

Defense Business Transformation Lacks Clear Priorities

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The Defense Department (DOD) spends billions of dollars annually on business systems. Since 2005, investments aiming to transform the way the DOD does business have been called out on a high risk list for government efforts. Despite making some improvements in recent years, the DOD's business modernization initiatives continue on a precarious path.

Every two years, the Government Accountability Office (GAO) identifies government programs that are more vulnerable to fraud, waste, abuse, and mismanagement or need changes to address major challenges. Recently, the [GAO released its updated list](#) of these programs. Not surprisingly, the [GAO's High Risk List for 2015](#) includes several efforts related to DOD business transformation (e.g. DOD Approach to Business Transformation, DOD Business Systems Modernization, DOD Financial Management).

Since concerns about defense business transformation arose, the DOD has established management responsibilities and issued an updated strategy for business transformation. Despite these steps, a number of elements contribute to the DOD's business transformation appearing to be on uncertain footing. Over the past several years, turnover has been high in the Chief Management Officer (CMO) and Deputy Chief Management Office (DCMO) as well as within the Office of the DCMO. This personnel issue is compounded by the fact that no performance management practices are in place. In the absence of leading performance management practices, DOD's CMO and DCMO have neglected to communicate priorities for its business goals. Further, the focus of leadership has been on reviewing modernization efforts rather than monitoring the overall progress of the defense business functions.

Over the last year, Defense Business Council meetings have occurred with more consistency and have increasingly emphasized the performance of DOD's business functions. However, no plans are currently in place to correct the issues that have been hindering business transformation progress. (The lack of corrective actions plans are particularly significant in the eyes of the government watchdog organization. These plans would meet one of the five criteria for this area to be removed from GAO's High-Risk List.)

Ultimately, until the DOD addresses numerous issues underlying its approach, challenges will continue to arise around its business transformation efforts. These weaknesses include the continued use of outdated processes and systems for key business functions, like financial management and logistics. For more insight on DOD business systems modernization and efforts across the government, check out Deltek's recent Federal Industry Analysis report [Federal Enterprise Business Systems, 2015](#).

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