Report to the Senior Executive Council, Department of Defense

MANAGEMENT INFORMATION TASK GROUP

Report FY02-2

• Recommendations on the implementation of balanced scorecard metrics for the Department of Defense

December 18, 2002
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MANAGEMENT INFORMATION TASK GROUP REPORT

BALANCED SCORECARD METRICS

TASK: To provide an initial set of management metrics that can be used by the Secretary of Defense to drive the performance of the Department of Defense. Rely on private sector best practices in the development and implementation of the metrics. Additionally, focus on force management and infrastructure (financial) measures and linkages to individual performance.

➢ DBB Task Leader: Neil Albert
➢ DoD Liaison: Ken Krieg, Executive Secretary, Senior Executive Council

PROCESS: The task team worked with Mr. Ken Krieg over the course of several months providing guidance and feedback on the development of scorecard metrics built around the 4 major risk areas for the Department:

• Force Management Risk
• Operational Risk
• Institutional Risk
• Future Challenges Risk

The team provided input into the development of an initial set of metrics and also developed a broad set of recommendations for the implementation of the scorecard. The team relied on its private sector expertise and referenced best practices related to balanced scorecard systems.

RESULTS: The substantive findings and advice of the task group were developed as a presentation for the Senior Executive Council (SEC). This presentation was delivered as an executive brief to the SEC on November 21, 2002. An updated version of the presentation, which is attached, submits recommendations around three primary areas:

1. Getting the process started
2. Cascading the metrics downward
3. Building an institutional approach
The recommendations also include 5-6 specific suggested metrics for each of the four risk areas plus an additional category of metrics to discretely measure financial management. The financial management metrics were developed in detail by the DBB Financial Indicators Task Group lead by Bill Phillips. The financial metrics presented on November 21st to the SEC were a “first-cut” at a representative set of metrics in this area. The attached report includes the updated financial metrics as recommended by Financial Indicators Task Group.

It is the intention of the DBB, through the Management Information Task Group, to continue to provide advice to Mr. Krieg and the SEC as the scorecard is refined.

Respectfully submitted,

Neil Albert

Chart A
Balanced Scorecard Metrics for DoD
DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

Balanced Scorecard Metrics

Final Report
December 2002
Presentation Overview

• Introduction
  – Task Group Members
  – Objectives and Scope
• Recommendations
• Next Steps
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Management Information Task Group

- Neil Albert (Chairman)
- Bob Hale
- Bill Phillips
- Other DBB members in group sessions
Objectives, Scope and Process

• Provide an initial set of management metrics that can be used by the Secretary of Defense to drive the performance of the Department of Defense

• Rely on private sector best practices in the development and implementation of the metrics

• Focus on:
  – Balanced scorecard development/implementation
  – Force Management and Infrastructure (Financial) Measures
  – Looking toward individual performance
The Balanced Scorecard is based on the premise that corporate improvement can be managed by measuring and evaluating all the aspects of the business rather than a singular focus on the bottom line.

- Traditionally, 4 basics areas of evaluation:
  - Customer
  - Internal
  - Learning and Growth
  - Financial
- The top three areas of evaluation should directly influence the fourth
DoD use of balanced scorecard approach could be challenging if not implemented carefully.

• 4 issues of concern:
  – 1. Operations: DoD does not operate as a commercial company – no profit and loss basis
  – 2. Organization: Diverse requirements (Services, Agencies, etc.) internal to the DoD reduce ability to integrate strategies efficiently
  – 3. Culture: Change within the Government is difficult due to multiplicity of goals and bosses (Congress, etc)
  – 4. Systems: Lack of a consolidation of systems makes collecting and measuring data difficult
Given the structure of DoD and the mission for which it operates, the proposed balanced scorecard, with the 4 risk areas, is a realistic approach for managing performance.

- Meaningful metrics can be developed to overcome issues cited previously:
  - Align with the overall strategy of DoD
  - Measurable (Quantifiable)
  - Defined for everyone’s (Services, Agencies, etc.) use
  - Data easily available and accessible
**Force Management Risk**
- **Definition:** Challenge of sustaining personnel, infrastructure and equipment
- **Risk Mitigation Examples**
  - Manage careers and rotations
  - Modernize infrastructure and facilities
  - Training, spares and overall readiness

**Future Challenges Risk**
- **Definition:** Challenge of dissuading, deterring, defeating longer-term threats
- **Risk Mitigation Examples**
  - Experiment with new concepts, capabilities and organizational designs
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- **Definition:** Challenge of deterring or defeating near-term threats
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  - Enhance operational capabilities with allies

**Institutional Risk**
- **Definition:** Challenge of improving efficiency represented by unresponsive processes, long decision cycles, segmented information, etc.
- **Risk Mitigation Examples**
  - Modernize financial management systems and approaches
  - Acquisition excellence initiatives
  - Improve planning and resource allocation
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- Introduction
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  - Objectives and Scope
- Recommendations
- Next Steps
Recommendations

• Get process started
  – Just do it!
  – Suggested metrics for the four risk areas
  – Fifth area to consider: financial management

• Cascade metrics downward

• Build an institutional approach
Just Do It!

Best to get started immediately, but understand that development of scorecard is not a one-time event

• Evolution is the best approach – no one gets it right the first time
• Keep it simple – Measurement viability will be realized as data becomes available and needs are formalized
• Initial cut to SecDef by Dec 02
• Review them regularly – at least quarterly
• 5-6 Metrics/Measures for each balanced scorecard risk area
  – Minimize number of metrics; do not over measure
  – Ensure a clear strategy
  – Have strong management support
  – Include targets and “stretch” goals
  – Ultimately provide incentives to reward success
  – Try to build Department-wide buy-in, but understand that SecDef is ultimate customer

• Establish “stoplight” summary based on targets and stretch goals
### Force Management Risk
- Quality Index
- Force Tempo Trend
- Quality of Life Index
- Total Force Cost Trend
- Civilian Workforce Progress
- PMA Human Capital

### Operational Risk
- Joint Con Ops Progress
- Specific Issues List
- Operational Availability
- Joint Monthly Readiness
- C-Sorts

### Future Challenges Risk
- Experiments Progress
- Joint Training Progress
- New Organization Standup
- National Capabilities Definition
- Transformation Budget

### Institutional Risk
- BRAC Progress
- Acquisition Cycle Time
- Life-Cycle Cost Trends
- Other PMA
- FMMP Progress v. Plan
- Competitive Sourcing Progress
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• highlights progress on defining approach

Operational Availability Progress
• defining what types of capability to employ in what timeframe

Joint Monthly Readiness Reporting Review
• helps define priority gaps to be filled

Unit Readiness--Begin by Using C-Sorts
• shift to unit readiness calculations when available
• need to agree on standard to measure against

Specific Issues
• could be plan preparation, etc.
• priorities for the next 12-18 months
Future Challenges Risk Measures

- **Experimentation Progress v. Plan**
  - highlights process of innovation

- **Joint Training Progress v. Plan**
  - highlights development and use of joint training capability

- **New Organization Stand-up Progress v. Plan**
  - highlights creation and implementation of new organizational designs (USDI, ASDHS, NorthCom, SJTF, etc.)
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  - track creation of measure and progress against developing capabilities-based force

- **Percent of Budget Dedicated to Transformation**
  - need agreement on measures beyond technology
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- Communication at all levels (Services, Agencies, Under Secretaries) will ensure full compliance—vertical and horizontal
- Link strategies; avoid conflicting priorities
- Leadership commitment
- Regular reviews by the Secretary will reinforce credibility of the measures
Establish targets and goals
- Targets are expected results for period reviewed
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Ultimately, the most junior level in the DoD structure should have individual performance criteria to ensure accomplishment of targets and goals (starting 2004)
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Get Started Now!
Balanced Scorecard Metrics

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November 21, 2002
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  - highlights management’s reserve

- **Obligations to Total Budgetary Resources Ratio**
  - highlights progress in executing programs

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  - trend highlights record of program execution

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- Link strategies; avoid conflicting priorities
- Leadership commitment
- Regular reviews by the Secretary will reinforce credibility of the measures
Operational considerations--metrics should serve as a means to meet operational objectives at all levels

• Establish targets and goals
  – Targets are expected results for period reviewed
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