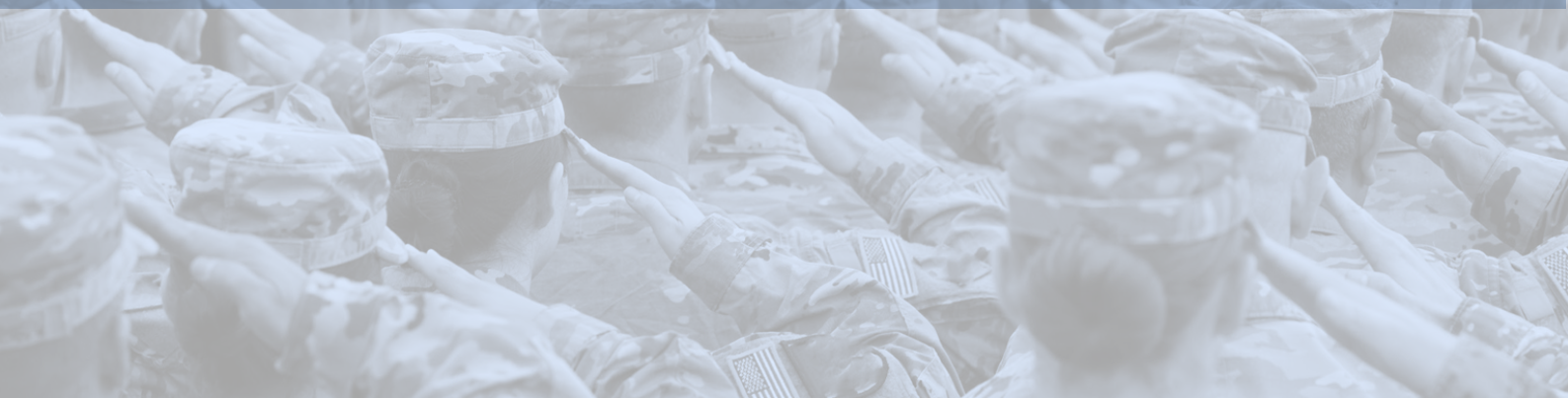


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# Future of DoD's Back-office to Fuel Lethality and Readiness



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## The Case for Change

The Department of Defense (DoD) needs to modernize at the speed and scale necessary to increase readiness, rebuild the military, and enhance deterrence. Current inefficiencies in mission support (Financial Management (FM), Human Resources (HR), Information Technology (IT), and common goods & services acquisitions functions), and duplicative capabilities divert crucial resources away from essential warfighting functions. The Department is working in fragmented systems and is forced to take military and civilian personnel away from the fight to solve back-office challenges, undermining lethality. To ensure deterrence addresses emerging threats, DoD needs to consider prioritizing resources in line with the National Defense Strategy, focusing on lethality, readiness, and modernization.

## Why Now?

National Security demands a high-tech, highly lethal military supported by efficient, high quality mission support services. The Office of the Secretary of Defense (OSD) is positioned to transform financial management, human resources, IT, and acquisition services, thereby redirecting budgets and resources toward warfighting capabilities. The Deputy Secretary of Defense can sponsor the efforts to streamline operations, help eliminate redundancies, modernize business processes, and recapitalize the workforce and funds in mission support. Incentives for efficiency were previously lacking, but with the new administration's emphasis and leaders from the private sector, DoD now faces a shift.

Advanced technologies like AI and machine learning enable aggregation of vast data sources and automation of business processes, enhancing mission support at greater speed and lower cost. These innovations, common in mature commercial applications, offer standardization, improved decision-making, and aid in retiring legacy systems. By adopting an AI and automation-first approach, DoD can establish centralized enterprise services—mirroring private-sector Global Business Services—to boost operational efficiency and focus resources on its core mission of national security.



# What is the Solution

The Solution lies in running the DoD's back-office as an efficiency engine to enable the mission, something many Fortune 100 organizations have successfully achieved:

- 1 Stand up a technology-driven, multi-functional Mission Support Services Office** with authority for DoD-wide standardization of common transactional services and ability to apply all known efficiency levers. Designate Director of Administration and Management (DA&M) as this office and appoint a DoD Business Transformation Executive. Furthermore, designate the following with authority across military departments and components:
  - Designate the Principal Deputy Under Secretary Personnel and Readiness, (PDUSD P&R), as the lead for implementing and managing **HR consolidation of common transactional services** such as Time & Attendance, Payroll, Background checks, Compensation Structure & Data with a unified core HR, supported by the Director, DHRA
  - Designate the Principal Deputy Under Secretary Comptroller, (PDUSDC), as the lead for **consolidating and standardizing processes, structures and systems for common FM processes** such as Internal Controls, Audit Reconciliation, Financial Statement Consolidation, Non-Treasury Disbursing
  - Designate the DoD Principal Deputy CIO (PDCIO) as the lead for IT enterprise transformation as described in this paper including providing Identity, Credential, and Access Management (ICAM), Cloud Management services, and Enterprise email across the DoD as a shared service, **eliminating redundant operations across DoD components**
  - Designate the Assistant Secretary of Defense for Acquisition, (ASD A) within (OUSD A&S), as the lead for services acquisition transformation to **implement AI-enabled acquisition data integration**
- 2 At the Military Department (MILDEP) level, appoint a Chief Administrative Officer** within each military department with the authority to centralize and standardize redundant common but differentiated HR, FM and IT functions that must remain within the MILDEPs to address needs unique to the MILDEP under Title 10, U.S.C. while integrating across back-office mission support functions
- 3 Centralize and standardize redundant common HR, FM and IT functions** currently performed across the Office of the Secretary and Defense (OSD), Defense Agencies and DoD Field Activities (DAFAs)
- 4 Implement an AI/ML-enabled data orchestration layer** for enterprise-wide analytics and transparency for FM, HR, IT/ Identity, Credential, and Access Management (ICAM), and Acquisition in the near term to inform decisions
- 5 Implement a common / core HR system for the entire DoD civilian workforce**, including OSD and the MILDEPs along-with an HR/employee engagement layer to provide an intuitive user experience to optimize self-service
- 6 Once successful with civilian consolidation and implementation, scale the civilian HR/ employee engagement layer to the military workforce** to provide enterprise-wide visibility across military systems while concurrently working towards systematically consolidating existing systems into three core HR systems, one for each MILDEPs with a shared data model
- 7 Over time, consolidate the current (20+ GL systems) into a single FM Enterprise Resource Planning (ERP) system** per Military Department. Consolidate financial management systems of OSD components into a single ERP system informed by the integrated data layer implementation



## Case in Point

A leading Fortune 100 global company streamlined its operations, generating roughly an annual \$1B in savings in two years as a critical CEO priority. This was achieved by radically simplifying and transforming enabling / back-office functions, reimagining back-office systems and process, designing horizontally (end-to-end) by breaking down functional silos, and delivering an integrated, cross-functional view of business insights & performance. Foundational to the success was a deliberate recategorization of the organization's work across all back-office / mission support areas (e.g. Finance, HR, IT, Procurement, Marketing, legal) and centralizing core and foundational work into scaled hubs supported by outsourcing / managed services with heavy emphasis on automation and standardization. Beyond generating significant cost savings that funded mission priorities, the organization improved customer and employee experience across the board.



# Technology and AI-First

**In HR,** the DoD can boost efficiency for the civilian workforce by: 1) defining a comprehensive HR IT architecture that is flexible to meet evolving technology capabilities; 2) setting data standards and a unified model for the HR lifecycle; 3) creating an AI-enabled orchestration layer that integrates and aggregates HR data; 4) launching an HR/employee engagement layer with a user-friendly interface and automated business rules; and 5) applying AI to quickly enhance processes, providing real-time data insights and streamlining prioritized workflows. As an example, this would enable accelerated hiring of civilian workforce talent with shared certificate lists between OSD and the MILDEPs, significantly contributing to DoD meeting the White House Executive Order Time-to-Hire metric of 80 total days, delivering high quality civilian talent to the mission. These solutions are used today at scale at commercial organizations. While each MILDEP is advancing its own HR technology, implementing orchestration and engagement layers first can accelerate outcomes enabling cross-service data consolidation for seamless joint reporting. Changes to military personnel HR systems can follow progress on civilian personnel, leveraging lessons learned.

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**For FM,** DoD can leverage its multi-billion-dollar investment in Advana by upgrading with Agentic AI capabilities for its data orchestration layer, connecting all FM data and providing a simple location to get FM business done accurately. Coupling more dynamic and low-code AI tools with the current platform enables the ingestion of data from over 1,700 separate financial and financial feeder systems across the DoD and provides leaders with the ability to proactively monitor transactions for errors and compliance issues, all while lowering cycle times. This fleet of AI agents can help resolve today's problems like improper payment identification and validation of a complete Universe of Transactions (UoT). In parallel, the aggressive sunset of outdated legacy would improve transparency and deliver automated, standardized workflows for essential financial processes DoD-wide. These actions are critical to the DoD not only achieving an unmodified audit opinion but sustaining it through improved financial operations.

**For IT management,** leaders can consider delivering ICAM, cloud management services, and enterprise email across the DoD as shared services to realize economies of scale and purchasing power. This will allow MILDEP time and resources to focus on their unique missions. DoD can make rapid, tangible progress towards this future by beginning with the ICAM federation platform, enhancing it with data integration and analytics capabilities that will create seamless interoperability between systems and enable consolidated product licensing, cost reduction, and enhance the detection of anomalous activities. To limit the likelihood of duplicative services proliferating, leaders can consider positioning the DoD CIO in the software acquisition pathway to identify and avoid acquisition of redundant or overly customized solutions that cannot be scaled to meet enterprise needs.

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**For Acquisition,** DoD can prioritize streamlining its \$80 billion annual common services acquisition process, which covers areas such as knowledge-based, construction, electronics, facilities, logistics, medical, R&D, and transportation services. The DoD has already made great strides in streamlining acquisition and can build on it to quickly align with federal procurement consolidation efforts by using AI within the Adaptive Acquisition Process across OSD and MILDEPs. Implementing AI tools will enable greater use of centralized contracts managed by GSA and DoD, streamline procurement for common goods and services, and enhance the Procurement Integrated Enterprise Environment (PIEE) for efficient contract searches and drafting. These tools reduce cycle times, improve quality, and help adapt previous Performance Work Statements for new needs. By aligning requirements and increasing collaboration, AI capabilities can strengthen purchasing power, lower acquisition costs, reduce labor, and improve visibility into workloads, enabling leaders to optimize resources and drive better acquisition outcomes. The Deputy Secretary of Defense, through the Under Secretary for Acquisition and Sustainment, can establish a centralized category governance board that would set roles, build sourcing tools, fine-tune data and AI in agile processes, and oversee authority delegations. Notably, these improvements can be made without the need for an immediate overhaul of core DoD acquisition systems. This approach enables early gains and substantial savings, while also setting the stage for future systems modernizations, such as implementing a common Electronic Contract Management System (eCMS).

# What Can DoD Do Today?

To drive immediate progress, OSD can take decisive action today by combining proven technologies and commercial leading practices with clear leadership and accountability from a Deputy Secretary-sponsored mission support transformation organization. By focusing on immediate steps and rapid deployment of AI and clear enterprise performance goals, DoD can deliver mission-focused results that save money and deliver improved business performance across HR, finance, IT, and services acquisition, delivering resources back to lethality and warfighting. The following targeted actions will help build momentum, demonstrate early wins, and lay the groundwork for broader transformation:

## Within 14 days:

### *Policy, Leadership & Structure*

- Deputy Secretary of Defense declares the **establishment of a multi-functional Mission Support Services Office** accountable for consolidation of common back-office services, cutting costs and delivery on schedule
- In 2 weeks, appoint a **DoD-wide Business Transformation Executive** responsible for establishment of this multi-functional mission support services office
- Designate the individual functional leaders as described above with authority to drive standardization across DoD
- Appoint a **Chief Administrative Officer** for each MILDEP and one for OSD/DAFAs
- Establish a common HR data model for all of civilian DOD

## Within 60-90 days:

### *Execution*

- Make decisions on technology products and implementors
- Publish an integrated execution plan for implementing the DoD- wide multi-functional Mission Support Services Office
- Publish an integrated execution plan for implementing the MILDEP and OSD/4th Estate level Mission Support Services consolidation
- Implement a data orchestration layer to aggregate data in one place, to create a holistic picture of Civilian DoD HR
- Implement an engagement layer (employee portal) to quickly modernize the user experience of HR, employees, supervisors and functional communities
- Pilot AI/ML to centralize DoD procurement data via API-connected systems, enabling automated analysis and draft PWS generation to streamline acquisition for program owners and contracting staff
- Assign ongoing management of the Agility layer and AI routing, linking this to category management improvements and governance to adapt to mission and technology changes

By embracing a rapid, unified, accountable approach to modernizing mission support, DoD can deliver higher-quality, lower cost FM, HR, IT, and acquisition services at speed and scale, leveraging AI technologies embracing commercial best practices, and empowering their workforce. This long-overdue transformation for mission support services enables DoD to prioritize resources to execution of the National Defense Strategy, increasing lethality, readiness and deterrence.

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