



DEPUTY SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-1010

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MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP
COMMANDERS OF THE COMBATANT COMMANDS
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS

SUBJECT: Department of Defense Performance Improvement Framework and Implementation

In order to deliver solutions to complex challenges we face and to enable the successful implementation of the Secretary of Defense priorities, the National Defense Strategy (NDS) and DoD Strategic Management Plan (SMP), the Department requires a sustained commitment to performance improvement across multiple dimensions of the defense enterprise.

Pursuant to title 10, U.S.C., section 125a, this memorandum establishes the DoD Performance Improvement Framework, providing a consistent methodology to define, identify, track and report on existing and planned opportunities for performance improvement across the Department, with particular emphasis on initiatives that contribute to implementation of the NDS and the SMP. The Department will submit a report to congressional defense committees on the new established framework, pursuant to title 10, U.S.C., section 125a.

I am directing the Director, Administration and Management, who also serves as the Department's Performance Improvement Officer (PIO) and Senior Official for Defense Reform, to lead implementation of this Performance Improvement Framework, in partnership with his Defense Business Council (DBC) co-chairs, the Director, Cost Assessment and Program Evaluation and the Chief, Digital and Artificial Intelligence Officer (CDAO). The DBC will serve as the principal supporting tier of governance in delivering the following milestones within the next 180 days:

- **Issue revised Integrated Program Budget Review Guidance** – Issue an Addendum to the Under Secretary of Defense (Comptroller) and Cost Assessment and Program Evaluation Memorandum, “FY2024 – FY 2028 Integrated/Budget Review Guidance,” dated June 22, 2022, as stated in Section 5.1 of that guidance. This shall include the identification of existing performance improvement initiatives affecting covered elements of reform outlined in title 10, U.S.C., section 125a(d), and others that directly or indirectly contribute to implementation of the NDS and the SMP.
- **Establish prioritization of performance improvement initiatives** – Develop guidance or propose revisions to existing guidance for the prioritization of performance improvement initiatives and develop policy recommendations as appropriate.



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- **Establish authoritative and consistent reporting processes** – Ensure that the annual reporting on the Department’s Performance Improvement Initiatives is consistent with statutory requirements, and is delivered through the Department’s Budget Overview Book and the Department’s Annual Performance Report, submitted with the President’s Budget.

The PIO and the CDAO will develop a Performance Improvement Initiatives Application in “Pulse,” recently designated as the Department’s authoritative performance management executive analytics application in Advana. The application’s data repository should include, for each performance improvement initiative, narrative justifications and tradeoff analyses between options considered, costs of implementation, and accomplishments achieved or expected for the Budget Year and across the Future Years Defense Program fiscal years. OSD Principal Staff Assistants and Heads of DoD Components will use this application to report on new and ongoing performance improvement initiatives to enable consistent tracking and reporting; financial data will be read from the Next Generation Resource Management System as the authoritative platform for enacted budget information.

Establishing a consistent and sustainable Performance Improvement Framework will contribute to the Department’s ability to successfully implement the NDS and demonstrate responsible stewardship of taxpayer dollars.



Attachment:
DoD Performance Improvement Framework

Attachment

Department of Defense (DoD) Performance Improvement Framework

Stepping away from a narrow focus on “Defense Reform,” the DoD Performance Improvement Framework takes a comprehensive approach spanning the continuum of change for improving the Department’s capabilities, organizations, and management processes, including initiatives that range from incremental improvements of existing programs to dramatic and transformational changes in how a mission or management function is delivered.

This new Performance Improvement Framework relies on three pillars: 1) established definitions to categorize performance improvement initiatives; 2) clear stakeholders’ roles, a well-defined governance, and methodology that allows for the prioritization of performance improvement initiatives, and 3) consistent framework to serve as the single authoritative source for reporting on Department-wide performance improvement initiatives’ data.

Performance Improvement Framework Main Pillars

- **Definitions:** Performance Improvement can be placed into one or more of the following categories:
 - *Continuous process improvement initiatives* - these are improvement initiatives that aim to enhance everyday management practices, eliminate/reduce process redundancies, streamline processes and adjust systems within the localized authority, direction, and control of the organization’s leadership;
 - *Optimization initiatives* - refer to initiatives that the organization’s leadership undertakes in order to strategically divest of equipment, partial or entire weapon systems, or strategically discontinuing legacy acquisition programs to modernize and/or fund purchases in support of the Department’s higher priorities;
 - *Reform initiatives* - these are larger-scale and time-bounded efforts, often involving more than one DoD Component, and designed to remediate structural and/or process gaps within the DoD's existing business model;
 - *Transformation initiatives* - initiatives that fundamentally alter the DoD's business model often through reorganization, the creation of new entities, capabilities or portfolios, and the implementation of a new system or the incorporation of innovative management practices that fundamentally change the manner in which mission or enterprise functions and services are delivered.
- **Covered Elements of Reform:** The Department acknowledges the recommendation found in title 10, U.S.C., section 125a, “Reform: Improvement of efficacy and efficiency,” to prioritize and measure progress toward covered elements of reform. Covered elements of reform may include, but are not limited to the following:
 - 1) Business systems modernization.

- 2) Enterprise business operations process re-engineering.
- 3) Expanded and modernized collection, management, dissemination, and visualization of data to support decision-making at all levels of the enterprise.
- 4) Improvements in workforce training and education and increasing capabilities of the Department workforce to support and execute reform activities and business processes.
- 5) Improvements to decision-making processes to enable cost savings, cost avoidance, or investments to develop process improvements.
- 6) Such other elements as the Secretary considers appropriate.

These elements will be the focus of current and future work to improve defense management, and to understand their impact in the realization of the Secretary's strategic priorities, consistent with the National Defense Strategy (NDS) and the Strategic Management Plan (SMP).

- **Governance and Methodology:**

- *Governance:* The Performance Improvement Framework was designed in acknowledgment of critical roles key stakeholders have in ensuring the Department improves its performance, efficacy and the efficiency across the defense enterprise. Principal Staff Assistants (PSA) in the Office of the Secretary of Defense (OSD) and Heads of Components, identify, plan, and execute performance improvement initiatives within their organizations to ensure the delivery of their mission and to contribute to the successful realization of NDS and SMP's strategic goals and objectives.

In coordination with OSD PSAs and Heads of Components, the Performance Improvement Officer (PIO) advises and assists the Secretary of Defense and Deputy Secretary of Defense in ensuring that the mission and goals are achieved through strategic planning, performance management, the description of expected outcomes, measurement, analysis, and reporting.

The Defense Business Council (DBC) serves as the principal supporting tier of governance for oversight, monitoring and reporting on the implementation of the Secretary's Defense Management and Performance Improvement agendas, pursuant to title 10, U.S.C. section 125a. These efforts are embedded in the PIO's statutory responsibilities and functions pursuant the Government Performance and Results Act (GPRA) Modernization Act of 2010 (GPRAMA) and make possible establishing a link between performance improvement initiatives and their impact on the implementation of the Department's strategic priorities.

- *Methodology:* Legislative direction from Congress, lessons learned from previous defense reforms, leadership priorities, stakeholder initiatives, and Government Accountability Office audits and Inspector General of the DoD reports all suggest opportunities for greater DoD effectiveness and efficiency across the spectrum of

performance improvement. DoD's Performance Improvement Framework captures these opportunities and initiatives in the Department's Planning, Programming, Budgeting and Execution system. In lieu of ad hoc or stand-alone reform processes of the past that were too often separated from NDS implementation and other DoD management priorities, our intent is to mainstream and embed Performance Improvement within DoD's primary management processes.

- **Consistent Reporting:**

Based on statutory requirements pursuant to title 10, U.S.C., section 125a, and in order to enable standardized reporting across the Department, the PIO in partnership with DBC co-chairs and members, has identified a standard set of data elements that will make possible tracking progress of Performance Improvement Initiatives following an outcome-driven, metrics-enabled approach.

These data elements will be captured across six categories to describe existing and planned performance improvement initiatives to include trade-off analyses supporting planned activities, capture expenditures and understand roadblocks encountered during execution, inform the initiatives' timeline and milestones, collect realized and/or expected accomplishments and identified and/or potential risks to realizing expected outcomes, and understand how each performance improvement initiative contributes to the implementation of the Secretary's NDS and SMP priorities. Data will be provided for the current fiscal year and for the future years' defense plan (FYDP) when available.

The new Performance Improvement Initiatives' application and reporting dashboard will be developed in partnership with the CDAO and included in "Pulse," the Department's authoritative executive analytics application for performance management in Advana. The application's data repository will include, for each performance improvement initiative, narrative justifications and tradeoff analyses between options considered, costs of implementation, and accomplishments achieved or expected for the Budget Year and the FYDP, when available. OSD PSA and Heads of Components will use this application to report on new and ongoing performance improvement initiatives to enable consistent tracking and reporting; financial data will be read from the Next Generation Resource Management System as the authoritative platform for enacted budget information.

Pursuant to title 10, U.S.C. section 125a requirements, the Department will publish an annual Defense Performance Improvement Report delivered concurrently with the President's Budget.