# Human Resources Management

# Portfolio Management
# Concept of Operations


**September 30, 2012**

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# 1.0 PORTFOLIO MANAGEMENT CONCEPT OF OPERATIONS OVERVIEW

## 1.1 Background

The Department of Defense Instruction (DoDI) 8115.02, "Information Technology Portfolio Management (PfM) Implementation," defines the responsibilities of the Core Business Missions, Sub-portfolio Authorities, and Components in managing Department of Defense (DoD) Information Technology (IT) within their respective purviews. In the past these resources were managed as stand-alone entities, which led to investments in systems with redundant or similar capabilities. This Instruction provides guidelines to begin managing IT resources as portfolios that support the Enterprise, Core Business Mission, and Sub-mission goals and strategies that are cost effective, promote information sharing, and ultimately provide the best possible support to the warfighter.

The Instruction defines a portfolio as a:

> "collection of capabilities, resources, and related investments that are required to accomplish a mission-related or administrative outcome."

Portfolio Management supports the acquisition and management of IT investments, including the following activities: strategic planning, capital planning, governance, process improvements, performance metrics/measures, requirements generation, acquisition/development, and operations.

DoDI 8115.02 assigns the Principal Staff Assistants (PSA) oversight for the creation and management of their portfolios; the Under Secretary of Defense, Personnel & Readiness (USD(P&R)), therefore, has oversight responsibility for the definition and management of the Human Resources Management (HRM) portfolio. Personnel and Readiness Information Management (P&R IM) is executing the management of the HRM Core Business Mission portfolio on behalf of USD(P&R).

## 1.2 Purpose

The HRM PfM Concept of Operations (ConOps) introduces the concepts of PfM, governance, business drivers, and the high-level process steps required to build a viable PfM framework to manage the HRM Portfolio.

## 1.3 Organization of This Document

This document has been divided into the following sections:

- Section 1: Introduction
- Section 2: Portfolio Management Program Overview
- Section 3: HRM Portfolio Management Approach & Methodology
- Appendix A: Legislation, Memo, Directives, and Guidance
- Appendix B: Acronyms

# 2.0 PORTFOLIO MANAGEMENT PROGRAM OVERVIEW

## 2.1 What is Portfolio Management?

Portfolio Management is: "The management of selected groupings of IT investments using integrated strategic planning, integrated architectures, and outcome-based performance measures to achieve a mission capability" (DoD Directive (DoDD) 8115.01, "Information Technology Portfolio Management," October 10, 2005). Management activities include strategic planning, capital planning, governance, process improvements, performance metrics/measures, requirements generation, acquisition/development, and operations supporting the doctrine, organization, training, materiel, leadership and education, personnel, and facilities (DOTMLPF) direction. DoDD 8115.01 emphasizes DOTMLPF constructs and mandates that the process include existing Department governance.

A properly implemented PfM process will analyze individual portfolios of IT capabilities to see whether the existing or proposed systems are architecturally compliant, align with overall P&R strategic goals and HRM organizational objectives, and are supported by business case analysis. IT investment decisions are based on organizational goals, business needs, risk tolerance levels, and potential returns. PfM facilitates the allocation of funds to the highest priority initiatives in accordance with the goals of waste reduction and optimal mission support. Although PfM is concerned with the management of all IT investments within the portfolio, it is important to note that the PfM process will leverage existing decision support processes and decision bodies whenever possible. These include interfaces with the Joint Capabilities Integration and Development System (JCIDS); Planning, Program, Budgeting & Execution (PPBE); Defense Acquisition System (DAS), and the Investment Review Board (IRB) processes.

## 2.2 Benefits of Portfolio Management

Among the many benefits of IT PfM are the abilities to:

- use a capability framework to reveal business opportunities and gaps
- drive alignment of information technology needs to business requirements and organizational goals
- enable uniformity, accuracy, interoperability, and higher quality of data across the enterprise
- identify and maintain accurate inventory and profile of key applications, capabilities, programs, and initiatives
- provide greater insight into IT expenditures and portfolios to several levels of management through quantification of actual data
- reduce capability redundancy and achieve cost control

# 3.0 HRM PORTFOLIO MANAGEMENT APPROACH & METHODOLOGY

## 3.1 HRM PfM Overview

P&R IM is responsible for implementing a formal, structured, repeatable process to manage business systems and other investments as a portfolio for HRM. To facilitate this effort, HRM PfM is designed to articulate roles and responsibilities, present an integrated set of processes, and provide information needed to determine and adjust the optimum set of HRM business systems supporting the mission of the OUSD(P&R).

The three HRM Core Business Sub-missions are:

- Military Health Management – Encompasses all DoD health policies, programs, and activities, and is subject to the direction of the Secretary of Defense, exercising oversight of all DoD health resources;
- Civilian HRM – Encompasses all business functions and processes that fall within Civilian Human Resource (HR) Management, including developing and issuing civilian personnel plans, policies, and programs; managing the Department's civilian personnel; and operating and sustaining DoD's single enterprise-wide civilian personnel data system and other systems supporting Civilian HR business processes;
- Military and Other HRM – Encompasses all other lines of business that fall under the purview of OUSD(P&R), including military personnel and pay, manpower, personnel security, training, morale, welfare, recreation, quality of life matters, and other subjects.

## 3.2 HRM PfM Approach

The HRM PfM framework relies on the systematic implementation of an Analyze, Select, Control, and Evaluation model to ensure that the HRM Core Business Missions' investment objectives support business and mission needs. DoDI 8115.02 details the basic roles and responsibilities of the HRM Portfolio Manager in regards to implementing PfM. P&R IM's initial approach to developing a PfM process has been to construct a PfM framework based on the PfM DoDD and Implementation Instruction. The following list outlines the initial steps to building a viable HRM PfM process:

- Develop a ConOps for HRM PfM
- Identify and communicate the specific short-term and long-term goals of HRM PfM as a support tool to drive optimization within the P&R organization and within its supporting Components
- Develop a notional PfM Roles and Responsibilities Matrix describing the tasks and responsibilities needed to execute each phase of the PfM cycle
- Develop a PfM Plan to describe how the tasks in the PfM Responsibilities Matrix will be executed

- Identify focus areas in the HRM portfolio where immediate analysis is needed to drive optimization; use the approach methodology as a process guideline for other PfM activities.

The existence of a robust architecture is crucial to the successful execution of a PfM process. As part of the HRM PfM approach, the HRM Enterprise Architecture (EA) will be utilized to reconcile process flows throughout the different phases of the PfM process. The architecture documents the "As-Is" state of the system environment and provides critical, detailed information on how an organization's portfolio supports its business capabilities and strategic goals, meets standards, and maintains accurate data, as well as the impact of the portfolio on external enterprises. The detailed architecture information is used for the application of metrics and risk analysis in the PfM process. The architecture also documents the "To-Be" state of the system environment and captures the details of the planned end-state. The PfM process uses information from the "As-Is" architecture and the organization's strategic vision, goals, and objectives to recommend changes that will inform the "To-Be" architecture.

The HRM PfM approach works within an integrated information-sharing environment that includes the EA, Investment Management, Policy Analysis, and Change Management processes.

## 3.3 HRM PfM Process

The HRM PfM process is a structured, integrated approach that will ensure IT investments align with the P&R and DoD strategy and mission. HRM PfM will produce decision-quality data to help ensure components manage their system suites and achieve P&R strategic and mission goals. The PfM process leverages four continuous and cyclical phases: (1) Analyze, (2) Select, (3) Control, and (4) Evaluate. This section defines overall PfM process phases as depicted in Figure 3-1.

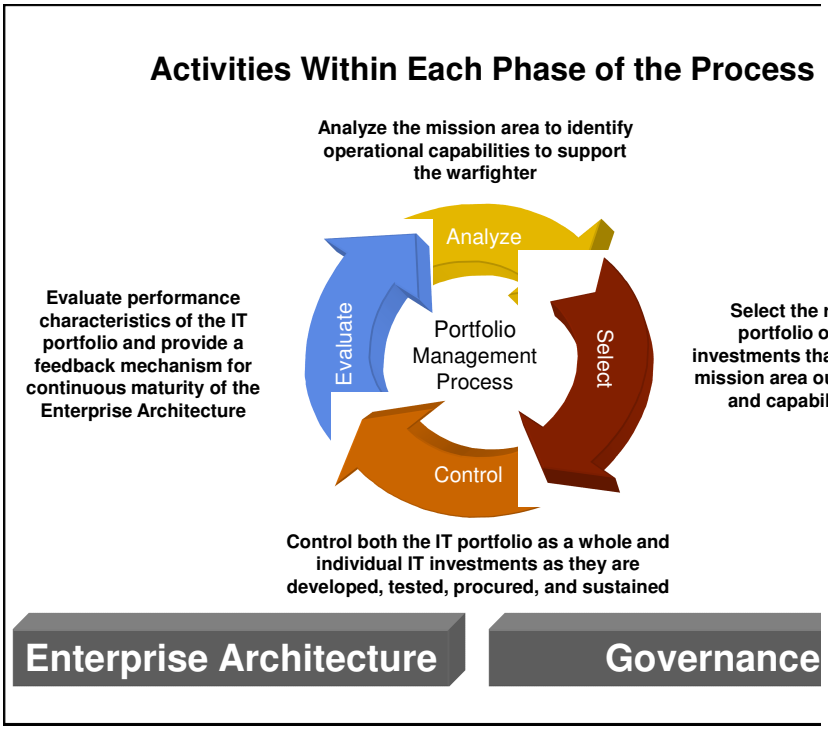


**Figure 3-1: The PfM Process**

The PfM process analyzes and evaluates proposed investments against a defined criteria, priorities, and risk. Investments are selected using a best-in-class approach with an eye towards strategic goals and short-term realities. The PfM process will also enhance management of the acquisition process and compliance requirements. PfM is the key to effectively migrating a Core Business Mission portfolio from the "As-Is" to the "To-Be" state. Transition planning supports changes to business strategies, and PfM processes ensure that transition plans articulate implementation strategies for migrating to targeted technology solutions.

## 3.4 PfM Governance

Central to the execution of a PfM program is a well-defined IT governance structure. The IT PfM Governance process is described in DoDI 8115.02 as "a robust governance structure, enabled by consistent, repeatable processes at all levels to foster greater management, efficiency, better communications, and effective collaboration." It also requires that the governance structure leverage existing DoD investment management processes and decision-making bodies.

In order to drive effective and timely investment decisions, a rigorous governance structure is required to:

- group initiatives into portfolios
- ensure initiatives are well aligned with strategic goals
- identify redundancies within the portfolio
- choose among competing initiatives
- exercise continuous oversight and decision-making
- monitor and recommend policy changes as appropriate

In order to ensure that the PfM governance structure is effectively formed, it will be necessary to define a mission statement or goal for the initial PfM role, identify and describe other proposed PfM roles, and define responsibilities of the PfM roles in the Roles and Responsibilities Matrix. Additionally, it will be critical to determine a structure for decision making and develop a list and description of the major functions of PfM governance. Finally, it will be necessary to ensure that the P&R IM governance structure is integrated with the DoD Chief Management Office, which is the DoD decision-making body, to ensure total alignment and support for investment management decisions.

In order for PfM to be successfully executed, it must be integrated as part of the larger, strategic management of the organization. The goals of PfM should strive to achieve the mission, strategic visions, goals, and objectives of the organization. EA and governance are important contributors to the PfM process. IT Architecture formulates the technology infrastructure and operational parameters that ensure the efficient and secure execution of specified business processes/requirements that support achievement of the capability. Corporate Governance of the organization reviews mission needs and establishes a Strategic Plan that outlines its vision, goals, and objectives that guide the organization toward achieving mission needs. Likewise, IT Governance ensures that the organization establishes an IT Strategic Plan that aligns to the vision, goals, and objectives stated in the organizations Strategic Plan.

P&R Governance provides a management framework that requires a unified approach between the business' requirements and IT to ensure that capability development and supporting investments complement the portfolio management process.

# APPENDIX A:
## LEGISLATION, MEMOS, DIRECTIVES, AND GUIDANCE

| GUIDANCE | DESCRIPTION |
|---|---|
| Public Law 104-106 Division E, also known as the Clinger-Cohen Act (CCA) of 1996 (Title 40 United States Code (USC) CHAPTER 113) - Responsibility For Acquisitions Of Information Technology. | CCA mandated the Capital Planning and Investment Control (CPIC) process for agencies. CCA focused information resource planning on support of strategic missions before investing in information systems. |
| E-Government Act of 2002 (P.L. 107-347) (section 53.3). | The E-Government Initiatives are a key part of the President's Management Agenda. Section 3602(d) (14) requires the development of EA. |
| Ronald W. Reagan National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2005, § 332: Defense Business Enterprise Architecture. | The 2005 NDAA established the Defense Business Systems Management Committee (DBSMC) to oversee the modernization of DoD business systems. It mandated an investment review process for systems in excess of $1M. It established requirements for the modernization of systems to be coordinated through a DoD BEA. |
| Changes to US Code Title 10 Section 2222, "by the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2010, § 1072:" | It established a requirement for Business Process Reengineering (BPR) and EA compliance. |
| US Code Title 10 Section 2222 the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2012 | The 2012 NDAA established new investment certification requirements for all funds exceeding $1M for each defense business system across the future year's defense plan. |
| Office of Management and Budget (OMB) Circular A-11 Preparation, Submission, and Execution Of The Budget.<br>• Part 2 (section 53) | Exhibit 53 identifies the funding sources for agency IT investments and provides a full and accurate accounting of IT investments for the agency as required by the CCA. |
| OMB Circular A-11 Preparation, Submission, and Execution Of The Budget.<br>• Part 7 (section 300) | Exhibit 300 establishes policy for planning, budgeting, acquisition, and management of Federal capital investments, and provides instructions on budget justification and reporting |

| GUIDANCE | DESCRIPTION |
|---|---|
| | requirements for new and past major IT acquisitions. |
| OMB Circular A-130 Management of Federal Information Resources. | This document provides guidance on information planning and collection, Records Management, and information dissemination to the public. |
| DoD Directive 7045.20 "Capability Portfolio Management," September 25, 2008. | This Directive establishes policy and assigns responsibilities for the use of capability portfolio management in order to advise senior leadership on capability investments. |
| DoD Directive 8000.01, "Management of the Department of Defense Information Enterprise," February 10, 2009. | This Directive established policies for DoD information resources management (IRM), including IT, and delineated authorities, duties, and responsibilities for DoD IRM activities. It provided direction on establishing CIOs. |
| DoD Directive 8100.02, "Use of Commercial Wireless Devices, Services, and Technologies in the Department of Defense (DoD) Global Information Grid (GIG)," April 14, 2004 (Certified current as of April 23, 2007). | This Directive established policy and assigned responsibilities or GIG configuration management, architecture, and the relationships with the Intelligence Community (IC) and defense intelligence components. |
| DoD Directive 8115.01 "Assistant Secretary of Defense for Networks and Information Integration/DoD Chief Information Officer (ASD(NII)/DoD CIO) Subject: "Information Technology Portfolio Management," October 10, 2005. | This Directive provides the implementation instructions for the 22 March 2004 Deputy Secretary of Defense (DEPSECDEF) memorandum on Information Technology Portfolio Management. |
| DoD Instruction 8115.02 "Information Technology Portfolio Management Implementation," October 30, 2006. | This Instruction implements policy established in DoD Directive 8115.01 (October 10, 2005) and describes responsibilities for managing DoD IT investments as portfolios. |
| DoD Directive 8320.02 "Data Sharing in a Net-Centric Department of Defense," December 2, 2004 (Certified current as of April 23, 2007). | This Directive provides implementation guidance for the community-based transformation of existing and planned IT capabilities across the DoD in support of Department-wide net-centric operations. |

| GUIDANCE | DESCRIPTION |
|---|---|
| Memorandum, DEPSECDEF, Subject: Information Technology Portfolio Management, March 22, 2004. | This memorandum established DoD policies and assigned responsibilities for managing IT investments as portfolios. The guidance applies to the Joint Warfighting Capability Assessment area, the Business Domains, and the underlying Enterprise Information Environment. |

# APPENDIX B:
## ABBREVIATIONS AND ACRONYMS

| ABBREVIATIONS/ ACRONYMS | FULL NAME |
|---|---|
| ASD(NII) | Assistant Secretary of Defense for Networks and Information Integration |
| BPR | Business Process Re-engineering |
| CCA | Clinger Cohen Act |
| CIO | Chief Information Officer |
| ConOps | Concept of Operations |
| CPIC | Capital Planning and Investment Control |
| DAS | Defense Acquisition System |
| DBSMC | Defense Business Systems Management Committee |
| DEPSECDEF | Deputy Secretary of Defense |
| DoD | Department of Defense |
| DoDD | Department of Defense Directive |
| DoDI | Department of Defense Instructions |
| DOTMLPF | Doctrine, Organization, Training, Materiel, Leadership and Education, Personnel, and Facilities |
| EA | Enterprise Architecture |
| FY | Fiscal Year |
| GIG | Global Information Grid |
| HR | Human Resources |
| HRM | Human Resources Management |
| IC | Intelligence Community |
| IM | Investment Management |
| IRB | Investment Review Board |
| IRM | Information resource Management |
| IT | Information Technology |
| JCIDS | Joint Capabilities Integration and Development System |
| NDAA | National Defense Authorization Act |
| OMB | Office of Management and Budget |
| OUSD (P&R) | Office of Under Secretary of Defense for Personnel and Readiness |
| P&R IM | Personnel and Readiness Information Management |
| PfM | Portfolio Management |
| PPBE | Planning, Programming, Budgeting and Execution System |
| PSA | Principal Staff Assistants |
| USC | United States Code |

| ABBREVIATIONS/ ACRONYMS | FULL NAME |
|---|---|
| USD (P&R) | Under Secretary of Defense (Personnel and Readiness) |