



United States Air Force

Report to Congressional Committees

Follow-up Report on
Implementation of NDAA
2009, Business Transformation
Initiatives for the Military
Departments (Sec. 908)

March 2011

Preparation of this report cost the Department of Defense a total of approximately \$24.8K for the Fiscal Year 2011.



Introduction

This report is being provided to the Congressional Defense Committees as directed in Public Law 10-417, Section 908, National Defense Authorization Act (NDAA) Fiscal Year 2009. (see attachment A)

Executive Summary

In March 2010, the Air Force's Under Secretary, Ms. Erin Conaton, assumed the role of Air Force Chief Management Officer (CMO). Upon her confirmation, Ms. Conaton was given responsibility for transforming the Air Force's business processes and for leadership of the Air Force's corporate decision process.

CMO focus since last year's report has been along five major lines of activity:

- Strategy process revision, alignment, and business transformation execution in support of Air Force business priorities.
- Managing the Air Force efficiency effort in response to the June 2010 Secretary of Defense (SecDef) challenge to increase funding for mission activities through efficiency in overhead, support and other non-mission areas.
- Redefining how the Air Force develops and implements business process reengineering solutions.
- Institutionalizing use of quality metrics as part of regular performance reviews.
- Maturing the Air Force Continuous Process Improvement (CPI) training and procedures.

Going forward in 2011, the Air Force's business transformation focus moves from advocacy of process improvement to focused and measurable change. This report summarizes results from last year, and highlights the direction and objectives for the upcoming year.

Report

This report is divided into four sections; 1) status of the organization for the Chief Management Officer, Deputy Chief Management Officer and the Office of Business Transformation (OBT), 2) Business Transformation Accomplishments, 3) Ongoing Business Transformation Activities, and 4) Enterprise-Wide Business Systems Architecture and Transition Plan.

Section I – Status of the Organization for the Chief Management Officer, Deputy Chief Management Officer, and the Office of Business Transformation (SAF/US(M))

1. Shortly after last year's report, the Air Force's Under Secretary, Ms. Erin Conaton, was confirmed and assumed the role of Air Force CMO (AF CMO), in accordance with NDAA 2008, Section 904. The Secretary of the Air Force cemented Ms Conaton's role as the CMO by assigning her responsibility for business transformation, leadership of the Air Force corporate process, and serving as the Air Force representative to key Department of Defense (DoD) level governance bodies. In those capacities, the AF CMO leads resource allocation decisions, organizational realignments, and transformational business initiatives across the Air Force enterprise to include:
 - Leading the Air Force Council (co-chair with the Vice Chief of Staff of the Air Force (VCSAF)), the senior decision-making activity within Headquarters Air Force;
 - Serving as the senior energy official for the Air Force;
 - Leading development of the Air Force input to the DoD President's Budget and leading Air Force Program Objective Memorandum (POM) creation;
 - Representing the Air Force in DoD-level committees chaired by the Deputy Secretary of Defense (DepSecDef) to include the Deputy's Advisory Working Group (DAWG), Defense Business Systems Management Committee (DBSMC), Senior Oversight Committee (SOC); and
 - Synchronizing business transformation activities across the Air Force through program management reviews to obtain maximum operational and business benefits
2. The Director of Business Transformation also serves as the Deputy Chief Management Officer (DCMO). As directed by the Under Secretary, the DCMO serves the Under Secretary of the Air Force in exercising the assigned duties and authorities relating to the management of business operations for the Air Force. The DCMO exercises the Under Secretary's CMO authority for business operations by effectively and efficiently managing the business operations of the Air Force and providing information related to Air Force Business Operations to the CMO and DCMO of the Department of Defense as is necessary to assist those officials in the performance of their duties. The DCMO also directs business transformation interests in the Air Force Corporate Structure by serving as the chair of the Air Force Board when discussing issues involving business practice and process-related topics. The Air Force Board, comprised of representatives from all major commands and key Headquarters Air Force offices, makes resource allocation, organizational realignment, and transformational business initiative recommendations to the Air Force Council for final decision.
3. The Office of Business Transformation (OBT), led by the Air Force DCMO, is structured in two directorates.
 - a. Enterprise Transformation Directorate – This directorate is composed of three divisions.

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

The Strategic Planning division is responsible for establishing strategic direction for business transformation activities within the Air Force by analyzing top level strategic direction from OSD and reflecting that direction both within the Air Force strategic guidance and within Air Force programming and planning guidance. Also, it is the focal point for working with business transformation teams across the Air Force staff to ensure activities remain aligned, and to represent business transformation in lower-level Air Force programming bodies. The Transformation Initiatives Division is responsible for assembling and overseeing a capabilities portfolio-based approach to business transformation, and for recommending and monitoring progress against enterprise-level performance goals. The Production Support Division is responsible for monitoring and overseeing enterprise business transformation initiatives.

- b. Transformation Outreach Directorate – This directorate is also composed of three divisions. The Talent Development Division is responsible for the transition of Air Force Smart Operations for the 21st Century (AFSO21) training into appropriate Air Force training and education courses. Content consists of Lean, Six Sigma, Theory of Constraints, and Business Process Reengineering. Courses include Executive Leadership (GO/SES), Green Belt and Black Belt courses, 8-Step Problem Solving Methodology, and Professional Military Education (PME) courses. The Talent Development Division, in conjunction with the Talent Management Division, is helping to grow an organic Continuous Process Improvement (CPI) capability to enable efficiencies. The Talent Management Division is responsible for providing resources for enterprise business transformation initiatives, including process improvement, process engineering, vocabulary/ontology development, training, and change management. The Strategic Communications Division is responsible for developing and maintaining an overarching strategic communications plan, liaising with SAF/PA, and writing/publishing news articles.
4. In addition to the Office of Business Transformation, the Air Force business transformation structure is comprised of the transformation organizations of the key Headquarters Air Force functional teams (e.g., human resources, finance, logistics/supply chain, basing/installations). This team comes together as the Enterprise Senior Working Group (E-SWG), under the leadership of the Air Force Deputy Director of Business Transformation, to make up the total transformation team. This approach was used to take advantage of the already existing functional transformation teams and to allow the Business Transformation Office itself to remain small.

Section II – Business Transformation Accomplishments

1. Strategy process revision, alignment and business transformation execution in support of Air Force priorities.
 - a. Strategy process revision and strategy alignment. Last year the Air Force reported it was developing a new end-to-end process to set strategic direction that shapes downstream programming, budgeting, and execution processes. During the past year, the Air Force convened a cross-functional team to detail the process steps, specify key interfaces, and clarify roles and responsibilities and outcomes. Their work resulted in the issuance of updated policy and instruction for the Air Force Strategic Planning System (AFSPS) codified in AFPD90-11 and AFI90-1101. A new cross-functional Strategic Planning Committee was established to oversee and coordinate the new strategic planning system, discuss and resolve key strategy issues, and provide guidance to downstream processes. The Air Force used the new process to develop strategic direction that has shaped Air Force programs in the FY12 President's Budget submission ensuring key initiatives were appropriately prioritized and resourced. Among these initiatives was key business transformation direction that was then incorporated into the Annual Planning and Programming Guidance.
 - b. Business transformation execution. The Secretary of the Air Force and the Chief of Staff established the five priority areas for the Air Force (listed below).

Air Force Strategic Priorities

- Continue to Strengthen the Nuclear Enterprise
- Partner with Joint and Coalition Team to Win Today's Fight
- Develop and Care for Airmen and their Families
- Modernize our Air and Space Inventories, Organizations & Training
- Recapture Acquisition Excellence

The Air Force has focused our business transformation initiatives in the past year across the last three priority areas.

- 1) Develop and Care for Airmen and their Families.
 - a) Improve Quality of Airman's Time. As described in last year's report, the Air Force undertook an extensive review to eliminate non-value-added work that contributed to extended duty days, particularly in non-deployed operations. Examples of the areas examined include additional duties, ancillary training, and personnel action processing. As a result of the reviews, the Air Force has implemented changes to our business processes, scrubbed ancillary training to focus on essential outcomes and eliminated unnecessary additional duties. The Air Force has also made ancillary training part of an Air Force level review process using the Force Management Development Council to ensure that new training requirements are considered for their benefit when weighed against the

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

additional burden incurred. The actions taken have resulted in a savings of 241 monthly man-hours per unit. When viewed across the Air Force, this equates to 783,250 man-hours per month that Airmen are now able to devote to their primary duties.

- b) Deployment Readiness Service (DRS). One of the more time-consuming additional duties is that of Unit Deployment Managers (UDM). The UDM is responsible for tracking the readiness of personnel to be deployed in the context of individual training, medical status and mission skills. Using the new business process re-engineering method outlined in paragraph 3 of this section below, the Air Force built and demonstrated a web-based prototype capability to provide UDMs the deployment readiness status of unit personnel. This has resulted in a savings of an estimated 11 – 44 UDM man-hours per month, depending on the size of the unit. When taken Air Force-wide, DRS can save from 35,750 to 143,000 man-hours per month. DRS has been designed and built as a pilot program under a revised requirements and development methodology, resulting in projected cost and schedule reduction of 90% during implementation and is on track for a deployed capability by the end of FY11.
 - c) Suicide prevention and improving the resiliency of Airmen. The Air Force Surgeon General applied business transformation techniques on suicides among Airmen by tracking metrics highlighting the significance of the issue. A root cause analysis then identified the problem areas within the workforce. As a result, the Air Force has implemented programs to provide assistance and support before, during and after deployment, both for Air Force members and their families. A Deployment Transition Center, focused on supporting Airmen regularly exposed to significant risk, provides Air Force members and their families with a resiliency-building, strength-based approach to dealing with stress. Air Force leaders also instituted wing-level traumatic stress response teams to help Airmen deal with psychological stress. Air Force leadership at all levels is focused on increasing coping skills and developing a healthy Wingman culture across the Total Force.
 - d) Streamline civilian hiring process. The Air Force and DoD are working to reform the hiring process, with an aim toward speeding up the process of bringing high quality personnel into government service. Initiatives over the last year included deploying a single-staffing solution for announcing, assessing and referring candidates; developing streamlined job announcements, written in plain language; fostering greater engagement and accountability of hiring managers and HR professionals by including a performance objective in their performance plan; and promoting the use of hiring flexibilities and best practices throughout the federal government. The Air Force is engaged in further streamlining the recruitment process to meet DoD's goal of 80 days by 2012.
- 2) Modernize our Air and Space Inventories, Organizations and Training. Major activities within this area were targeted at improving audit readiness and associated

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

financial systems; improving effectiveness of logistic and supply chain operations; improving facility and installation management, and energy initiatives.

- a) Audit readiness. Improving Air Force Audit Readiness supports good stewardship of public funds. The Air Force has aligned its audit activities to the DoD Comptroller's Financial Management Improvement Priorities, focusing on the Statement of Budgetary Resources (SBR) and Existence and Completeness of mission critical assets. This focused work resulted in the following accomplishments:
- Asserted Audit Readiness on Budget Authority (Funds Receipt and Distribution to Major Commands on 30 September 2010.
 - Asserted Audit Readiness on Military Equipment (Existence, Completeness, Valuation, Rights, Presentation and Disclosure) on 30 December 2010
 - Asserted Audit Readiness on Funds Balance with Treasury Reconciliation on 30 December 2010
 - Closed Material Weakness for Real Property in June 2010 and for Funds Balance with Treasury Reconciliation in December 2010
- b) Defense Enterprise Accounting Management System (DEAMS). Building upon previous successes, DEAMs starting providing full accounting functionality at Scott AFB in FY10 to support USAF and USTRANSCOM. Full accounting capabilities include general accounting, project accounting, revenue and billing, and property, plant and equipment. Additionally, this accomplishment provides, for the first time, the Air Force and USTRANSCOM with a transaction-based general ledger – a significant step towards audit ability.
- c) Improving logistic and supply chain operations. Our major activity over the last year has been work on the logistic/supply chain system upgrade, Expeditionary Combat Support System. Aimed at improving the accuracy and velocity of supply and maintenance operations, the system also serves as a key financial feeder system for overall Air Force audit ability. This year, ECSS underwent continuing adjustments in program structure and strategy to assure the successful delivery of capability to support Air Force logistics and supply chain business processes. The first two live pilots were delivered to Hanscom Air Force Base in 2010, providing vehicle maintenance support, including tool management, and the first phase of base level materiel management.
- d) Facility and installation management. The Air Force spent the year establishing an authoritative facility inventory from which to better manage facility use and facility energy consumption over the next year. Over the last year, the Air Force collected detailed data on 100% of active administrative space to assess space utilization in accordance with Air Force standards and expanding the assessment to include auditing current leases. The process applied industry standards and allowed us to benchmark with the wider commercial sector to assess facility use against maintenance and "cost to operate" comparative criteria. When compared to industry, while the average facility age is similar, the Air Force has a much larger percentage of smaller buildings, leading to higher operations and

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

maintenance costs. In addition, in 2010 the Air Force established AFPD 32-10 "Installations and Facilities" which requires a sustainable asset management approach. The Air Force completed its first round of Activity Management Plans (AMPs) at the installation, MAJCOM and HAF levels in the following Activities: Facilities; Utilities; Natural Infrastructure; Transportation and Airfield Pavements; and Waste. Each Activity establishes Levels of Service (LoS) with supporting targets and measures to ensure the Air Force delivers required service, while eliminating or reducing activities that exceed target levels.

- e) Energy. Activities over the last year included addressing facility energy use, refining government vehicle use, implementing renewable energy projects at the base level, and certifying synthetic aviation fuel blends for use on Air Force aircraft. Renewable energy consumption was 6.4% of the total facility energy consumed, exceeding the 5% goal for FY10. Air Force eliminated 1700 vehicles, and increased alternative fuel use in vehicles by 16% from 2009. Minot Air Force Base implemented a FY10 Energy Conservation Investment Program that reduced energy consumption by 22% by decentralizing the heat plant. When combined with other energy savings and renewable energy projects, Air Force anticipates a savings of \$2.6M in energy. Finally, Air Force tested both Fischer-Tropsch synthetic fuel and bio-mass derived fuel blends on a range of aircraft including A-10s, C-17s, F-16s and F-15s. This positions the Air Force for use of alternative fuel blends should a source of supply emerge.
- 3) Recapture acquisition excellence. The Cyber Agile Acquisition initiative was aimed at supporting improved acquisition processes and execution to support warfighter requirements. Air Force Space Command (AFSPC) and Air Force Materiel Command (AFMC) undertook a process review of how the Air Force acquires cyber capabilities. The goal was to streamline the process used to develop/sustain, train and equip the organic cyber workforce, deliver solutions within cost and on time that satisfy validated requirements, and redesign standard processes to provide affordable cyber capability at the speed of need. Process results for the first phase of the review were presented to Air Force senior leadership. The Air Force is now proceeding to execute the action plans and to institutionalize the new processes. AFMC has established a program office for Cyber Agile Acquisition at the Electronic Systems Center (ESC). AFSPC has established a process for quickly identifying high priority cyber requirements. AFSPC has provided priority cyber requirements to ESC.
2. Managing the Air Force Efficiency Effort. The Air Force CMO, along with the Air Force Vice Chief of Staff, is responsible for implementing the efficiency initiatives the Air Force identified in response to the June 2010 Secretary of Defense memorandum which challenged the Department and the Services to increase funding for mission activities through efficiency in overhead, support and other non-mission areas. The Air Force built upon initiatives already underway and benchmarked its operations against best practices in industry and other federal agencies. The Air Force CMO managed the process of establishing Air Force targets, identifying \$33.3B in resources that can be transferred from overhead activities to modernization and readiness. The Air Force Council, co-chaired by the CMO and the Vice Chief of Staff, has responsibility for managing the efficiency effort through Priority Owners

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

(responsible for sets of initiatives) and Objective Champions (responsible for individual projects). Priority Owners and Objective Champions are identified by name to ensure accountability in execution. The last part of 2010 has been spent in building detailed execution plans to realize the efficiency goals. These efficiency initiatives will form a key part of next year's business transformation effort. Many of these initiatives are identified in Section III of this report.

3. Redefining how the Air Force develops and implements business process reengineering. The DoD DCMO issued business process reengineering guidance implementing direction from the National Defense Authorization Act 2010. In response, the Air Force developed the Service Development and Delivery Process (SDDP), defining how the Air Force will use business process reengineering to shape and implement solutions that realize cost and schedule savings and improve the performance of capabilities delivered to the warfighter. SDDP high-level process definition has been completed and documented this year. SDDP comprises six steps:

- Identify DOTMLPF (Doctrine, Organization, Training, Materiel, Leadership, Personnel, and Facilities) Capability Requirements
- Define DOTMLPF executable actions to improve mission processes
- Define Materiel Solution and Implementation Plan
- Plan and implement the developmental components of the Materiel Solution
- Sustain Application Lifecycle (ITLC)
- Deploy/Operate the Materiel Solution

Since the first capture of the SDDP vision in early 2010, significant work has been done to refine, mature and validate components of the SDDP, and to define dependencies across the enterprise, including required changes to policy, funding, organizations and infrastructure. The processes and success criteria of the SDDP are being codified in an Air Force Manual, which is currently undergoing internal Air Force review. The SDDP was developed with stakeholders from across the DoD and Air Force and is designed to implement DoD's Section 804 IT Acquisition Reform Task Force recommendations, including adoption of the Business Capability Lifecycle (BCL). The SDDP has been validated by executing several pilot projects and has been presented to OSD and the other military Services with positive feedback.

4. Institutionalizing use of quantitative metrics as part of regular performance reviews. The Air Force monitors performance against DoD and Air Force strategic objectives through the collection and periodic review of performance data. The Air Force Senior Leader Dashboard described in last year's report provides a single presentation of relevant, quantitative metrics aligned to these objectives that are accessible by all Air Force general officers and senior executive service members. Working with Headquarters Air Force (HAF) staffs through the strategic planning process, the Air Force developed a body of metrics based on aligned strategies to measure progress against those strategic objectives in the areas of strategic priorities, effectiveness, efficiency, readiness, safety and people. This year the Air Force has implemented quarterly reviews of this key performance information by the Air Force Council, co-chaired by the AF CMO and the Vice Chief of Staff. Regular review and

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

discussion of Air Force enterprise performance assures that impediments to improvements are elevated quickly to the appropriate levels of Air Force governance for resolution.

Examples include:

- a. Continued upward trends in suicide rates among Air Force personnel led to a review of root causes. As a result of the review, the Air Force stood up the Deployment Transition Center and unit level “Wingman Days” described in paragraph 1.b.1)d) above.
 - b. Long term decline in unit readiness status led the Air Force to review training requirements, unit mission statements and the training reforms described in Section III of this report.
 - c. Stagnation in aircraft availability numbers led to review of the Weapons System Sustainment processes (the depot and unit maintenance process), and an accompanying efficiency initiative described in Section III of this report.
5. Maturing Air Force Continuous Process Improvement training and procedures. The Air Force continued to support Green Belt and Black belt training over the last year. Increasing demand by unit commanders at all levels for trained process improvement practitioners is testament to the skills being produced. In 2010, the Air Force worked with Air University and the University of Tennessee to plan for the transition of the Continuous Process Improvement training from the University of Tennessee to the Air University.

Section III – Ongoing Business Transformation Activities

1. The Secretary of the Air Force and Chief of Staff of the Air Force continue to maintain focus on the five Air Force strategic priority areas. The introduction of the Secretary of Defense's efficiency initiative has resulted in additional pressure to accelerate business transformation. With completion of organizational stand up and strategy process issues over the past year, the focus for the upcoming year will be on managing transformation activities (to include efficiency initiatives); refining performance management process, with an efficiency focus; and sustaining and improving our continuous process improvement training and procedures.
2. Managing transformation activities (to include efficiency initiatives). As described in Section II, most of the business transformation activities fall into the last three of the Air Force's Strategic Priorities. Those three areas are:
 - Develop and Care for Airmen and Their Families
 - Modernize our Air and Space Inventories, Organizations and Processes
 - Recapture Acquisition Excellence.

A key part of these transformation activities will be following through on the Air Force efficiencies set in motion last year. The Air Force efficiency initiatives are carried in this section of the report under their strategic priority areas. Management of the efficiency initiatives will require continued attention, measuring progress against documented efficiency plans. The Air Force Board, chaired by the Air Force DCMO, will conduct a monthly progress review. The Air Force Council, chaired by the Air Force CMO and Vice Chief of Staff will review the efficiency initiatives quarterly as part of the Quarterly Performance Review. The Air Force has combined the efficiency and performance review into one activity in order to ensure assessment of the impact of efficiencies on mission performance.

- a. Develop and Care for Airmen and Their Families.
 - 1) Integration of Air Force Component Personnel Management Systems (3-to-1 Integrated Military Personnel Management Lifecycle Project). All three military components of the Air Force (Regular Air Force, Air Force Reserve and Air National Guard) use different personnel management processes and systems to perform many of the same basic functions. In Oct 2010, Secretary of the Air Force directed the integration of all Air Force military component personnel management functions. The objective of this act is to improve service to all Airmen, augment cooperation across components, increase emphasis on Total Force decision-making, enable greater operational efficiencies during a budget constrained environment, and improve support to the warfighter. In 2011, the Air Force will:
 - Identify the potential changes in laws, policies, and regulations necessary to establish a uniform personnel management system;

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

- Identify recommendations for changes to current and future personnel management processes and information systems investments necessary to implement the Secretary's direction; and
 - Build an implementation plan identifying the cost and schedule of activities necessary to support transition to a new personnel management system.
- 2) Air Force Integrated Personnel and Pay System (AF-IPPS). The DoD cancelled its integrated personnel/pay system project (the Defense Integrated Military Human Resource System (DIMHRS)) and directed the military departments to consider pursuing the project at a military department level. The Air Force program, AF-IPPS, will complete an analysis of alternatives during 2011, and will complete the first steps of the Service Development and Delivery Process (described in Section II) to set the conditions for a contract solicitation in the last quarter of FY11. AF-IPPS will also serve as a pilot project for the revised DoD Information Technology (IT) acquisition process mandated by Section 804 of NDAA 2010. Details of the IT acquisition process reform are described in paragraph 2c below.
- b. Modernize our Air and Space Inventories, Organizations and Processes. Major activities within this area are targeted at improving audit readiness and associated financial systems; improving effectiveness of logistic and supply chain operations; improving facility and installation management, energy initiatives, and overall organizational restructuring for efficiencies.
- 1) Audit Readiness. The Air Force will add 25 additional Air Force Audit Agency audit resources to perform targeted audits of mission critical assets for Existence and Completeness. The finance team is also leading a cross-functional effort to review processes and controls for multiple end-to-end processes and assessable units to include Military Pay, Civilian Pay, Reimbursable Authority and Obligations, Acquire to Retire and Order to Cash and Procure to Pay. The Air Force remains focused on meeting the statutory requirement for audit readiness by FY2017.
- 2) Financial Systems.
- a) Defense Enterprise Accounting Management System (DEAMs). The DEAMS team is applying the SDDP to revise the development and deployment schedule to accelerate delivery of capability to the Air Force and US Transportation Command (TRANSCOM). The Air Force expects to take the proposal to DoD by summer 2011. The overall objective is to ensure that DEAMs will be deployed throughout the Air Force to support FY17 clean audit requirements.
- b) Program and Budget Enterprise Service (PBES). Following the work noted in last year's report to streamline processes that generate Air Force program budget information, the Air Force Comptroller has elected to use SDDP to define the requirement to deliver this information in support of Air Force enterprise financial planning and programming processes. PBES was the first Air Force capability to

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

use SDDP to define the warfighter need and performance requirements, streamline business processes, and develop a bounded user requirement. The capability defined over the last year will be delivered in multiple increments. The first increment will provide the capability to calculate Real Growth in support of budget formulation.

3) Improving logistic and supply chain operations.

- a) Expeditionary Combat Support System (ECSS). At the beginning of 2011, the ECSS program underwent a critical change review. While the Air Force decided to continue support for the program, our intention is to apply one of DoD's acquisition reform activities and manage the program to a "should cost" model. The Air Force derived the "should cost" by benchmarking the program against similar activities in the commercial sector. During 2011, the Air Force expects to go live with the third pilot capability aimed at base materiel management. Moreover, future increments of ECSS are being reviewed for additional restructuring using SDDP principles to ensure that critical logistics processed-based capabilities are delivered quickly and within budget.
- b) Weapon System Sustainment (Efficiency Initiative). Our objective is to increase the performance of the depot and maintenance processes and systems for major weapon systems. These efficiencies across the FYDP will be accomplished by reviewing operational requirements, reviewing depot and supply chain processes and reducing the total cost of facility sustainment without degrading operational capabilities or support to the warfighter.

4) Facility and Installation Management.

- a) Review of Air Force Installation Infrastructure (Efficiency Initiative). The review of Air Force Installation Infrastructure supports the initiative to improve real property/installation management and Air Force clean audit goals, and builds on the data collected in 2010. In 2011, the Air Force will begin initiating facility condition data across the Air Force to understand overall facility performance related to space use, energy consumption and component condition/performance with Sustainable Installation Assessments (SIAs). In 2011, Levels of Service will be finalized, prioritized, and initial Key Performance Indicators (KPIs) will be set and used to establish/prioritize both requirements (in determining allocation of resources) and measured to indicate overall system "health."
- b) Right-sizing of Air Force Facility Footprint through Demolition and Consolidation (Efficiency Initiative). The review of Air Force installation infrastructure outlined above also sets the stage for this activity. By 2020, the Air Force goal is a 20% reduction of the Air Force physical plant requiring funding. Moving forward, the Air Force's limited time and funding must remain focused on the infrastructure needed to perform Air Force missions, and valuable resources must be diverted away from excess, obsolete, and underutilized

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

infrastructure capacity. Processes will be implemented to increase consolidation and demolition, optimize space allocation and utilization, and promote other emerging initiatives to reduce the Air Force footprint and minimize future footprint growth. The Air Force will optimize the use of existing facility space through increased and more efficient facility utilization. To further this effort, the Air Force has committed \$300M in FY12 towards facility demolition with identified savings of \$395M over the FYDP.

- c) Real Property Asset Identification (NexGen IT). This initiative reengineers civil engineering (CE) mission processes to replace and modernize the most critical IT systems in the AF/A7C portfolio. The program used SDDP to capture definitions, process improvements and data analysis, leading to well-defined requirements which have allowed the program to progress through the approval gates in the acquisition process quickly and much more smoothly than in the past. NexGen IT will deliver incremental capabilities supporting civil engineering business areas over the next six years, with the highest priorities (Real Property Asset Identification, Work and Supply Management, Energy Management and Project Management) being scheduled for deployment in September 2013. Data generated in this system will be used by CE planners and to support cross-functional enterprise needs such as Air Force clean audit goals.
- 5) Energy (Efficiency Initiative). We will continue to focus on both facility and operational energy use. The consolidation and rightsizing initiatives immediately above clearly have energy savings components. Moreover, we have 19 renewable energy projects planned for the period from FY11-FY14. In addition, the Air Force wants to be sure to expand focus to operational energy use where the majority of our energy consumption occurs. A major operational energy initiative is fuel savings in the Mobility Air Forces. Led by Air Mobility Command, the Air Force is implementing fuel-saving initiatives for C-17, KC-135 and KC-10 aircraft by leveraging proven commercial aviation policies and practices for flight planning and weight reduction. This will realize a \$715 million efficiency across the FYDP.
- 6) Organizational and Operational Changes.
 - a) Consolidated staffs, headquarters and infrastructure (Efficiency Initiative). One of the primary initiatives is to inactivate three Numbered Air Forces and consolidate the activities of four Air and Space Operations Centers into two. This initiative will require that business processes, both within major commands that absorb the Numbered Air Force mission and within the consolidated Air Operations Centers, be redesigned. Overall, the effort achieves an efficiency of 559 manpower authorizations: redistributes 347 military positions to meet other Air Force priorities, and eliminates 212 civilian positions, thereby saving \$100.1 million in manpower across the FYDP.
 - b) Streamline training (Efficiency Initiative). The Air Force is working to reduce the cost of the Flying Hour Program in the Combat Air Forces. The goal is a 5%

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

reduction in the flying hour cost for the fighter/bomber fleet, while maintaining mission readiness at or above current standards. This will be accomplished by increasing the use of high-fidelity simulators, mission training centers, and distributed mission operations, as well as implementing fuel management efficiencies and improved mission planning. This initiative also has an operational fuel efficiency effect.

- 7) Reducing Information Technology (IT) costs with Enterprise Information Services (Efficiency Initiative). The Air Force will reduce information technology costs by \$1.26 billion over the FYDP by adopting DoD-level Enterprise Information Services such as enterprise e-mail (classified and unclassified), consolidating and standardizing the network information technology infrastructure across the Air Force, and migrating current and developmental applications, services, and data to DoD-provided enterprise computing centers. This effort will force a review of our supporting communications organizations and procedures.

c. Recapture Acquisition Excellence.

- 1) Information Technology Acquisition Reform. The Air Force is fully engaged in supporting the DoD IT Acquisition Reform Task Force (responding to Section 804 of NDAA 2010). The team has described an Integrated IT Acquisition System framework including funding, requirements, portfolio management and oversight, and project acquisition management. Representatives from Air Force Acquisition, Electronic Systems Command (ESC), Air Force Chief Information Officer (CIO) Office, and the Air Force Office of Business Transformation are supporting all six workgroups. In addition, the Requirements Working Group is being co-chaired by the Air Force Deputy Director of Business Transformation, who was one of the key authors of the SDDP described above. SDDP principles and processes are being assessed for implementation in the final DoD framework. The Air Force's Financial Management Enterprise Resource Planning (ERP) program, known as Defense Enterprise Accounting and Management System (DEAMS), has been accepted as a pilot system for the revised process and is restructuring its acquisition strategy to ensure rapid delivery of capability.
- 2) Executive Comprehensive Cost and Requirements System (CCaR). Making program progress more visible to senior leadership is essential to having early discussion about program performance, corrective actions and cost/schedule controls. Key acquisition programmatic data is provided to Air Force acquisition executives through the CCaR system. User-configurable views of the acquisition portfolio allow for custom views of sub-portfolios of programs or for highlighting key types of information. This year, CCaR data was extended to members of the Air Force Council through the Air Force Senior Leader Dashboard to support the management of acquisition performance across the Air Force Enterprise.
- 3) Reducing acquisition costs by consolidating and scrutinizing contracts (Efficiency Initiative). The Air Force is actively engaged in reducing acquisition costs by

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

consolidating services, scrutinizing contracts, reducing contract support, and using resources more efficiently to deliver capabilities and support to the warfighter. The objective is to do a better job of evaluating the “should cost” price of a contract and supporting activities, and then working with the contractor to restructure rates and charges. This work aligns with similar direction coming from the OSD staff.

3. Refining our performance management process. The Air Force implemented quarterly performance reviews over the past year. This year our objectives are to improve the measures, and make the performance review process a more integrated part of Air Force governance processes. We have begun a series of reviews with key functional staff to help refine their metrics. In order to effectively manage efficiencies, the Air Force must have greater visibility of where finances are committed and obligated at all echelons, including the operations and maintenance accounts. The Air Force Comptroller has the lead for designing and implementing a new process.
4. Sustaining and improving our continuous process improvement training and procedures.
 - a. Transition to the CPI School House at Eaker Center, Maxwell AFB, AL. The Talent Development Division has been working to establish an Air Force-managed CPI School House, with Air Force instructors, by March 2011. The School House replaces courses being conducted at the University of Tennessee. The first Black Belt course will begin in March 2011. The outcome of this activity is a reduced reliance on contractor support and a reduced cost for Airmen training. Additionally, formal registration in the courses will enable easier tracking of Airmen with the necessary CPI skills to enable efficiencies.
 - b. Master Black Belt (MBB) Course. The Air Force has been reaching out to the other military Services to build an organic MBB Course tailored to Air Force needs. The Marine Corps and Army have shared their instructor certification process and MBB course material as of January 2011, and work on the MBB curriculum will begin in earnest following the establishment of the CPI School House.

Section IV – Enterprise-Wide Business Systems Architecture and Transition Plan

1. The Air Force DCMO continues to work with the Defense Information Systems Agency (DISA), the Air Force Chief Architect, the Air Force Chief Information Officer (CIO), the Air Force Chief Technology Officer, Air Force Space Command, Twenty Fourth Air Force and acquisitions agencies (including Electronic Systems Center) to deploy the SDDP. This combined effort has led to the development of a comprehensive framework of policy, processes and roadmaps to link business enterprise architectures and business process re-engineering to delivery of solutions to the warfighters. Development of enterprise architectures, technical standards, runtime environments, and service engineering will enable secure access to Air Force authoritative data across the enterprise, as well as supporting more rapid IT acquisition.
2. Enterprise Architecture. Enterprise architectures describe the personnel, organizations, work and systems required to conduct a task or mission. Process-based enterprise architecture can be used to inform investment decisions across the Air Force Enterprise. The Air Force CIO and DCMO staffs are working together to capture mission information and insert it into the Enterprise Architecture, consistent with the defined SDDP. This will serve as the basis both for making business case based change decisions and for supporting IT development. Using an architecture-based approach, current Air Force capabilities and systems can be aligned against specific business processes in order to identify duplication or gaps in process-based capabilities. The capture of mission information will also support identification of existing Air Force capabilities for potential reuse, and result in cost and schedule savings. The requirement specification and implementation plan for this architecture environment is expected by the end of FY11.
3. IT Business System Transition Plan. This year the Air Force will re-examine our business IT transition plan and milestones to maintain focus on improving capability while reducing cost of ownership. The Air Force has an established compliance review process that incorporates assessments of IT review of Federal Information Systems Management Act of 2002, Privacy Act, Section 508, and Clinger-Cohen Act requirements into a single certification review. This process also yields metrics that measure Air Force success at achieving the overall transition plan. Those metrics, shown in Figures 3 and 4 below, show a negative trend of increasing costs and delayed modernization (resulting in delayed shutdown of legacy systems). Over time, issues have emerged that impacted the Air Force's ability to implement the new systems on schedule. For example, the failure to maintain delivery schedules impacted the shutdown of legacy systems, requiring additional funding to sustain these legacy systems or modernize their capabilities when scope changes occurred in the target environments. Figure 1, IT Budget by Business Mission Area (BMA) IT Report, highlights the increases in development/modernization dollars; Figure 2 displays how the delay in new business system deployment has also delayed the retirement of legacy systems. The Air Force will address these issues by aggressively applying the "should cost" approach to IT management suggested by OSD. We will also highlight the cost of system delays in our decisions during program reviews.

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

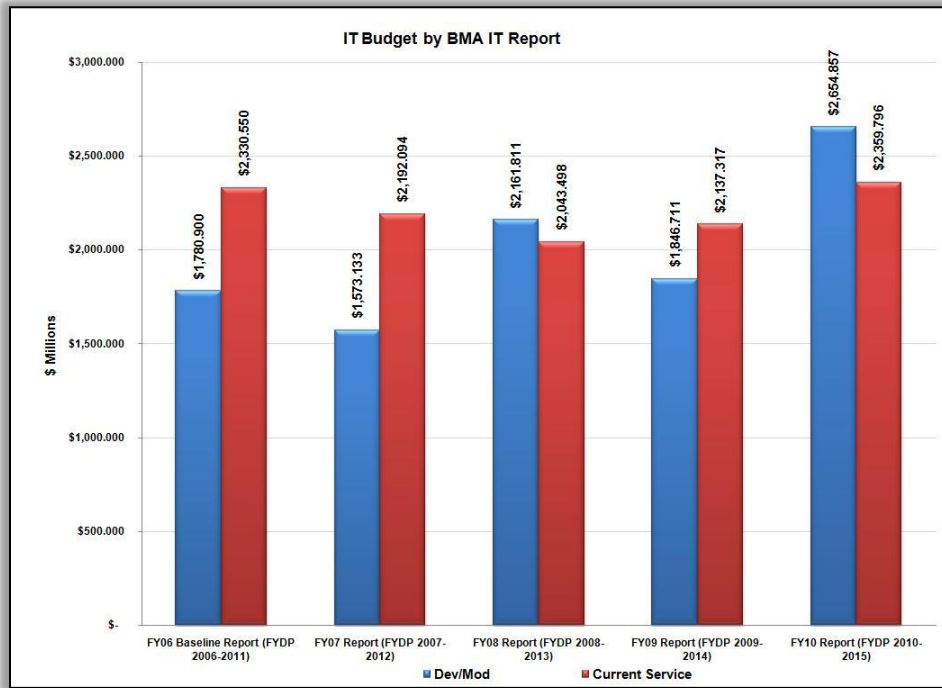


Figure 3: IT Budget by Business Mission Area IT Report

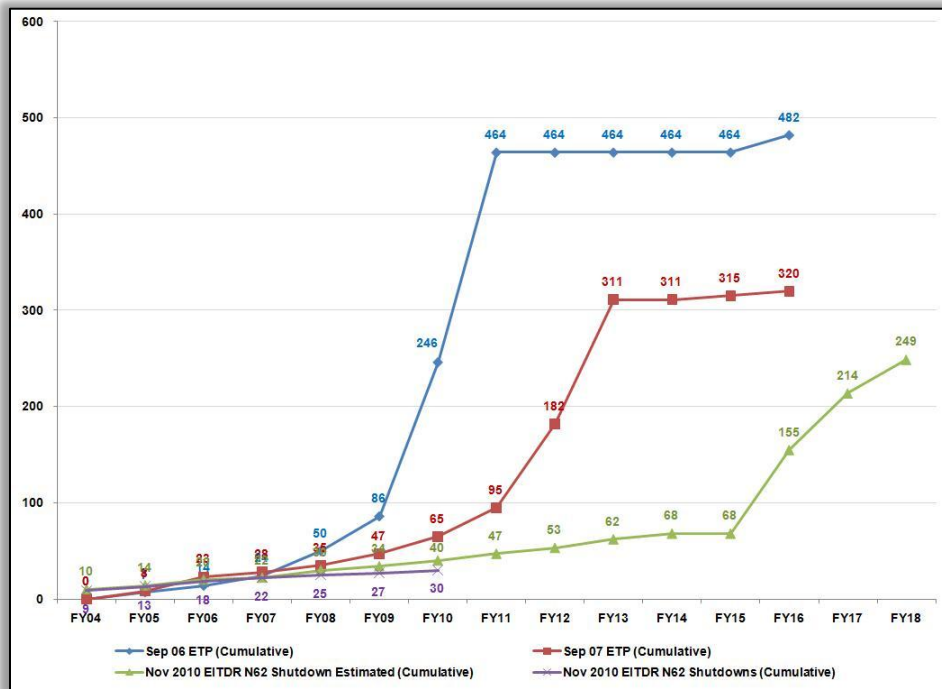


Figure 4: Air Force System Elimination Target History and Progress

*March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation
Initiatives for the Military Departments (Sec 908)*

Conclusion

This report substantiates the progress made toward achieving the goals and objectives outlined since submitting the follow-up report in March 2010. The Air Force looks forward to reporting significant progress in the 2012 update of this report.

ATTACHMENT A-Originating Congressional Language

Business Transformation Initiatives for the Military Departments (Sec. 908)

(a) IN GENERAL.—The Secretary of each military department shall, acting through the Chief Management Officer of such military department, carry out an initiative for the business transformation of such military department.

(b) OBJECTIVES.—The objectives of the business transformation initiative of a military department under this section shall include, at a minimum, the following:

(1) The development of a comprehensive business transformation plan, with measurable performance goals and objectives, to achieve an integrated management system for the business operations of the military department.

(2) The development of a well-defined enterprise-wide business systems architecture and transition plan encompassing end-to-end business processes and capable of providing accurate and timely information in support of business decisions of the military department.

(3) The implementation of the business transformation plan developed pursuant to paragraph (1) and the business systems architecture and transition plan developed pursuant to paragraph (2).

(c) BUSINESS TRANSFORMATION OFFICES.—

(1) ESTABLISHMENT.—Not later than 180 days after the date of the enactment of this Act, the Secretary of each military department shall establish within such military department an office (to be known as the “Office of Business Transformation” of such military department) to assist the Chief Management Officer of such military department in carrying out the initiative required by this section for such military department.

(2) HEAD.—The Office of Business Transformation of a military department under this subsection shall be headed by a Director of Business Transformation, who shall be appointed by the Chief Management Officer of the military department, in consultation with the Director of the Business Transformation Agency of the Department of Defense, from among individuals with significant experience managing large-scale organizations or business transformation efforts.

(3) SUPERVISION.—The Director of Business Transformation of a military department under paragraph (2) shall report directly to the Chief Management Officer of the military department, subject to policy guidance from the Director of the Business Transformation Agency of the Department of Defense.

(4) AUTHORITY.—In carrying out the initiative required by this section for a military department, the Director of Business Transformation of the military department under paragraph (2) shall have the authority to require elements of the military department to carry out actions that are within the purpose and scope of the initiative.

(d) RESPONSIBILITIES OF BUSINESS TRANSFORMATION OFFICES.— The Office of Business Transformation of a military department established pursuant to subsection (b) may be responsible for the following:

(1) Transforming the budget, finance, accounting, and human resource operations of the military department in a manner that is consistent with the business transformation plan developed pursuant to subsection (b)(1).

(2) Eliminating or replacing financial management systems of the military department that are inconsistent with the business systems architecture and transition plan developed pursuant to subsection (b)(2).

March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

(3) Ensuring that the business transformation plan and the business systems architecture and transition plan are implemented in a manner that is aggressive, realistic, and accurately measured.

(4) Such other responsibilities as the Secretary of that military department determines are appropriate.

(e) **REQUIRED ELEMENTS.**—In carrying out the initiative required by this section for a military department, the Chief Management Officer and the Director of Business Transformation of the military department shall ensure that each element of the initiative is consistent with—

(1) the requirements of the Business Enterprise Architecture and Transition Plan developed by the Secretary of Defense pursuant to section 2222 of title 10, United States Code;

(2) the Standard Financial Information Structure of the Department of Defense;

(3) the Federal Financial Management Improvement Act of 1996 (and the amendments made by that Act); and

(4) other applicable requirements of law and regulation.

(f) **REPORTS ON IMPLEMENTATION.**—

(1) **INITIAL REPORTS.**—Not later than nine months after the date of the enactment of this Act, the Chief Management Officer of each military department shall submit to the congressional defense committees a report on the actions taken, and on the actions planned to be taken, by such military department to implement the requirements of this section.

(2) **UPDATES.**—Not later than March 1 of each of 2010, 2011, and 2012, the Chief Management Officer of each military department shall submit to the congressional defense committees a current update of the report submitted by such Chief Management Officer under paragraph (1).

*March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation
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March 2011 Follow-up Report on Implementation of NDAA 2009, Business Transformation Initiatives for the Military Departments (Sec 908)

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