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DoD Financial Management Modernization:

A Digital Transformation Guidebook

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Planning the Best Route to a Financial Cloud

Over the past decade, a long-term process of "digitization" and "datafication" of the financial management mission area has been increasingly on the minds of executive leaders in defense agencies. Emerging technologies such as cloud computing, big data analytics and artificial intelligence have been slowly introduced into this environment in bite size pieces for those who had the appetite to merge Finance and Technology together to bridge the gap. In other words, the emergence of "fintech" began. The Department of Defense has been tasked to bring true reform to the financial management environment.[1] The goal is to build a standardized and data driven mission area that will directly align with the modernization efforts of the National Defense Strategy.[2]

Technology is rapidly evolving, and enterprise financial management is faced with critical decisions on cloud strategy, data analytics, and machine learning that historically haven't been in a CFO's purview. The more tech savvy a financial management department becomes, the more empowered they can be to make decisions on the future of their mission area. We must continue to promote innovation and evangelize the need for financial management experts to lean into the technology conversations. In this paper we will explore the strategies to consider when bringing reform to the DoD financial management mission areas.

Financial management is a service delivery business, and the mission area grows as the departments they serve grow. While in the past the mission areas may have operated independently, things are now changing. Building a digital transformation roadmap for the financial management environment is not a one size fits all approach since massive overhauls are not practical when systems have historically been heavily customized.

Value-adding financial transformation can happen in increments through an a la carte approach so long as the vision is focused on providing business value, streamlining processes, and continuing to manage risk effectively.

The process of "digitization" and "datafication" combined with new technologies is moving at lightning speed post-pandemic as more personnel are given the opportunity to work remotely and thus financial management technologies must be delivered safely and securely, faster than ever before. The relationship between the Financial Management office, Information Technology department and Cybersecurity departments will be more critical today than ever before.

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1 https://comptroller.defense.gov/Portals/45/documents/IFP/FINAL_DoD_FM_Functional_Strategy_2020-2024.pdf

2 https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf

Rooted in fiscal accountability and financial improvement, the DoD FM Functional Strategy for Fiscal Year 2020 to 2024 will lead to strategic outcomes essential for aligning with the National Defense Strategy. They include the following :[3]

- Stewardship and public trust of taxpayer funds through transparency
- Audit corrective action sustainability
- Strengthened mission capabilities
- Authoritative, accurate, and timely information for decision making
- Informed, trained, and productive workforce
- Affordable and secure Financial Management environment
- Robust internal control environment which will support and sustain an unqualified audit opinion

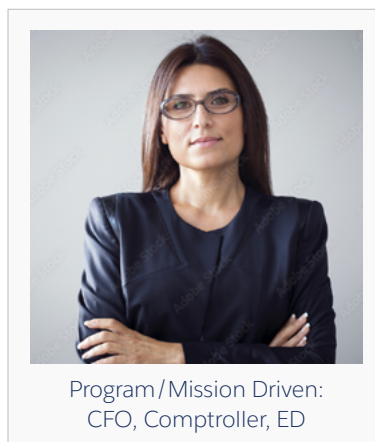## Focus Your Vision on the FM Leaders & Stakeholders

While IT often drives the execution of digital transformations, we need to jointly focus on mission demand
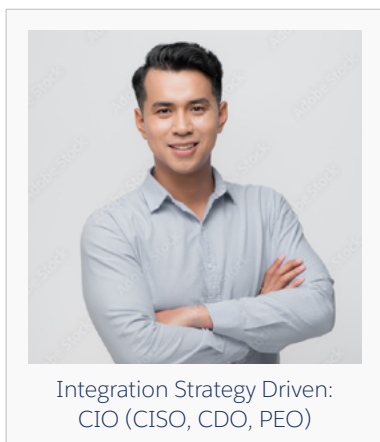
Integration Strategy Driven:
CIO (CISO, CDO, PEO)

Program / Mission Driven:
CFO, Comptroller, ED

IT Driven		FM Mission Driven
Q: Who will own the integration strategy?	Q: What key mission questions should we try to answer?	Q: How do we enable access and reusable models? How do I ensure data is safe?

Take a moment and think about the number of systems that your organization overall has today. How many of them operate independently? How many of them are connected? If you had to make a change to one application, how many others would need to be changed to maintain connection?

Enterprise-wide digital financial transformation brings structural changes. These changes have positive aspects but also growing pains in the form of cultural change management and upskilling talent for example, which takes time and effort. Alternatively, the risk of not reforming and/or staying on monolithic legacy systems, opens the mission areas to cybersecurity issues such as foreign and domestic hackers penetrating legacy systems that are out of date and easy to tap into. While finance and technology have always interacted and supported each other, the collaboration and inclusion of the office of the Chief Information Security Officer (CISO) has never been more important than it is today.

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3   https://comptroller.defense.gov/Portals/45/documents/IFP/FINAL_DoD_FM_Functional_Strategy_2020-2024.pdf
     https://comptroller.defense.gov/Financial-Management/Improving-Financial-Performance/

Over time, the DoD has implemented and managed an array of customized technologies to meet financial management mission needs.[4] This reliance on constant customization, however, has led to technical and functional debt, rising sustainment costs, a shrinking talent pool, and information security vulnerabilities.[5] As technology rate of change accelerates, we must enable technology advancement by taking advantage of existing "out of the box" cloud Software as a Service (SaaS) and Low Code Platform as a Service (PaaS) solutions. The on-premise, custom code model is no longer sustainable.

The IT department is often so focused on managing, scaling, and troubleshooting legacy financial systems that they have few resources dedicated for innovation. As a result, the IT department often makes cloud migration decisions based on immediate need from the FM mission area, lifting and shifting or refactoring custom legacy applications. To improve our long-term position as a mission partner (CFO and CTO shop in mind), Salesforce has implemented a "SaaS First" approach to cloud strategy. Our low code cloud principles ensure that SaaS / Low Code PaaS solutions are evaluated for any major system investment. This allows us to maximize business value and limit technology risk as a department.

As Steve Jobs said, "you've got to start with the customer or employee experience and work backward toward the technology-not the other way around"–A human centered design and approach to fintech or financial management digital transformations is key.[6]

The Department of Defense Financial Management workforce comprises approximately 54,000 civilian and military personnel of various Financial Management disciplines.[7] Personnel have experience in financial service management, accounting, auditing, cost, or budgetary duties, and more. By leveraging a human centered design approach, DoD can ensure major needs are considered and proper questions can be asked about what the future of finance transformation must look like to help our personnel do their jobs more efficiently, whether they work from the office or home. It will be critical to bridge the gap between IT, who typically is responsible for building solutions and managing them, and the FM community, who are the experts in what process they need to streamline.

> The Department's FM information system technology landscape is one of significant complexity and investment. The FM landscape is comprised of over 340 financially relevant accounting and business systems representing a total spend of $16.2 Billion in the Fiscal Years Defense Plan (FYDP) 2020-2024. At the same time accounting and feeder systems are undergoing planned migrations, the Department is seeking to achieve a favorable audit opinion. Together, these factors present the Department with an unprecedented opportunity to simultaneously address both functional and IT requirements with potential cost avoidance and savings if an integrated and collaborative business transformation approach is taken.[8]
>
> –Department of Defense Financial Management Functional Strategy

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4   https://comptroller.defense.gov/Financial-Management/Improving-Financial-Performance/
    https://comptroller.defense.gov/Portals/45/documents/IFP/FINAL_DoD_FM_Functional_Strategy_2020-2024.pdf
5   https://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2022/FY2022_Press_Release.pdf
6   https://www.forbes.com/sites/micahsolomon/2014/11/21/how-apple-thinks-differently-about-the-customer-service-experience-and-how-it-can-help-you/
7   https://www.gao.gov/assets/gao-19-86r.pdf
8   https://comptroller.defense.gov/Portals/45/documents/IFP/FINAL_DoD_FM_Functional_Strategy_2020-2024.pdf

The transformation journey begins

The decision to use cloud services is not a strategy in and of itself. A successful cloud transformation requires tactical planning of what to move and when, plus long-term changes in culture and operating models.

Salesforce can provide the expertise and offerings you need to create a strategic roadmap that helps ensure that the IT platforms and services you choose and implement will facilitate your broader business and workplace transformation initiatives. We work with you to achieve your digital transformation goals by following a five-step, business-driven plan.

Whether you're responsible for a few applications or thousands of enterprise systems, we can help you migrate to the cloud–safely and effectively– regardless of where you are on your journey. As part of our five-step plan, we'll help you explore and answer:

Digital Transformation Journey Map
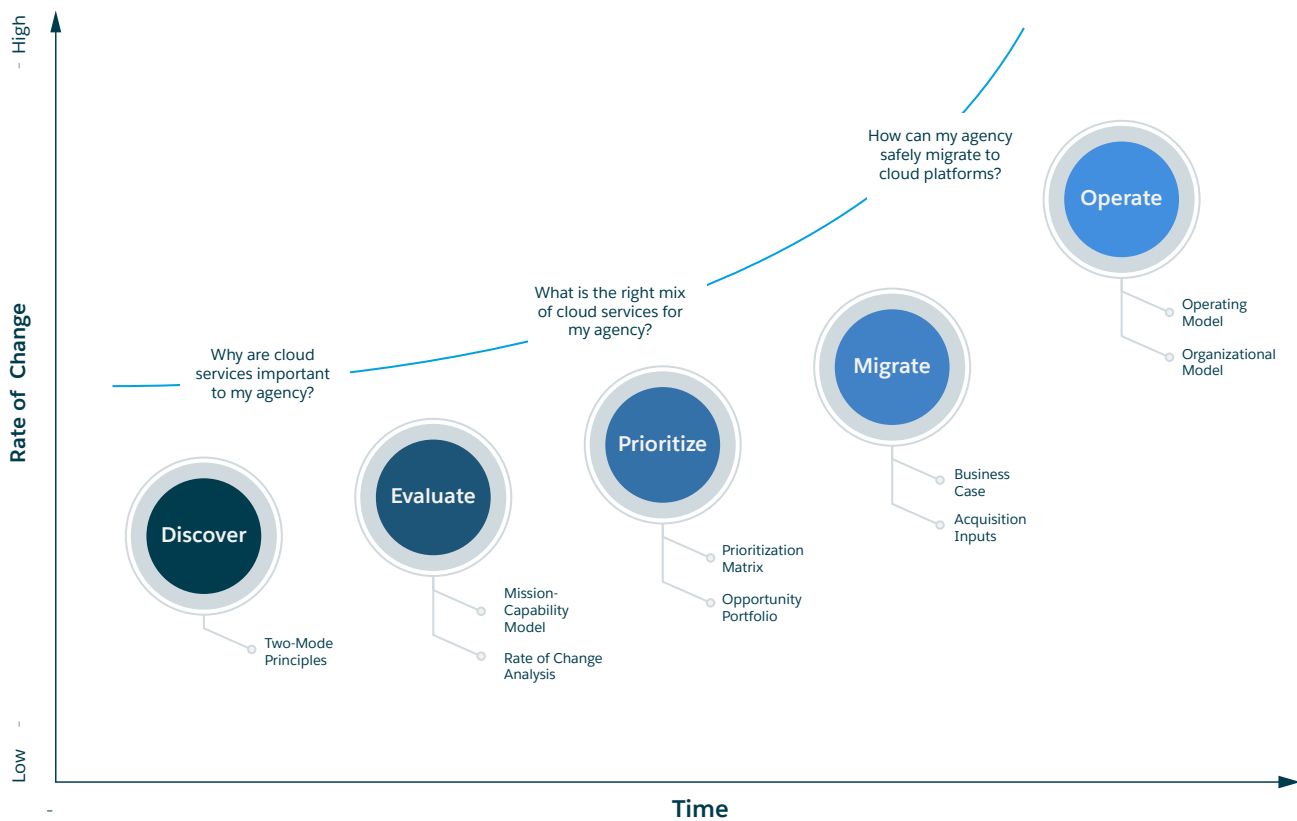
- · **Why are cloud services important to my agency?** After pinpointing your organization's current and future business objectives, we'll help you discern what needs to change from an IT-service perspective to effectively meet those goals and unlock innovation.
- · **What is the right mix of cloud services for my agency?** Instead of just lifting and shifting architecture to the cloud, or adopting cloud services based solely on ease and cost, we help you map applications to the most appropriate cloud service, whether IaaS, PaaS, aPaaS, hpaPaaS, or SaaS.
- · **How can my agency safely migrate to cloud platforms?** Salesforce can provide the expertise and guidance to help you gain executive support and methodically transition to cloud services in a way that reduces risk and facilitates long-term outcomes.

Step #1: Discover

In this critical first step, we help you create a solid foundational plan for your digital transformation by understanding where you are on your digital- transformation journey. This includes knowing what applications and systems are in place across your enterprise.

By viewing IT in two modes of operation, Traditional at one extreme and Agile at the other, you can plan your cloud migration in a strategic way. That's because this bimodal model brings clarity about the purpose of processes and technologies. As a result, you have the information you need to get the most from your investments as you encounter major decisions along your cloud transformation journey.

To help rate each technology, we'll use the following principles as guidelines for analysis. Most organizations have a mixture of traditional and agile technologies, and many fall in between the two extremes.

Step #2: Evaluate

This step gathers critical business insight about the business capabilities your IT supports, identifying each one and its underlying technologies, and whether they are meeting business needs. By identifying individual business capabilities, we can help ensure that each one is supported by the optimal IT platform(s). This is an important distinction because, in many cases, organizations can realize greater value from systems running on hybrid-cloud models that include a mixture of on-premises and cloud-based IT. For example, it might make more sense to keep the database for a legacy application in your data center but migrate its front- end application platform and user interface to an hpaPaaS solution.

Build a mission-capability model

To define your agency's business processes and capabilities, we work with you to build a mission- capability model that identifies:

- Agency operations that you must do to stay in business, such as financial resource management and human-capital management.
- Mission execution or the services you deliver and requirements you must meet in the course of doing business, such as ensuring regulatory compliance, tracking inventory, and facilitating high levels of customer satisfaction from your call center.
- Strategic enablers that are critical to effectively deliver all underlying capabilities, including customer relationships, strategy and change, and employee collaboration.

Segment by rate of change

After we establish the mission-capability model, we'll determine the rate of change for each business capability and associated application.

Rate of change measures the expected speed of business-process evolution and the degree of action from IT staff to update infrastructure, applications, or supporting services. It takes into account an application's ability to meet business requirements, such as regulatory or policy requirements, end user change requests, or release schedules. IT considerations such as security, availability levels, and maintainability also contribute to a process's score for rate of change.

For example, employees at your organization may use a spreadsheet and email program to support your status-report business process. There is little need for change here because there isn't much opportunity to innovate this process in ways that will improve customer services. Therefore, this process would be ranked low on the rate-of- change scale.

On the flip side, developers at your organization who are working on a new business offering that facilitates self-service permit filing might be using legacy systems to support the development of new customer services. In this example, there's a massive opportunity for innovation. Developers could deliver the kind of service customers expect in less time by focusing their time and energy on creating the new solution using highly extensible cloud services instead of being constrained by slow provisioning cycles, inflexible technologies, and high software-license costs

Map applications to the mission-capability model

After determining the rate of change for every business process, we finalize the mission-capability model. It records your findings by listing all your business processes in a chart that's segmented into the three possible categories for rate of change.

In the following example, you can see why it's important to map business capabilities' rate of change versus technologies' rate of change. The customer identified five business capabilities that were supported by one application. If it had just rated the application's rate of change, it would have mapped the application to a single cloud service. However, during this exercise, the customer found that three of the capabilities supported by the legacy application solution required little change (Manage Payroll, Manage Performance, and Manage Benefits & Compensation). The Track Processes capability needed some change, and the Manage Recruiting & Staffing capability required urgent change.

Instead of ripping and replacing its entire application investment, the customer decided to continue using its solution to support its low and medium rate-of-change processes, and to migrate its high-rate-of-change process to the Salesforce hpaPaaS (High-Productivity Application Platform as a Service) offering. By doing so, the customer could meet its business requirements and improve innovation where required, plus minimize capital costs and boost the ROI of existing systems that can still support requirements.

Step #3: Prioritize

In this step, we'll help you identify the most compelling and appropriate cloud-migration candidates, and we'll determine which type of cloud service will best support it.

Quantify the technical debt

First, we'll help you determine the **technical debt** of each business process–or the amount of time, money, and energy you spend on the IT that supports it. Technical debt often translates into

a high amount of budget allocated to operations and maintenance of the IT investment. Along with rate of change, the amount of technical debt will help inform your approach and budget for digital transformation projects.

Prioritize opportunities

Next, we'll group business processes into the following **four priority categories** by analyzing their technical debt and rate of change:

- Cloud Pilot Projects include applications and processes with low technical debt but higher rates of change. These are often ideal candidates for initial, small-scale cloud pilot projects. Low technical debt means it's less costly to build and test new cloud-based options while existing solutions are still in production. In addition, because these applications and processes involve higher rates of change or are associated with unmet business needs, improvements realized by a migration to the right cloud service can translate into rapid return on investment and greater innovation, spurring momentum for enterprise- level cloud projects.

- Cloud Platform Opportunities include those business processes and applications with the highest levels of technical debt and the greatest rates of change. Your organization may require and can realize the fastest time to value by focusing most of your resources on rebuilding and replacing these applications and processes using cloud services.
- Technical Refresh Initiatives are more expensive business processes and applications that have low rates of change. To reduce costs, these are often ideal candidates to lift and shift to a cloud service such as IaaS. In your plan, we can help you determine if these processes warrant immediate investment, or if your agency will realize greater value from pilot projects or new platform investments.
- Defer includes applications and processes with low technical debt and rate of change, so they will be the last ones you migrate to cloud services.

Did you know?

You can reduce contract duplication and administration costs by taking advantage of the Salesforce Implementation, Integration, and Support Services (SIISS) Blanket Purchase Agreement (BPA).
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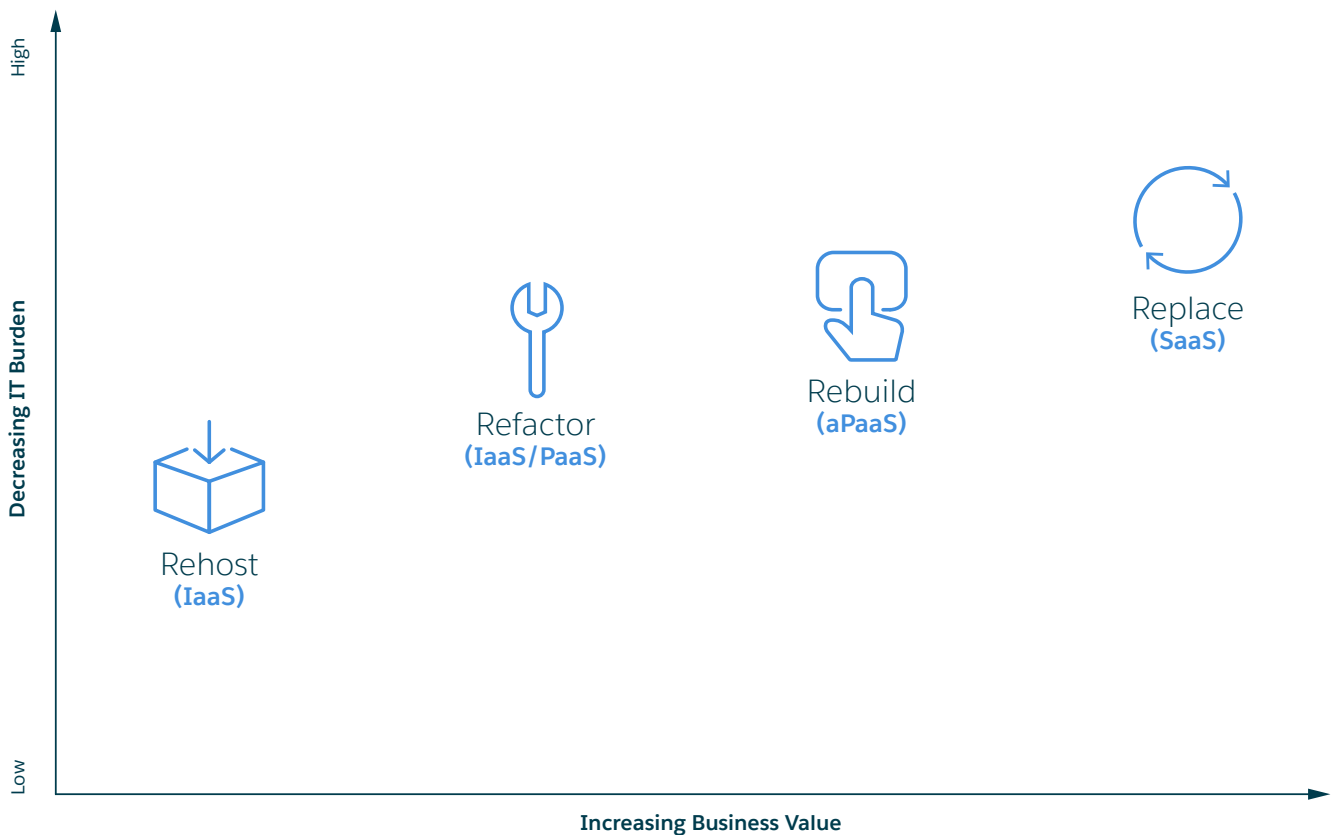

Apply the best cloud pathway

After we've established the technical debt associated with each process and assigned it a priority level, we'll work with you to create a **tactical pathway to the cloud**. Specifically, we'll map each business process to the cloud service–IaaS, PaaS, aPaaS, hpaPaaS, or SaaS–that will facilitate the best outcomes in terms of meeting the capability requirements.

Options can include:

1. Rehosting or lifting and shifting an application or service to a similar infrastructure in the cloud, such as an IaaS service that provides a virtual server.
2. Refactoring an application or service using IaaS. This is common in hybrid-cloud solutions where customers might re-deploy an Infrastructure as a service (IaaS) , and keep other parts of the application on-premises.
3. Rebuilding an application or service in the cloud using IaaS, PaaS, aPaaS, or hpaPaaS.
4. Replacing an application or service with a SaaS offering.

Mapping business processes to the most appropriate cloud services is important because many organizations mistakenly equate cloud with IaaS–or hosted infrastructure. As a result, they will perform a "two-hop" cloud migration, where they initially move applications and systems to IaaS, and then later discover they can improve innovation and return on investment by migrating many of those same systems to a different type of cloud service such as aPaaS or hpaPaaS. As you begin to rebuild and replace more legacy systems with cloud-based services, you can increase business value and decrease IT burden.
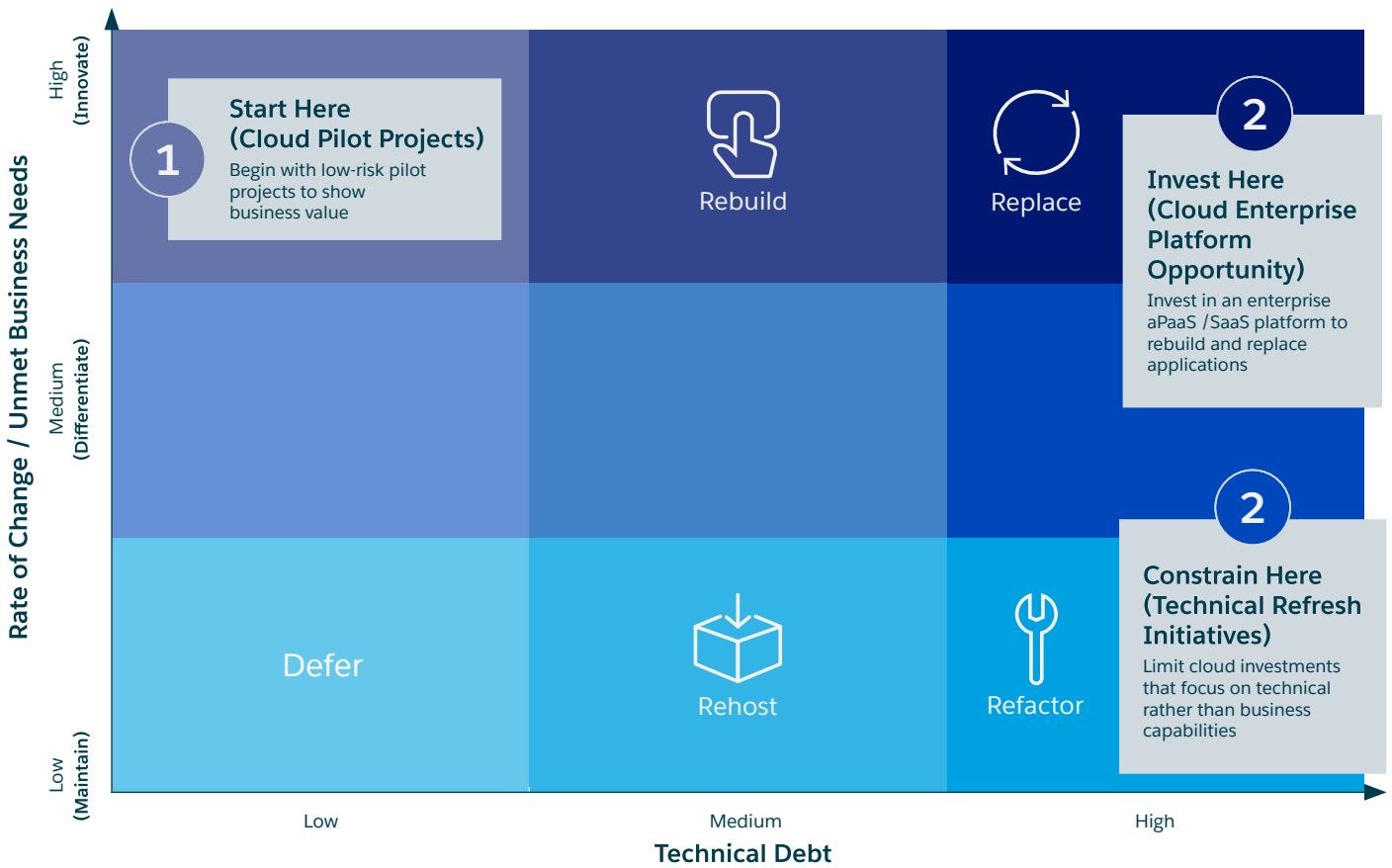
Bringing it all together

At the end of the prioritization phase, you'll have a clear map that indicates the sequence of steps you should take to migrate all business capabilities to the cloud. You'll also have the supporting data behind your strategy, including technical debt and rate of change.

Most often, the best approach is to start by migrating some smaller business processes to the cloud as pilot projects. Then, invest in cloud platform opportunities that deliver the greatest ROI for customers. And finally, to maximize available resources for higher-ROI projects, agencies typically find it best to delay the migration of business processes that will remain fairly static whether they're supported by IT on- premises or in the cloud.

Cloud Business Case

Mission Capabilities	Technical Capabilities	Risk Capabilities	Cost Capabilities
Functional Alignment	Ability to Integrate	Implementation Risk	Implementation Cost
Time to Market & Agility	Security	Organizational-Change Risk	Ongoing Cost
	Maintainability	Staffing RisK	
	Extensibility	Vendor-Viability Risk	

Acquisition Strategy → Transformation Roadmap → Iterative Value

Step #4: Migrate

Equipped with a solid roadmap that outlines your pathway to the cloud, we can help you gain executive support and begin your migration.

Building a business case

Working with you as a digital strategy advisor, we can help you compile all required information, such as mission capabilities, technical capabilities, risk profiles, and cost analysis, to create a business case for your digital transformation that meets your agency's requirements. Using a collaborative, data-driven management approach for planning your cloud migration makes it easier to build a business case that's defensible and inspirational, so you can move forward with confidence.

Establishing a migration plan

Based on best practices, we can help you build a migration plan that supports your guidelines and minimizes costs. In this example, an agency found it could save millions of dollars by migrating the services that support 4,500 users from legacy systems to the Salesforce aPaaS offering.
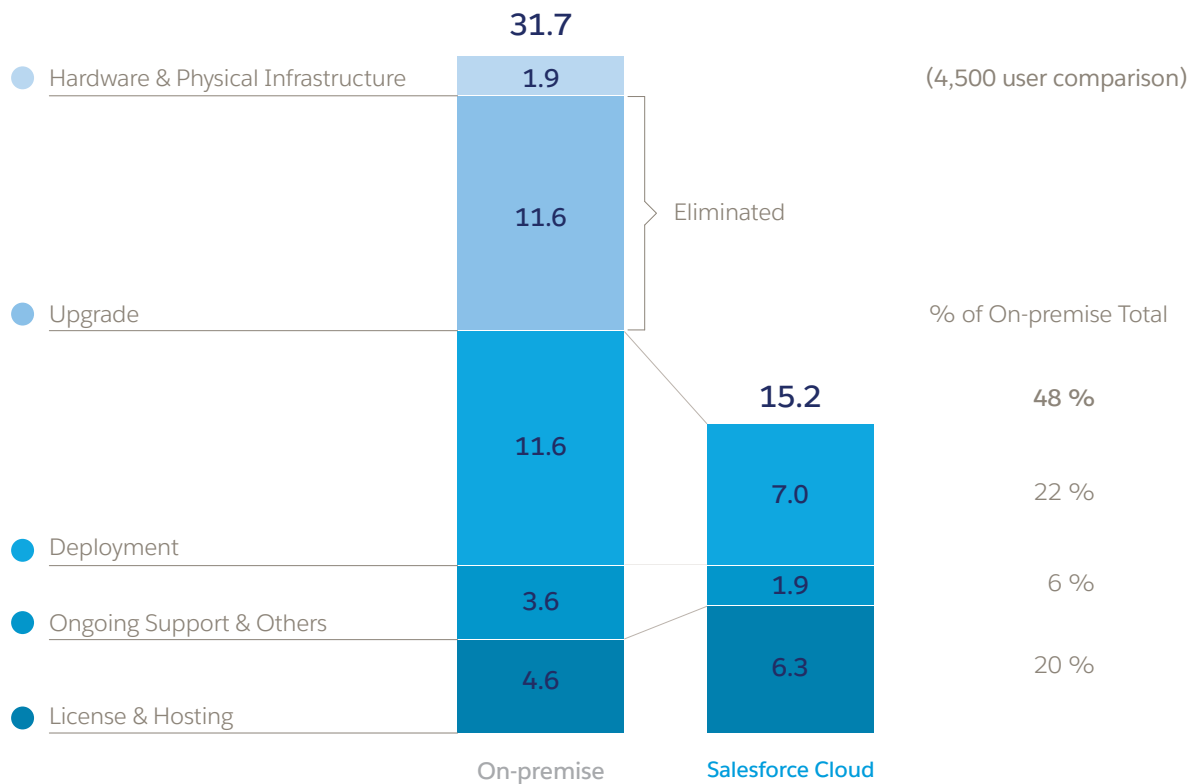
Creating a contract for agile development

To innovate today, agencies need to replace linear development methodologies with agile frameworks. An approach that plans for iterations of the solution–with stakeholders guided through short cycles of improvement–is more likely to lead to quick wins than setting formal waterfall- style gates for the project that curb progress with linear stages. When Salesforce helps design implementations, we outline three key elements in the cycles of transformation:

- Optimizing–An outcome-focused approach to discovery and requirements-gathering that accounts for multiple solution-iteration paths.
- Advocating–A method of sharing and promoting solution iterations to stakeholders to obtain validation, increase insights, and initiate change management.
- Strategizing–A collaborative approach to delivering successful iterations while gaining support for further enhancements and extensions of your cloud transformation.

Contracting for agile development supports long- term goals for facilitating continuous improvement and mitigating the impact of the rate of change by enhancing transformed applications further, and enabling the expansion of digital transformation to include other applications.

5-Year TCO Cost Comaprison (US$ Millions)

|	On-premise	Salesforce Cloud	% of On-premise Total
	31.7		(4,500 user comparison)
Hardware & Physical Infrastructure	1.9		
	11.6		Eliminated
Upgrade			
		15.2	48 %
	11.6	7.0	22 %
Deployment		1.9	6 %
Ongoing Support & Others	3.6		
License & Hosting	4.6	6.3	20 %

Step #5: Operate

As you begin your digital cloud transformation journey, your IT organization will need to transition from being a technology provider to being a service broker. In this new role, you'll quickly reach a tipping point where change management becomes as important as the technologies you're changing. We help you establish a cloud brokerage Center of Excellence (CoE) so you can build a consistent approach to managing both cloud solutions and organizational change.

To guide decisions made by the CoE, we collaborate with you to create a model to govern cloud decisions. Finally, throughout our relationship, we continually provide you with the resources and frameworks you need to evolve your processes and culture as stakeholders and end users across your organization learn to navigate the paradigm shifts in operating models that digital transformation entails.

Establish a cloud brokerage CoE

The purpose of your CoE is to ensure all IT-related decisions are consistently made based on best practices that align with your strategic priorities. The CoE governs overall IT workflows including program management, security, strategic sourcing, operations, workforce management, and all development, with three primary layers:

- Brokerage to Office of Information Technology–The COE's foundational layer contains the components you'll need to manage digital transformation as a program. They include:
  - Program management artifacts (such as a mission statement/1010, CPIC, and transformation roadmap)
  - Necessary cloud security elements (ATO, inheritance operationalization, and continuous monitoring)
  - Governance across strategic sourcing and procurement, operations and architecture, and workforce management and planning
- Digital services approach–Building on this foundation is the layer that connects IT to stakeholders via scalable customer-centric services. These services are managed via gatekeepers that Salesforce calls "Digital Advisors," who are the primary points of contact in IT for stakeholders across your agency. Digital Advisors guide stakeholders through the new model of IT service delivery including application design and configuration services, data and insight services, and commoditized operation and maintenance (O&M) services. They also manage engagement with the new "innovation sandbox" (which some organizations call a "skunkworks") and on-demand learning portfolio.
- Customer engagement model–Finally, you'll need to create a solution or portal that your employees use to get the digital services they need. We help you build this part of your enterprise platform so it's easy to use, secure, and available at any time, using any device.
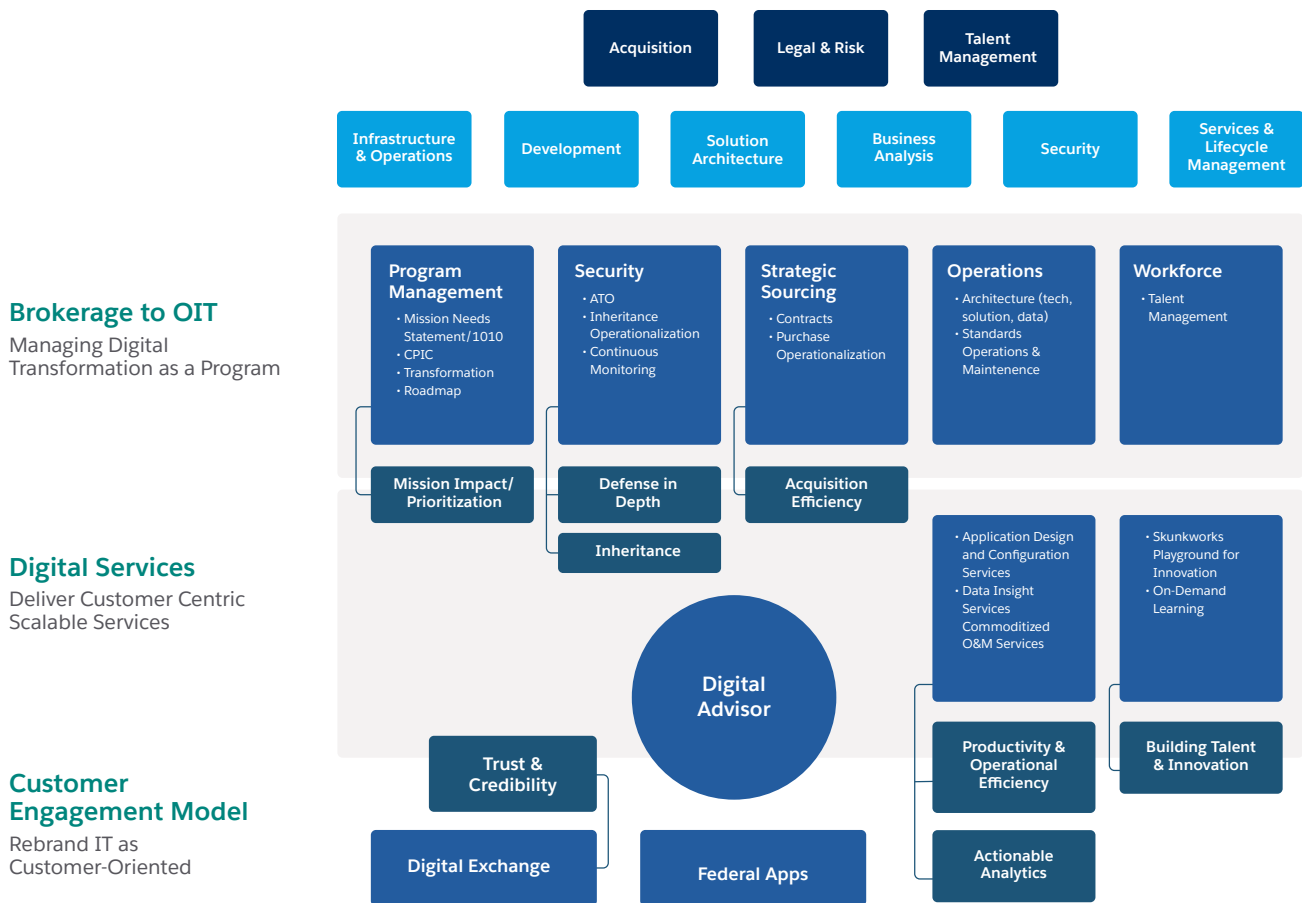
To be successful, the CoE requires cross-functional involvement from stakeholders across both IT and the organization as a whole. Salesforce can help provide resources for engaging cross-functional roles and documenting the staffing plan.

Govern cloud decisions

Brokering solutions at a high rate of change means an increase in the volume of decisions that IT needs to make regarding cloud solutions across your organization. Salesforce recommends that organizations create a cloud-decision model to ensure continuing success of prioritized investments. This involves putting into action the priority matrix and opportunity portfolio developed during the Prioritize phase, and then enabling the CoE to evaluate which projects should receive funding based on the operationalized matrix. Once the matrix and governance model are in place, Salesforce can also help continuously monitor demand for cloud services as it evolves.

Evolve processes and culture

During your digital transformation, you'll need to navigate a significant shift in the relationship

between IT staff and stakeholders. That's because as IT staff evolve from being technology providers who procure and manage individual hardware and software solutions to being **technology brokers** who oversee your agency's platform for innovation, the tone and moments of their interaction with stakeholders will also need to evolve. The end result of this shift is having IT brokers who work with business staff to select and integrate the appropriate services into your cloud platform. In addition, the IT brokers will guide employees through an agile approach to solution development and continuous improvement.

We work with you to identify the major areas of process change that your organization will need to address and then establish the guidelines, processes, and training that will help facilitate this cultural change.

We'll be your guide on your journey to success

Why embark on an unfamiliar journey alone? We have the expertise you need to create a strategic and successful pathway to the cloud that's designed to accelerate time to value, minimize risk, and facilitate long-term success. And because there's no one solution for every challenge, your roadmap will outline when you should migrate business processes to the cloud and how you should take advantage of available cloud services to realize your vision for digital transformation.

Take the next step

Your success is our success, and we have a vested interest in ensuring that you get the most value out of Salesforce.

We can help no matter where you are on your journey. Where are you today?

For more information about our solutions for government, please visit our website.

To connect with us, please call 844-807-8829 or see our contact information.

About Salesforce

Salesforce transforms government agencies and their industry partners into highly connected, efficient, and productive organizations. The Salesforce Platform accelerates transformation to deploy solutions with a multi-tenant cloud infrastructure that meets security and compliance requirements. To learn more, visit www.salesforce.com/government or call (844) 807-8829 to speak to a government expert