The Department of Defense (DoD) is not only the largest federal agency, it is also one of the nation’s largest organizations, employing nearly 3 million people and spending over $350 billion on defending the United States. Management of any organization this size is challenging, yet DoD continues to progress in achieving reforms.

President’s Management Agenda

**Human Capital**

DoD’s Workforce Restructuring Matrix shows significant progress in reorganizations, delayering, outsourcing efforts, and reengineered/streamlined processes. Agency strategic plans and human resources planning strategies are matched up with mission, goals, and organizational objectives. DoD reduced headquarters staffing by more than 11 percent.

**Competitive Sourcing**

The Department is making progress in subjecting functions that are commercial in nature to competition. For example, DoD is competing base support functions at several installations across the country. DoD is announcing competitions for almost 10,000 positions in 2003 and plans to announce competitions for an additional 10,000 positions in 2004. DoD is also seeking to return military members performing commercial functions to the war-fighting ranks.

**Financial Performance**

In 2002, the Department began to implement aggressively its plan to completely overhaul its financial management systems. DoD awarded a contract to a group of contractors headed by IBM. Also, the Department began efforts to speed-up the production of its Financial Statements and to improve its management of real property.

**Expanding E-Government**

DoD has submitted complete business cases justifying 180 major projects, totaling nearly $14 billion, or 49 percent of a total IT investment of $28 billion.

**Budget and Performance Integration**

The Department has developed benchmarks in a number of areas. For example, DoD has developed measures for its goal of maintaining a quality force, improving the quality of facilities, and developing transformational capabilities. DoD is well underway in having a Department-wide system that combines performance measures with budget resources for many activities.

**Privatization of Military Housing**

DoD has a goal of eliminating 163,000 inadequate housing units (out of a total of 273,000) by 2007. The 2004 Budget includes plans to achieve this goal for all but 7,000 Air Force homes. To date, DoD has privatized 26,166 family homes, about 10 percent of its current inventory.
Program Assessments

The twelve DoD programs reviewed are, on average, moderately effective. Most of the PARTs revealed that the program purposes are clear and that DoD plans well. The PARTs also reveal that DoD does exhibit strong management practices except in financial management, a problem DoD's leadership is attempting to address. In addition, the assessment shows that DoD needs more specific short and long-term goals and performance measures for some programs, also an area that DoD leadership is addressing.