

The DoD Balanced Scorecard: Overview

OSD PA&E

U.S. Defense Priorities

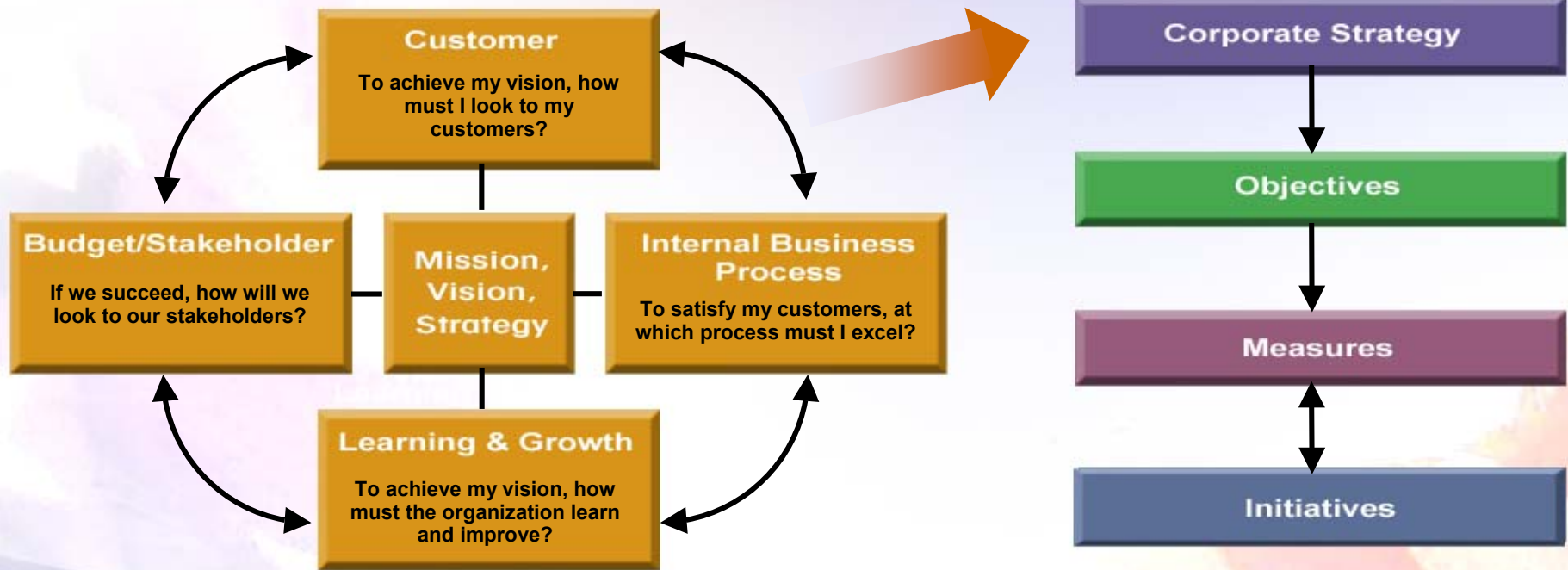
- Deter potential adversaries and defend America and American interests
- Counter asymmetric threats – including terrorism, cyber attacks and ballistic and cruise missiles
- Fight and win the global war on terror
- Assure readiness of the Armed Forces
- Mitigate surprise
- Ensure U.S. leadership role in the world and strengthen U.S. alliances during this period of change
- Transform the Department of Defense
 - Reshaping military capability for the 21st Century
 - Changing culture, business practices, processes and organizations for sustained advantage

The Overall Framework for Change

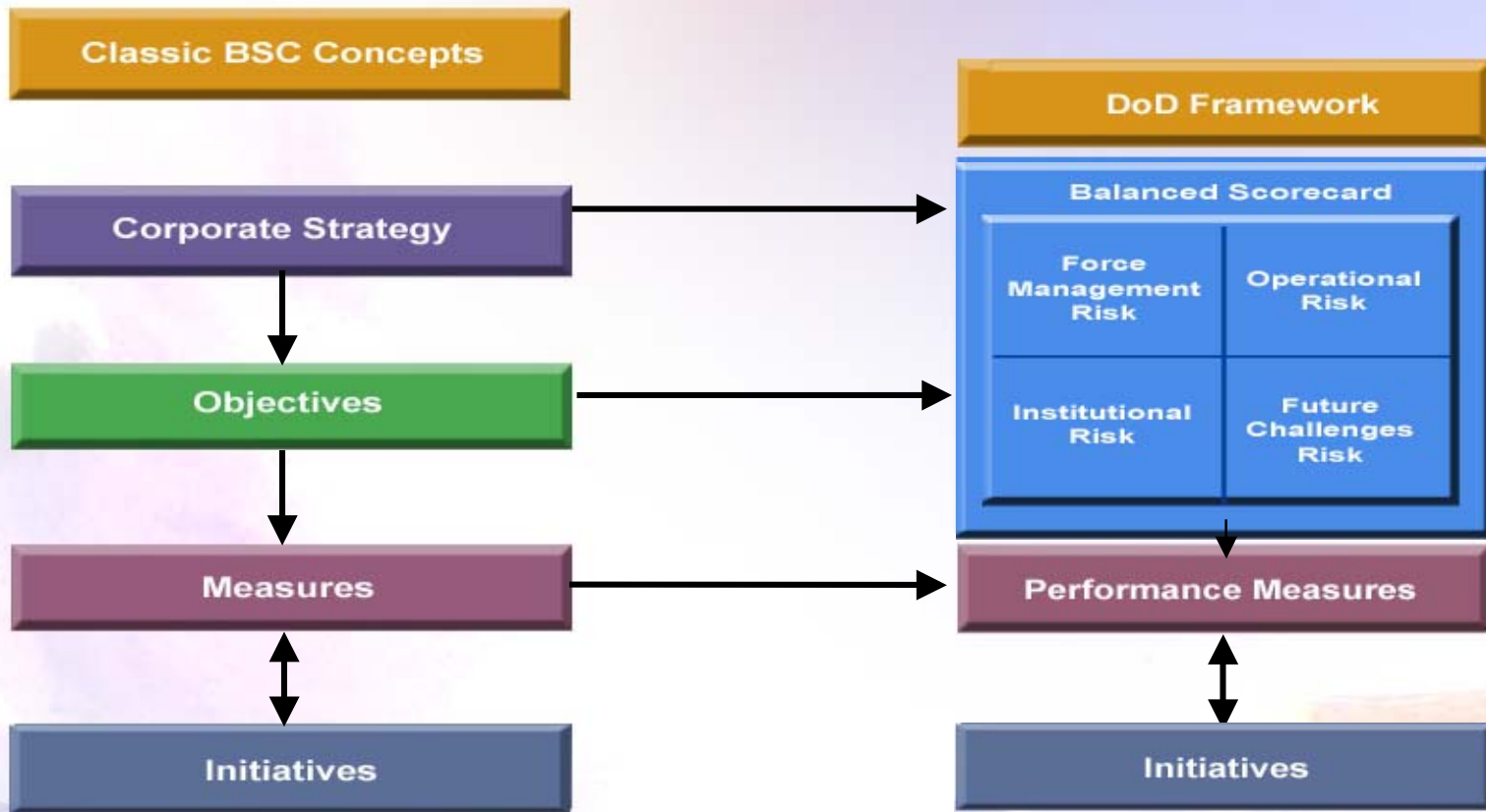
<u>Historical World View</u>		<u>Future Objectives</u>
Central Planning	To	Adaptive and Dynamic Planning
Fixed, Predictable Threat	To	Capabilities Against Shifting Threats
Mature Business and Organization	To	Mix of New and Mature Organizations
Inputs Based Management – Focus on Programs	To	Output Based Management – Focus on Results
Appropriated Funds – “Cost is Free”	To	More Market-like and price based
Segmented Information – Closed Architecture	To	Networked Information – Open Architectures
Stovepiped and Competitive Organizations – “Zero sum Enterprise”	To	Aligned Organizations with common and shared objectives

The Balanced Scorecard Concept

The **Balanced Scorecard** is an approach that helps organizations **translate strategy** into the operational **objectives** that drive both behavior and **performance**



Adapting the BSC Concept to DoD



BSC vs. DoD's Risk Management Framework

Balanced Scorecard (Norton & Kaplan Model)

Transformational

Scorecard Perspectives -“Balanced Approach”

- Customer
- Stakeholder/Financial
- Internal Processes
- Learning & Growth

Top-down formulation of strategy
(Strategic Objectives)

Customers, Stakeholders, Mission and
Vision are specifically defined

Measurement of how well we are
achieving our strategies

Corporate strategy is cascaded to
individual business units; business
units modify their strategies to align
with Corporate strategy

QDR Risk Management Framework

- Transformational
- Risk Framework – Quadrants that are “Balanced”
 - Operational
 - Future Challenges
 - Institutional
 - Force Management
- Top-down formulation of strategy
(Outcomes)
- Customers, Stakeholders, Mission,
& Vision are implied
- Measurement of overall
organizational performance; basis
for Performance Based Budgeting?
- Defense Agencies and Services
develop strategies that align with, or
support the DOD strategy

Implementation Challenges for DoD

- **Operations:**
 - DoD does not operate as a commercial company
 - No profit and loss basis
- **Organization:**
 - Diverse requirements (Services, Agencies, etc.) internal to the DoD
 - Difficult to integrate strategies efficiently
- **Culture:**
 - Change within the Government is difficult
 - Multiplicity of goals and bosses (Congress, etc.)
- **Systems:**
 - Lack of a consolidation of systems
 - Collecting and measuring data difficult

How We Built Our Scorecard

Scorecard drafted by SEC-sponsored teams

- Force Management Risk: P&R and Army
- Operational Risk: Joint Staff and PA&E
- Future Challenges Risk: AT&L and Navy
- Institutional Risk: Comptroller and Air Force

For each Risk Area, teams recommended

- 4-5 leading outcomes goals
- Output measures (existing or proposed)

CY 2003 Annual Defense Report

- Describes metrics to support each goal
- Set FY04 performance targets

FY 2003 Performance & Accountability Report

- Documents actual results against targets

Strategy



Risk Area



Outcomes



Output Measures



Identify Data Sources



Calculate Trend

Metric Screening Criteria

- Measure outputs not activities
- Quantifiable
- Trackable over time
- Can establish an objective level of performance
- Tied to strategy
- Appropriate at the Department level (may require indexing “feeder” metrics)
- Tied back to specific measures in the line organizations to drive behavior
- Ideally, linkable back to inputs over time so that it can be used to assess investment

The DoD Balanced Scorecard: Outcome Goals

Force Management Goals

Ensure sustainable military tempo	Maintain quality workforce
Maintain workforce satisfaction	Maintain reasonable force costs
Shape the force of the future	

Operational Goals

Successful plan and strategy execution	Critical needs, systems, people, sustainment, and infrastructure (by exception)
Are forces currently ready?	Do we have the forces available?

DoD Framework

Balanced Scorecard



Institutional Goals

Streamline the decision process, drive financial management, and acquisition excellence	Realign support to the Warfighter (including defense agencies)
Improve the readiness and quality of key facilities	Manage overhead and indirect costs

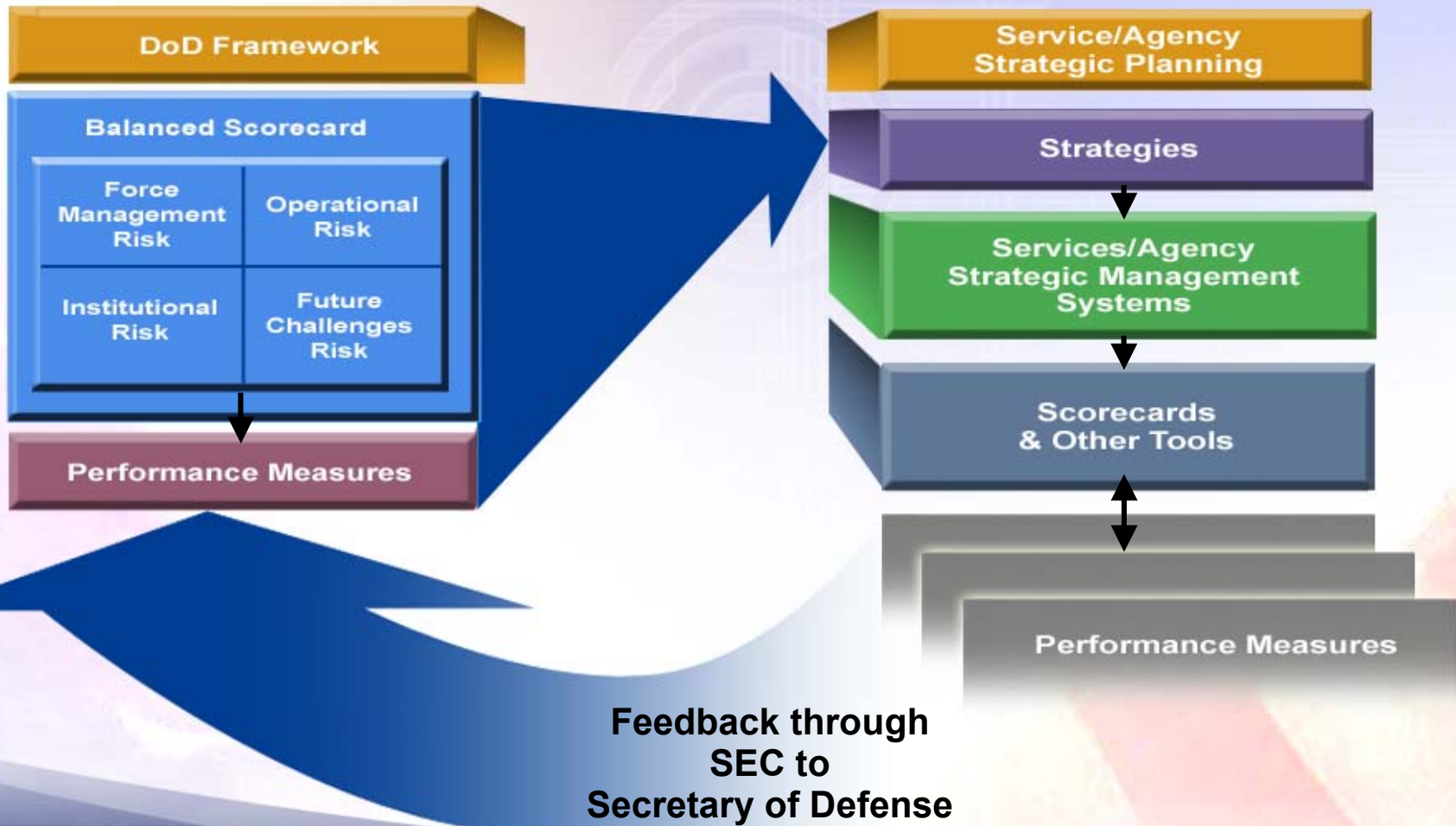
Future Challenges Goals

Drive Joint Operations (CONOPS experiments)	Define future human skills and competencies
Define and develop transformation capabilities	Develop more effective organizations

Goals → Metrics



Cascading to Components



Performance Documents

• Long-term Planning Guidance

- Establishes *performance outcomes* for the FYDP period
- Due annually in December

• Budget Plan (Annual Defense Report to President and Congress)

- Sets *annual performance targets* for next budget year
- Due annually in February (to be submitted w/PresBud)
- Maps component strategies to DoD goals and metrics

• Budget Justification Materials

- Documents *program-level performance trends*
- Sets *program-level performance targets* for budget
- Due annually in February

• Long-term Programming Guidance

- Establishes *program-level performance targets* for FYDP period
- Due annually in April-May (?)

• Annual Report (Performance & Accountability Report)

- Documents *actual budget-year performance results*
- Due annually in November (beginning in CY04)

Guidance

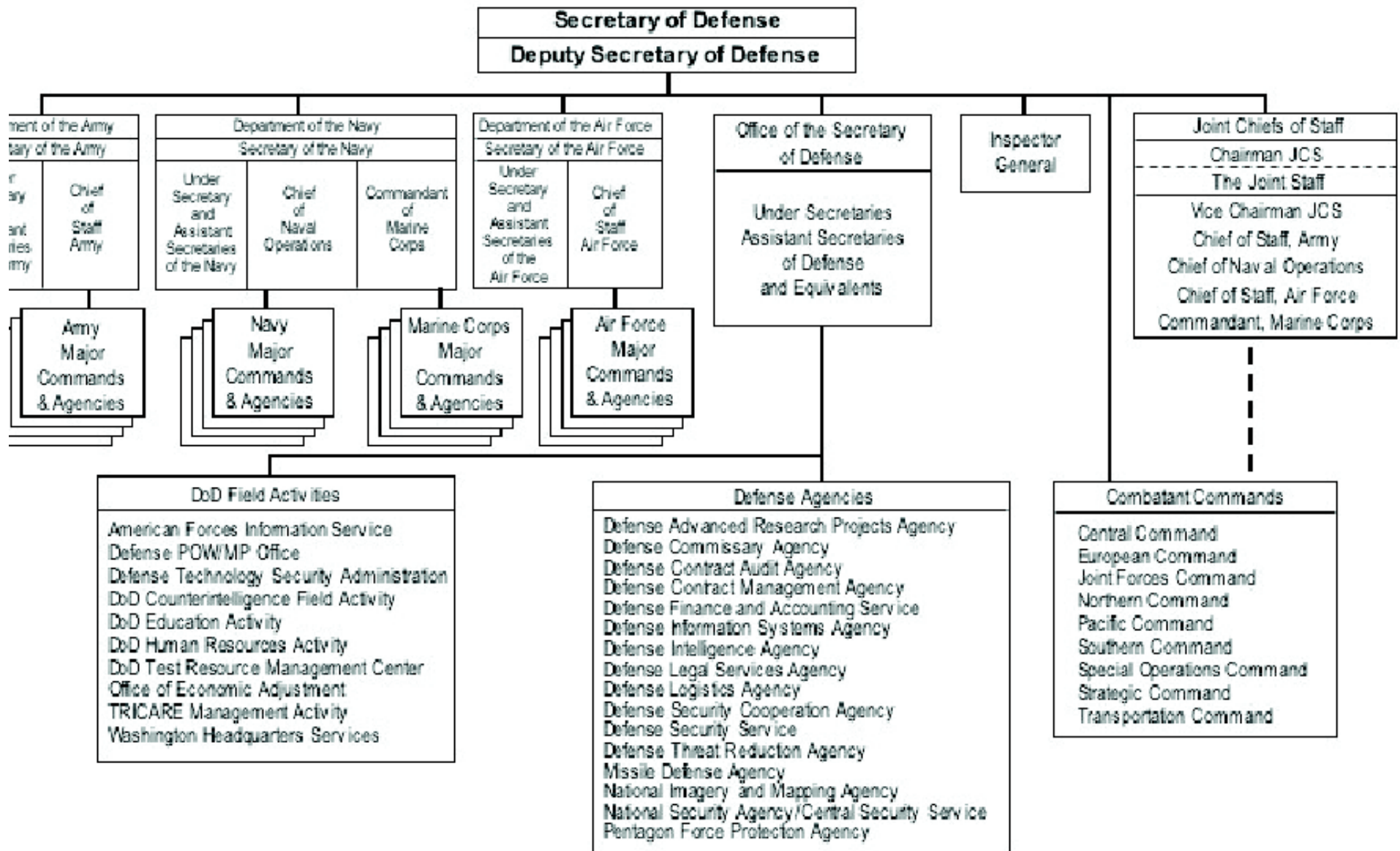
Reporting

2003 Annual Defense Report

www.dod.mil/execsec/adr2003/index.html

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Department of Defense



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