CNA's Support to the Revolution in Business Affairs (RBA)

A Review of the Revolution in Business Affairs

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Contents

An overview of the revolution in business affairs (RBA)

In today's world of downsizing and shrinking budgets, the Department of the Navy (DON) continues to seek more efficient and effective ways to support the operational forces. The past decade has seen the end of the Cold War and a rise in the number of crisis response actions. With its ability to project forward presence, the Department of the Navy has become a strong element in today's diplomacy. It is apparent that as the missions of the naval services evolve, the infrastructure that supports the operational forces must evolve as well. This infrastructure must be as flexible, responsive, and adaptable as the forces it supports.

In response to this situation, in late 1997, the Secretary of the Navy, John H. Dalton, directed the Under Secretary of the Navy (UNSEC-NAV), Jerry M. Hultin, to begin work on a strategic business plan for the Department of the Navy. Such a plan requires the participation of not only the leadership in the Secretariat, but the Navy and Marine Corps as well. This paper documents the DON's strategic planning efforts, reviews the processes and products that have been created to enable strategic planning, and provides recommendations and lessons learned.

In an effort to engage leadership across the Department, Under Secretary Hultin held an off-site in February 1998 at the Center for Naval Analyses (CNA) to discuss the need for strategic planning. About 35 senior leaders attended, including the Vice Chief of Naval Operations (VCNO), the Assistant Commandant of the Marine Corps (ACMC), and senior members of the Secretariat, OPNAV, and Marine Corps Headquarters.

At this meeting, Admiral Donald L. Pilling, VCNO, and General Richard I. Neal, ACMC, made presentations on what is required of the

Navy and Marine Corps to meet future needs. Mr. Charles P. Nemfakos, Deputy Under Secretary of the Navy, gave a presentation on the Department's current expenditures targeted toward reform and the need to find new ways to obtain the funds required for recapitalization of the naval services.

The off-site provided a forum for confidential discussion on the need for strategic planning within the Department, the modernization and readiness problems the Department will face in the future, and the means of addressing these issues. A direct result of this off-site was the creation of an Executive Committee to begin looking at change within the Department [1].

In July 1998, the UNSECNAV asked the Arthur Andersen consulting firm to develop a process for creating an overarching vision and goals statement for the Department of the Navy that would lead to the development of a strategic business plan. This process called for interviews with senior DON leaders to identify the challenges the Department faces and to discuss the vision each saw for the naval services, along with possible outcomes or end states. In the fall of 1998, the Arthur Andersen team conducted the first round of these interviews, which included senior leaders in the Secretariat, OPNAV, and Marine Corps Headquarters. In the second round of interviews, which began in December 1998, the team interviewed senior leaders of the operational forces. The interviews were completed by the end of January 1999.

In October 1998, Arthur Andersen produced a strategic business planning guide. This document, which laid out a possible framework and the critical endeavors identified from the interviews to date, is discussed later in this report. As part of the strategic business planning process [2], Arthur Andersen conducted a series of business roundtables in February and March 1999. These roundtables brought together members of private industry and senior leaders of the DON to discuss "best practices" and issues that the Department is facing in this time of change and to begin discussion of the initial framework of the strategic business plan [3]. In April 1999, the Office of the Under Secretary of the Navy released the DON Business Vision and

Goals that would be used to guide further reform efforts across the Department [4].

Arthur Andersen developed a communications plan to promote reform efforts both inside and outside the Department. The Chief of Information (CHINFO) began to implement this plan by preparing information sheets, placing articles in appropriate publications, setting up press interviews with the Under Secretary of the Navy, and providing videos of the working group sessions to the *Navy and Marine Corps News*. This is an ongoing effort that is designed to inform the members of the naval services as well as people outside of the Department of the Navy.

Strategic Business Plan Executive Committee (SBP EXCOM)

As a result of the February 1998 off-site, the Under Secretary of the Navy chartered the SBP EXCOM. The EXCOM was composed of the Deputy Chiefs of Naval Operations, the Deputy Chiefs of Staff at Marine Corps Headquarters, and the Deputy Under Secretary of the Navy. The committee has since been expanded to include the Assistant Secretaries of the Navy (ASNs) as representatives of the Secretariat and the DON Chief Information Officer. The Deputy Chief of Naval Operations (Resources, Requirements and Assessments, N8), the Deputy Commandant (Programs and Resources, DC P&R), and the Assistant Secretary of the Navy for Installations and Environment (ASN I&E) are the co-chairs of the EXCOM. The EXCOM reports to the RBA Board of Directors (BOD), which is composed of the UNSECNAV, the VCNO, and the ACMC. A full list of the EXCOM members is in the appendix.

The keynote speaker for the off-site was the executive who headed IBM's major restructuring in the early 1990s, Wilson Lowery. Mr. Lowery explained that IBM did not try to change its entire organization at one time. Instead, it selected 10 to 12 core and enabling processes as a basis for change within the organization, with the belief that associated processes would improve as success in those key areas was achieved [1]. With the IBM model in mind, the UNSECNAV charged the EXCOM with identifying five to ten key areas of opportunity that would facilitate change within the Navy. Since the DON

had committed many millions of dollars for reform over the next few years, the EXCOM's first step was to identify major change efforts that were already underway.

CNA was asked to catalog as many of the ongoing initiatives as possible over a 2-week period and to present the results to the EXCOM. We received data from numerous sources including the CINCPACFLT, CINCLANTFLT, and OPNAV staffs; Marine Corps Headquarters; Financial Management Groups; the Defense Reform Initiatives (DRIs) and Management Reform Memorandums (MRMs) issued by the Office of the Secretary of Defense; the Defense Science Board (DSB) studies; the Vision 21 study; and the Section 912 report.

The results of this effort—more than 340 initiatives—document a considerable amount of activity taking place at different levels throughout the department [5]. Although some efforts were tied together with a cohesive program plan, most were small initiatives at the lower organizational levels aimed at achieving the "wedges" placed on organizations within the Department. Rarely were such initiatives identified with a larger, coherent management plan that would track results—even in the case of the A-76 outsourcing wedges.

Realizing that a more strategic viewpoint and a less evolutionary approach were required, the staff of N80E was asked to coordinate an effort across the Department to identify ten or more "big ideas." The intention was then to convert these big ideas into long-term planning objectives. The results of the N80E effort are categorized in terms of manpower, infrastructure, and business practices as follows.

Manpower

- *Reengineering the Major Staffs.* Consolidating the TYCOMs and SYSCOMs

- *Recruiting, Training, and Assignment.* Changing and improving the processes for recruiting, training, and assigning Navy personnel

- *Applications of Technology to Reduce Military Manning.* Using automation, including the SMART ship program, to reduce manpower requirements

- *Alternatives to Military Manning.* Looking at alternative roles for the Naval Reserves

- *Enhanced Manpower Business Practices.* Examining the constraints against the more flexible use (reprogramming) of available funding

Infrastructure

- *Exploit Under-Used Infrastructure.* Identifying productive uses for excess capacity within the base infrastructure

- *Housing Reform.* Exploring alternative ways to provide housing to military personnel

Business practices

- *Incorporate Commercial Financial Practices.* Using commercial "best" practices and tools to achieve cost visibility

- *Reengineer Personnel Support.* Changing the way the Navy operates the Pay and Personnel Support System

- *Incentives for Business Reform.* Providing incentives to impress cost management as a cultural value and break the cultural "use-it-or-lose-it" cycle [6].

The EXCOM reviewed these ideas and sent them on to senior DON leadership for their review. In June 1998, the UNSECNAV held a second off site at the Acquisition Center for Excellence, which was attended by about 40 senior leaders across the Department.

Each idea was presented for discussion. The discussion was held on-line using groupware, which allowed for anonymous comments [7]. The groupware allowed everyone to participate in the discussion, which promoted an unusually open discussion of the topics. After each discussion session, a series of questions was provided to the participants and a vote was taken to determine whether additional study was warranted.

Of the ten ideas, one was deemed too difficult (alternatives to military manning) and another not feasible (enhance manpower business practices). The UNSECNAV asked the EXCOM to charter working

groups to explore the remaining eight ideas and to create the long-term planning objectives associated with each, for inclusion in the larger strategic planning effort.

SBP EXCOM working groups

During July and August 1998, the EXCOM created a process that would allow new ideas to be put forth at the highest levels for review and evaluation. Working groups were chartered to identify the vision and goals—both short- and long-term—for the eight "big ideas," or areas of opportunity, discussed at the second Strategic Business Planning Off-Site. Membership of the groups was determined by the EXCOM.

The working groups were designed to meet for a short, but intense, period of time. As charters for the eight areas of opportunity were developed, it became apparent that some people should be assigned to two or more groups. Therefore, the EXCOM decided to begin with three working groups: Recruiting, Retention, Training, and Assignment (RRTA); Housing Reform; and Introduction of Commercial Financial Practices (CFP). The remaining five groups would begin their work once the first three had completed theirs.

The Secretary of the Navy approved the effort in October 1998, and the kick-off meeting for the first three working groups was held on 3 November 1998. These groups met continuously for 3 weeks. Their goal was to create both a vision and long-term and short-term goals for the areas of opportunity. They were to outline plans for reaching short-term goals through existing initiatives or identification of new initiatives.

The team leaders presented the final reports to the EXCOM on 24 November 1998. After gaining approval from the EXCOM, the working groups presented their findings to the RBA Board of Directors. This body forwarded its recommendations to the Secretary of the Navy, the Chief of Naval Operations, and the Commandant of the Marine Corps for approval to move toward the next step in the process: the development of the implementation plan required to meet the vision and goals stated in the final reports.

Recruiting, Retention, Training, and Assignment (RRTA) Working Group

The RRTA Working Group, led by Vice Admiral Daniel Oliver (OPNAV N1), was created to look at new ways of recruiting, retaining, and training operational forces. This group included representatives from the operational forces and from manpower, personnel, and training organizations across the DON.

Mission

The primary mission of the RRTA Working group was to:

- Rethink the way the DON recruits, trains, assigns, and retains its force

- Determine the form of the desired end state: a manpower, personnel, and training (MPT) system that meets the needs of the 21st century Navy

- Consolidate and prioritize current initiatives and progress to serve as the foundation for future reform

- Develop a concept for transforming today's military manpower process to meet our current and future needs

- Establish a plan and architecture to implement reforms [8].

The EXCOM asked the working group to envision how the Navy manpower processes should work and to develop a plan to achieve this vision. When creating this vision, the group was asked to consider the following concepts:

- Allow lateral accessions from civilian technical schools

- Change the sea-shore rotation policy

- Outsource the quality-of-life (QOL) services (e.g., child care and housing)

- Change the way training is delivered (e.g., distance learning)

- Make greater use of the civilian educational infrastructure

- Reengineer officer and enlisted career paths to better meet requirements with flexible and responsible assignment processes

- Reconsider the 20- and 30-year career paradigm

- Make more efficient use of the Reserves

- Revise the up-or-out policy

- Modify the rate/rating structure

- Base pay and promotion on skill level or need rather than time in service, especially for high tech ratings [8].

Meeting notes

The principal representatives of the working group met for the first 3 days of the 3-week session. Those first few days were designed to inform all participants about initiatives—both ongoing and planned—that were being put forth by the various manpower and personnel communities across the Navy. The decision was made early on to focus on the Navy in particular. By the end of the first week, the participants had created a vision and set of goals. (See table 1.) As part of this vision, the group identified several "big thoughts" that it wanted to implement. The group felt there was a need for greater coordination among the manpower communities. To provide this coordination and allow the "big thoughts" to be implemented, the working group decided that a mechanism should be put in place that would integrate human resources (HR) processes across the Navy [9].

For the remainder of the sessions, representatives of each working group member formed a sub-group to map current initiatives against the "big thoughts" and to identify new initiatives that might be required. This sub-group also worked to design a mechanism for HR coordination that would meet the requirements identified by the working group.

Table 1.   RRTA vision and goals[a]

Vision: Ensure readiness in the fleet through fully manned, properly trained, stabilized ship and squadron crews integrating the most efficient MPT processes

Enabler: Establish a vehicle to integrate HR organization and processes

Goal	Challenges	Big thoughts
• Provide the right person to the right billet with the right training at the right time through the most efficient MPT process • Make the Navy an employer of choice — Initial employer — Continued employer • Shift philosophy from one of conscription to an all recruited force • Promote a life-long learning culture and environment	• Naval forces go to sea (forward-deployed vs. garrison-based) • Non-synchronous cycles • Organizations structures (internal and external) • Competitive market for human resources — Demographics — Economics — Navy image/public perception • Changing technology • Culture	• Link sea/shore rotation to deployment cycles • Create a market-based compensation system • Institute a life-long learning culture • Implement innovative recruiting strategies • Develop alternative strategies for career management

a. This list of vision and goals comes from the first interim brief of the RBA EXCOM RRTA Working Group, 9 November 1998.

Final results

At the end of 3 weeks, the RRTA Working Group briefed the SBP EXCOM with the results of its efforts. The most important element of its work was the identification of a single integrating oversight group. This group would oversee execution and policies of requirements identified by the customer, establish priorities, and direct actions to support the human resource vision [10]. The programs and processes to be integrated include:

- Recruiting, retention, training, and assignment

- Military personnel, Navy (strength plan/program)

- Reserve personnel, Navy

- Compensation and benefits package

- Housing—family and single

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- Medical

- QOL programs

- Manpower requirements

- Human resource research [7].

The final recommendations of the working group were to:

- Create a Navy Human Resources Board of Directors (NHR-BOD) as the integrating oversight group

- Have the RBA EXCOM and Board of Directors approve initiatives for implementation

- Assign for action further development of implementation plans

- Have the NHRBOD track progress of the initiatives [10].

Navy Human Resources Board of Directors

The NHRBOD is chaired by the Deputy Chief of Naval Operations (Manpower and Personnel) (N1). Its members include representatives from the various human resource organizations and from the operational forces. Leading this group is an Executive Steering Committee (ESC) composed of the Deputy Chief of Naval Operations (Manpower and Personnel) (N1), Deputy Chief of Naval Operations (Logistics) (N4), Director of Naval Training (N7), and the Surgeon General of the Navy (N093). The ESC meets weekly to review manpower and training (MPT) issues, consider new initiatives, and monitor the progress on significant current issues. The NHRBOD meets bi-monthly and focuses on integrated solutions. It continues to explore both near- and far-term MPT reengineering initiatives [11].

Housing Reform Working Group

The Housing Reform Working Group, led by Mr. Duncan Holaday (DASN Installations and Facilities), was created to look for more effective means for housing military personnel and their families. Members of the group came from housing organizations across the Department of the Navy and from the operational forces.

Mission

The primary mission of the Housing Reform Working group was to:

- Consolidate and prioritize current initiatives and progress to serve as the foundation for future reform

- Find better ways to provide housing benefits to the service member at a reduced cost but with equivalent or better housing conditions

- Establish a plan and architecture to implement reforms [12].

The working group was tasked to look at the entire process for delivering this entitlement and to review the way the DON provides and manages on-base housing. It was asked to look at how the Department could respond to different circumstances to provide suitable and affordable housing for service members in the lower pay grades [12]. It was to consider alternative options including:

- Providing the entitlement in cash only (CONUS)

- Divesting the functions that oversee bachelor quarters and family housing

- Examining total package deals from outside sources

- Examining concepts for "equity-buildup" for renters

- Examining a move to a full housing allowance program

- Accelerating/expanding current reform initiatives

- Examining the management and assignment policies for government housing [12].

Meeting notes

In the first week, the working group discussed a number of issues that were integral to housing reform in the Department of the Navy. The most basic finding was that housing should be regarded as an integral part of a total compensation package for military personnel that is used to attract and retain quality people [13].

> *The way we provide housing is a fundamental tool which will influence behavior and shape the force. This could have a positive impact on recruiting and retention and could produce savings across the Navy [14].*

The group saw many inequalities in the shelter system. For example:

- Married people get "paid" more than single people.

- Because people who live on base have better housing than those who live off base are able to get with their allowance, they are getting "paid" more than those who live off base

- Shipboard sailors are much worse off than their shore-based DOD peers [10].

To address these issues and the challenges in solving them, the working group developed a vision and goals for housing reform in the Department of the Navy. These are listed in table 2.

Table 2.   Housing reform vision and goals[a]

Vision: The Department has a responsibility to ensure that all Marines and Sailors have an opportunity to be housed suitably, affordably, and safely. This applies equally to each pay grade, whether ashore or afloat, married or single, or living on or off base.

Goal	Challenges
• A compensation package that does not differentiate among married or single, or on- or off-base service members	• The Department does not know where it wants to go as it shelters the force
— All married personnel receive the same pay whether on or off base	• The shelter system is full of inequities
— All single service members receive the same compensation as their married peers	• The shelter system is antiquated, cumbersome, and broken
— All members living off base in a "standard house," and all members on base, pay no out-of-pocket costs	• DON has lots of metrics, but
— Keep the ability to deal with special cases	— They may be measuring the wrong things
• Shipboard sailors live ashore when in homeport	— They may not be accurate
• Let most service members choose where and how to live. Exceptions:	— DON may not be using them correctly
— All single first-term E-1 through E-4s (MC E-5s) must live on base	
— Single second-term E-4s (MC E-6s) and above get to choose where to live	

a. This list of vision and goals comes from the first interim brief of the RBA EXCOM Housing Reform Working Group, 9 November 1998.

Final results

The Housing Reform Working Group reported a compelling need to change DON's approach to housing. Studies have shown that shelter dissatisfaction has an impact on bachelor retention. In addition, service members often cite poor compensation as a major reason for leaving the military, and housing represents 31 percent of regular military compensation.

The group felt that several things could be done within the current TOA. For example:

- Bring shipboard sailors into bachelor quarters (BQs)

- Give E4+ bachelors a choice of BQ or an allowance

- Achieve 90 percent Navy public-private ventures (PPVs), 45 percent USMC PPVs

- Pilot rent augmentation to buy-down out-of-pocket (OOP) expenses

- Test BQ PPV feasibility

- Raise all basic allowances for housing (BAH) to with-dependents rate [15].

In addition, the group determined that with additional TOA it was possible for the Department to:

- Accelerate BAH implementation

- Buy-down OOP expenses to 0 percent.

The working group members felt that the most critical needs were improving the QOL of shipboard sailors and service members in BQs and reevaluating allowances. They developed a plan to improve these areas but recognized the need for top-level support and additional resources for unified legislation and budgeting (ULB) issues and legislative proposals [15].

The working group identified several ideas that the Department might consider in the future, including getting the Department out of the business of providing government housing and using the

savings to increase benefits, selling government housing assets, providing incentives for home ownership, and switching to a total compensation package. These ideas require further analysis and study to determine the resource requirements.

Commercial Financial Practices (CFP) Working Group

The CFP Working Group, led by Vice Admiral James A. Lockard (COMNAVAIR), was created to look at new ways of understanding cost within the Department and to improve the information supplied to decision-makers. Membership consisted of representatives from financial management organizations across the Department of the Navy, including representation from the operational forces.

Mission

The primary mission of the CFP Working Group was to:

- Consolidate and prioritize current initiatives and progress to serve as the foundation for future reform

- Accelerate the Department-wide introduction and use of appropriate commercial financial practices and reporting

- Develop a strategic plan for implementing a business management process that enables DON decision-makers to assess cost and performance

- Establish a plan and architecture to implement reforms [16].

The EXCOM asked the group to look at ways of providing decision-makers with the tools they needed for managing costs. Specifically, they were to look at:

- Activity-based costing (ABC)

- Total ownership cost (TOC)

- Improvements in the Navy Working Capital Fund (NWCF)

- Unqualified financial statements

- Appropriation authority and rules

- Organizational changes that would improve business management [16].

Meeting notes

The CFP Working Group met for 3 weeks. The first week was designed to acquaint everyone in the working group with current commercial financial practices and to ensure that everyone shared a common base of knowledge from which to begin the discussion of financial practices within the Department. In that first week, guest speakers gave the following presentations:

- Price Waterhouse Coopers—Enterprise Resource Planning (ERP)

- Boeing—Alternatives to Legacy Systems

- Lockheed Martin—Implementing SAP

- OMB—Performance Measurement

- Oracle—ERP Solutions and Technology

- DFAS—Financial Solutions for Today and the Future

- OSD—Working Capital Fund

- DONOMIT—GPRA Overview

- NAVAIR

  — Total Ownership Cost Implementation

  — ABC/BPR Experiences

- Chuck Bowsher—Financial Practices in the Public and Private Sectors

- OPNAV (N4)—ABC Strategies

- CNA—Compilation of Current Initiatives [17].

During the last 2 weeks, many other organizations such as NASA, Microsoft, Gartner Group, and KPMG were invited to talk about their experiences and present their views to the CFP Working Group [17].

By the end of the first week, the working group was able to define a vision and a set of goals. These are listed in table 3. The group also identified both the critical success factors needed to meet the vision and goals and the cultural and financial hurdles that the Department would have to overcome [18].

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Table 3. Commercial Financial Practices Working Group vision and goals[a]

Vision: DON will use best business practices and supporting architectures to make informed decisions resulting in optimal outcomes

Challenge: Adopt world class business practices and supporting architecture or accept a less capable naval force

Goals	Success factors	Challenges
• Achieve integrity in DON financial condition—maintain public trust	• Leadership / DON buy-in	• Poor incentives
• Get the right business info to the right people at the right time—one set of books	• Process ownership	• Restrictive external guidance
• Know cost drivers & relate costs to value	• Dedicated DON-level integrator	• Incomplete cost data (don't know what things really cost)
• Make financial info an automatic by-product of process/decision	• Resources	• Lack of cost and performance information
• Develop decision support capability for all levels	• Realistic implementation plan	• Unrelatable costs (nonconsistency)
• Identify and install required architecture (develop architecture to support end-to-end capability)	• Metrics	• Poor definition of value/worth
		• Budget as the only management tool
		• Lack of "IT" standardization and poor integration of systems/processes
		• Lack of process/system ownership
		• Timeliness of data
		• Lack of "one department" view
		• Need for overarching strategic direction

a. This list of vision and goals comes from the first interim brief of the RBA EXCOM Commercial Financial Practices Working Group, 9 November 1998.

The group envisioned several alternatives for implementing better business practices through improved software products:

- *Legacy in-house development*—Modernizing the multitude of legacy systems within the Department of the Navy

- *Best of breed*—Taking the best practices that can be found in the Department and supplementing them with the best supporting

commercial off-the-shelf (COTS) systems that are currently available

- *Best of suite*—Using a suite of COTS software solutions to give the DON the ability to implement the best business practices in the commercial sector

- *Single ERP solution*—Selecting a single ERP provider and moving the DON's functional processes and financial systems to this solution [18].

Final results

At the end of the 3-week period, the CFP Working Group decided that the DON should be looking beyond commercial financial practices to commercial best business practices. To reinforce this change in focus, they changed the name of the group to Commercial Business Practices (CBP). They decided that the DON should use Enterprise Resource Planning as a foundation and/or lever for change. The group believed this alternative would:

- Provide improved decision quality information to all levels of management

- Improve efficiency and effectiveness (better, faster, cheaper) through reengineered business processes and integrated information to managers

- Manage costs for maximum reallocation of resources to recapitalization and modernization

- Enable compliance with statutory requirements: GMRA, GPRA, CFO Act, etc. [19].

The final report identified the essential elements and resource considerations. It looked at the ongoing initiatives that could be leveraged through this effort and identified the associated risks. Out of the organizations represented in the working group, six candidate pilot programs were identified:

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- *Aviation Supply Chain and Maintenance Management*—Maintenance planning and ordering processes (Lead: NAVSUP/NAVAIR)

- *Shore Station Management*—Facilities management process (Lead: CINCPACFLT/NAVFAC)

- *Regional Maintenance*—Avionics and electronics repair center across air, surface, and subsurface communities (Lead: CINCLANTFLT/NAVSEA)

- *Acquisition Program Management*—Program management process to include linkage between contracting and financial systems (Lead: NAVAIR)

- *Logistics Management*—Logistics management processes (Lead: USMC)

- *Warfare Center Management*—Financial management process (Lead: SPAWAR) [19].

The final recommendations of the working group were to:

- Proceed with a Business Case Analysis (BCA) for each of the candidate pilot programs

- Let individual sponsors fund pilot programs from existing resources

- Continue ongoing initiatives and identify connectivity to the candidate pilot programs

- Empower an Executive Steering Group (ESG) to oversee the ERP implementation at the pilot sites [19].

The RBA EXCOM approved the recommendations of the CBP Working Group and recommended that the results be presented to the RBA BOD. With concurrence of RBA EXCOM, an ESG was formed to first determine the feasibility of enterprise resource planning for the candidate pilots and then provide guidance as the pilots moved forward toward implementation.

CBP Executive Steering Group

The Executive Steering Group is composed of representatives from the System Commands, Fleets, ASN FMC/OPNAV N8, CIO, and DCS(P&R). It is chaired by Commander, Naval Aviation Systems Command, and members are added as required. Meetings are held monthly and include informational briefings on related reform efforts that are taking place across the DON and DOD as part of the continuing education process designed to keep ESG members informed about related initiatives and develop their knowledge of ERP. The pilot programs report progress at each meeting, and the ESG deals with any issues that have arisen. The ESG then sets the list of action items to be addressed before the next meeting. The ESG reports to and receives guidance from the RBA EXCOM [20].

Lessons learned

By starting with only three working groups, the EXCOM had the opportunity to improve the strategic planning process through lessons learned from the initial working groups. These were identified by the CNA team through direct observation of and participation in the working groups. The following discussion summarizes these lessons:

- **Guidance.** There was considerable confusion within the initial working groups as to what was expected of them. The language of the charters was loose enough to allow for exploration of new and bold ideas, but at the same time, a wide variety of subjects were suggested for examination. This proved to be confusing to two of the groups and apparently was a factor in their choosing to focus on the suggested subjects.

- **Definition of success.** There seemed be conflicting views on what constituted success for the working groups and how it should be measured. In part, this problem is related to the guidance issues discussed above. All the working groups began by discussing the vision for the relevant topic, and they all agreed that one measure of success was to complete a working group vision and goals. Two of the groups seemed to have

addressed all the issues raised in their charter, thereby construing success as meeting the requirements of the charter. But as time passed, it was evident that clearly identified savings was one important component of the EXCOM's definition of success.

- **Leadership.** Of the three teams, two had consistent, personal attention from the team leader. This personal involvement of the leader proved to be the critical factor in determining whether a group maintained focus and explored the outer bounds of the problem. Leader presence was also a factor in the degree of active participation of the working group principals. In the group that lacked daily participation by the principals, the work was confined largely to meeting the explicit requirements of the charter.

- **Size and composition of the working group.** The size of the working group proved to be a key factor in the group's ability to engage the problem and maintain a dialogue among participants. Working groups that had fewer than 20 people were best at creating and maintaining successful dialogue. A group any larger than 20 had trouble building the rapport required for discussing the difficult, but essential, issues.

- **Preparation.** Participants came to the working groups with widely varying concepts of what was to occur and widely varying degrees of knowledge in the subject matter. When participants from varied backgrounds are assigned a broad topic, it is essential to take time to ensure that everyone has the same basic foundation with which to begin a dialogue on the issues to be addressed. All groups made an effort to learn about the current DON situation, but only one reached outside of the Department to learn what transformations were taking place in the public and private sectors and to look for lessons learned that could be applied to the DON.

- **Scope of effort.** As we suggested above, the scope of the charters may have been too broad to handle in a 3-week period. Those working groups that were trying to meet the letter of the charter were scrambling to get all the information required.

With such a large scope, all the teams would have benefited if they had been given more time to develop a plan of action.

- **Fleet involvement.** One of the most successful aspects of the working groups was the continued involvement of the fleets and marine forces. They encouraged the other members of the groups to look at the problems from the perspective of the operational forces. Follow-up conversations with these representatives indicate that the working groups opened new channels of communications and created a place where operational issues could be discussed in a business context.

Two of the initial working groups recommended the creation of smaller governing bodies that would monitor the progress of recommended initiatives (e.g., NHRBOD and the CBP ESG). These bodies represent a continuing strategic planning presence for certain areas with the DON. They have been very successful in meeting the needs of the Department. Two factors ensured the success of these smaller groups:

- **Creating a common foundation of knowledge.** The members quickly recognized that fruitful discussions depended on a common foundation of knowledge. Most of the smaller bodies have continued the education process by ensuring that informational briefings are provided at the scheduled meetings. These briefings include information on related DOD and DON projects or briefings from private sector companies about issues that the bodies will be addressing in the near future.

- **Developing a Department-wide perspective.** Much of the success of ongoing efforts stems from the cross-organizational cooperation that begins to occur as a result of the long-term relationships created through this process. In the spirit of cooperation, participants have moved beyond the narrow perspective of their own organizations and are now taking the broader perspective of the Department of the Navy as a whole. They identified goals to be accomplished and are looking for the best solution for the DON, not just the best solution for their own organization. The give and take required to meet these goals could not take place without the level of cooperation that exists today.

Continuing efforts

A new set of working groups was initiated in July 1999. Using the lessons learned from the previous three groups, the EXCOM has begun to put in place groups that are long-term in nature. The goal is to build consensus in the community while at the same time taking a broader Department-wide perspective in addressing issues of concern. This is proving to be very effective, and the EXCOM regularly evaluates possible areas for new working groups. In this section we discuss working groups that are now in place. These groups are meeting for about a year (or longer, if necessary) to discuss issues of concern and make recommendations for improvement. These groups are much larger than the first three and cover both headquarters and field activities within the DON.

Strategic Infrastructure Plan (SIP) Working Group

The SIP Working Group, co-chaired by Ms. Ariane Whittemore (OPNAV N4B) and Mr. Bob Hammond (Assistant Deputy Chief of Staff (Installations and Logistics)), was created to continue the efforts begun by the Strategic Outsourcing Initiative. The members come from organizations across the DON that are strongly involved in the Department's infrastructure programs.

Mission

The mission of the SIP Working Group is to:

- Develop a corporate-wide Infrastructure Strategic Plan to improve operations of the entire DON infrastructure. In doing so, the group will:

  — Define DON infrastructure

  — Map relationships between infrastructure processes, initiatives, and tools

  — Develop a framework for infrastructure decision-making

- Develop an integrated set of cost and performance metrics (based on fleet user inputs as well as those of service providers) and designate/design a management information system to track performance and cost [21].

The working group is expected to review—and incorporate where possible—ongoing infrastructure efforts, including, but not limited to:

- Strategic sourcing

- The Global Ashore Plan (GAP-21)

- Public/private ventures

- The Installation Management Accounting Project (IMAP)

- Activity-based costing/management (ABCM)

- Installation claimant consolidation (ICC)

- Installation regionalization

- Regional maintenance

- Utilities privatization

- Family housing privatization

- Acquisition reform [21].

Intranet Knowledge Management (IKM) Working Group

The Department of the Navy is investing billions of dollars in building an Intranet infrastructure. The RBA EXCOM chartered a working group to explore issues resulting from the development of the Navy/ Marine Corps Intranet (NMCI). The IKM Working Group, chaired by Mr. Daniel Porter (DON CIO), is looking at the use of the NMCI and, more broadly, at the information infrastructure that is either in place or being planned. The members represent the major user communities, including the operational forces.

Mission

The mission of the IKM Working Group is to:

- Explore future opportunities for the Navy/Marine Corps Intranet

- Recommend uses of the NMCI, considering security issues and major knowledge management initiatives that are now underway

- Explore new advances in telecommunications and how these advances may interface with the NMCI

- Facilitate the integration of major knowledge management initiatives that are underway throughout the enterprise

- Coordinate efforts with the NMCI Governance Body

- Recommend policies and procedures through the RBA EXCOM that will enable the best use of the Intranet and ensure that business processes affected by use of the Intranet are addressed through business process reengineering, to include continuous process reassessment [22].

E-Business Working Group

The E-Business Working Group is chartered to coordinate and facilitate the multiple e-business initiatives that are now underway at the claimant level. It will work to understand the inter-relationships between operations, cost, and performance alternatives for e-business opportunities in the Navy. This group is co-chaired by Rear Admiral Gwylim Jenkins (ASN(RDA) Deputy for Acquisition & Business Management), Rear Admiral David Keller (DCNO (Logistics) Director for Supply Programs and Policy), and Mr. David Wennergren (Deputy DON CIO for Electronic Business and Information Assurance). The members come from the major user communities, including the operational forces.

Mission

The primary mission of the E-Business Working Group is to:

- Become the DON's "catalyst for change" for e-business initiatives

- Facilitate the integration and implementation of current e-business initiatives

- Identify and reengineer DON business opportunities

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- Validate a Department-wide introduction and use of appropriate commercial e-business practices

- Develop a roadmap for implementing an integrated business management process that will enable DON decision-makers to assess cost and performance [23].

Summary

The EXCOM has created a process that has proven to be extremely valuable for addressing Department-wide issues. Proposals are forwarded to the EXCOM for review and support. The EXCOM process allows the DON to provide senior leadership focus on these issues. The EXCOM and the RBA BOD meet periodically to review the results of the working groups.

RBA Future Leaders Conference

In January 2000, the Under Secretary of the Navy sponsored the RBA Future Leaders Conference (FLC). This conference was designed to expand the community of RBA practitioners by bringing together future leaders in the Department of the Navy. The attendees included O5/O6s and GS14/15s from the Fleet, the System Commands, and Headquarters. The purpose was to bring the broader views and needs from the field activities and headquarter staffs to initiatives being put forth within the RBA context. In addition, the attendees were asked to offer solutions for near-term business issues.

The conference consisted of several plenary sessions with keynote speakers and working sessions where the participants were divided into working groups to discuss solutions for topics of interest. These working groups consisted of:

- *E-commerce*—Applying e-commerce solutions to DON business processes

- *Knowledge Management*—Examining how the DON will use the NMCI

- *Base Operations*—Identifying near-term improvements for base operations

- *Innovation*—Identifying how to transition ideas and technology into the acquisition cycle

- *Personnel*—Identifying issues for preparing to man the force in the new millennium.

Results

Each working group met over several days to discuss the issues and develop a set of possible recommendations. These recommendations

were presented to the RBA Board of Directors and the RBA EXCOM. Across all the working groups, a set of common themes emerged:

- *Changing our culture.* A recurring theme in each of the presentations was the need for change in today's naval culture. NMCI and the application of information technology mean that decisions can be pushed down into the organization (i.e., empowerment of the user). However, users can be empowered only if their superiors trust them to make the right decisions with readily available information. To make this work, the naval services must get rid of zero tolerance for failure, which stifles innovation, and it must reward the risk takers even if they fail.

- *Common processes and web-enabled technology.* Once the NMCI is completed, the naval services will finally have a common infrastructure for information technology. Each of the groups stressed the need to take advantage of this common infrastructure by putting in place common processes and common information systems leveraged through web technology.

- *Quality of life (QOL).* In this strong economy, the naval services must compete with the private sector for personnel. Information technology can be used to improve the quality of life for all service members in both their personal and professional lives.

  — To improve QOL in professional lives, the services can:

    - Reduce workload through single data entry points and knowledge management

    - Improve communication both ashore and afloat through technological improvements (e.g., Palm pilots)

    - Use e-commerce/e-business on the support side for supply and maintenance processes.

  — Suggested improvements in personal lives include:

    - Support to military families (e.g., medical services, house hunting)

    - Distance learning and online training.

The recommendations from the Personnel, Base Installations, and Knowledge Management Working Groups were presented to the RBA EXCOM Working Groups associated with those areas—Human Resources Board of Directors, SIP Working Group, and the IKM Working Group. In response to the recommendation of the E-commerce Working Group, an additional RBA EXCOM Working Group was chartered to look at e-business/e-commerce across the Department.

E-Commerce

The E-Commerce Working Group was asked to identify opportunities within the Department for using e-commerce that would benefit both internal and external customers. The group identified two main areas to examine—processes within the Department whose customers were individual service members and processes that were oriented toward organizations. We summarize the results of this working group below.

Business to consumer

- *Quality of life*—Using the Internet/NMCI to improve a service member's professional and personal life. By providing every service member with a unique e-mail address, the services can push information tailored directly for a particular individual. In addition, access to the Internet could allow the service member to access sites designed to improve QOL. Ideas put forth by the working group include:

  — **Online house hunting**—Improving permanent change of station (PCS) moves by linking a service member with members of the real estate industry and facilitating exchange of information through the use of online chat rooms or forums

  — **Pay and entitlements**—Providing the ability to submit and review personnel forms online (e.g., allotments, claim processing, and housing)

  — **Health care**—Providing the ability to access health care information, make appointments, and submit claims online

— **Education and training**—Providing tailored or distance learning through the Internet

- *Virtual recruiting*—Use of the Internet to improve recruiting by seeking out applicants with desirable skills, modifying existing sites to provide mechanisms for determining interest and skills, and linking former and existing service members to applicants for personal interaction [24].

Business to business

- *Financial management*—Current problems of financial data used by the operational manager—its accuracy, timeliness, and format. The group proposed the implementation of a web-based resource management system that would integrate existing financial systems, provide single point of data entry, require little or no manual manipulation, and automatically populate associated databases.

- *Support chain management*—Today's supply chain asset utilization. The group proposed creating shared information that would allow leveraging of high pay-off areas (e.g., maintenance program design, fleet reliability management and maintenance, and inventory optimization) [24].

Knowledge management

With the introduction of the NMCI, the DON has the opportunity to begin exploring the possibility of creating knowledge from existing sources and managing it. For most organizations, knowledge is power, and sharing their knowledge means sharing their power. The DON is a competitive environment where there is a winner and a loser. Knowledge management (KM) requires a change in this environment to one of collaboration. But collaborative environments require cultural and behavioral change.

The group felt that the issues to be addressed are about the people, culture, and organizations of the DON, not the technology that is being put in place that enables change in processes, cultural attitudes, and organizational structure and decision-making. The results

of their deliberations, which focused on changing the culture and the behavior of the DON, are summarized below:

- *Develop an incentive and reward system to encourage collaboration*—Collaboration should be viewed as part of resource management—getting the "right" people together to form better decisions. It needs to be made part of the evaluation and promotion processes where service members are given high marks for participating in and facilitating collaborative work. It also means the elimination of zero tolerance for failure where people are willing to share not only positive experiences but negative ones in order for others to learn from them.

- *Increase the levels of trust*—Collaborative environments mean that there is a commitment from leadership to allow external people to participate in the work and/or decision processes of an organization.

- *Develop measures of success*—Measuring the success of a knowledge-centric environment is difficult. It is important to look at the processes to see if behavior is being modified and if the shift from a competitive environment to a collaborative one is being made. There is also a relevance factor to the effects of knowledge management—Are our forces smarter and more agile? Are they making faster, better decisions? Is readiness improved? Finally, there are outcome-based performance measures [25].

The group also examined how to put knowledge management into effect throughout the Department. They felt that a Chief Knowledge Officer (CKO) needed to be designated at the Secretariat level and for each of the naval services. The CKOs would be responsible for identifying critical, high-payoff areas; facilitating the building and spreading of early success; and building a knowledge management team. In addition, the group felt that the DON should consider the creation of a KM Center of Excellence to gather and spread best practice information across the DON [25].

Base operations

Many facilities within the DON are inefficiently and/or ineffectively utilized, resulting in wasted base operations (BOS) funds. This

working group was tasked to identify near-term improvements for base business operations. The group examined competitive outsourcing and A-76 examples from the other services. In addition, it looked at DOD laws and regulations that serve as barriers to efficient operations. We summarize the results from this working group below:

- **Optimizing shore infrastructure**—Acceleration of investments for optimizing facility utilization and reducing costs, including:

  — Uniform Planning System

  — Consolidation of facilities (e.g., installation, geo-area, Joint)

  — Life-cycle management (e.g., whole building renovation)

  — Integration of base and community infrastructure

- **Sustaining RBA**—Current business focus and practices for installation management, including:

  — *Professionalize business skill development and shore installation expertise.* The management of base operations needs a clearly defined set of critical business skills with a robust training program for incoming base commanders. The Department needs to institutionalize the requisite skills and processes to provide installation leaders with the necessary support.

  — *Develop and implement standards and metrics.* A business information system needs to be developed that would establish standard data definitions and standard cost/performance measurements. The DON should adopt commercial standards/benchmarks, invest in best business practice research, and share lessons learned more effectively.

  — *Empower regional/local activities.* Constraints should be removed on installations to allow competitive sourcing based on service (e.g., changes in rules and regulations, elimination of internal monopolies). Increase noncompetitive contract requirements to reduce administrative costs required for the proposal process.

— *Adopt strategic-level reforms.* Installation management should be merged across the DON thus allowing efficiencies to be gained through consolidation efforts. In addition, installation management needs to have a clearly articulated vision and goals to help installation commanders understand what is expected of them [26].

Innovation

This working group examined the qualities that make up an innovative organization and why it is imperative for today's military to innovate. It identified the desired attributes for the DON and then focused on how to achieve those attributes through organizational change, fiscal flexibility, and culture. We summarize the results of this working group below.

- **Organization**—The DON organization places a near-term focus on the headquarters-level staffs. There is a tremendous competition for resources with very few mechanisms for inserting innovative ideas. The group recommended:

  — *Restructuring the organization.* Change the DON organization's focus to mission capability, reinforce the IWAR process, and identify lead business innovators within the DON.

  — *Renewing the business process for innovation.* Formalize the innovation analyses and decision mechanisms, identify resource sponsors, and identify when and how innovative ideas can be inserted into the organization and budgeting process.

- **Fiscal flexibility**—The PPBS process was designed for economies of scale that minimize and/or eliminate business risk. Although this approach is useful for ensuring that money is spent appropriately, it impedes the ability of the system to react quickly to changes in requirements. In addition, statutory limitations hamper the Department's ability to respond to the rapid pace of technology advancements. The group made the following recommendations:

  — Create a fiscal environment that attracts industry partners

— Realign budgetary authority to resource sponsors

— Tap the global market

— Create flexibility within PPBS.

- **Foster innovation culture**—The culture of the naval services is not one that handles innovation well. Zero tolerance for failure acts as a strong disincentive for trying new ideas. Innovation comes from thinking outside the box and beyond the boundaries of today's organization; it cannot thrive where people are not rewarded for attempting new things. To create a culture of innovation within DON, the group recommends the following:

  — Develop a sense of urgency to innovate

  — Encourage senior leaders to show their commitment to innovation

  — Reward actions for the "good of the organization"

  — Adopt a web-based idea factory

  — Learn when to say "No" and how to say "Yes"

  — Know when to accept less than the 100-percent solution

  — Celebrate "failure" with learning value

  — Educate people and expose them to innovative ideas (e.g., post-graduate education, incorporating innovation into the schoolhouse curricula, distance learning) [27].

Personnel

With a strong economy and the lowest levels of unemployment ever seen in the United States, the Department of the Navy must work hard to recruit, engage, and retain the best people—both military and civilian. This working group examined changing variables that will affect the workforce for the future and make the DON the employer of choice

- *Culture/policy*—In the future, the culture of the DON should be one that protects people when they take risks and fail,

institutionalizes informality and approachability, allows for intelligent disobedience, and permits changes in business practices to improve the workplace. Suggestions for promoting such an environment include:

— Reduce the work week

— Use VTC capability to create virtual relationships

— Institutionalize the supportive framework for creativity and nurturance

• *Workforce dynamics*—The Department needs to determine core competencies; rethink the relevance of a 20-year traditional career path; and examine the expected demographics, attitudes, and expertise required in personnel in the naval services in 20 to 30 years. Suggestions included:

— Create specialist vs. leadership tracks

— Reconsider enlistment contracts

— Include the power of choice in the assignment policy

• *Compensation package and incentives*—The structure of the DON compensation package and incentives needs to be overhauled to include vested retirement, market-driven incentives, and tangible compensation. Suggestions for compensation and recognition include:

— Give a computer to every member of the team

— Recognize leaders based on retention and job satisfaction

— Determine the most important perks/incentives for staying in the naval services

• *Image*—The Department of the Navy needs to be seen as the employer of choice through innovative marketing, role models, partnerships with industry, and education. Suggestions for improvements in this area include:

— Determine the target audience and the "mythos" that appeals to the audience

— Eliminate gender barriers

— Adopt futurist strategies as a tool for understanding the future workforce

— Give personnel opportunities to consult with the private sector in their areas of expertise [28].

Department of the Navy RBA Workshop

Many people who attended the RBA FLC asked how the results of the conference were going to be used and what the next steps in this process would be. In response to this question, a workshop was organized to bring together participants in the Naval Post-graduate School Revolution in Business Practices (RBP) course and selected participants in the FLC. The RBP attendees represented a cross-section of senior leadership in the DON—civilian and military personnel. The objectives for the workshop were twofold: first, to share knowledge among participants of the many efforts underway, and second, to identify potential pilot projects that could be supported by senior leadership.

The workshop began with an overview of the FLC keynote speakers' comments and an overview of the RBP course highlights. Next, the results of the FLC were briefed to the RBP participants. These were the key points of the discussion:

- *Innovation Group*—The need for a champion of innovation, the need to get though the bureaucratic process and change culture, providing a balance of voices inside and outside the Beltway, the idea that innovation means not only nurturing ideas but implementing them, the need for more fiscal flexibility, increasing the speed of processes, and the tendency of the organization to minimize/eliminate risk

- *Base Operations Group*—The need to look and reevaluate assignment of people to installations and the idea of a "bank" to provide loans (Cost Reduction and Effectiveness Improvement process (CREI) is good idea, but it's not fast enough), a function the claimant should fulfill.

- *Personnel Group*—Trusting junior people with our lives (e.g., flying planes) but not to rent a hotel room overseas, and the need to be competitive in recruiting and keeping people

- *Knowledge Management Group*—Web-access to information, creation of KM resources that would better enable turnover of most jobs

- *E-commerce Group*—The need to implement web services and remote access to those services, the idea of priceline.com for commissary prices [29].

The participants also heard a presentation on the information technology capabilities of the U.S. Naval Academy (USNA) by Mr. Lou Giannotti. The Naval Academy—a university environment with 13 major subjects in technology—collaborates with universities across the nation. In the past few years, the USNA has worked to improve the information technology infrastructure that allows everyone access to a network of systems from anywhere on campus [29].

A great deal of interest was expressed in the Enterprise Resource Planning (ERP) solution for admissions that the USNA recently put in place. Unlike the ERP pilots being built under the auspices of RBA, the USNA created its own ERP using the ORACLE toolset. When asked about the problem of setting up a future legacy system and taking on the burden of maintaining and upgrading the software, Mr. Gionnatti explained that the ERP data model is designed in such a way that it does not require rebuilding the system with an upgrade of ORACLE. He felt their approach could be scaled to other organizations with a larger number of seats. The discussion also touched on training the software maintainers and the NMCI [29, 30].

The workshop concluded with comments from participants of the NPGS "30-Something" course (30-SC). They noted that all the groups that have met at different levels with the DON—the three–star level (RBA EXCOM), the O5/O6 level (FLC and RBP), and the 03/02 level (30-SC)—have similar ideas on the need for cultural change. So, in effect, the culture is already beginning to change, but those who are lower in the organization do not realize the extent of the effort taking place at senior levels in the Department. Communication is key to starting the dialogue so young officers understand that senior leaders are interested in their future and their ideas [30].

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Building a strategic business plan

The effort to create an initial Strategic Business Plan (SBP) was going on in parallel with that of the SBP EXCOM Working Groups. Arthur Andersen was tasked to develop a process for creating a strategic business plan. The culmination of that process would be an overarching strategic architecture that was flexible and responsive enough to adapt to the changing environment. The process consisted of:

- Interviewing senior leadership to determine the sense of urgency and to elicit a vision of the future

- Conducting business roundtables where senior leaders could meet with industry executives to discuss relevant issues

- Developing an initial strategic framework as a jumping-off point for identifying key goals and activities of the SBP

- Producing an initial draft of the SBP that would incorporate information obtained from the previous steps.

Interviews with DON senior leadership

Arthur Andersen conducted confidential interviews with senior DON leaders in the Secretariat, the Navy, and the Marine Corps from October 1998 through January 1999. The results of these interviews were used to identify a set of common goals and objectives for the Department of the Navy. Although the actual comments are not available for review, the following is a summary of the common threads that appeared in the discussions.

Sense of urgency

Participants were asked whether they believe there is a "burning platform" and, if so, whether it was significant enough to necessitate a "revolution in business affairs." An apparent consensus exists *across*

the Department that the DON must address problems in the infra-structure in order to make it more efficient and effective. A few felt that the DON was at a crucial point and that drastic measures needed to be taken. Most felt that very little additional funding would be forthcoming from Congress and that the current reform efforts, while productive, were not sufficient to address the problem of modernization.

Identification of an end state

Arthur Andersen asked interviewees to identify the end state they envisioned for the Department of Navy. Respondents believed that the answer turns on key questions that the DON cannot answer solely from within. Overwhelmingly, the participants talked about the changing mission of the naval services. The current DON is built on an infrastructure designed to support major regional conflict. Since the end of the Cold War, the operational forces have begun to be more involved in small regional crises. The increase in the use of for-ward presence in U.S. international policy has caused an increase in OPTEMPO as the operational forces respond to world events. It is up to the Department to create an infrastructure that is flexible, adapt-able, and responsive to the quickly changing world environment.

Change in leadership

Another area of concern for most of the participants was the periodic change in leadership. Everyone shared the desire to create a system that was efficient and effective, but there was uncertainty whether such a system could be developed in the face of continued transition of leadership at the senior levels, both civilian and uniformed. Lead-ers across the Department tend to hold their positions for only a short tenure, 2 to 3 years, and changes in the administration disrupt all organizations across the Department. There is a strong desire to work toward a defined future state, but many felt that the reality of the sit-uation suggests that such goals can be reached only in incremental steps corresponding to the frequent leadership changes.

Recruiting and retention

The most important specific functional issue identified by the participants was the problem in recruiting and retention. Over the past few years enlistment rates have fallen. This is largely due to a strong economy, a factor that also contributes to decreasing retention rates. The military has always required personnel with strong technical skills. Those same skills are a valuable commodity in today's market, and opportunities in private industry are very attractive to the junior enlisted personnel. The naval services must address this problem in order to attract and retain the personnel today who will compose the Navy and the Marine Corp of the future.

Business roundtables

The naval services are facing many of the same challenges as private industry—downsizing, reengineering, outsourcing, and constant change. Arthur Andersen conducted three business roundtables that brought together industry leaders and senior leaders from the Secretariat, the Navy, and the Marine Corps. The participating business representatives talked about the key issues they were facing in each topic of discussion [4]. The common theme that appeared in all the discussions was the need to lead and manage change.

These roundtables looked at three issues:

- *Managing cultural change.* When discussing implementing change in an organization, the business leaders emphasized the need for senior leadership to be out in front pushing the organization forward and articulating the sense of urgency that is needed to drive change. It is apparent that private industry adapt more rapidly than the DON to changing requirements, but many industry practices could be utilized to better manage the change currently underway in the Department [4].

- *Managing human capital.* Many of the representatives included in the manpower discussion came from the high technology sectors of industry. They are competing for many of the same people that the DON is trying to recruit. Once they hire them, these industry representatives have a vested interest in

retaining their personnel. This requires providing competitive benefits and, in many cases, changing their approach to personnel management. Industry is highly committed to its employees and spends a lot of money to develop the potential of the employee and create a learning organization. Workers like to feel valued and understand how they fit into the corporate organization. Due to legislative constraints, the DON cannot always adopt the methods used by many of the companies represented at the roundtable. However, constant attention, innovative ideas, and an understanding of today's workforce will be required if the Department is to compete against the private sector [4].

- *Managing the business environment.* The third roundtable discussion dealt with the business environment—supplier relationships, partnering, outsourcing, managing risks, and process improvements. Each industry representative gave an overview of the business strategies being implemented in his organization. All had recently undergone significant business transformations ranging from mergers to large-scale process reengineering. The companies represented have used outsourcing to eliminate nonvalue-added functions. The idea was to outsource to a good solution rather than identify a best practice and implement it across the board. They are also balancing partnerships with suppliers. These partnerships are defined to ensure accountability, quality, and service while balancing the risk of such a relationship. The discussion ended with the senior leaders pondering the need to partner with outside organizations [4].

An initial strategic framework

In October 1998, the Under Secretary of the Navy asked Arthur Andersen to produce a preliminary strategic business plan. The UNSECNAV was interested in illustrating the framework for the strategic business plan as well as initiating discussion of the vision and goals for DON business affairs. At that time, the Arthur Andersen team had just completed the first round of interviews with the Washington-based DON senior leadership and was about to begin

interviews with the commanders of the operational forces. Understanding the need for a preliminary product, Arthur Andersen developed a strategic business planning document. It contained not only the framework of the strategic plan but a discussion of the strategic planning process and illustrative examples from both the public and private sectors [2].
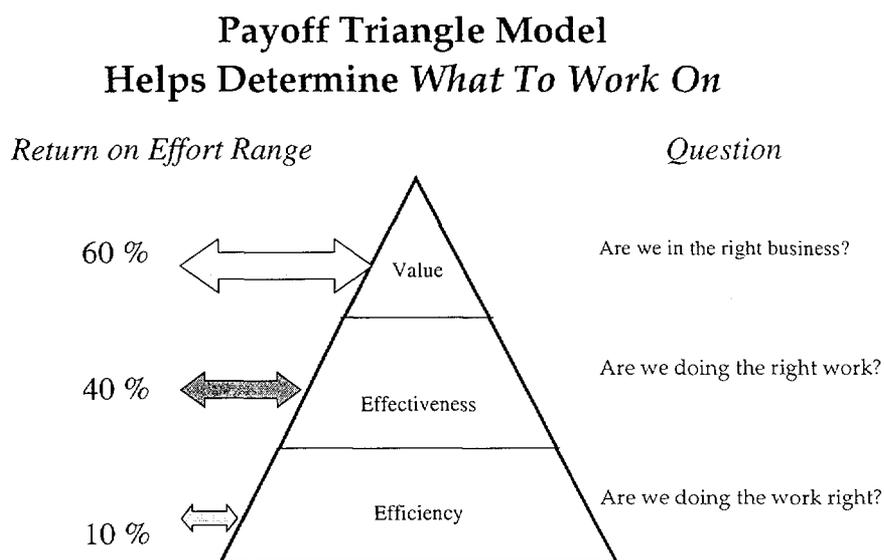
This work makes a real effort to help the user make the mental leap required to think about the DON's challenges from an enterprise management perspective. The DON is being asked to manage support operations and costs as if it were a business in the private sector, even though its primary mission is operational. Redesigning processes will not be enough. Organizational culture, structure, and management of intellectual capital must undergo profound change.

The Arthur Andersen team pointed out that the DON's many business activities do not fit into a single organizational framework—let alone any identifiable business framework—and that this hugely complicates any thought of transformation. Arguing for a coordinated and tightly managed (transformational) approach, the Arthur Andersen team introduced the notion of "critical endeavors." Drawing on the few interviews it was able to conduct with naval leadership prior to producing this document, the team posed the following "enabling objectives":

- *People*—Reconfigure the infrastructure workforce to the optimum size, with the appropriate skills and desirable career goals, to best serve the warfighting requirements, while providing a desirable quality of life.

- *Process*—Design (and redesign) infrastructure, products, and services to meet current and future needs and to continuously transition to the future in a seamless manner. Sunset or outsource noncritical activities.

- *Technology*—Study, understand, and selectively apply the emerging technologies and best business practices to U.S. naval service infrastructure, products, and services without imprudently compromising the nation's readiness objectives.

As a device to determine how best to achieve those objectives, Arthur Andersen recommends and illustrates to the user its "payoff triangle" model (figure 1) to identify "critical endeavors" for each core process in the DON. In this model, we see that the greatest return on investment is also the area with the most cultural resistance—"Are we in the right business?" It is this area that the critical endeavors are to address.

Figure 1. Arthur Andersen's "Payoff Triangle" Model

Payoff Triangle Model
Helps Determine *What To Work On*

Return on Effort Range   *Question*

60 %   Value   Are we in the right business?

40 %   Effectiveness   Are we doing the right work?

10 %   Efficiency   Are we doing the work right?

Using this framework, the Department of the Navy can begin to think about its process and where to begin the transformation of its business processes.

Developing the business vision

Using the Arthur Andersen planning guide as a basis for developing a strategic business plan, a team consisting of Arthur Andersen analysts and UNSECNAV staff created an initial draft of the DON Strategic Business Plan. This document described a business framework and was reviewed by senior leaders across the Department in early 1999. By the end of April 1999, a final document was prepared for public distribution, titled *Business Vision and Goals*.

The Department of the Navy will continue to provide the dominant global naval force and develop future capabilities to safeguard the nation. The Department will recruit, engage, and retain the best people in military and civilian service; deliver recognizable value for every dollar spent; and create a business environment focused on teamwork and outcomes.

— *Innovation.* Foster continued conceptual, technological and operational superiority

— *People.* Recruit, engage, and retain the best people—military and civilian

— *Decision support systems.* Deliver recognizable value for every dollar spent

— *Organizing work.* Create a business environment focused on teamwork and outcomes [3].

These goals should guide decision-makers as they look toward the naval services of the future. Each goal is presented with a set of sub-goals that point the way toward achieving the business vision.

With the completion of the DON *Business Vision and Goals,* the Department faces the challenges of meeting those goals and transforming the Department of the Navy into an exemplar of best practices.

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Summary

The Revolution in Business Affairs began more than 2 years ago as a mechanism to improve the Department of the Navy's business practices. During that time, it has been embraced by senior leaders across the Department as they meet the challenges of shrinking budgets and downsizing. CNA has supported the RBA effort from its inception, and over time, we observed:

- Demonstration of the practicality and utility of a process free from the OPNAV staffing constraints for bringing to the attention of senior leadership valuable ideas that can have a significant impact on resources

- In-depth exploration of selected critical areas of interest by convening panels of "stakeholders" and "owners" (e.g., the fleet, the System Commands, and Headquarters)

- Identification or creation of initiatives that were designed to improve not only the business practices of the Navy, but also the quality of life—and work—for its personnel.

The business vision created through the RBA effort provides clear goals and objectives to guide future modernization efforts. We expect, as the DON moves forward, this vision will be revisited and modified to reflect gains already achieved and to turn leadership focus to new issues.

Although there will undoubtedly be other efforts like RBA in the years to come, we feel this initiative may have had lasting impact on the way cross-organizational problems are discussed and resolved. It challenged senior leaders to look beyond the perspective of their organization toward the broader perspective of the entire Department, demonstrated by the willingness of senior leaders to bring *all* stakeholders into the discussion.

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Appendix: Revolution in Business Affairs Executive Committee

Co-Chairs

Assistant Secretary of the Navy (Installation and Environment)

Deputy Chief of Naval Operations (Resources, Requirements and Assessments)

Deputy Chief of Staff (Programs and Resources)

Members

Deputy Chief of Naval Operations (Logistics)

Deputy Chief of Naval Operations (Plans, Policy and Operations)

Deputy Chief of Naval Operations (Manpower and Personnel)

Director, Space Information Warfare Command and Control

Commander, Naval Air Systems Command

Deputy Commandant(Manpower and Reserve Affairs)

Deputy Commandant (Plans, Policy and Operations)

Deputy Commandant(Installations and Logistics)

Assistant Secretary of the Navy (Research, Development and Acquisition)

Assistant Secretary of the Navy (Manpower and Reserve Affairs)

Assistant Secretary of the Navy (Financial Management Comptroller)

Department of the Navy Chief Information Officer

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Glossary

AA	Arthur Andersen
ACMC	Assistant Commandant of the Marine Corps
CBP	commercial business practices
CFP	commercial financial practices
CKO	chief knowledge officer
COTS	commercial-off-the-shelf
DON	Department of the Navy
ERP	Enterprise Resource Planning
ESG	Executive Steering Group
EXCOM	Executive Committee
FLC	Future Leaders Conference
HR	human resources
IKM	intranet knowledge management
KM	knowledge management
NHRBOD	Navy Human Resources Board of Directors
NMCI	Navy/Marine Corps Intranet
QOL	quality of life
RBA	Revolution in Business Affairs
RBA BOD	RBA Board of Directors

RBP	Revolution in Business Practices
RRTA	recruiting, retention, training, and assignment
SBP	strategic business plan
SIP	strategic infrastructure plan
UNSECNAV	Under Secretary of the Navy
USNA	United States Naval Academy
VCNO	Vice Chief of Naval Operations

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