

## Why GAO Did This Study

DOD spends billions of dollars each year to maintain key business operations intended to support the warfighter. In 2005, GAO identified DOD's approach to business transformation as high-risk because DOD had not established management responsibility, accountability, and control over business transformation-related activities and resources, and it lacked a plan with specific goals, measures, and mechanisms to monitor progress. GAO previously reported that DOD has taken steps to develop a management approach. This report addresses DOD's progress in (1) incorporating key strategic planning elements into its transformation plan; and (2) developing and implementing an approach for assessing DOD-wide progress toward business goals. GAO analyzed relevant DOD documents, reviewed prior and ongoing GAO work; and interviewed DOD officials.

## What GAO Recommends

GAO recommends that DOD add information to its SMP, such as a description of key challenges and context for why goals were chosen. GAO also recommends that DOD further define its performance management approach. DOD partially concurred with our first recommendation and concurred with our second recommendation. DOD stated that it would add information to the SMP as appropriate, and continue to improve and institutionalize DBC operations. As part of these efforts, GAO believes that DOD needs to identify specific steps it will take to integrate and regularly review performance data from various sources to assess progress towards its business goals.

View [GAO-13-267](#). For more information, contact Sharon Pickup at 202-512-9619 or [pickups@gao.gov](mailto:pickups@gao.gov).

# DEFENSE BUSINESS TRANSFORMATION

## Improvements Made but Additional Steps Needed to Strengthen Strategic Planning and Assess Progress

## What GAO Found

The Department of Defense (DOD) has improved its Strategic Management Plan (SMP) by including additional strategic planning elements that were lacking from previous plans; however, the fiscal year 2012-2013 SMP still needs to incorporate some key information that would make it more useful for DOD decision makers as a guide for implementing business transformation efforts and for measuring progress. Improvements in the SMP include links between its business goals and DOD-wide goals, as well as milestone or target data that would enable DOD to better measure performance and assess progress in achieving SMP goals. However, the SMP does not fully describe the specific challenges the goals are intended to address and what the root causes of those challenges are. For example, the SMP states that the goal on strengthening DOD's acquisition processes is aimed at obtaining greater efficiency and productivity in defense spending, but the accompanying narrative does not describe what is causing acquisition-related cost growth and how the goal's initiatives may address those causes. The SMP also lacks sufficient context for why business goals and strategies were chosen or changed from prior plans, such as whether sufficient progress had been made to warrant their removal. Also, the SMP includes performance measures that do not fully reflect core activities needed to assess progress for some business goals. For example, the SMP identifies measures related to planning for contractor support, but does not address other core activities such as those related to providing contractor oversight. Refining the SMP to include this key information could help DOD better prioritize and target its reform efforts to address the underlying causes of its systemic business challenges and to achieve results.

DOD has broadly outlined a performance management approach for monitoring business transformation efforts, but has not used its governance structures to regularly review performance results or defined how these structures will routinely integrate various sources of performance data to assess department-wide progress. DOD has established governance structures to help monitor progress, such as the Defense Business Council (DBC), established in June 2012 to, among other things, review performance results to track progress against goals. However, the DBC has not regularly reviewed performance data and when reviews did occur, it did not have sufficient information to assess progress. For example, as of December 2012, the DBC had reviewed performance results only twice, and this information did not include data on all SMP measures, nor did it disclose the reasons why certain measures were at risk of missing quarterly targets. Also, these results provide only a partial picture of performance for any given business area. For example, for the area of operational energy efficiency, the SMP measures reviewed by the DBC covered only progress in reducing consumption, but not measures related to supply and security, which are key areas in DOD's strategy for achieving operational energy efficiency. Better defining and implementing a more integrated approach to reviewing performance, such as including a broader range of performance information, will enhance DOD's ability to assess progress toward its business goals.