FY 2018-FY 2022

National Defense
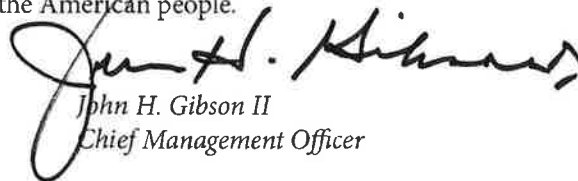
Business Operations Plan

The Fiscal Years (FY) 2018 – FY 2022 National Defense Business Operations Plan is a supplement to the 2018 National Defense Strategy (NDS), and is structured to directly contribute to NDS priorities. The plan addresses reforms in each of the Secretary's lines of effort from a business and support perspective; however, the primary focus of this plan is reforming the Department. The Business Operations Plan focuses on the Department's strategy to improve performance, reform business operations, provide a strong foundation to rebuild readiness, and work with partners in support of the Department and Administration priorities. This plan is supplemented by an annual performance plan that is refreshed each year. The annual performance plan details business and support action plans for each performance goal with specific targets and/or milestones for performance measures that are used to gauge progress toward the achievement of business operations goals and objectives. In conjunction with the FY 2019 President's Budget request for the Department of Defense, the plan lays out DoD's institutional reform priorities, programs, budgets, and performance accountability. We will continue to refine performance plan measures and targets as the management reform agenda across the Department matures.

The NDS articulates the Department's military strategy to compete, deter, and win in an increasingly complex security environment defined by rapid technological change, increased competition from adversaries in every operating domain, and the impact on current readiness from the longest continuous stretch of armed conflict in our Nation's history. Both the NDS and the Business Operations Plan focus on achievement of the Secretary's major lines of effort for the Department: 1) Rebuild military readiness as we build a more lethal Joint Force; 2) Strengthen alliances as we attract new partners; and, 3) Reform the Department's business practices for greater performance and affordability.

Foundational to our vision of success in this area is the establishment of a culture of performance and productivity on an enduring, institutionalized basis. We are putting in place a management system where leadership can harness opportunities and ensure effective stewardship of taxpayer resources. We have a responsibility to gain full value from every taxpayer dollar spent on defense, thereby earning the trust of Congress and the American people.

John H. Gibson II
Chief Management Officer

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Overview of the Department

The Department of Defense's enduring mission is to provide combat-credible military forces needed to deter war and protect the security of our nation. Should deterrence fail, the Joint Force is prepared to win. Reinforcing America's traditional tools of diplomacy, the Department provides military options to ensure the President and our diplomats negotiate from a position of strength. This increasingly complex security environment is defined by rapid technological change, challenges from adversaries in every operating domain, and the impact on current readiness from the longest continuous stretch of armed conflict in our Nation's history. In this competitive environment, there can be no complacency—we must make difficult choices and prioritize what is most important to field a lethal, resilient, and rapidly adapting Joint Force. America's military has no preordained right to victory on the battlefield.

> ### DoD Mission:
> To provide the military forces needed to deter and win wars and to protect the security of our country and our allies.

DoD is the successor agency to the National Military Establishment and was established by the National Security Act Amendments of 1949 (Public Law No. 81-216), as an executive department of the United States Government with the Secretary of Defense. The DoD mission depends on our military and civilian personnel and equipment being in the right place, at the right time, with the right capabilities, and in the right quantities to protect our national interests. The mission also depends on companies, universities, alliances, partnerships, and innovators, as well as the support we receive from the American people. This has never been more important as the United States confronts a more dangerous and competitive international security environment than we have seen in decades.

The Department's scope of responsibility includes overseeing, directing, and controlling the planning for and employment of global and theater-level military forces and the programs and operations essential to the defense mission.

DoD will maintain and use armed forces to:
- Support and defend the Constitution of the United States against all enemies, foreign and domestic.
- Ensure, by timely and effective military action, the security of the United States, its possessions, and vital interests.
- Uphold and advance the national policies and interests of the United States.

The Department of Defense is the Federal Government's largest agency and one of the most complex organizations in the world. With more than 1.3 million active duty service members, 750,000 civilian personnel, and more than 811,000

Marines enrolled in the Marine Corps University's Sergeants Course view the Vietnam Veterans Memorial in Washington, D.C., Nov. 3 2017

National Guard and Reserve service members, the DoD is the nation's largest employer. These military and government civilian personnel are augmented by over 600,000 private sector employees providing services and support under contract to the Department, not to mention hundreds of thousands of other employees in the defense industrial base and their suppliers who produce the weapons systems for our military.

Furthermore, more than two million military retirees and their family members receive benefits. Our military service members and civilian employees operate in every time zone and climate, and more than 450,000 of our personnel serve overseas. As one of the nation's largest health-care providers, DoD's TRICARE program serves approximately 9.4 million beneficiaries.

The DoD, which operated with a base budget of approximately $523 billion in fiscal year (FY) 2017, executes a multibillion-dollar global supply chain and manages a 5 million-item inventory.

Additionally, DoD is one of the largest holders of real estate, managing a global portfolio that consists of more than 568,000 assets (buildings and structures), located at nearly 4,800 sites worldwide, covering 27.2 million acres of property.

DoD Values:

DUTY

INTEGRITY

ETHICS

HONOR

COURAGE

LOYALTY
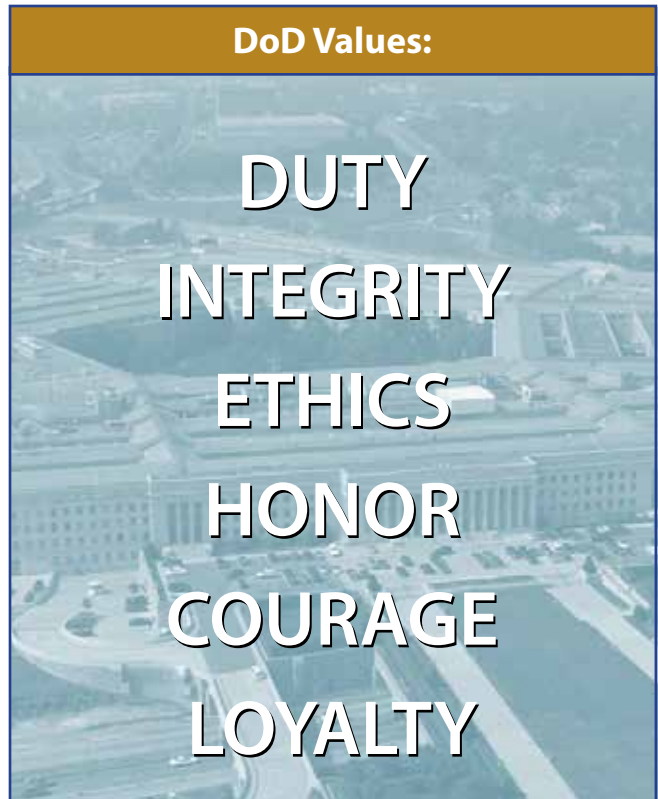
Alaska Air National Guard airmen load and secure cargo on a C-17 Globemaster III at Joint Base Elmendorf-Richardson on Aug. 28, 2017 before traveling to Houston in response to Hurricane Harvey.

DoD Organizational Structure

The President of the United States of America is the Commander-in-Chief of the Armed Forces. The Secretary of Defense is the principal defense policy advisor to the President. Under the direction of the President, the Secretary exercises authority, direction, and control over the Department. The Deputy Secretary is the second-highest ranking official in the DoD, with the power and authority to act for the Secretary and to exercise the powers of the Secretary on any and all matters for which the Secretary is authorized to act (except in limited circumstances).

Established in 2018, the Chief Management Officer (CMO) of the Department of Defense is the principal advisor to the Secretary of Defense and Deputy Secretary of Defense on the enterprise business operations of the Department. The CMO has the mission of managing enterprise business operations and shared services of the Department, including establishing policies for planning and processes, business transformation, performance measurement and management, business information technology management and improvement activities and programs.

Authority and control of the Armed Forces is executed through two chains of command: first, the President, through the Secretary of Defense, to the Combatant Commanders (CCDRs) for missions and forces assigned to Combatant Commands (CCMDs); and second, the President through the Secretary of Defense to the Secretaries of the Military Departments (MilDeps) for purposes other than operational direction of forces assigned to the CCMDs.

The DoD maintains and uses armed forces to support and defend the Constitution and ensure security of the U.S., its possessions, and vital interests. To accomplish this mission (as represented in Figure 1), DoD is organized into the Office of the Secretary of Defense (OSD), Joint Chiefs of Staff, Joint Staff, DoD Office of the Inspector General (DoD IG), CCMDs, MilDeps, Defense Agencies and DoD Field Activities (DAs/DoD FAs), and other offices, agencies, activities, organizations, and commands established or designated by law, the President, or the Secretary of Defense.

The Department of Defense Fourth Estate comprises organizational entities that are not part of the MilDeps or CCMDs. These include OSD, the Chairman of the Joint Chiefs of Staff, the Joint Staff, DoD IG, and DAs/DoD FAs. The Joint Chiefs of Staff consist of the Chairman, the Vice Chairman, the Chief of Staff of the Army, the Chief of Naval Operations, the Chief of Staff of the Air Force, the Commandant of the Marine Corps, and the Chief of the National Guard Bureau. The Chairman of the Joint Chiefs of Staff transmits the orders of the President or the Secretary to the Combatant Commanders. The Joint Staff assists the Chairman of the Joint Chiefs of Staff in providing strategic direction of the armed forces; strategic and contingency planning; global military integration; and joint readiness, capabilities, and force development. Combatant commands accomplish assigned military missions as directed. The National Guard Bureau is a DoD joint activity. More than 811,000 people serve in the National Guard and Reserves.

Military Departments

The MilDeps consist of the Department of the Army, the Department of the Navy (consisting of both the U.S. Navy and the U.S. Marine Corps as Military Services), and the Department of the Air Force. Upon a declaration of war, if Congress or the President

directs, the U.S. Coast Guard operates as a Military Service in the Department of the Navy; otherwise, it is a component of the Department of Homeland Security. The three MilDeps, composed of the four Military Services (Army, Navy, Air Force, and Marine Corps), organize, staff, train, equip, and sustain America's military forces. The MilDeps operate under the authority, direction, and control of the MilDep Secretaries, who, in turn, are under the authority, direction, and control of the Secretary of Defense.

Office of the Secretary of Defense

OSD is the principal staff element of the Secretary of Defense in the exercise of policy development, planning, resource management, fiscal and program

evaluation, oversight, interface and exchange with other U.S. Government departments and agencies, foreign governments, and international organizations. OSD also performs oversight and management of the DAs/DoD FAs that provide a supply or service common to multiple Military Departments or headquarters function when it is more effective, economical, or efficient to do so.

The DoD IG is an independent and objective office within the Department that conducts, supervises, monitors, and initiate audits, evaluations, and investigations relating to the Department's programs and operations.
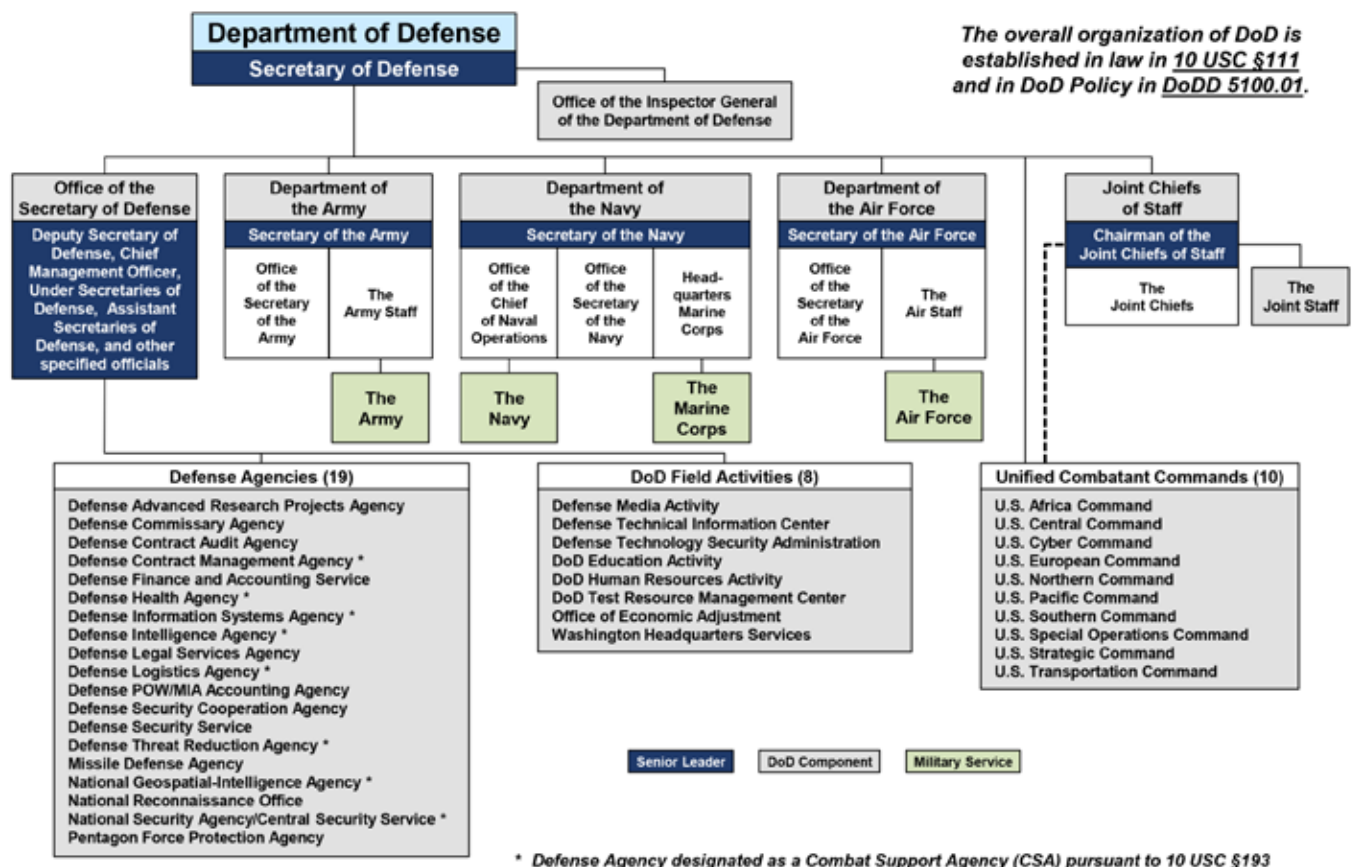

Figure 1. Department of Defense Organizational Structure

National Defense Business Operations Plan:
A Roadmap to Reform and Improvement

Establishing goals is a powerful way to motivate people, communicate priorities, and improve organizational performance. The FY 2018 – FY 2022 Nation Defense Business Operations Plan (Business Operations Plan) presents the Department's priority business operations goals and objectives with specific and measurable priority and performance goals.

Reform efforts for this Administration began in 2017 when the Secretary first directed the Department's components to conduct a thorough business review. Components were asked to identify viable reform initiatives to make the Department more effective and efficient and achieve the business reforms necessary to restore military lethality and readiness in the following lines of business:
- Human Resource (HR) Management
- Financial Management
- Real Property Management
- Acquisition and Contract Management
- Logistics and Supply Chain Management
- Healthcare Management
- Community Services
- Cyber Defense and Information Technology Management
- Testing and Evaluation

In addition to analysis conducted by the components, more than 30,000 public comments and suggestions were provided to the Department to identify potential reform solutions. The reform initiatives selected formed the basis of a DoD Reform Plan, submitted to OMB in September 2017, and subsequently integrated into the Business Operations Plan as performance goals, measures, and milestones. Reform Teams were created to address the Secretary's primary lines of business; however, as new initiatives are identified, additional teams are established, such as Testing and Evaluation. Each of the reform teams is generating additional resources by focusing on three main areas that cut across all of the reform areas: shared or common services; enterprise-wide data and cost information; and the efficient and effective alignment of the enterprise. The teams are tasked to identify cost savings, and the mechanisms through which these savings are realized. For example, some savings are captured in the year of execution, while others are included in a budget submission.

While the NDS outlines a broader strategy, the Business Operations Plan is a supplemental plan that provides the detail to manage and reform business operations and mission support infrastructure needed to sustain the warfighter, as well as achieve the goals in the President's National Security Strategy, and the Department's NDS. The strategic goals of the Business Operations Plan and the Secretary's three lines of effort for the NDS include:
1) Rebuild military readiness as we build a more lethal Joint Force
2) Strengthen alliances as we attract new partners
3) Reform the Department's business practices for greater performance and affordability

Although the Business Operations Plan addresses each of the Secretary's lines of effort from a business and support perspective, the primary focus of the plan is reforming the Department. The plan's strategic goals for business operations include supporting strategic objectives that are mutually reinforcing. One reform focus area under Strategic Goal 3 is logistics and supply chain management, wherein the Department seeks to transform sustainment to enhance operational readiness, which is also captured under Strategic Goal 1.

Rebuilding military readiness as we increase the lethality of the Joint Force is the Department's principal goal. This aligns directly with the Department's mission to provide the military resources needed to deter or win a war and to provide security for our nation, both in the near-term, with a focus on enhancing Joint Force readiness, as well as in the longer term, through recapitalization and modernization of the force. This plan's strategic objectives contribute to increasing the capacity and lethality of military capabilities by ensuring that the warfighters have the best support available to prepare for their wartime missions.

Strengthening our alliances and attracting new partners is the Department's second highest priority. Alliances and partnerships provide avenues for peace, fostering conditions for economic growth with countries sharing the same vision. Strong alliances temper the plans of those who would attack other nations or try to impose their will over the less powerful. Alliances such as the North Atlantic Treaty Organization, Association of South East Asian Nations, the Defeat- ISIS coalition, as well as other alliances and partnerships reinforce the safety and security of the United States and underpin peace and economic prosperity for all nations.

Improving business practices for greater performance and affordability is the third line of effort for the Department. Years of high operational tempo, coupled with fiscal constraints and legacy business practices, have adversely affected the Department's ability to sustain readiness. The Department focuses on increasing investments in modern technology, improving business practices, and streamlining organizations. More efficient and effective business practices will

Supporting the Warfighter

Each of the nine business functions support the day-to-day operations of the Department of Defense. It is critical that the operations are integrated, efficient, and cost-effective.

Human Resource (HR) Management

Cyber defense and Information Technology Management

Financial Management

Community Services

Real Property Management

Healthcare Management

Acquisition & Contract Management

Testing & Evaluation

Logistics & Supply Chain Management

free up resources to enable the Services to rebuild the Joint Force, increase readiness, and acquire advanced capabilities more rapidly.

The Business Operations Plan serves as a blueprint to ensure that the Department provides the most effective and efficient business operations to support the warfighter and provide the best value to taxpayers. Cost savings through efficiencies and reform are measured using targets and milestones of progress found in the Annual Performance Plan (APP), which is an appendix to the plan.

The plan implements a number of recent Office of Management and Budget (OMB) and departmental requirements. In April 2017, OMB directed federal agencies to identify reform initiatives, as outlined in OMB memorandum M-17-22, "Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce." The guiding principle is that "the Federal Government can – and should – operate more effectively, efficiently, and securely." The memorandum builds on Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch" issued by the President on March 13, 2017, as well as Secretary Mattis' memorandum, dated January 31, 2017, "Implementation Guidance for Budget Directives in the National Security Presidential Memorandum on Rebuilding the U.S. Armed Forces." Secretary Mattis' memo charged the Department to take immediate action on the President's guidance of January 27, 2017, directing a 30-day readiness review, and an FY 2017 budget amendment for military readiness, including a clear picture of the resources necessary to improve readiness conditions and address risks to national security. The memo also directs development of a "plan of action to achieve the levels of readiness identified in the Secretary's Readiness Review before FY 2019."

The Business Operations Plan also fulfills other mandated Federal agency strategic planning requirements, including the GPRA Modernization Act of 2010 (P. L. 111- 352) and implementation guidance in OMB Circular A-11, Part 6 (2017), including direction provided through several National Defense Authorization Acts (NDAAs) for recent fiscal years. Direction given in Section 1241 of the FY 2017 NDAA forms the basis of the Strategic Objective "Reform the Security Cooperation Enterprise" under Strategic Goal 2, "Strengthening Alliances as We Attract New Partners." Additionally, through Strategic Objective 3.2, "Optimize OSD Organizational Structures" under Strategic Goal 3, "Reform the Department's Business Practices for Greater Performance and Affordability," the Department restructured the Office of Deputy Chief Management Officer (ODCMO) into the Office of Chief Management Officer (CMO).

In accordance with Section 912 of the FY 2017 NDAA, the Department established reform teams that report directly to the Deputy Secretary of Defense. These teams have a mandate to follow-through on previously identified reform initiatives and to find and pursue additional initiatives that will free up resources to reinvest in warfighter priorities. Further, additional Reform Teams reporting to the CMO and the Director of Cost Assessment and Program Evaluation (CAPE) were established to address efforts related to the Defense Reform Plan.

The strategic goals and objectives outlined in the next pages, coupled with the performance goals and measures in Appendix A, outline how the Department intends to accomplish its business operations goals and measure progress toward achievement.

Strategic Goal 1:
Rebuild Military Readiness as We Build a More Lethal Joint Force

The surest way to prevent war is be prepared to win one. The Department exists to deter or win wars when called upon to protect our Nation's security. Achieving peace through strength requires the Joint Force to deter conflict through preparedness for war. Our Nation has been involved in armed conflict for more than sixteen years, thwarting the growth and spread of radical Islamic terrorism. We cannot expect success fighting tomorrow's conflicts with yesterday's weapons or equipment. To address the scope and pace of our competitors' and adversaries' ambitions and capabilities, we must invest in modernization of key capabilities through sustained, predictable budgets.

Our backlog of deferred readiness, procurement, and modernization requirements has grown in the last decade and a half and can no longer be ignored. We will make targeted, disciplined increases in personnel and platforms to meet key capability and capacity needs. As the Secretary stressed in an October 5, 2017, memo to all DoD personnel, through execution of a multi-year plan, DoD will "rapidly rebuild the warfighting readiness of the Joint Force, filling holes in both capacity and lethality while preparing for sustained future investment." Maintaining a safe and secure nuclear deterrent, a decisive conventional force, and irregular warfare competencies all require improved readiness and recapitalization of the force with modern weapons systems and equipment.

The world's scientific and engineering knowledge continues to advance. New concepts, materials, and manufacturing processes can disrupt and displace existing capabilities more quickly than ever. The proliferation of advanced capabilities, and warfighting domains such as space and cyberspace, have increased the complexity of modern warfare, and ready access which puts our military's qualitative edge at risk. In this environment, it is critical to sustain our science and technology pipeline. We must reap the benefits of innovation while guarding against the risks of ever-changing cyber defense and information technologies.

People are central to military readiness. Recruiting, developing, and retaining a high-quality military and civilian workforce is essential for warfighting success. Cultivating a lethal, agile force requires more than just new technologies and posture changes; it depends on the ability of our warfighters and the Department workforce to integrate new capabilities, adapt warfighting approaches, and change business practices to achieve mission success. The creativity and talent of the military and civilian workforce is our greatest enduring strength, and one we do not take for granted.

Fundamental to organizing our forces is ensuring that we leverage the right type, mix, and level of talent to execute each mission and function, whether it be uniformed — both Active and Reserve components — personnel, government civilians, or contracted support. We continue to assess and adjust, as necessary, this Total Force mix to ensure that the American public continues to be confident that we are both effective and efficient in the successful execution of the Department's mission.

Strategic Objective 1.1:
Restore Military Readiness to Build a More Lethal Force

SO Leader:
Under Secretary of Defense for
Personnel and Readiness (USD(P&R))

In a January 31, 2017, memo to the Department, the Secretary of Defense outlined a multi-year effort to strengthen the U.S. Armed Forces. The Secretary stressed the Administration's commitment to improving warfighting readiness, "with the ultimate objective to build a larger, more capable, and more lethal joint force." The Department will continue to rebuild warfighting readiness through "buying more critical munitions, funding facilities sustainment at a higher rate, building programs for promising advanced capability demonstrations, investing in critical enablers, and growing force structure at the maximum responsible rate."

Implementation Strategy

The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) will manage the readiness recovery program and the Department's strategic readiness policies through a series of Readiness Management Group and Executive Readiness Management Group forums. As necessary, these forums will deliver readiness recovery recommendations and program updates to the Deputy Secretary of Defense through the Deputy's Management Action Group (DMAG). The USD(P&R) will continue to drive efforts to rebuild readiness to achieve the national defense strategy, using the Readiness Recovery Framework (R2F), a product of the President's January memorandum to rebuild the military. In addition to the R2F, the USD(P&R) will coordinate efforts with the Under Secretary of Defense for Policy (USD(Policy)), the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)), and the Director of Cost Assessment and Program Evaluation (CAPE) to incorporate readiness factors into Phase 3 of the Secretary's recovery guidance to ensure that the larger, more lethal military force is prepared to conduct combat operations against near-peer adversaries in high-intensity conflict. Collaboration and communication with the Military Services and Combatant Commands is essential to ensuring the success of the readiness program across the Department.

The USD(P&R) will continue to be the focal point for readiness policy and assessments in the Department and ensure that the Services and Combatant Commands are achieving progress in accordance with the R2F strategy. The USD(P&R) will also identify areas for readiness acceleration through focused analytical reviews of the most significant readiness challenges facing the Department. The USD(P&R) will continue to work with the Assistant Secretary of Defense for Legislative Affairs to engage with members of Congress and their staffs to ensure the broadest possible dissemination of readiness status, recovery efforts, and the effects of congressional action is understood by all parties.

Strategic Objective 1.2:
Lay the foundation for future readiness through recapitalization, innovation, and modernization

SO Leader:
Under Secretary of Defense for
Research and Engineering (USD(R&E))

The technological superiority of the United States is being challenged by potential adversaries in ways not seen since the Cold War. For this reason, it is paramount that the Department provide our warfighters with dominant military capabilities. The quality of this force is dependent on our efforts and those in the industrial base to innovate, test, and field advanced capabilities against a broad spectrum of potential threats. We will assess and balance risk between recapitalization and innovation, in certain cases forgoing large-scale procurement of capabilities that provide incremental improvements in favor of developing leap-ahead technologies. This includes bolstering our focus on science and technology, advanced components, and early prototypes. With a renewed focus on productivity of in-house laboratories, external research efforts funded through contracts and grants, and the independent research and development by private industry, the Department is working to maximize warfighter capability and effectiveness while driving down costs through reform efforts. The Department is encouraging greater innovation and investments in industry with a science and technology budget request aligned with priorities and investments focused on the development and demonstration of technologies required to prepare DoD for an increasingly competitive global security environment.

Implementation Strategy

This strategic objective focuses on the status of major defense acquisition programs (MDAPs), and tracks the performance of major advanced capabilities efforts. Specific research and engineering, acquisition, and contracting reforms and process improvements are captured under Strategic Goal 3.

Contributing programs include Service-led major equipment procurement programs (P-1) as well as major research, development, testing, and evaluation (RDT&E) programs (R-1). The Office of the Director, Operational Test and Evaluation (DOT&E) providing oversight of the planning, conduct, analysis, evaluation, and reporting of operational and live-fire testing.

Strategic Objective 1.3:
Enhance information technology and cybersecurity capabilities

SO Leader:
DoD Chief Information Officer (CIO)

The complex problems of today cannot be solved with yesterday's thinking or technologies. To maintain advantage over increasingly capable and brazen adversaries, DoD must maintain a worldwide, secure, exponentially elastic, and resilient information environment that continually adapts. We must adjust more rapidly than our opponents and deliver a superior understanding of the battlespace in order to deliver effects on time and on target. DoD Information Technology (IT) must reflect the same qualities and attributes expected from our Warfighters - innovation, collaboration, agility, adaptability, effectiveness, efficiency, and capability in defensive and offensive operations. Technology alone, however, will not solve the cybersecurity and IT challenges we face now or those in the future. Such challenges require an exceptionally well-trained workforce, a shared stakeholder commitment across the Department, and increased collaboration with private industry including non-traditional government contractors. At the same time, the Department will continue to pursue opportunities to streamline its IT enterprise to reduce costs, improve efficiency, and bring our IT investments in line with commercial best practices.

Implementation Strategy

DoD networks are continuously under attack. To enhance protection from these attacks, we are modernizing the DoD Information Network (DoDIN) through the Joint Regional Security Stack (JRSS) capability initiative. This initiative will improve enterprise-based capabilities that secure and defend the cyber warfighting domain, and efforts to drive implementation of the Cybersecurity Discipline Implementation Plan. The DoD Chief Information Officer (CIO) is the lead for implementing the Department's near-term, high priority initiative under the JRSS effort. This effort includes modernizing the Department's information transport capabilities through installation of high throughput Multiprotocol Label Switching (MPLS) routers and fiber optic links; deployment of enhanced network security stacks; implementation of state-of-the-art tools to better manage the network; and a comprehensive analytics capability that synchronizes defensive cyber operations across the DoDIN. JRSS capabilities will enhance the ability to operate and defend the DoDIN.

Additionally, the DoD CIO will lead an effort to implement an automated patch management capability

An Air Force C-17 Globemaster III pilot conducts combat airlift operations for U.S. and coalition forces in Syria, Nov. 4, 2017.

to distribute software and configuration patches, updates, and fixes to mitigate known, major vulnerabilities on DoD networks and systems against threats. Adding these critical cybersecurity capabilities is paramount to enable DoD to better visualize existing network details and improve the enforcement of cybersecurity hygiene.

DoD will continue to strengthen and streamline its risk management practices for information systems. This will be accomplished through updates to DoD policies, integration with the National Institute for Standards and Technology's National Cybersecurity Framework, and new governance processes intended to integrate the DoD Cybersecurity Program more fully with DoDIN operations. Additionally, DoD will enhance its processes to address enterprise-wide supply chain risks from adversaries who wish to compromise DoD systems or pilfer DoD information. DoD is also developing cybersecurity policy and pursuing joint initiatives to aid Service implementation of cybersecurity in nontraditional IT systems, including weapons systems and control systems. The Department is committed to robust cybersecurity for the systems and networks supporting DoD's critical infrastructure and developing new assessment methods, tools, and risk management capabilities to that end.

DoD will also address the cyber threat to DoD unclassified information that resides on, or transits, Defense Industrial Base (DIB) unclassified information systems. DoD has a multipronged approach, both the mandatory and voluntary, to safeguarding critical DoD information on unclassified DIB networks. The voluntary Defense Industrial Base Cybersecurity Program creates a trusted threat information-sharing relationship between DoD and DIB participants, while the Defense Federal Acquisition Regulation Supplement (DFARS) requires contractors to implement adequate security measures to safeguard unclassified DoD information and prescribes reporting to DoD of cyber incidents affecting DoD unclassified information.

Contributing Programs for Strategic Objectives
The DoD Cybersecurity Discipline Implementation Plan.

Strategic Objective 1.4:
Ensure the best intelligence, counterintelligence, and security support to DoD operations

Intelligence support is a vital aspect of understanding the strategic, operational and tactical environments in which the Joint Force operates. Counterintelligence, which includes protecting assets and information from espionage and other intelligence activities, as well as reducing the potential for an insider threat, is critical to safeguarding both information and means of intelligence collection. Security support includes those functions necessary to ensure the proper vetting of personnel in order to access vital information at various levels of sensitivity. The objective is to improve and optimize these capabilities to support all DoD operations and Joint Force readiness.

Implementation Strategy

Initiatives that support strategic objective outcomes include:

- Development and implementation of a plan for the Defense Security Service to conduct background investigations, also referred to as personnel vetting, for DoD personnel whose investigations are adjudicated by the DoD Consolidated Adjudication Facility, as prescribed in Section 951 of the NDAA for FY 2017 and Section 925 of the NDAA for FY 2018. The Department's goals are to reduce the clearance backlog, reduce cybersecurity risks, and arrest associated administrative cost growth through innovative approaches to the initial investigation and periodic reinvestigation processes. This planned approach also will be informed by the Insider Threat program. The Secretary of Defense established a cross-functional team to champion this reform effort. Implementation will involve a phase transition of responsibilities for background investigations.
- A broader follow-on assessment and re-engineering of the defense security enterprise to streamline its functions, once implementation of the new personnel vetting process is fully underway.
- The review of the Defense Intelligence Enterprise required by Section 1633 of the NDAA for FY 2017.

The Under Secretary of Defense for Intelligence (USD(I)) provides oversight of the intelligence, counterintelligence, and security support functions for the Department, which involves all other DoD components. Innovation support for personnel vetting transformation will come from the Defense Innovation Unit Experimental, and the Defense Digital Service. Resumption of background investigations managed by DoD requires cross-Federal coordination, especially with the Office of Personnel Management, which currently manages this function for most DoD personnel through the National Background Investigations Bureau. DoD will conduct the Defense Intelligence Enterprise review in close coordination with the Director of National Intelligence as well as those DoD Components that have intelligence-related responsibilities as designated in Title 50, U.S. Code (U.S.C.).

Strategic Objective 1.5:
Implement initiatives to recruit and retain the best total force to bolster capabilities and readiness

SO Leader:
Under Secretary of Defense for
Personnel and Readiness (USD(P&R))

In order to increase lethality, improve readiness, and grow the capability and capacity of our forces, it is imperative to improve the overall management of our Total Force of Active and Reserve military personnel, government civilians, and contracted services. Section 129a of Title 10, U.S.C. requires the Secretary of Defense to establish policies and procedures for determining "the most appropriate and cost efficient mix of military, civilian, and contractor personnel to perform the mission of the Department of Defense." The outcome is to attain "a Department of Defense workforce sufficiently sized and comprised of the appropriate mix of personnel necessary to carry out the mission of the Department and the core mission areas of the Armed Forces."

While the Department spends a large amount on labor costs, our Total Force is the key enabler for all operational and critical support functions. We must continuously review and better rationalize how we choose among Total Force alternatives in determining how to do our work, and reinvest cost savings in force readiness and modernization.

The Department's lethality and readiness are not just a function of our service members. DoD's civilian workforce is essential to sustaining the viability and capabilities of the All-Volunteer Force – providing the critical equipment maintenance, base support, logistics and engineering expertise, family programs, and medical care that ensure our Soldiers, Sailors, Airmen, and Marines are ready to deploy, world-wide, and answer the call of our operational Commanders. DoD's civilian workforce is in the business of protecting the American way of life, not regulating or governing it. While it may be appropriate for other federal agencies to reduce their civilian workforce, for the DoD, right-sizing will necessitate targeted growth to both restore readiness and increase the lethality, capability, and capacity of our military force.

California Air National guardsmen look out across the clear water of Florida's Key region during a reconnaissance and refueling mission supporting search and rescue efforts following hurricane Irma, September 11, 2017.

In addition, the DoD will go beyond optimization of the Total Force to address critical areas to support service members and civilians. DoD provides numerous programs and initiatives to ensure it maintains a highly skilled military and civilian workforce shaped for today and prepared for tomorrow's needs. These programs deliver critical skill training to support the mission, provide more flexible measures to recruit quality people, and encourage young citizens to pursue technical, competitive DoD careers. The Department's ability to replace the loss of skills and experience with new talent depends on efficiently and effectively recruiting, hiring, and retaining high-performing employees.

Implementation Strategy

Submitted as part of the Department's response to OMB-mandated agency reform plans, the DoD Workforce Rationalization Plan (WRP) represents a significant shift in how we approach workforce sizing, shaping, and structuring. Among other things, it specifically moves us away from the practice of managing to an arbitrary cap on government civilians. By moving away from artificial and arbitrary constraints, we afford components the increased flexibility to identify economical alternatives to needlessly expensive contracting actions (allowing for reinvestment of resources to readiness accounts), as well as alternatives to programming service members for nonmilitary essential needs or "borrowing" military manpower (the harbinger of the "hollow force"). Workforce rationalization strategies include:

- Reduce the costs of doing business (associated with contracted services) at specific work units or in selected functional areas by in-sourcing to government civilian performance, thereby ensuring a more appropriate/effective alignment of work and freeing up critical O&M resources for readiness, recapitalization, and modernization needs.
- Identify functions and positions that are commercial in nature that may be appropriately or efficiently delivered via private sector support.
- Reassess military manpower allocations for military essentiality, whether workload requires deployments, and whether traditional military incumbency is necessary.
- Identify whether the duties, qualifications, and skills requirements of each position, and the organizational placement of the position, reflect current mission needs. Identify whether duties can be reassigned to lower organizational levels and/or converted to a lower grade (both military and civilian);
- Review and revise (as needed) organizational design and position structures to ensure they are effective and efficient. Ensure that spans of control and delegations of authority are optimized to accomplish the work with the fewest management layers needed to provide for appropriate risk management, oversight, and accountability.

DoD military personnel management supports the Services and Combatant Commands in accomplishing

Marines conduct an amphibious landing at Kin Blue Beach in Okinawa, Japan, Nov. 2, 2017, during Blue Chromite, an exercise to strengthen Navy-Marine Corps capabilities in the Indo-Asia-Pacific region.

their assigned missions, while contributing to the long-term well-being of the Armed Forces and their military members. Accession policies and programs seek to improve recruitment of both officer and enlisted personnel, enlistment standards and screening tools, recruiter access to colleges and high schools, analysis of recruiting resources, and sustainment of the all-volunteer force. Additional personnel strategies maintain fair and competitive compensation and entitlement systems, identify appropriate assignments, improve separations processes, and incorporate military decorations and awards, in order to retain and engage the highest quality military personnel.

Regarding the civilian workforce, DoD has recently received extensive special hiring authorities that are intended to improve the efficiency and flexibility of the hiring process. The USD(P&R) is executing a plan of action to ensure that recent special hiring authorities and flexibilities are effective, functional, and used by hiring managers and human resources (HR) specialists in the field. The USD(P&R) will monitor those functional workforce communities identified in this Strategic Plan, specifically IT, Intelligence, Security, and Financial Management, to ensure that authorities contribute to readiness and lethality expectations, through assessing time to hire and retention behavior. Additional human capital strategies the efficient and effective recruiting, hiring, and retaining of high-performing civilian employees can be found in the DoD Human Capital Operating Plan (HCOP). In addition, DoD components develop and implement human capital strategies tailored to organizational and functional requirements. For example, the OUSD(R&E) is working on a program to develop, nurture, and access talent and expertise in a number of strategic technology domains.

All DoD components contribute to this strategic objective. The Total Force Manpower & Resources Directorate develops workforce rationalization guidance, addresses institutional opportunities and impediments to workforce rationalization, and integrates requisite manpower allocation and resourcing changes into the Planning, Programming, Budgeting, and Execution (PPBE) process to execute identified opportunities for workforce mix changes. The Military Personnel Programs Directorate oversees all military personnel policies and programs. The Defense Civilian Personnel Advisory Service develops and delivers civilian personnel policies and HR solutions; specific human capital strategies can be found in the HCOP (https://www.cpms.osd.mil/). Personnel costs are largely funded through Operation and Maintenance (O-1) and RDT&E programs (R-1).

Members of the Philippine air force brief American airmen assigned to the 36th Contingency Response Group after a disaster response planning tabletop exercise during Pacific Responder 17 at Andersen Air Force Base, Guam, Sept. 29, 2017.

Strategic Goal 2:
Strengthen Our Alliances & Attract New Partners

The Department of Defense is part of a broad interagency team working with the State Department and other stakeholders to build international cooperation through bilateral, regional, and broader relationships toward mutually beneficial strategic and operational outcomes. Alliances and partnerships are crucial to our strategy, providing a durable, asymmetric strategic advantage that no competitor or rival can match. The Department achieves a robust network of allies and partners through a wide range of programs and activities designed to improve security, interoperability and preparedness, and increased capability and capacity. These

programs include provision of defense articles and services, institutional capacity building, exercises and training events, military-to-military exchanges, professional military education at U.S. military schools, and partnering to develop key technological capabilities. We will strengthen and evolve our alliances and partnerships into an extended network capable of deterring or decisively acting to meet the shared challenges of our time. This effort includes assessing and reforming our security cooperation organizations and structures, enhancing our workforce expertise, and improving our processes.

United Kingdom Secretary of State for Defense Gavin Williamson (left) speaks to U.S. Defense Secretary James Mattis during a North Atlantic Council meeting at the NATO Headquarters November 8, 2017 in Brussels, Belgium.

Strategic Objective 2.1:
Reform the Security Cooperation Enterprise

SO Leader:
Under Secretary of Defense
for Policy (OUSD(P))

This initiative implements a series of Security Cooperation (SC) reforms including those mandated by NDAA for FY 2017. The outcome is continually calibrated and coordinated security cooperation programs and activities that fully and appropriately contributes to the achievement of our Nation's broader national security objectives.

Implementation Strategy

The Office of the Under Secretary of Defense for Policy (OUSD(P)) and the Defense Security Cooperation Agency (DSCA), in coordination with the MilDeps, Joint Staff, CCMDs, other elements of OSD, the Defense Agencies, and DoD Field Activities with security cooperation-related responsibilities, have developed the strategy and associated plans to implement these reforms. These include improving foreign military sales, developing the security cooperation workforce, optimizing all DoD resources dedicated to security cooperation, and leveraging existing capabilities across all DoD components to reduce costs. Elements of this strategy include:

- Engagement with Congress to streamline authorities for security cooperation activities and reduce administrative burdens.
- Reform administrative and policy instruments to improve the responsiveness and timeliness of security cooperation programs, and standardizing implementing regulations across components to the extent practicable.
- Coordinate Service policies regarding use of appropriated funds by the Reserve component.
- Account for all costs (including Reserve component labor) in programming activities and budget requests.

Security cooperation and related programs include foreign military sales, foreign military financing, exercises and training events, military-to-military exchanges, the State Partnership Program, Cooperative Threat Reduction Program, and international cooperation to develop and field key technological capabilities of mutual benefit. This effort will require coordination and balancing between activities conducted pursuant to Title 10 and Title 50, U.S.C., and those conducted pursuant to Title 22, U.S.C. As such, DoD will coordinate its efforts with the State Department and other Federal entities, both in Washington and with embassy country teams.

Strategic Goal 3:
Reform the Department's Business Practices for Greater Performance and Affordability

The current challenges and increased threats facing our warfighters require more financial investment than is currently available with a fixed top-line budget. The Department of Defense must reform business operations enterprise-wide to generate lasting, institutionalized, resources to support lethality. Assuming greater headquarters risk is essential to reducing operational risk to the warfighter, and all business operations are subject to reform examination. Establishing end-to-end performance goals of the business operations of the Department on behalf of the Secretary of Defense will be based upon cost-informed performance data and mission performance goals.

Benefits of the reform efforts will manifest operationally through efficiency, and financially through cost savings generated that will then be returned to the military departments. The CMO will drive and incentivize operational and financial efficiencies by measuring, tracking, and reporting performance and outcomes.

Efficiency efforts in the Department are typically stimulated by the need to backfill budget cuts. The Department will return the savings generated to the MilDeps to reinvest in higher priorities, and hold those people and organizations accountable. Introduction of the reward process is essential to success and the primary incentive to change behavior.

The MilDeps will be rewarded for their participation in the reform efforts by having full authority over the resources reallocated to them throughout this process. The mechanical reprogramming of this funding will be refined, implemented, and executed in conjunction with the Under Secretary of Defense for Comptroller and the Congress.

President Donald J. Trump speaks with Airmen from at Osan Air Base, Republic of Korea, Nov. 8, 2017. During his 13-day trip through the Pacific Theater.

The Department formed the Reform Management Group (RMG) to identify, vet, and implement immediate efficiency opportunities in their respective areas. This integrated, cross-functional group leads dedicated teams and fosters ongoing working relationships, aligning all the stakeholders involved in the reform efforts. As these reform processes mature, a new integrated management board will be formed to utilize relevant, standard measures and goals, coupled with the authorities to manage, enforce, and institutionalize a culture of performance and productivity with the goal of continuous improvement in our business operations.

The senior most military officers of the U.S., Japan and South Korea gather for a trilateral meeting at U.S. Pacific Command's headquarters at Camp H.M. Smith, Hawaii, Oct. 29, 2017.

Knowing the challenges to any significant reforms, we are consistently promoting a sense of urgency, maintaining leadership alignment at all levels, communicating a consistent message, proactively removing obstacles, driving immediate wins, and working to anchor all of this in long-term behavior. Current efforts focus on generating savings and rationalizing business practices through 'Reform.' As these efforts progress, the focus will pivot to establishing a culture of performance and productivity on an enduring, institutionalized basis, which is essential to best equipping the next generations of leadership and warfighters to come. We have a responsibility to gain full value from every taxpayer dollar spent on defense, thereby earning the trust of Congress and the American people.

Strategic Objective 3.1:
Improve and strengthen business operations through a move to DoD-enterprise or shared services; reduce administrative and regulatory burden

SO Leader:
Chief Management Officer (CMO)

The Department must accelerate its pace to streamline business processes and organizations, move to more shared enterprise-wide services, and leverage enterprise data throughout the Department to improve governance.

We have begun the effort to shift to shared services by forming integrated, subject-specific teams to identify, vet, and implement immediate efficiency opportunities in their respective areas.

The Secretary and Deputy Secretary are putting new emphasis on technologies such as elastic computing (flexible computing power), data management and analytics, cybersecurity, and machine learning. The Department is accelerating adoption of these advancements and, when appropriate, disrupting traditional models to ensure progress at a speed relevant to warfighters. DoD will also examine and implement changes to streamline administrative processes and reduce policy and regulatory burden where necessary, as well as use common (enterprise) acquisition vehicles where appropriate.

Establishing streamlined end-to-end business operations will be based upon cost-informed performance data and mission performance goals. The Department will employ methods to identify and share, consolidate, or eliminate excess infrastructure; sustain needed infrastructure; and reduce overall operating and maintenance costs.

Warfighting decisions, back-end business decisions, and congressional requirements all require an institutionalization of available, timely, accurate, and relevant data. In order to establish data driven decisions, the Department must become proficient in providing this type of data in the most efficient manner. Reforming the Department's data centered processes begins with identifying high-value targets, to include duplication of networks, device purchasing procedures, and user-based system improvements.

DoD will continue to improve asset utilization, employing methods to identify and share, consolidate, or eliminate excess infrastructure; sustain needed infrastructure; and reduce overall operating and maintenance costs.

F-16 Fighting Falcons assigned to the Thunderbirds, the Air Force's flight demonstration squadron, fly in formation below the refueling boom of a KC-135 Stratotanker while traveling to San Antonio, Nov. 2, 2017, for a performance. Air Force photo by Tech. Sgt. Abigail Klein

In support of the world's most powerful military force, capable of swiftly responding to today's and tomorrow's challenges at a moment's notice across the globe, DoD must deliver and sustain the right quantity and the best quality service and products in the most timely and cost-effective manner possible. Through continued collaboration, innovation, and smart investment, the Department continues to be the standard-bearer for joint logistics and acquisition, delivering world-class support to improve warfighter readiness. Additionally, we will realize improved responsiveness and efficiency through advances in

Marines disembark from an air-cushioned landing craft to begin the Red Beach tactical maneuvering portion of the bilateral exercise Dawn Blitz, Oct. 27, 2017.

integrated supplies and autonomous transport technologies. The Department is pursuing a number of DoD-wide business process improvements to make effective, efficient, and secure supply chain operations a reality from source of supply to operational customers, and establishing alternate pathways that accelerate delivery of superior technologies across the entire acquisition spectrum. Additional reform initiatives include increasing industrial competitiveness in the delivery of defense goods and services, services contracts efficiency assessments, and reducing administrative burdens associated with contracting actions.

Implementation Strategy

The CMO is personally responsible for overseeing implementation of reforms. The CMO and the Director of Cost Assessment and Program Evaluation (DCAPE) lead the RMG, which identifies opportunities for reform and provides support to a series of cross-functional teams established to champion and drive implementation of new and existing business reforms. The RMG consists of nine team leads that manage IT Business Systems, Defense Healthcare, Logistics and Supply Chain, Service Contracts, Community Services, Real Property Management, Human Resources, Financial Management, and Testing and Evaluation. The initial goal is to

determine how to optimize the functions in each line of business, develop detailed implementation plans with specific performance measures and milestones, identify required investments and cost savings targets, and execute these projects. Leveraging benchmarked private sector best practices while developing specific performance metrics and goals, which will serve as the cornerstone to how we assess these projects and all future opportunities.

As we implement the reform efforts, we are comfortable incorporating the "fly, test, fly" operational tempo to allow us to pilot, learn, and scale

U.S. Army soldiers attempt to pull their comrade over at fifteen foot wall at the obstacle course during day two of the 14th Annual Warfighter Challenge on Fort Leonard Wood, Mo.,

in each of these areas. In addressing any of our reform projects, we are also looking outside of the Department for further value by incorporating the whole-of-government as a marketplace which leverages private sector sourcing at an even higher level.

Efficient alignment of the Department is critical to ensure lasting reform. We intend to include and leverage leadership from the MilDeps and the major mission areas such as Acquisition and Sustainment, Information Technology, Intelligence, Personnel and Readiness, Financial Management, Research and Engineering, and Policy as part of this process.

Strategic Objective 3.2:
Optimize organizational structures

SO Leader:
Chief Management Officer (CMO)

The Department is rapidly moving to improve the manner in which it integrates the expertise and capacities of the functional components of the Department to ensure effective and efficient achievement of its strategic objectives. The initial efforts are focused on identifying the specific areas of work and desired outcomes. Based on the results of this initial effort, we will identify and implement changes aimed at optimizing organizational structures, as well as eliminating counterproductive layers of oversight and administration. Through this alignment, internal, subject-area leadership is included and leveraged from the MilDeps and the major mission areas to meet current challenges.

A significant aspect of optimizing the Department is the establishment of a Chief Management Officer as an OSD Principal Staff Assistant and as a Presidentially-Appointed, Senate-confirmed (PAS) official, resulting in the disestablishment of the Deputy Chief Management Officer as a PAS official. There are many valuable aspects to this change, including a broader emphasis on the management and engagement of the Department, allowing the CMO to be fully focused on reforming the Department's business operations. The CMO is optimizing the quality, efficiency, and affordability of the business operations throughout the Department. The creation of a CMO supports the President's goal of improving the efficiency, effectiveness, and accountability of the executive branch as outlined in Executive Order 13781 and the Secretary of Defense's focus on creating a more lethal Joint Force by reallocating resource savings achieved through business operations optimization to investments in force readiness, recapitalization, and modernization. The Department will use the establishment of the CMO organization as an opportunity to sharpen its focus on a culture of continuous improvement. The structure of the organization is a modest part of this renewal. Accompanying the restructure is explicit action to shift a number of the Department's business operations from single-organization use to enterprise-wide operations in order to leverage internal, external, and private sector best practices and operations.

The legacy Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) is also being reorganized in accordance with Section 901 of the NDAA for FY 2017, which will enable the Department to more effectively pursue the goals of technological superiority, affordable systems, and well-managed business operations.

The Department's research, engineering, acquisition and sustainment organizations and processes must be sources of competitive advantage that ensure the warfighting superiority of U.S. forces around the globe. However, the current pace at which we develop and field advanced warfighting capability is being eclipsed by those nations that pose the greatest threat to our security. Additionally, the traditional

methods of acquiring our major weapons systems has increased the risk to our ability to acquire and sustain these systems at sufficient levels. The NDAAs for FY 2016 and FY 2017 provide sweeping guidance, tools, and direction to implement profound changes to acquisition activities, management, and structure in order to achieve the overarching objectives of technical superiority and weapon system affordability. This requires that the Department increase the extent of which it is willing to accept greater risk in development in order to deliver the full range of advances, from incremental to "game changing." As a result, section 901 of the FY 2017 NDAA creates a new Under Secretary of Defense for Research and Engineering (USD(R&E)) to drive innovation and accelerate the advancement of our warfighting capability and a new Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) to deliver proven technology into the hands of the warfighter more quickly and affordably.

As part of this the alignment and optimization effort , the Department will continue to manage and track the levels of its Major Headquarters Activities (MHA) to continue to meet the mandated reductions prescribed in Section 346(b) of the NDAA for FY 2016 in the amounts available for DoD headquarters, administrative, and support activities. The elevation of U.S. Cyber Command and its separation from the National Security Agency is also a reform effort to optimize organizational structures. Subsequent to this restructuring, there will be a broad assessment of enterprise IT capabilities.

Implementation Strategy

As outlined in Strategic Objective 3.1 above, the CMO and DCAPE co-lead the Reform Management Group and provide oversight and support to a number of cross-functional teams, established pursuant to Section 911 of the NDAA for FY 2017, which will champion implementation of existing DoD business reform, as well as identify and pursue additional opportunities. The focus is to implement functional reforms and efficiencies, followed by organizational adjustments to effect the change. Structural changes may include the elimination of any unnecessary or redundant functions as well as delayering or reorganization of headquarters activities associated with certain functions or activities. At end state, the Department will establish enterprise-wide services and ensure accountability for delivery and performance.

Strategic Objective 3.3:
Undergo an audit, and improve the quality of budgetary and financial information that is most valuable in managing the DoD

The Department will continue to improve financial processes, controls, and information to ensure the highest quality content, analysis, advice, and oversight on all DoD budgetary and financial matters in support of national defense.

We will begin an audit and use its findings to achieve a positive opinion of the budgetary and financial information that is critical to managing the DoD.

Implementation Strategy

Twin reform efforts are underway to improve the quality of budgetary and financial information. The first is to use financial audit results, which include notification of findings and recommendations (NFRs), to drive better decisions by DoD components across lines of business. The second is cost management, an initiative to improve the quality of budget execution data to enable both strategic- and tactical-level business decisions. The expected outcome of the cost management effort is threefold:

- Ensure that DoD has transparency into how our current funds are deployed.
- Capture costs using a common source of information and common definitions across the enterprise.
- Assist DoD to better articulate and justify further investments to support the warfighter.

The major barrier in conducting both the audit and cost management initiatives is the range of types and quality of cost data available across the Department. Auditors will identify and report data shortcomings through NFRs, which the Office of the Under Secretary of Defense Comptroller/Chief Financial Officer (USD(C)/CFO) will manage and track. The cost management team will primarily rely on general ledger (GL) data, and, as required, use alternative sources where GL data is inaccessible or not well suited to parse costs at required level of granularity.

Audit feedback and cost management data will provide DoD components with information to improve management of their business processes. Audit NFRs and line of business data generated by the cost management initiative also will be available for use by cross-functional teams in FY 2018 to support planning, development, and implementation of reform initiatives that support the broader DoD reform agenda.

Audit activities involve all DoD components. Cost management also involves all DoD components in the capture and analysis of cost data by line of business. Both activities have governance processes that ultimately report progress and status to the Deputy Secretary.

Stewardship: How We Manage

Planning, Programming, Budgeting and Execution (PPBE)

The PPBE process is the annual DoD-wide resource allocation process within a quadrennial planning cycle. The Secretary provides centralized policy, priorities and goals to guide and facilitate the PPBE process through the NDS, force development guidance, defense program guidance, and fiscal and budget guidance, and other direction as required. Program development, execution, and authority are delegated to the DoD components. The Deputy Secretary of Defense manages the overall day-to-day operation of the PPBE process. PPBE integrates the Department's plans and programs, addressing existing and emergent requirements, in a disciplined review and approval process, which balances risk across the Department's priorities. The goal is to achieve the best mix of forces, manpower, materiel, and support under fiscal constraints to support national security priorities. DoD components include performance measurement and management as a key requirement when developing their annual budget justifications – linking strategic goals with Departmental objectives, establishing specific performance objectives, and identifying and adhering to best practices.

Planning

The NDS is a congressionally-mandated classified strategy document that identifies the priority missions of the Joint Force; the assumed strategic environment, including the most critical threats; a strategic
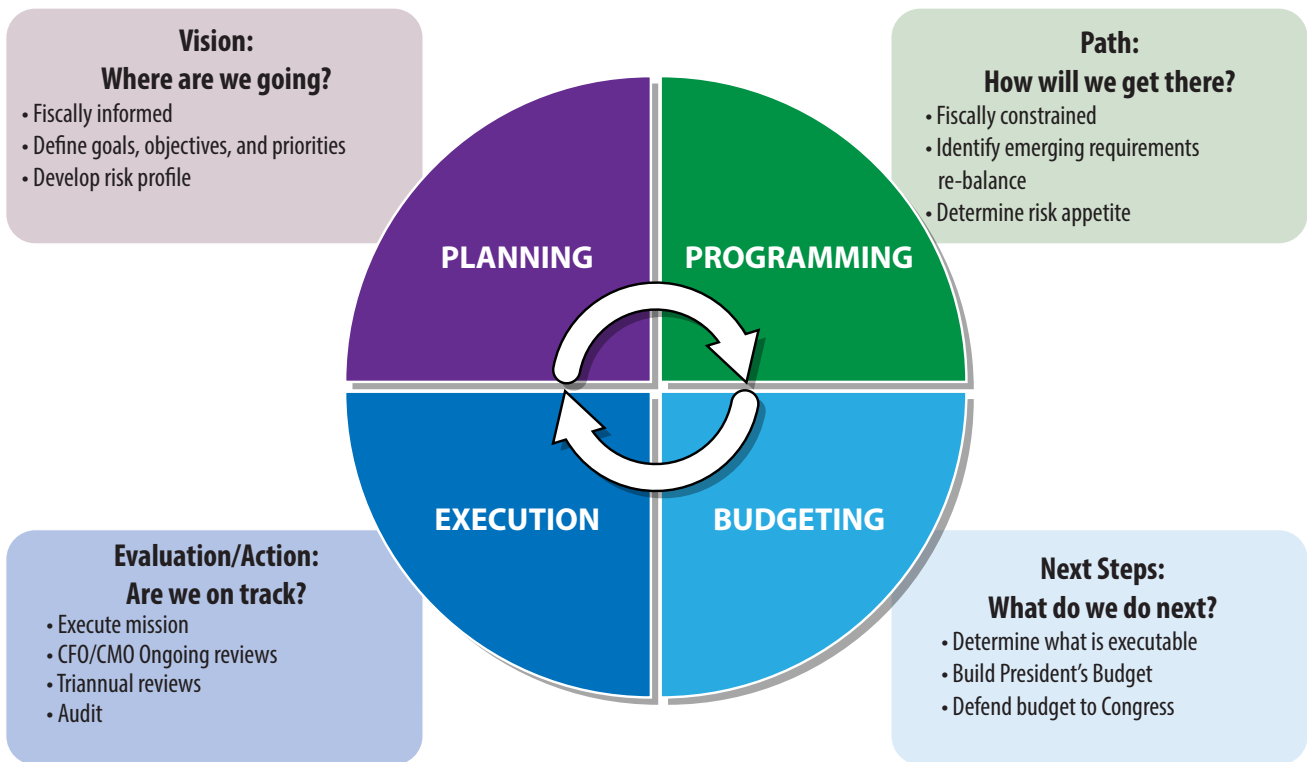
Vision:
Where are we going?
- Fiscally informed
- Define goals, objectives, and priorities
- Develop risk profile

Path:
How will we get there?
- Fiscally constrained
- Identify emerging requirements re-balance
- Determine risk appetite

PLANNING

PROGRAMMING

EXECUTION

BUDGETING

Evaluation/Action:
Are we on track?
- Execute mission
- CFO/CMO Ongoing reviews
- Triannual reviews
- Audit

Next Steps:
What do we do next?
- Determine what is executable
- Build President's Budget
- Defend budget to Congress

Figure 2. PPBE Process Overview

framework to prioritize threats; the roles and missions of the armed forces; and the major investments required to support the strategy. From the NDS flows priorities captured in the National Military Strategy, theater campaign plans, concept of operations and war plans, and global force management to support these plans. The Department also publishes this plan, which focuses on the "organize, train, and equip," or the institutional functions of the Department. The NDS and the NDBOP complement each other, addressing different aspects of the Department's mission and functions, while supporting the Secretary's and Administration's priorities.

Programming

CAPE leads the Department's annual program review process, overseeing the content and funding for the Five-Year Future Years Defense Program (FYDP). CAPE also serves as the key advisor to the Deputy Secretary for cost-effectiveness, affordability assessments, and the balance of investments between capability, capacity, and readiness of defense programs.

CAPE, working closely with OUSD(C)/CFO, the MilDeps and other stakeholders, is responsible for preparing the evaluation of programmatic alternatives on major defense issues for presentation to the Three-Star Programmers Group and the DMAG, which are crosscutting governance forums. These evaluations lead to resource allocation decisions documented in the Program Decision Memoranda (PDM) issued by the Deputy Secretary of Defense, which are either included in the final budget request to Congress, or further developed for consideration in a subsequent programming cycle. CAPE also assesses the cost-effectiveness and affordability of MDAPs and Major Automated Information Systems reviewed by the Defense Acquisition Board.

Budgeting

The OUSD(C)/CFO leads the budgeting process and is responsible for preparing the final President's Budget Request for the Department. During the evaluation of programmatic alternatives described above, the OUSD(C)/CFO determines if those alternatives are executable during the budget year and will make adjustments when necessary in program budget decision documents. The OUSD(C)/CFO also reviews the components' budget estimates submissions for budget policy compliance, cost irregularities and execution issues. It is the OUSD(C)/CFO's responsibility to translate the final plan and program into specific budget themes, resource categories, and budget line item details for the development and transmittal of the President's Budget Request.

Execution

The OUSD(C)/CFO leads the execution process and is responsible for compliance with legal requirements, for program execution reviews, and for reprogramming funds to address emergent issues. The components conduct annual reviews to determine how well programs have met joint warfighting needs. Notionally, the execution phase begins on October 1st after the Congress has passed authorizations and appropriations acts that have been signed into law by the President. Execution results feed back into the other phases of the PPBE process and are crucial to subsequent resource allocation decisions.

Enterprise Risk Management

The Department's leadership addresses and balances enterprise-level risk throughout the PPBE process. The overarching risk management framework for the Department, which assesses risk in four crosscutting dimensions: operational risk, force management risk, institutional risk, and future challenges risk. The Chairman's Annual Risk Assessment captures these four dimensions of risk as either strategic or military risks, which are further defined as "risk-to-mission" and "risk-to-force," and helps inform the programming and budgeting phases of PPBE each cycle. In addition, during the planning phase, the Defense Planning Guidance provides guidance on risk tolerance, which reflects and updates priorities identified through the development of the National Defense Strategy. In turn, DoD components balance risk at their level in development of their five-year programs.

Internal controls help the Department run its operations efficiently and effectively, report reliable information about its operations, and comply with applicable laws and regulations. The Department's enterprise risk management capability coordinated with the strategic planning, PPBE, and internal controls, provides an integrated governance structure that will improve defense mission delivery, reduce costs, and focus corrective actions towards key risks.

Management Priorities, Challenges, and Risks

DoD continually works to address major management priorities, challenges, and risks through Department-level and Federal-wide priority efforts to improve force readiness, deliver greater impact through innovation, and increased effectiveness and efficiency. The DoD Business Operations Plan captures a subset of these and provides the framework to address these challenges. Additional information on these challenges and a brief assessment of the Department's progress for the previous fiscal year is available in the DoD Annual Performance Report at http://dcmo.defense.gov/Publications/ AnnualPerformancePlanandPerformanceReport. aspx. Included in these major management priorities, challenges, and risks:

- Executive Order 13781 outlines the scope of the President's management agenda in requiring all Federal departments and agencies to look for ways to improve their effectiveness and efficiency and to create reform plans to achieve targeted improvements. Secretary of Defense priorities align with the President's management priorities. In addition, Congress provides direction through authorizations, appropriations, and other legislative actions. This plan aligns all three sets of priorities to lay out a roadmap for reforms over the coming years.
- Government Accountability Office (GAO) High Risk List. Since 1990, GAO has identified and reported on Government programs and operations at risk. GAO's biennial high-risk series update provides statuses of major Government operations GAO considers high risk due to vulnerability to waste, fraud, abuse, and mismanagement or are in need of broad-based transformation.
- DoD IG Management and Performance Challenges. Each year the DoD IG prepares an annual statement summarizing the most serious management challenges facing the Department and a brief progress assessment, which is accessible at http://www.dodig.mil/ Reports/Top-DoD-Management-Challenges.

Performance Management

Congress, in the Government Performance and Results Act (GPRA) of 1993 and updates in the GPRA Modernization Act (GPRAMA) of 2010 (Public Law 111-352), sought to improve Federal department and agency performance management. GPRAMA requires Federal departments and agencies to engage in performance management tasks, such as setting goals, measuring results, and reporting their progress, and provides a performance management framework.

The Department focuses on having the right systems and processes in place to enable senior DoD officials to make decisions based on sound data, information, and knowledge, while ensuring the most efficient use of taxpayer dollars. DoD uses performance management to improve the efficiency and effectiveness of organizational performance by developing strategic goals and objectives that are measurable, and by developing and documenting relevant performance measures with meaningful targets, which will support those strategic goals and objectives as well as goals pertaining to DoD enterprise management, business transformation, and operations. Performance measures, specific milestones and targets, and their results help DoD officials assess progress towards strategic goals and objectives. The Department monitors, reviews, and reports progress of strategic goals and objectives, and their associated performance goals and measures on no less than a quarterly basis. Appropriate governance structures, assess success, mitigate challenges, and hold leaders accountable for achieving strategic objectives and performance goals, inform executive management decision-making, and support the PPBE process. The Deputy Secretary reviews performance information, which may be discussed at the DMAG as needed.

DoD publishes a select set of performance measure targets in the Annual Performance Plan, which is submitted with the President's Budget Request to OMB and Congress. The FY 2019 Annual Performance Plan is included in this document in Appendix A, with related sensitive and classified information published separately. The Annual Performance Report provides the results of the DoD's performance for the prior fiscal year. These documents may be downloaded at http://dcmo. defense.gov/Publications/Annual-Performance- Plan-and-Performance-Report/.

Performance to Plan

In order for strategic plans to be effective, Department goals cascade to organizational and functional plans, which should indicate how they support the achievement of departmental priorities. In addition, program performance information, including accomplishments and planned performance targets or milestones, are contained in budget exhibits that components submit with each fiscal year budget request. Individual performance plans, in turn, should reflect these performance goals as well as how an individual plan contributes to the achievement of specific performance targets or milestones. For example, the performance plans of each Senior Executive Service member must directly align to a strategic goal or objective within the NDBOP, or to a DoD component or functional plan. Similarly, subordinate personnel must have goals that directly align with their supervisor's goals in support of organizational, functional, or program performance goals. This cascade of performance goals from

senior leaders to line employees continues through the organizational layers within the Department and is critical to ensuring individual accountability across DoD.

Leaders throughout the enterprise work to ensure the DoD mission and goals are achieved through various levels of strategic and performance planning, execution, measurement, and analysis; regular assessment of progress; and use of performance information to improve the results achieved.

Using Data to Drive Decisions

In order to use performance management effectively, officials and managers must have accurate, timely, and relevant performance and cost data for decision-making, along with the skills and knowledge to analyze results and suggest improvements as needed. Performance information highlights areas where a component is not meeting a target. In those cases, components will provide supporting root cause analysis to explain why specific target or milestones have not been met, a mitigation strategy to course-correct, a plan of action and milestones for achieving the target, and illustrate the likelihood that the target will be achieved in the near future. Trend analysis and benchmarking with other agencies across the government for like functions is used to determine if the Department is on track, the measure is appropriate, or if there is a systematic issue.

Stakeholder Engagement

The Department reports to and executes the direction of the Administration to serve our Nation. The President, as commander in chief, is ultimately responsible for the protection of the United States from all enemies, foreign and domestic. Congress provides authorizations for, appropriations for, and oversight of the defense establishment pursuant to the U.S. Constitution.

The Department has a responsibility for our Armed Forces who risk their well-being for the nation. The Department routinely solicits and receives periodic consultations and consideration of views and suggestions with our interested stakeholders. Immediately following an election cycle with a new Administration, departmental direction and priority are subject to change as the new Administration updates the National Security Strategy, National Defense Strategy, and the President's Management Agenda, as well as implements direction through Executive Orders and Office of Management and Budget memoranda.

Administration and congressional direction play a significant role in the development of this Strategic Plan, its priorities and its objectives. Performance Action Plans (see Appendices A & B) provide specific stakeholder engagement activities.