mobile Workforce***

The implementation of AKO Secure Mobile Workforce (SMW) is intended to provide multiple tools to address the need for Army professionals to work remotely. SMW users will connect, communicate and share information within their communities. It will evolve workplace behaviors toward an enterprise view, encouraging transparency, enabling collaboration and facilitating integration by leveraging the latest in business productivity innovation. The Army has made great strides in providing a usable mobile capability to users including secure email and calendaring capability for Windows 6.x, iOS and Android 2.x mobile platforms. This initiative will enable wider use of telework and responsive connectivity during emergency situations. Future benefits will include increased collaboration, data sharing and rich presence capabilities.

### ***Army Small Business Utilization***

This business initiative promotes a better understanding of small business capabilities within certain industries and increases market research and outreach efforts to ensure maximum utilization. This initiative provides direction, guidance and contract strategy recommendations to Army Overarching Integrated Product Teams and the Army Systems Acquisition Review Council to ensure that small businesses are being utilized in the acquisition of the major system programs. We established Policy Letter 02-11, the Army Small Business Program. This policy provides information and guidance in executing the Army Small Business Program and implementing DoD Directive 4205.01. The Army promoted greater involvement of small businesses in Army service contracts. We achieved this by providing small business strategy recommendations to the Army Service Strategy Panel. Lastly, we established education, training and networking outreach through speaking engagements, market venues and personal meetings with government, civilian agencies, major prime contractors and small business entities. These efforts led to the Army's successful accomplishment of DoD's small business goals in FY11. The Army is the largest contributor to the DoD small business goals.

### ***Army Enterprise Service Desk***

The original Army Enterprise Service Desk (ESD) approach included two integrated components: 1) ESD technicians using both information technology and business processes and 2) Enterprise Service Management System using a ticketing system. CIO/G-6 coordinated with US Cyber Command and US Army Network Enterprise Technology Command (NETCOM) to revise the Service Desk and Service Management strategy and business case using a decentralized, non-Enterprise-level implementation approach. In April 2011, the Army Service Desk initiative was split into two separate efforts managed by NETCOM: 1) regionalized Service Desk solution and 2) service/asset management solution. NETCOM will implement managed service desk and service management solutions separately.

### ***Strategic Sourcing Process and Program Governance***

This business initiative has been superseded by the OSD Better Buying Power Initiative and the Secretary of the Army's Optimization of Army Services Acquisition Implementation Plan.

***Army Campaign Plan 2011***

This business initiative has carried over to 2012 through the preparation of ACP 2012.

***Army Forums Review***

The Army reduced an average of 11 meeting hours per month for Army Senior Leaders. We will periodically review the purpose and frequency of Army forums and make adjustments as needed.

## SECTION 4: CONCLUSION

America's leaders face difficult choices as they chart the way ahead for our Nation. Not only do familiar external threats persist, but new complex challenges will also emerge. At the same time, fiscal limitations create internal challenges for our leaders. The Army is prepared to fulfill its role in keeping the Nation secure. The Army will **prevent** conflict by remaining a credible force with sufficient capacity to dissuade adversaries from challenging American interests. The Army will **shape** the environment, building positive relationships and capabilities that enable nations to effectively protect and govern their citizenry. Finally, when called, the Army will fight for the Nation and **win** decisively and dominantly. We understand these responsibilities and resolve not to reduce the size of the Army in a manner that does not permit us to reverse the process should the demand for forces increase dramatically.

Improving Army business management allows us to better focus on four areas. Our first priority remains supporting operations in Afghanistan. Second, we will continue to demonstrate expanding stewardship throughout the Army. Transforming and aligning the Institutional Army is essential for the efficient and effective allocation of resources provided by the Congress and American people. Third, while reducing the size of the Army, we will incorporate principles and processes that preserve readiness and capabilities to meet the needs of the Joint Force. At the same time, we will invest deliberately and wisely in our Soldiers, Civilians and Families to make sure they are prepared and supported, including focused attention toward care for our wounded Soldiers and transition support for those who desire to return to civilian life. Lastly, we must continually develop enhanced capabilities to meet asymmetric future hybrid threats. Modernizing our equipment will continue to be a priority; shaping our modernization efforts through improved business management will optimize effectiveness and efficiency.

Transforming the Institutional Army ensures the long-term health of the Total Army. In this fiscally constrained environment, Army senior leaders are actively seeking ways to reduce duplication, overhead and excess and instill a culture of savings. The Army's multi-faceted approach described in this report will enable the Army to contribute its share toward meeting lower national budget topline while also ensuring readiness to answer the Nation's demand for land forces. In preparation for this responsibility, the Institutional Army must perform business and management activities faster, smarter, cheaper and better in order to maximize effectiveness and provide trained and ready forces at best value for the Nation today and in the future.

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