

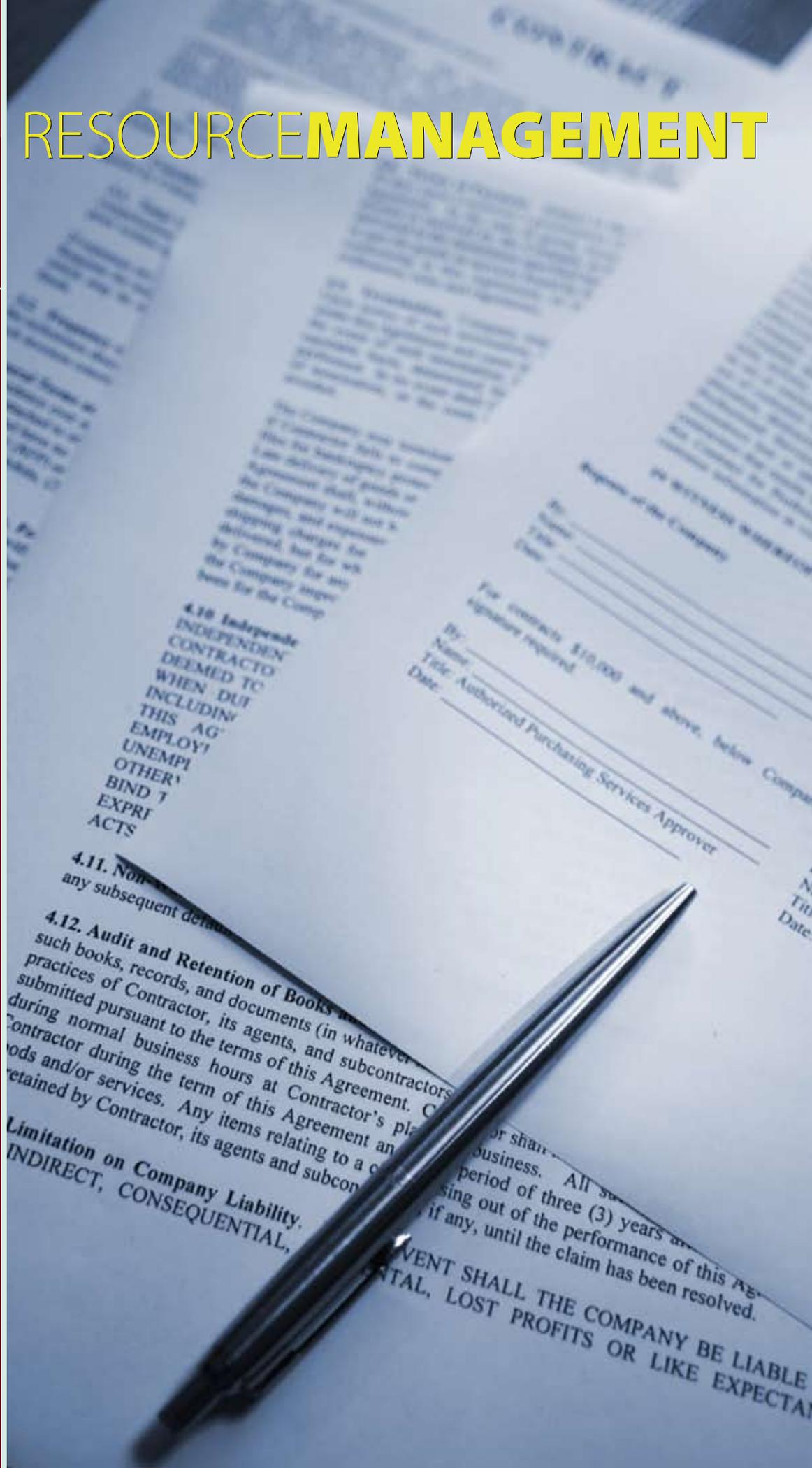
# RESOURCE MANAGEMENT

2nd Quarter 2008  
PB48-08-2

## RESOURCE MANAGEMENT

### INSIDE THIS ISSUE:

- 3** Accounting for Service Contracts—Why Care?
- 10** A Proposal for a New Approach to Performance-Based Services Acquisition
- 20** Information Technology Enabling Education



**4.10 Independent CONTRACTORS DEEMED TO INCLUDE THIS AGREEMENT WHEN EMPLOYED BY OTHERS. THIS AGREEMENT SHALL BIND AND APPLY TO ALL SUCH CONTRACTORS AND SUBCONTRACTORS.**

**4.11. Non-Compete.** Contractor shall not, during the term of this Agreement and for any subsequent details...

**4.12. Audit and Retention of Books.** Contractor, its agents, and subcontractors shall maintain such books, records, and documents (in whatever form) as may be required by the practices of Contractor, its agents, and subcontractors submitted pursuant to the terms of this Agreement. Contractor shall retain all such records during normal business hours at Contractor's place of business for the term of this Agreement and for a period of three (3) years after the completion of all work, methods and/or services. Any items relating to a claim for damages or loss sustained by Contractor, its agents and subcontractors shall be retained by Contractor, its agents and subcontractors for a period of three (3) years after the completion of all work, methods and/or services.

**Limitation on Company Liability.** COMPANY SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, PUNITIVE, SPECIAL, INCIDENTAL, LOST PROFITS OR LIKE EXPECTED DAMAGES...

For contracts \$10,000 and above, below Company signature required.  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Authorized Purchasing Services Approver  
Date: \_\_\_\_\_

COMPANY SHALL THE COMPANY BE LIABLE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, PUNITIVE, SPECIAL, INCIDENTAL, LOST PROFITS OR LIKE EXPECTED DAMAGES...



*This medium is approved for official dissemination of material designed to keep individuals within the Army knowledgeable of current and emerging developments within their areas of expertise for the purpose of professional development.*

By order of the Secretary of the Army:

**George W. Casey, Jr.**

GENERAL, UNITED STATES ARMY  
CHIEF OF STAFF

ADMINISTRATIVE ASSISTANT TO  
THE SECRETARY OF THE ARMY

**Joyce E. Morrow**

**DISTRIBUTION: Special**

ASSISTANT SECRETARY OF THE ARMY  
FINANCIAL MANAGEMENT  
AND COMPTROLLER

**Nelson M. Ford**

MANAGING EDITOR, THE PENTAGON

**Patricia M. Hughes**

ART DIRECTOR, U.S. GOVERNMENT  
PRINTING OFFICE

**Marco J. Marchegiani**



**RESOURCE MANAGEMENT** is an official professional Bulletin published quarterly and sponsored by the Assistant Secretary of the Army for Financial Management and Comptroller. Unless otherwise noted, material may be reprinted provided the author and RM are credited. Views expressed herein are those of the authors and not necessarily those of the Department of the Army or any element thereof. RM provides a forum for expression of mature, professional ideas on the art and science of Resource management. It is designed as a practical vehicle for the continuing education and professional development of resource managers through thought-provoking articles. Send all correspondence to: Managing Editor, Resource Management, Comptroller Proponency Office, Office of the Assistant Secretary of the Army (Financial Management and Comptroller) ATTN: SAFM-PO, 109 Army Pentagon, Washington, DC 20310-0109. Queries may be made by phone to DSN 222-7414 or commercial (703) 692-7414. Please send a copy of each submission to Managing Editor, SAFM-PO, ASST SEC ARMY FIN MGT, 109 ARMY PENTAGON, Washington, DC 20310-0109.

**POSTMASTER:** Please send address changes to Managing Editor, Resource Management, Comptroller Proponency Office, Office of the Assistant Secretary of the Army (Financial Management and Comptroller) ATTN: SAFM-PO, 109 Army Pentagon, Washington, DC 20310-0109.

2nd Quarter 2008

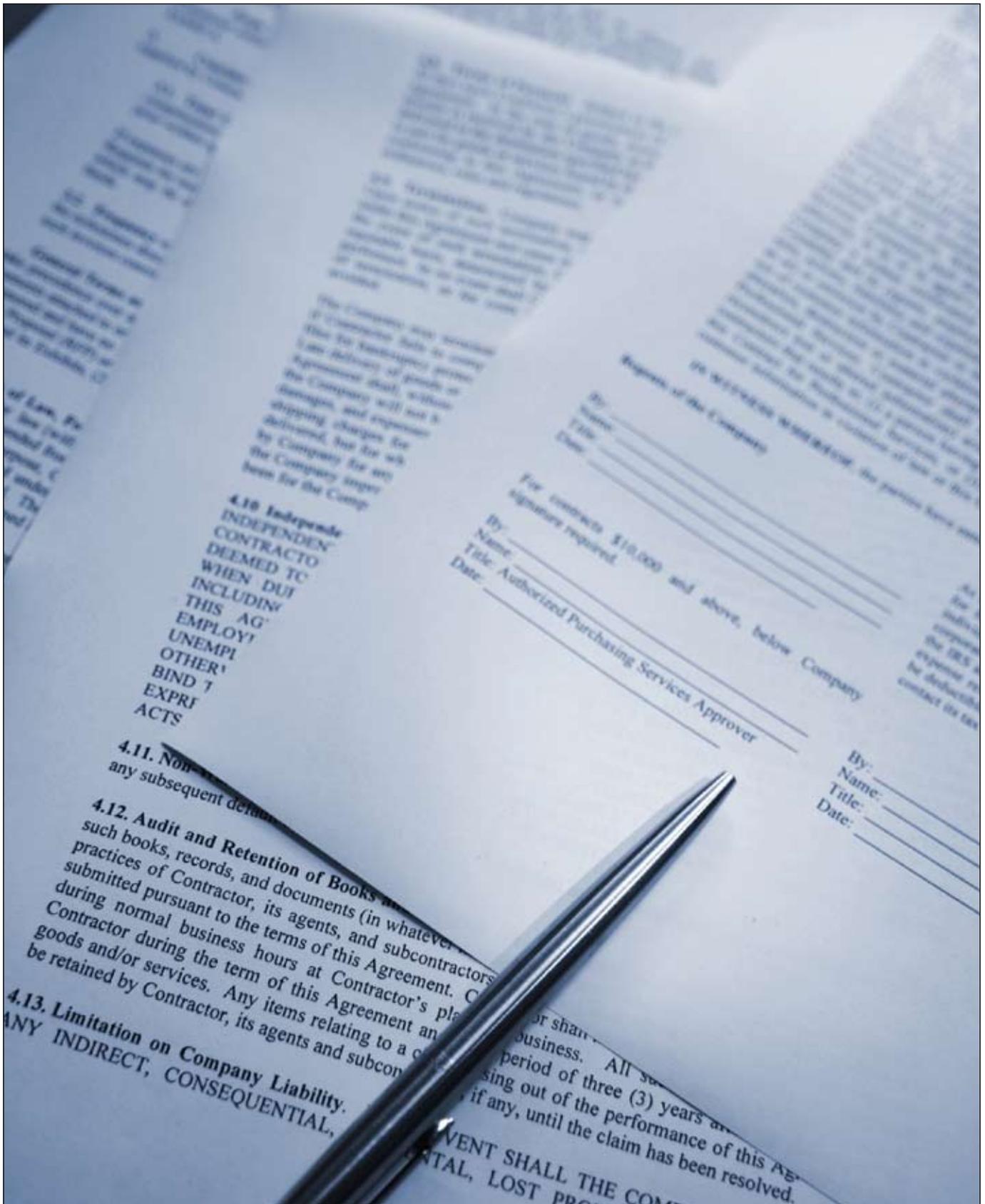
PB48-08-2

## RESOURCE MANAGEMENT

### INSIDE THIS ISSUE:

- 3** Accounting for Service Contracts—Why Care?
- 6** BC 36 Proponency Corner
- 8** Long-Term Training
- 10** A Proposal for a New Approach to Performance-Based Services Acquisition
- 16** General Fund Enterprise Business System (GFEDS)
- 20** Information Technology Enabling Education
- 22** Transformation in the Finance Organization at USAA
- 24** Collaboration – Are You Ready?
- 27** Conducting: Resource Management Another Approach





# Accounting for Service Contracts— Why Care?

By: Mr. Robert Claude

**From Fiscal Year (FY) 1999 to 2007, Army obligations for service contracts** have tripled in dollars. The Army spent approximately \$18.9 billion in FY99 and by FY07, that amount had increased to roughly \$61 billion.

The Office of Management and Budget (OMB) define Services as identifiable tasks to be performed, rather than the delivery of an end item of supply. The Federal Acquisition Regulation defines a service contract as a contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply.

Obligations for service contracts are further identified by the Element of Resource (EOR) codes that start with the number 25. Service contract obligations are divided into eight categories. These categories are identified individually in the Appendix to the President's Budget. The categories are:

- Advisory and Assistance Services (A&AS)
- Other Contracts
- Other Purchases of Goods and Services from Government Accounts
- Operation and Maintenance (O&M) of Facilities
- Research and Development
- Medical Care
- O&M of Equipment
- Subsistence and Support of Persons.

This information is important because funding for the Global War on Terror (GWOT) causes a significant portion of the increase, as demonstrated in Chart 1. Since these funds are supplemental dollars, the potential for a decrease in future funding is very high. As these funds decrease, a decision will have to be made on which contracts will be cut, and when.

Based on the information in Chart 1, obligations increased in three categories

A&AS, O&M of Facilities, and O&M of Equipment. Obligations for O&M of Facilities increased by approximately 700 percent and obligations for O&M of Equipment by almost 275 percent. These increases appear in-line with the objectives of Army leadership. Improving the facilities that house Soldiers and their Families is inextricably linked to the Army's readiness and retention and to Soldier well being. Sustainment System Technical Support (SSTS) provides vital engineering and technical support to post-production weapons systems by reengineering those existing core systems to meet the demands of contemporary battlefield environments. These are areas that the Army will most likely continue to emphasize in the future; hence reductions to contractor support in this area would be unlikely.

The category of A&AS remains as the most likely candidate for reduction. However, A&AS is not a category of clear black and white delineations. As far back as 1981, the Government Accountability Office (GAO) raised concerns about government agencies that experience difficulty in interpreting the definition of the A&AS. There was no consistent interpretation of what was included in the definition among agencies. In addition, GAO identified different interpretations of what Congress and the Executive Agencies considered to be A&AS. Eventually, the Office of Federal Procurement Policy in OMB decided that it was more effective to manage all service contracts the same way therefore OMB canceled the OMB Circular that directed the management of A&AS. Unfortunately, Congress continues to require Executive Agencies to budget for A&AS. Adding to the challenge of budgeting for A&AS, the Department of Defense has a different set of exemptions to A&AS than other Executive Agencies. There are many shades of gray here, and as a result, the potential for mistakes is high.

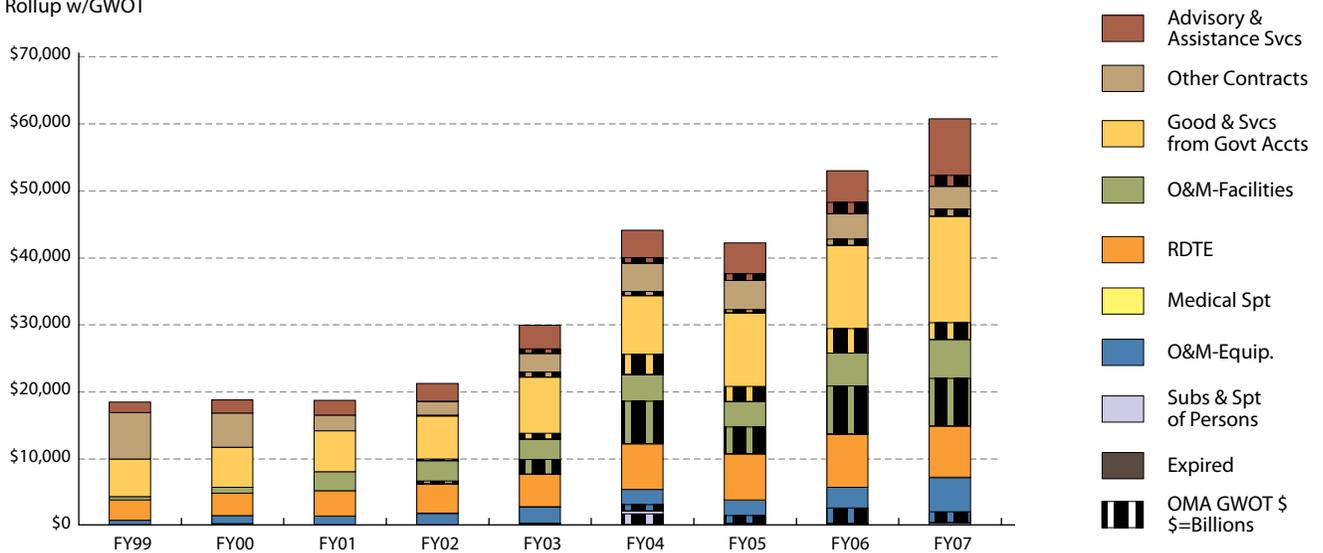
Since the Environmental obligations are year of execution, they would not be available for reduction

Accounting records show that A&AS represented 9 percent of the funds for Service contracts in FY99 and increased to 17 percent in FY07. Is this a true representation of increased use of A&AS support? The short answer is "No". Let me give you a sense of the actual errors that were discovered in the FY07 accounting data. There was \$844 million of Information Technology (IT) included as A&AS. Placing these IT obligations in the A&AS category is incorrect and makes it difficult for Army to justify its IT requirements. There was \$118 million identified as A&AS that was actually for the purchase of recruiting and advertising. Furthermore, Defense Environment Restoration Account funds of \$100 million were identified as A&AS when they should have been identified in the Object Class for "Land and Structures". In just these three examples, there were over one billion dollars incorrectly identified as A&AS. Any reduction to A&AS could unexpectedly impact the Army's IT funding or its recruiting program. Since the Environmental obligations are year of execution, they would not be available for reduction. Therefore, other programs would be disproportionately reduced for the Army to reach its allocated reduction.

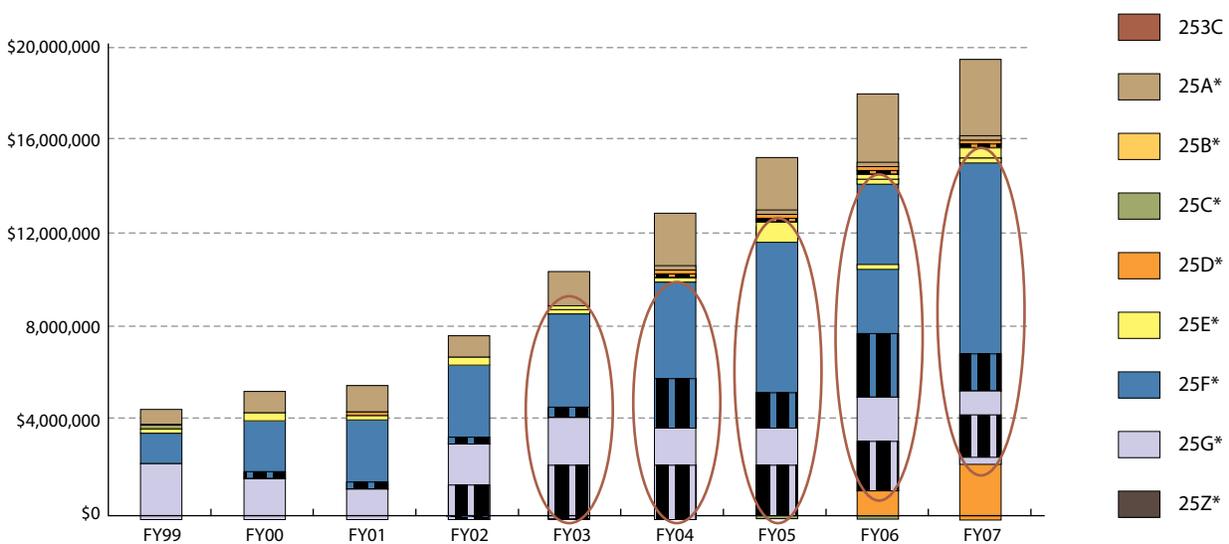
There is another source of confusion and inaccuracy in the service contract accounting structure, the category of Other Purchases of Goods and Services from Government Accounts. Funds expensed against EORs that apply to this category are obligations for purchases from other Federal agencies or accounts that are not otherwise classified.

**Chart 1: Army Contract Services Obligations**

Rollup w/GWOT



**Chart 2: Other Purchases of Goods and Services from Government Accounts**



In FY07, \$18.4 billion was obligated in this category. This represents over 30 percent of all Army service contract obligations

In FY07, \$18.4 billion was obligated in this category. This represents over 30 percent of all Army service contract obligations. There are approximately 50 EORs in this category. Two EORs, 25FB (Intra-Army Non-IT Other Purchases) and 25GY (Non-Army Non-IT Purchases (Excluding Army)), identify \$10.3 billion obligations in this category. The inaccuracy in reporting occurs when obligations associated with these two EORs are tied to contracts. 25FB and 25GY EORs are not appropriate when funds are applied to a contract. However, they are appropriate

when the Army is purchasing services from another government organization and that organization is supplying the service with in-house government personnel. The data misrepresents the Army's requirement for contractor support, the type of contractor support used, and the Army's purchase of support from other government agencies.

The misapplication of EORs impacts decisions that are made at Headquarters Department of the Army (HQDA). A good example of the effect of this information was demonstrated by the impact of Program Budget Decision (PBD) 753

**Table 1: Object Classification (in millions of dollars)**

Identification code 21-2020-0-1-051 Direct obligations: Personnel compensation:	2007 actual	2008 est.	2009 est.
11.1 Full-time permanent	4,363	4,542	4,701
11.3 Other than full-time permanent	652	679	703
11.5 Other personnel compensation	380	174	180
11.9 Total personnel compensation	5,395	5,395	5,584
12.1 Civilian personnel benefits	1,728	1,676	1,719
13.0 Benefits for former personnel	35	15	13
21.0 Travel and transportation of persons	2,069	1,779	864
22.0 Transportation of things	5,711	4,740	173
23.1 Rental payments to GSA	147	122	154
23.2 Rental payments to others	454	390	279
23.3 Communications, utilities, and miscellaneous charges	1,699	1,460	682
24.0 Printing and reproduction	326	280	153
25.1 Advisory and assistance services	3,000	369	454
25.2 Other services	3,520	3,027	1,300
25.3 Purchases of goods and services from other Federal accounts	5,080	4,370	1,762
25.3 Payments to foreign national indirect hire personnel	541	555	589
25.3 Purchases from revolving funds	3,430	2,949	1,156
25.4 Operation and maintenance of facilities	10,101	8,686	5,637
25.6 Medical care	10	9	--
25.7 Operation and maintenance of equipment	6,268	5,389	2,502
25.8 Subsistence and support of persons	374	321	19
26.0 Supplies and materials	16,510	15,895	5,609
31.0 Equipment	4,773	4,105	2,058
32.0 Land and structures	1,694	1,457	475
41.0 Grants, subsidies, and contributions	8	7	1
42.0 Insurance claims and indemnities	58	50	60
99.0 Direct obligations	72,931	63,046	31,243
99.0 Reimbursable obligations	12,942	6,721	6,720
99.9 Total new obligations	85,873	69,767	37,963

reductions. Many Army organizations were unprepared for the contractor support reductions that were allocated to comply with the requirements of PBD 753.

The incorrect application of EORs impacts the information about Army requirements in the documents formally submitted to Congress. Table 1 is derived

from the Appendix for President's FY09 Budget Submission. The Appendix identifies, for each Federal Agency, how much was obligated against each Object Class as well as what is planned and programmed. The Army aligns the EORs against each of these Object Classes. If the information in the accounting system is not properly

If the information in the accounting system is not properly identified, then the information published in the President's Budget will not correctly reflect the Army spending

identified, then the information published in the President's Budget will not correctly reflect the Army spending.

This year the Office of the Secretary of Defense (OSD) Comptroller reviewed the table above to compare what the Army said it was going to spend during FY07 as identified in the FY08 President's Budget and what the Army actually spent in FY07 as identified in the FY09 President's Budget. Then, HQDA analysts were asked to explain any differences between these two data points.

The information above is intended to reinforce the importance of taking the time to determine the most appropriate EOR when funding a contract. All of the individual data is used by HQDA, OSD, and Congress to decide future funding allocations. If errors occur, Army leadership is less able to support future budget requests clearly. **RM**



**About the Author:**

"Mr. Robert Claude currently serves as the Chief of the Army Study Program Management Office in the Deputy Chief of Staff, G-8. He is responsible for budget and policy guidance for Advisory and Assistance Services (A&AS) and has authored Army and Department of Defense regulations about A&AS."



Lieutenant General David F. Melcher, Military Deputy for Budget, Assistant Secretary of the Army (Financial Management and Comptroller)



Major General Edgar E. Stanton III, Director of the Army Budget (Financial Management and Comptroller)

## BC 36 Proponency Corner

By LTG Melcher

Over the past couple of months, this column has explored the creation of and transition to Branch Code 36 through the DOTML-PF lens. We've covered doctrine and organization; now it's time to take a look at training.

Given the expanded skill set expected of every BC 36 member, training for the financial management community must be revised. Last summer a special board was convened to review the critical tasks expected of lieutenants, captains and majors. After careful consideration, the board recommended reducing the number of critical tasks for each grade. Based on this new list (see box); the requirement for a double competency in resource management and finance operations; and lessons learned from Iraq and Afghanistan, the schoolhouse and FM leaders are developing a new training regimen.

Lieutenants will continue to take the Basic Officer Leader Course (BOLC) 3. Whereas BOLC used to focus only on leadership and finance operations, it now will include introductory resource management in addition to those subject areas.

The Captain's Career Course (CCC) will experience the largest change. To produce well-rounded financial managers, it is critical to establish balance in instruction in finance operations and resource management. The revised curriculum, which will reflect the new critical tasks list, therefore will include between 120 and 160 hours of training in each discipline. The exact parameters of CCC will be finalized by this summer. We expect captains to exit the course as multifaceted finance and resource management officers.

Intermediate level education (ILE) for majors will further expand finance and comptroller proficiency. The curriculum will cover operational competencies, how the Army runs and the technical aspects of financial management, including auditing, fiscal law, systems, cost accounting, acquisition and resource management.

Currently, ILE for operational branches, including BC 44, is taught at Ft. Leavenworth. ILE for today's FA 45s occurs at Ft. Jackson. In accordance with Army regulations, ILE for BC 36 will take place at Ft. Leavenworth. In addition, there is a possibility that FA 45 ILE may move to Leavenworth before the merger is officially completed at the start of fiscal year 2009.

We also intend to revamp the Basic Noncommissioned Officer Course and the Advanced Noncommissioned Officer Course, with the specific objective of injecting more resource management training. A critical task review panel will meet in July 2008 to assess exactly what changes should be made.

There are many other opportunities to hone financial management skills. For example, active and reserve component officers, warrant officers, NCOs at the rank of staff sergeant or above, and civilians from GS-5 through GS-13 can take a two-week course on the Planning, Programming, Budgeting and Execution System at Ft. Jackson, in Korea or in Heidelberg. The class work includes an introduction to the key financial roles and missions of the Defense Department and the Army; the DoD and Army resource allocation systems; working capital funds; the Single Stock Fund; reserve component appropriations; military construction; fiscal code; research, development and acquisition; activity-based costing; cost and economic analysis; commercial activities; Army management controls; and the manpower management process. The course also touches upon developing an installation budget, the tools and agencies available to the resource manager to assist in monitoring budget execution, flow and receipt of funds, administrative funds control, commitment and obligation rules, obligation management, fiscal law, and auditing in the federal government.

The Deployed Operations Resource Managers Course is another option.

Designed to address a capability gap that was identified by previously deployed comptrollers, this course focuses on financial systems used in theater (database Commitment Accounting System and Operational Data Store), fiscal law, contingency contracting, and theater-specific sources of funding (the Commander's Emergency Response Program, the Iraqi Security Forces Fund, LOGCAP, the Acquisition and Cross-Servicing Agreement, and rewards). Officers, NCOs and civilians who are preparing to deploy to the theater to conduct resource management operations may take this course; it also is great background for those financial managers who simply want exposure to theater resource management operations.

Ft. Jackson also is building a forward operating base (FOB) that mimics what our Soldiers see in Iraq and Afghanistan. This facility, which should be ready in April or May, will be used by enlisted and officers for multi-echelon, scenario-based training in both resource management and financial operations. The mock FOB is state of the art; it will truly enable Army financial managers to train as they fight and to see the integration of finance and resource management in an operational environment. The FOB features finance cages configured, as they would be in a deployed environment and replicates precisely deployed processes, such as commercial vendor pay, customer service, vault operations and disbursing.

We recently decided to add one more option to the training menu. Those personnel going to FM companies and FM centers who don't have a finance operations background can ask to participate in an individualized training program at the schoolhouse. The course, which will take a week or so to complete, will be custom-crafted according to each person's specific skills and experiences in order to address any shortfalls in his or her knowledge base. This type of instruction is now available as required. If you would like to avail yourself of this alternative, contact your assignments manager or the schoolhouse staff.

## Critical Tasks List

### LIEUTENANTS

- Prepare Error Correction Documents
- Determine Cash Holding Requirements
- Dispose of Currency and Coin under Special Circumstances
- Employ Procedures for Exchange of Cash to Treasury Checks
- Resolve Irregularities in a Disbursing Officer's Account
- Inspect a Disbursing Office to Ensure Physical Security Compliance
- Prepare a Plan to Transfer Accountability
- Prepare the Statement of Accountability (SF 1219)
- Conduct Paying Agent Operations
- Conduct Stored Value Card (SVC) Operations
- Supervise Cashier Operations
- Manage Treasury Checks
- Prepare a Statement of Agent Officer's Account (DD Form 1081)
- Prepare the Daily Agent Accountability Summary (DD Form 2665)
- Prepare the Daily Statement of Accountability (DD Form 2657)
- Certify Military Pay Vouchers
- Perform Travel Pay Management Procedures
- Certify Accounts Payable Documents
- Reconcile a Disbursing Officer's Deposit Account

### CAPTAINS

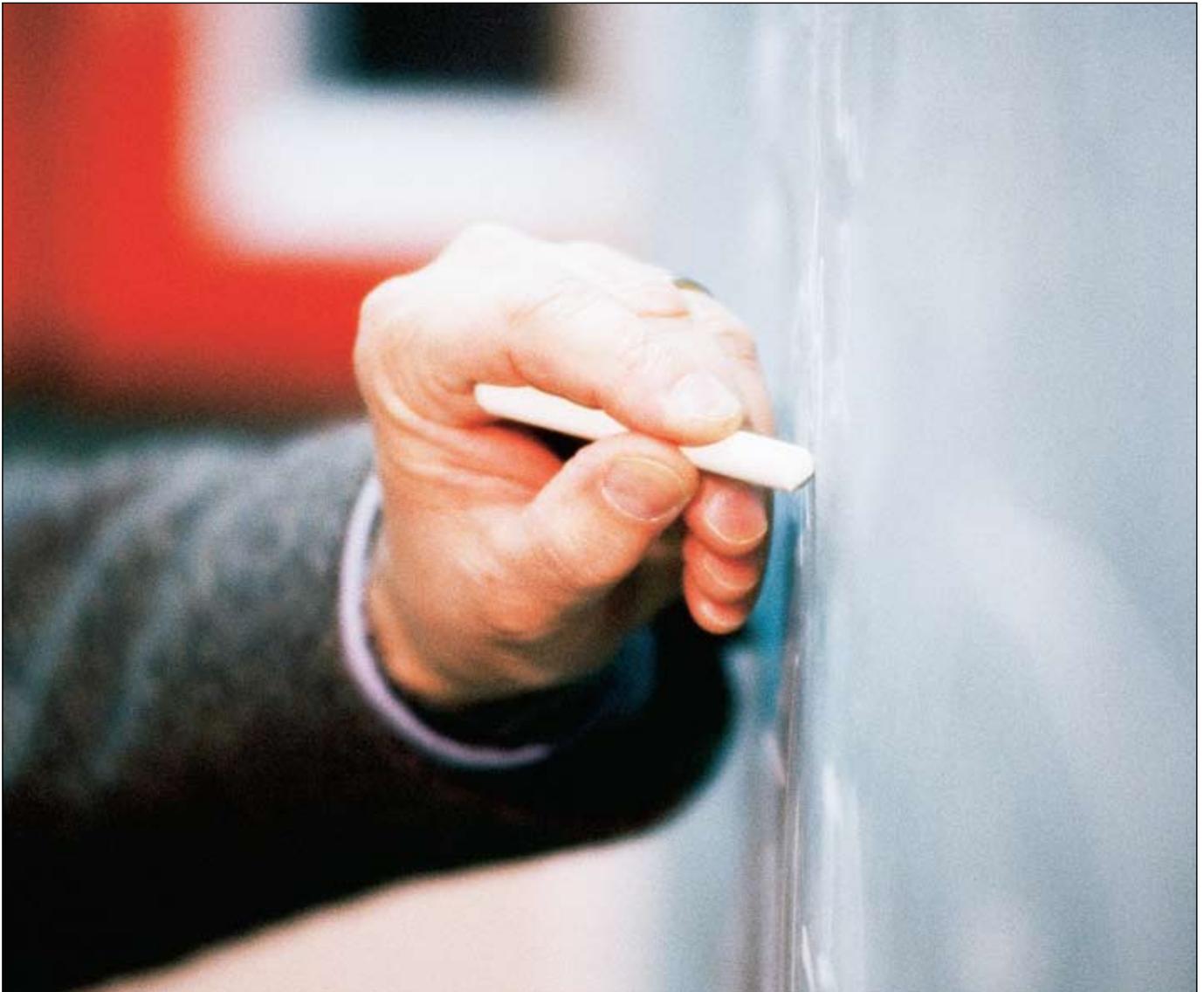
- Conduct a Cash Management Review
- Supervise Obligation Management Procedures
- Manage the Execution of Funds
- Prepare Activity Level Budget
- Apply Administrative Control of Funds Procedures
- Activate a Disbursing Activity
- Conduct Central Funding
- Establish a Limited Depository Account
- Inactivate a Disbursing Activity
- Enforce Internal Control Procedures for Adequacy

### MAJORS

- Prepare a Program and Budget Review Submission
- Prepare a Program Objective Memorandum (POM)
- Prepare a Major Subordinate Command Budget
- Prepare a Financial Management Appendix to OPLAN Annex
- Coordinate FM Operations

The switch to a combined financial management competency obligates the Army to make sure that every individual originally trained in just one of the parent disciplines, finance operations or resource management, is fully prepared to participate in the new world of integrated financial management. As we settle into

this unified field, we undoubtedly will need to refine further the education we provide. Feedback regarding what is useful, and what is missing and needs to be added, is very much appreciated. Robust financial management is essential to the Army's being able to execute its mission; you must help us to keep it Army Strong! **RM**



## Long-Term Training

*By Terry Placek*

**Army Civilian Training, Education and Development System (ACTEDS) funding** allows the CP 11 Functional Chief Representative (FCR) to approve and fund training at various colleges and universities and to provide professional development opportunities. Long Term Training gives students valuable learning experience and a competitive edge for advancement. CP 11 careerists applying for Long Term Training (LTT) will be evaluated competitively

based on their experience, education, government-related training, awards, and motivation for requesting training. The target audience for LTT is GS 11/ Pay Band 2 or above and GS 9/Pay Band 1 in full performance positions and be assigned to any position with 50% or more duties directly supporting resource management. Careerists may apply for full-time or part-time training. Full-time training is considered to be 120 days or more of

training and part-time training is any training less than 120 days. First priority is part-time training with full-time second priority. Civilian employees enrolled in LTT are obligated to remain with the Department of Defense for a period of three times the length of the training. One year of LTT equates to three years of obligated service.

There are four major Long Term Training Programs that are centrally funded through the Comptroller Proponency Office: (1) Competitive Professional Development Program, (2) Defense Comptrollership Program, (3) Masters of Military Logistics Program,

and (4) Defense Masters in Business Administration in Financial Management Program (DMBAFMP). Each program is described below:

**Competitive Professional Development Program:** The Competitive Professional Development Program LTT only applies to CP 11 careerists. Tuition and books are funded centrally. Careerists develop their own full-time or part-time course of study with a local college or university and must fulfill all university or college admission requirements. Individuals considering the Competitive Professional Development Program (CDP) must submit a packet to their Long Term Training Manager. The LTT packet should include the following: online forms from the Army Civilian Training, Education, and Development System (ACTEDS) catalog which consists of 1) Endorsements through the applicant's chain of command, 2) Nominee's Statement of Interest, 3) Utilization Plan, 4) Functional Review Form, 5) Agreement to Continue in Service, 6) Last 3 Performance Ratings, 8) Request for Central Resource Support Form, 9) Letter of acceptance from the university, and 10) an Academic Plan, outlining all courses of instructions. All documentation should be complete with signatures before submitting through the individual's chain of command to the Comptroller Proponency Office. Upon completion of each course careerists elected to participate in the Long Term Training program must submit their academic progress to their training manager and the Comptroller Proponency Office.

**Defense Comptrollership Program (DCP):** The Defense Comptrollership Program is a 14-month long-term training opportunity at Syracuse University, Syracuse, N. Y. Students graduate with a Masters in Business Administration degree from the Whitman School of Management and an Executive Masters of Arts degree in Public Administration from the Maxwell School of Citizenship and Public Affairs. DCP starts in June of one year with graduation in August of the following year. Army active component

and Active Guard and Reserve (AGR) officers (Captains and Majors) and GS 11-14/ Pay Band 2-3 civilians with GMAT scores of 500 and above are eligible to compete. Army civilian selectees transfer to new operational assignments before starting school in June. Tuition, books, salaries, travel and modified per diem are centrally funded for civilian selectees. Tuition and books are funded for military selectees who are relocating to Syracuse as a Permanent Change of Station move. Military are normally assigned to financial management positions upon graduation. DCP is open to civilians and military in other Defense agencies and Services. Funding is the responsibilities of the other Defense agencies and Services. This graduate level program of study provides DoD resource managers with the conceptual perspective, practical analytical tools, and management skills required in the increasingly complex resource management environment. Courses and seminars are included in the subject areas of quantitative analysis, management information systems, accounting, economics, marketing, operations management, national defense policies and programs, managerial finance, organizational policy and administration, and DoD Comptrollership. In addition to the academic program, all students take the Certified Defense Financial Manager examination. Annual announcements are issued in the Spring prior to the upcoming academic year. Applications are due in the Comptroller Proponency Office for civilians by mid October for the upcoming academic year. BC 36 officers submit their applications to Human Resource Command.

**Masters of Military Logistics (MML) Program:** The MML is a 12-month long-term training opportunity at North Dakota State University (NDSU), Fargo, ND. The MML is open to applicants from all career fields and career programs with a target audience of civilians, GS 11-13/ Pay Band 2, and military officers, Captain to Major. Tuition, books, travel, and modified per diem are centrally funded for civilian selectees. Salaries for civilians

are the responsibility of their organization. Military selectees are relocating to Syracuse as a Permanent Change of Station move. The 36-credit hour program is tailored to the DoD's strategic goals of joint officer development and logistics transformation. Because of its interdisciplinary and specialized nature, the MML degree offers a unique curriculum with emphasis on joint military logistics and transportation. Annual announcements are issued in the Summer/Fall prior to the upcoming academic year. Applications are due in the Comptroller Proponency Office for civilians by mid October for the upcoming academic year. Military applications are submitted to Human Resources Command.

**Defense Master in Business Administration in Financial Management Program (DMBAFMP):** The DMBAFMP is an 18-month long-term training opportunity at the Naval Postgraduate School at Monterey, CA. DMBAFMP course of study is delivered in six-quarter sessions addressing Defense/Army Financial Management educational needs. The 96-hour graduate curriculum combines financial management and business administration theories, principles and concepts with Defense and Army resource and financial management processes and practices. DMBAFMP is open to Army civilians GS 11-13/ Pay Band 2 in the financial management career field, military resource managers (BC 36) Captain - Major, and to civilians in other career programs whose positions include significant resource and financial management duties. GS-9/ Pay Band 1 in full performance positions may also be considered. Announcements are issued prior to the upcoming academic year. The announcement is issued in July for the class that begins in January and in January for the class that begins in July.

Long-term training (LTT) provides a valuable learning experience and competitive edge for future advancement in leadership positions to those attending. Submit your application for one of these four great programs TODAY! **RM**



## A Proposal for a New Approach to Performance-Based Services Acquisition

By: *Vernon J. Edwards and Ralph C. Nash, Jr.*

**Performance-Based Services Acquisition (PBSA) is the government’s preferred approach for service contracting, but despite great efforts and training, PBSA remains difficult to implement. An analysis**

**of services acquisition suggests that while PBSA may be useful for routine, common, and relatively simple services, it is not as applicable for services that are too long-term and complex to permit complete**

specification of results and competitive pricing at the outset of contracting. A new approach for contracting these kinds of services is recommended.

Since the publication of the Office of Federal Procurement Policy’s (OFPP) policy letter 91-2, *Service Contracting*, on April 15, 1991, Performance-Based Services Acquisition (PBSA, formerly called “Performance-Based Contracting”) has been the government’s preferred approach to service contracting. It requires specification of the results that contractors must produce instead of the processes that they must use.

Agency acquisition managers and working-level agency acquisition personnel have devoted a lot of energy to PBSA since 1991. But despite goal-setting, the publication of numerous guidebooks, the development of an informational Web site, and significant investments in training and in the services of consultants, PBSA has not been as successful as hoped, and agencies still struggle to apply it. Even when agencies claim to have adopted PBSA, close examination of their contracts often shows that those documents do not entirely satisfy the criteria in the Federal Acquisition Regulation (FAR) (GAO, 2002). Moreover, despite occasional agency “success stories,” the policy has not produced verified quality improvements or cost savings.<sup>1</sup>

This article proposes that there are two categories of services, and that PBSA as it is known at the beginning of 2007 works for one, but not the other. The first category includes many common, routine, and relatively simple services that can be acquired through PBSA as it is currently defined, including many housekeeping services, simple equipment maintenance and repair services, and the like. The second category includes services that are too long-term and complex to permit complete specification of results and competitive pricing at the outset of contracting. These include many long-term information technology services, services to operate government-owned facilities, and long-term and multifunction or multitask professional, administrative, and management support services. These are the services

for which the government spends the most money. This article proposes a new approach to contracting for this second category of services.

## DESCRIPTION AND HISTORY OF PBSA

The FAR provides that when using PBSA, agencies must specify the service results (outputs, outcomes) they want in “clear, specific, and objective terms with measurable outcomes.” They must prepare performance work statements and quality assurance surveillance plans, use performance incentives when appropriate, and inspect and compensate contractors on the basis of their work products rather than their work processes.

The PBSA, in various manifestations, has a long history. During 1969–1971, the Office of Economic Opportunity (OEO) in the Department of Health, Education, and Welfare experimented with an outcomes-based approach to contracting for educational services. The results were mixed and the program was dropped.<sup>2</sup> In September 1979, the U.S. Air Force adopted a comprehensive performance based approach to contracting for base support services, which OFPP adopted for government-wide use in October 1980. The efforts of the Air Force and OFPP produced few, if any positive results<sup>3</sup>

The 1991 OFPP policy letter was a response to growing concerns about the amounts that agencies were spending to buy services and the quality of the services they were receiving.<sup>4</sup> However, agencies were slow to respond to the policy letter, and although the letter called for FAR implementation before the end of 1991, it was not until 1997 that the FAR was amended to include rules for PBSA.<sup>5</sup> Since then, agencies have tried to use the technique, but with disappointing results. Implementation goals were established, but not achieved. Government acquisition officials and industry representatives have expressed doubts about the success of PBSA; independent reviews have not validated predictions and anecdotal claims of improvements in quality and reductions in cost, and people at the working

level are frustrated. In 2001 and 2002, the Honorable Angela Styles, then-Administrator of OFPP, told Congress that Performance-Based Services Acquisition had not been more successful because the concept had not been adequately defined.<sup>6</sup> In July 2003, an interagency team assembled by OFPP recommended minor changes to the FAR, which were published in December 2005.<sup>7</sup>

## WHY HAS PBSA NOT BEEN MORE SUCCESSFUL?

The main reason that PBSA has not been more successful is that it is not a practical approach to buying long-term and complex services. Agencies have been unable to implement PBSA as hoped because it requires them to do something that is too often impracticable.

It is unrealistic to ask agencies to specify services at the time of contract award in clear, specific, objective, and measurable terms when future needs are not fully known or understood, requirements and priorities are expected to change during performance, and the circumstances and conditions of performance are not reliably foreseeable. Yet those are the difficulties faced by agencies and their contractors when they negotiate long-term and complex service contracts.

In real life, parties to long-term and complex service contracts do not specify all requirements at the time of contract award in clear, specific, objective, and measurable terms. Instead, they engage in *ad hoc* decision making in response to emerging and changing requirements, shifting priorities, and unexpected circumstances. They make it up as they go along, developing and adjusting expectations and agreements accordingly. Reality is never the same as expectations and projections, and plans and agreements go awry. No matter how long and hard future needs are considered, contracts will include things that will not be needed and leave out things that will be. Specifications and expectations must be adjusted over the course of time.<sup>8</sup>

Thus, in requiring that agencies fully specify results at the outset of contracting, PBSA often requires them to do something

Reality is never the same as expectations and projections, and plans and agreements go awry

that is too hard to do and sets them up to fail. More training will not make PBSA appropriate for long-term and complex service acquisitions.

## THE CHALLENGES OF SERVICE CONTRACTING

When contracting for services, agencies must follow regulations and use practices that were developed for the procurement of supplies. Supplies are always specified based on known design or performance requirements. The PBSA is an attempt to buy services like we buy supplies. But this attempt ignores key differences between supplies and services.

### Service Quality

Unlike most supply purchases, long-term service contracts entail close human relationships that enable the parties to deal with dynamic complexity and respond to emerging and changing needs and circumstances. Relationships are crucial, and it is well established in service marketing literature that subjective *customer satisfaction* is as important, and sometimes more important, than technical success.<sup>9</sup> The importance of subjective factors in government service contracting is confirmed by the fact that subjective incentives—award fee and award term—are the most popular of all incentives used in performance-based contracts.<sup>10</sup>

Services confront agencies with quality specification problems, unlike those associated with contracts for supplies. Services are always rendered in response to actual circumstances and conditions. It is often impossible and even unwise to try to

fix specifications of service quality at the outset of contract performance, because quality often “depends.” What is good service in one set of circumstances might be poor service in another, and the standard contract modification process is not nimble enough for the realities and demands of a high-speed, electronic world.

The PBSA requirement for beforehand specification and objective and measurable standards ignores the nature of long-term and complex service relationships<sup>11</sup>

### Contractor Selection and Contract Pricing

A lynchpin of PBSA is competitive contractor selection based on price and other factors in compliance with the Competition in Contracting Act (CICA) and FAR Part 15. In theory, PBSA allows competing firms to devise their own ways to produce the results sought by the government, which supposedly lets the government enjoy the benefits of vigorous price competition. But when an agency cannot describe its requirements and the circumstances and conditions of performance, competing firms cannot do so either. So when an agency evaluates a proposal for a service contract, it evaluates the product of the marketing imagination, which describes something that does not yet exist and cannot be examined or tested before purchase.

An agency proposal evaluation team cannot be sure whether the firm selected for contract award will truly be the best value or that it just produced the best proposal document. In the absence of specific knowledge about future needs, firms cannot propose specific solutions, and strict enforcement of vague commitments is an unlikely prospect. In the absence of clear and binding promises, prices or estimated costs are not very meaningful. Comparative evaluation of competing proposals of service quality and prices is thus a dubious undertaking, because an agency cannot be sure about what it will actually get or be entitled to get from a contractor for its price.

Contractor selection under FAR Part 15 procedures does not readily permit a full and frank airing of issues and

resolution of concerns between the government and its contractor before contract award. Industry responses to draft solicitations and participation in pre-proposal conferences are constrained by competitive strategy and tactics and government reticence. After proposal submission, agencies either award contracts without discussions or conduct discussions that are constrained by issues of fairness and procedure and fear of protests. The result is that the parties to a new contract are often virtual strangers to one another, who learn of gaps and disconnects in their understanding of the work and their expectations only after contract award.

The CICA price competition and FAR Part 15 source selection are ill-fitted to the procurement of long-term and complex services.

### Contract Enforcement: Price Reductions, Damages, and Terminations

The FAR tells contracting officers to inspect service results and make price or fee reductions when services are not acceptable. However, long-term and complex services confront agencies with unique quality assurance problems. Inspection can be difficult because many service results are intangible, and many tangible results are ephemeral. One hundred percent inspection is usually impracticable, but acceptance sampling is not always appropriate. The quality of some results, like the results of observational or analytical work, may depend on the quality of unobservable mental processes. It is easy enough to verify that a floor is “clean” in the morning, that wastebaskets have been emptied, that grass has been cut to a prescribed length, and that an item of equipment has been repaired. But the results produced by security guards who must check the identities and possessions of the hundreds of persons seeking entry to a federal office building on a daily basis are not easily inspected or verified.

Reviews of decisions by boards of contract appeals and by courts about price reductions under long-term and complex performance-based contracts show that price reductions generally are

not a satisfactory remedy for poor performance. Under long-term and complex contracts, such reductions are administrative nuisances to both the agency and to its contractor, and reductions for minor technical flaws in performance sour a business relationship. Moreover, price reductions and money damages cannot adequately compensate the government for poor performance of critical operations.

Termination is truly a last resort when a contract is for long-term and complex services because it takes a lot of time and effort to award a replacement contract, and award might be delayed by a protest. So an agency might choose to live with marginal performance, or be forced to exercise an option to extend a contractor that is performing marginally so it can buy time to find a replacement. In sum, contract law and court enforcement cannot ensure satisfactory service and cannot remedy poor performance. The only way for the government to get the service results it needs is by choosing good contractors and by establishing and maintaining effective working relationships with them. Relationship management, not contract administration, is the key to success.

Contract law and court enforcement cannot guarantee satisfactory service or adequate remedies for poor performance.

### HOW THE GOVERNMENT SHOULD BUY LONG-TERM AND COMPLEX SERVICES: AN EMPHASIS ON RELATIONSHIPS

While the government should usually focus on service results instead of processes, the realities of long-term and complex service contracting require a new approach to PBSA. The following paragraphs describe a *relational* approach to PBSA, an approach that emphasizes the need to establish a solid working relationship between the government and its contractor that will allow the two of them to engage in ad hoc specification and adjustment of expectations throughout the life of the contract.

This proposed approach to PBSA is called *Relational Contracting* or *Relational PBSA*. The key features of this approach are:

- competency-based contractor selection;
- in-depth, one-on-one negotiations with the contractor selectee before contract award to jointly develop a contract work statement;
- joint management to budget instead of to a fixed-price or estimated costs;
- advanced agreement on specified direct and indirect cost limitations;
- ad hoc specification of results and adjustment of expectations during performance;
- fair and reasonable fee arrangements;
- mandatory use of alternative dispute resolution procedures

An agency would use the relational approach to PBSA only when:

1. the contract will be of at least two years duration, including options
2. the contract will have a total value of at least \$10 million, including options
3. the agency cannot fully specify key requirements or describe key performance circumstances at the time of contract award
4. the head of the contracting activity approves its use; and
5. the head of the contracting activity makes provision for periodic independent review of the management of the contract by neutral officials.

This article will now address each of the elements of relational PBSA in greater detail.

## COMPETENCY-BASED CONTRACTOR SELECTION

The approach to contractor selection would be similar to the architect-engineer selection approach described in FAR Subpart 36.6. Price would not be a factor in contractor selection. The main factors would be experience, past performance, and key personnel qualifications. An evaluation board would consider candidate firms and recommend two or three highly qualified firms to the selection official, who would then select one for contract negotiations.

The contracting officer would solicit an offer from the selectee, disclosing the agency's budget and objectives and

providing for joint fact-finding about known and anticipated requirements and anticipated performance circumstances and conditions. The parties would then conduct in-depth negotiations to jointly develop a work statement, an advance agreement on small business subcontracting, an advance agreement on cost limitations, and a fee agreement. The contracting officer would award a contract following approval of the negotiations in accordance with agency procedures.

This approach to contractor selection and contract pricing will permit a fuller and franker airing of issues and cooperative problem solving before contract award. It will enable the parties to reach a common understanding of what they can and cannot specify at the outset and what they must set aside for ad hoc resolution during performance. This approach will lay a better foundation for a successful working relationship than source selection under CICA and FAR Part 15.

## Advanced Cost Limitation Agreements/ Joint Management To Budget

The resultant contract would be a modified cost-reimbursement type, with government risk mitigated by advance cost limitation agreements. The contract would provide for the parties to jointly manage performance within the government's operation or project budget, but with the government having the final say on all requirements. The parties would work together to prioritize and schedule activities, set standards, establish work package budgets, and monitor performance. They would use earned value management techniques when appropriate.

## Ad Hoc Specification Of Requirements During Performance

A key feature of relational PBSA would be ad hoc specification of service requirements as they emerge or become more fully understood in the course of performance. The parties would specify requirements in terms of results whenever possible, unless they agree that specification of process would be better. In order to remain within budget, the parties would make tradeoffs, adjusting expectations, reordering

# Price would not be a factor in contractor selection

priorities, and modifying performance standards as necessary. If requirements change, the parties would bargain to make adjustments to stay within the budget.

Adjustments within budget would not require formal contract modifications and equitable adjustments and would be within the authority of the government's program manager as long as they do not require fund obligations or de-obligations. But all transactions would be documented to reflect the agreement and expectations of the parties.

## Fair and Reasonable Fee Arrangements

The contract would provide for payment of fee in accordance with the agreement negotiated prior to contract award. The maximum available fee would be fixed and would not change during the course of performance unless the government increases or decreases its budget due to the addition or deletion of requirements. Changes in budget due to cost overruns would not entitle the contractor to additional fees. The contractor would be guaranteed a fair and reasonable fee for acceptable performance within budget and could earn additional fees for excellent performance, based on objective and subjective considerations to which the parties agreed in advance.

## Mandatory Use of Alternative Dispute Resolution

The contract would require the parties to engage in alternative dispute resolution before resorting to the FAR disputes procedures. Each party would name one senior official outside the immediate program organization as its principal, and they would jointly hear the dispute and work to resolve it with the assistance of a neutral. Only if the two principals cannot agree on a resolution within a reasonable period of time would the parties be permitted to resort to the dispute procedures described in FAR Subpart 33.2.

**Prerequisites to Use**

Because relational PBSA would permit the award of contracts without price competition, and because it would grant very broad discretion to government program managers and contractor personnel, it is essential that it be used only when appropriate and only as approved by higher level agency officials. It is also essential that relational contracts be subjected to periodic independent review in order to maintain the integrity of the acquisition system and public confidence. Relational PBSA should be approved for use only for complex contracts of two years duration or longer and with a total value of \$10 million or more, including options. It is also recommended that the use of relational PBSA require approval of the head of the contracting activity, subject to arrangements for periodic independent review of each relational contract by neutral agency officials.

**CONCLUSION**

The time has come to try something new. We propose that OFPP obtain statutory approval for a pilot program to conduct a number of controlled experiments in relational contracting by selected agencies. The OFPP should set criteria for evaluating the effectiveness of relational contracting, establish a preparatory training program for participants, and appoint a panel which includes executive branch officials; representatives of the Government Accountability Office; working-level acquisition personnel; members of academia; members of the Bar; industry representatives; and a support staff to monitor, evaluate and report the results, and make recommendations for further action. **RM**



**About the Authors**

Mr. Vernon J. Edwards teaches and writes about contracting. He entered the field in 1974 through the Air Force “Copper Cap” program and worked as a contract negotiator and contracting officer in several Air Force weapon system program offices. He is the author of *Source Selection Answer Book* and is a monthly contributing author

to *The Nash & Cibinic Report*. He is a graduate of University of California at Los Angeles. (E-mail address: [vernedwards@mac.com](mailto:vernedwards@mac.com))

Mr. Ralph Nash, Jr. is a professor emeritus of The George Washington University Law School. He founded the Government Contract Program at the Law School in 1960 and was active in the program until his retirement in 1993. He has authored or coauthored eight major textbooks in the field and is the primary author of a monthly analytical newsletter—*The Nash & Cibinic Report*. (E-mail address: [rcnash@olg.com](mailto:rcnash@olg.com)) Author Biography

**References**

Edwards, V. J. (1994, October). Streamlining source selection by improving the quality of evaluation factors. *The Nash & Cibinic Report*, 8(56).

General Accounting Office. (2002). *Contract management: Guidance needed for using performance-based service contracting* (GAO-02-1049). Washington, DC: Author.

Office of Federal Procurement Policy. (1991, April 15). *Policy letter on service contracting* (56 FR 15110). Washington, DC: Author.

Defense Ac Review Journal

**End Notes**

1. “There is little current data to support monetary savings, and if such data did exist, it would be extremely difficult to isolate the exact reasons the savings occurred.” In Interagency Task Force On Performance-Based Service Acquisition. (2003, July). *Performance-based service acquisition: Contracting for the future*. Washington, DC: Office of Federal Procurement Policy, p. 10. “The effect of PBSA practices on contract prices is hard to assess for the contracts we studied because (a) the work scopes relevant to the contracts we examined changed with the new contracts, and (b) the Air

Force has no simple way to adjust costs for the changes observed in work scopes. In most cases, we could not clearly attribute price changes to a move toward PBSA.” In Ausink, J., Camm, F., & Cannon, C. (2001). *Performance-based contracting in the Air Force: A report on experiences in the field*. Santa Monica, CA: Rand, p. 34.

2. See Levine, D. M., ed. (1971). *Performance contracting in education—An Appraisal*. Englewood Cliffs, NJ: Educational Technology Publications; and Stucker, J. P. & Hall, G. R. (1971). *The performance contracting concept in education* (R-699/1-HEW). Santa Monica, CA: Rand. Performance contracting in education was controversial. Some state and foreign governments still use the technique in secondary and higher education and, although the results are unclear, the technique still has supporters. Performance contracting in education should not be confused with energy performance contracting.

3. The approach was described in Air Force Regulation (AFR) 400-28, *Base Level Service Contracts*, a detailed, multi-volume guide to the preparation of performance work statements and quality assurance surveillance plans. Supplementary Air Force publications, such as AFR 70-9, *Base Level Service Contract Administration*, provided instructions to quality assurance evaluators (inspectors). OFPP adopted the first volume of that regulation for government-wide use in October 1980, dubbing it OFPP Pamphlet No. 4, *A Guide for Writing and Administering Performance Statements of Work for Service Contracts*. The Air Force withdrew AFR 400-28 in 1994, replacing it and other guidance with Air Force Manual (AFMAN) 64-108, *Service Contracts*, a 63-page document which still included fairly detailed guidance for the preparation of performance work statements and quality assurance surveillance plans. But in 1999, the Air Force replaced AFMAN 64-108 with Air Force Instruction 63-124, *Performance-Based Service Contracts* (PBSC), an 11-page document that contains a statement of policy but virtually no practical guidance, and it remains in effect today. OFPP withdrew Pamphlet No. 4 in the mid-1990s, but in October 1998, it issued *A Guide To Best Practices For Performance-Based Service Contracting*, a severely edited version of Pamphlet No. 4, containing less detailed guidance. In December 2000, the Department

of Defense issued its current *Guidebook for Performance-Based Services Acquisition (PBSA) in the Department of Defense*, a 54-page document that contains sparse practical guidance. Several other agencies have issued similar guidance of their own. Much of this guidance can be accessed through the Web site, *Seven Steps to Performance-Based Services Acquisition*, available at <http://www.arnet.gov/Library/OFPP/BestPractices/pbsc/home.html>. For a fascinating first-hand account of an attempt to develop a performance work statement in accordance with OFPP Pamphlet No. 4, see Paddock, C. D. (1987, June). *Performance work statements: Significant problems in the preparation process*. (Master's thesis) Defense Technical Information Center (DTIC No. ADA184 897).

4. "Each year the Government contracts for a significant amount of services. Such services range from the routine maintenance of facilities or equipment to highly sophisticated technical and management assistance such as the design, development and furnishing of systems, or expert assistance for management and program activities. Attempts to apply contracting methods which are inappropriate to the services being acquired have often resulted in unsatisfactory performance and contract administration problems, as reflected in several internal agency investigations and evaluations, General Accounting Office Reports, and OFPP studies. These reports criticized unnecessarily vague statements of work, insufficient use of firmer pricing arrangements, the lack of quantifiable performance standards, and the inadequacy of quality assurance surveillance. In addition, there is concern that the Government underemphasizes quality versus price in the acquisition of services." In Office of Federal Procurement Policy. (1991, April 15). *Policy letter on service contracting* (56 FR 15110, 15113). Washington, DC: Author.

5. Federal Acquisition Circular 97-01, 62 FR 44802, August 27, 1997.

6. "In part, I believe the problem centers on a lack of clarity regarding the definition of what constitutes a performance-based service contract. Based on my experience, there is considerable disagreement among agencies regarding the requirements to qualify a contract as performance-based. Previous attempts by OFPP to clarify the definition, including a

'checklist' of minimum required elements for an acquisition to be considered performance-based, have been unsuccessful." Styles, A. B. (2001, November 1). *Statement of Angela B. Styles, Administrator for Federal Procurement Policy, before the Subcommittee on Technology and Procurement Policy, Committee on Government Reform, United States House of Representatives*. Retrieved from <http://www.acqnet.gov/Notes/sarafinal.doc>, p. 11. See also Styles, A. B. (2002, March 7). *Statement of Angela B. Styles, Administrator for Federal Procurement Policy, before the Subcommittee on Technology and Procurement Policy, Committee on Government Reform, United States House of Representatives*, retrieved from <http://www.acqnet.gov/Notes/saratestimony37.doc>

7. Published results can be seen in: Interagency Task Force On Performance-Based Service Acquisition. (2003, July). *Performance-based service acquisition: Contracting for the future*. Washington, DC: Office of Federal Procurement Policy; and Federal Acquisition Circular (2005-07, 71 FR 198, 211), published January 3, 2006.

8. This has long been recognized in economic and legal scholarship. See Coase, R. H. (1988). The nature of the firm. In *The Firm, the Market, and the Law*. Chicago: The University of Chicago Press, pp. 33-56; Knight, F. (1971). *Risk, uncertainty and profit*. Chicago: University of Chicago Press; MacNeil, I. R. (1978). Contracts: Adjustment of long-term economic relations under classical, neoclassical, and relational contract law. *Northwestern University Law Review* 72(6), p. 854; and Williamson, O. E. (1988). *The economic institutions of capitalism*. New York: The Free Press.

9. "Of course, it is possible to measure service quality with more objective criteria, such as in the technical approach to quality. Services could be compared to a checklist of quality indicators, such as whether calls are answered in three rings or whether employees remember to smile and say "thank you" to customers at least 99 percent of the time. However, setting specific goals for particular aspects of service might narrow the vision of employees so that they will achieve these goals by lowering quality in areas for which no goals have been set. For example, service representatives might start answering all customer calls within three

rings by terminating other customer calls or placing people on hold. This situation would not be an overall improvement in service quality, even though the objective, technical approach to quality might indicate that it was. Thus a user-based approach, rather than an objective checklist approach, has been found to be superior for evaluation the quality of intangible services." In Schneider, B., & White, S.S. (2004). *Service quality: Research perspectives*. Thousand Oaks, CA: Sage Publications, p.11. See, too, discussions of service quality in several articles in Rust, R. T., & Oliver, R. L., eds. (1994). *Service quality: New directions in theory and practice*. Thousand Oaks, CA: Sage Publications.

10. FAR 16.404(a) and 16.405-2(b) say that award fee incentives are to be used only when it is not possible develop objective incentive criteria. Their use in performance-based contracts is inconsistent with the PBSA requirement for objective, measurable performance standards.

11. "The feasibility requirement in contracting for results is that the product must lend itself to clear definition. Whether he is contemplating a fixed (price) or a performance contract (a contract with incentives), the buyer must be able to specify the desired results in simple, straightforward terms to a prospective seller. These terms must also be meaningful to a knowledgeable third party so that, if a dispute arises, he can determine whether the contract terms have been fulfilled or not. In purchasing books or equipment or even buildings, the school is usually able to describe exactly the product it is after. Such procurements as the purchase of administrative services is not so easy." In Stucker, J., & Hall, G. (1971). *The performance contracting concept in education*. Santa Monica, CA: Rand, p. 6.

"Article reprinted from the 'Defense Acquisition Review Journal,'

September 2007, Vol. 14, No. 2, courtesy of the Defense Acquisition University (DAU) Press."



## General Fund Enterprise Business System (GFEBS)

*PEO Enterprise Information Systems*

### FREQUENTLY ASKED QUESTIONS

#### What is GFEBS?

The General Fund Enterprise Business System (GFEBS) is a web-enabled system that will allow the U.S. Army to share financial data across the Service. The technology behind GFEBS is SAP, a commercial off the shelf (COTS), Enterprise Resource Planning (ERP) financial management system. The GFEBS implementation involves standardizing financial

management and accounting functions and real property inventory and management across the Army. As a result, Army financial and real property professionals will have access to timely, reliable, and accurate information. Additionally this will improve cost management and control, and allow more time to perform financial analysis, and facilitate a more accurate understanding of the value, location and characteristics of all property.

## The move to GFEBS is in response to these mandates and is in concert with the DoD's BMMP and the Army's Campaign Plan (ACP)

GFEBS will provide a comprehensive system for many of the Army's financial and accounting functions to include:

- General Ledger
- Accounts Payable
- Revenue and Accounts Receivable
- Funds Control and Budgetary Accounting
- Cost Management
- Financial Reporting
- Real Property Inventory and Management

### How many end-users will be on GFEBS at full deployment?

At full deployment, GFEBS will be used by more than 79,000 end-users at nearly 200 Army financial centers. GFEBS ultimately will be one of the world's largest enterprise financial systems.

### Is transition to GFEBS system mandatory?

Transition to this new system is mandatory. The Army is moving rapidly to transform its business and financial management functions in response to Congressional mandates—the 1990 Chief Financial Officers Act, which orders federal agencies to centralize their finance systems to better account for their spending and the 1996 FFMIA, which requires Federal financial management systems to provide accurate, reliable, and timely financial management information to the governments managers. The move to GFEBS is in response to these mandates and is in concert with the DoD's BMMP

and the Army's Campaign Plan (ACP). GFEBS is an integral part of the Army's business transformation of the ACP.

### How many financial systems are being evaluated for an interface to GFEBS or as potential to be subsumed by GFEBS?

There are 210 systems under evaluation. To review a listing of the systems that functionality may be subsumed by GFEBS; you may view the System Evolution Description, posted to the following on the GFEBS website at <http://www.gfebs.army.mil/architecture>.

### What will be different after GFEBS is fully fielded? What is the benefit of GFEBS?

Currently the Army does not have integration across its financial systems or among other domains; GFEBS will integrate over 80% of the financial capabilities of the Army. This integration allows for a single data entry into the system - significantly decreasing the number of manual reconciliations currently being performed throughout the Army. Integration also improves planning, programming, budgeting and execution through the use of integrated output data from financial and non-financial sources.

GFEBS will feed vital, up-to-the-minute information to senior civilian and Army leadership. GFEBS will put in place and maintain financial and asset management systems that will not only give Congressional overseers the level of financial accountability they need from the Department, but also provide top-tier Army and DoD leadership with timely, accurate data that will enable them to make sound business decisions in support of America's Warfighters. Additionally, there will be significant savings in personnel-related matters as a result of the implementation of GFEBS. Roles will be re-distributed and realigned in order to appropriately work within the new system.

### What is the time frame for training? How long will training be per area of responsibility (roles)?

In general, user training for GFEBS begins approximately three months prior

to the release deployment of the system at an installation. Factors that can increase or decrease the training period include: the number of users to be trained, the timing of the go-live date (e.g., near year-end close, near holiday periods, etc.), and training facility availability. In addition, user training will continue after system deployment. GFEBS support staff will stay on-site after deployment to provide support, including refresher user training. The length of this support period and size of the support team depend on the size of the installation. Many of the GFEBS training courses are specific to user roles. Therefore, the length of training per user will vary depending on the number and complexity of roles assigned to the user.

### Will GFEBS reports show commitments, obligations and disbursements?

Yes, the GFEBS Funds Status Reports will display commitments, obligations, and disbursements. The reports will also display budget (allotment and annual funding plan), expenses, and available budget to get a complete status of budget authority.

### What will happen to Army legacy data in the legacy system being replaced by GFEBS?

The goal is to leave as much data as possible in the legacy system in order to preserve the integrity and audit-ability of GFEBS. GFEBS will only cleanse and convert data that is deemed necessary to move to GFEBS.

### Which appropriations will be covered by GFEBS?

GFEBS will cover the following appropriations: 1) Operations and Maintenance, 2) Procurement Operations, and 3) Research, Development, Test and Evaluation (RDT&E). GFEBS will not cover working capital as it is included in the Logistics Modernization Program (LMP).

### What is the schedule of fieldings? When and how will we receive notification about deployment and training for our organization?

In Release 1.2, GFEBS will implement full General Fund functionality (replacing

STANFINS) to Fort Jackson IMCOM and supporting directorates/activities at HQDA, IMCOM HQ, IMCOM SE Region, Ft. Jackson, and DFAS. In Release 1.3, GFEBS will implement full General Fund functionality (replacing STANFINS) Army-wide, including the Guard and Reserves. In Release 1.4, GFEBS will be fielded to all SOMARDS sites. GFEBS will work with all impacted organizations in preparation for implementation. Preparation efforts will parallel the deployment approach, starting at the Command level and cascading through the Army to installations, organizations and directorates to be impacted by GFEBS.

**FREQUENTLY ASKED FUNCTIONAL QUESTIONS**

**How many financial systems are being evaluated for an interface to GFEBS or as potential to be subsumed by GFEBS?**

Currently there are 90 systems that will be subsumed by the GFEBS solution. To view a listing of the systems whose functionality may be subsumed by GFEBS, you may view the System Evolution Description, posted on the GFEBS website at <http://www.gfebs.army.mil/architecture>.

**What will happen to Army legacy data in the system being replaced by GFEBS?**

The goal is to leave as much data as possible in the legacy system in order to preserve the integrity and audit-ability of GFEBS. GFEBS will only cleanse and convert data that is deemed necessary to move to GFEBS.

**How long will it take for the legacy system legacy systems to go away completely?**

The legacy systems will take a number of years before they will go away completely. The systems are Army owned and all of their systems will be subsumed by GFEBS. Programs operated by Army and owned other programs (i.e. Department of Defense) will be treated differently.

**Has the cost of maintaining the entire legacy interfaces been addressed?**

Yes, we're keeping legacy systems longer than expected. When the transaction

Based on the Spending Chain workshops, we will need to interface with each instance of SPS since the increment 3 of SPS has been halted

workload is small enough to assure ourselves and auditors that we can cleanse it properly, we will be fully converted. Bringing it all over at once is not a good idea.

**Is IMA On-Line (IOL) going away with the inception of GFEBS? If so, when?**

The functionality of IMA On-Line (IOL) will be included in GFEBS. As GFEBS is deployed, the site would no longer use IOL. The exact deployment schedule is still being developed, but once all IMA activities are under GFEBS, IOL will be shut down.

**How does GFEBS affect Funds Control (part of the Logistics Modernization Program)?**

As the General Fund system of record, GFEBS will maintain all Funds Control. Systems such as the Logistics Modernization Program (LMP) will interface with GFEBS to obtain a fund check whenever the funds used are General Funds.

**Will GFEBS interface with each instance of SPS or with some sort of consolidated SPS database?**

At this point, the plan is to interface to each instance of SPS. Based on the Spending Chain workshops, we will need to interface with each instance of SPS since the increment 3 of SPS has been halted. The number of interfaces is still being worked out by the Spending Chain functional team at this time. GFEBS will not coordinate or require a consolidated SPS database.

**How will DIMHRS interface with GFEBS?**

GFEBS will be receiving inbound interfaces from DIMHRS in Release 1.3 to post Military Pay at the MILPAY Appropriation level. These interfaces will include SFIS elements to ensure compliance in GFEBS.

**How will IFS be affected by the GFEBS system? Will I have two systems to deal with or just the one GFEBS?**

GFEBS has the functionality to replace the Integrated Facility System (IFS). Once GFEBS deploys to your installation, there should not be any dual entry required. The IFS, or some sort of data warehouse, should still be available for historical research for any data that is not converted into GFEBS.

**Will GFEBS subsume the WAWF utilized by DFAS for receipts and payments?**

GFEBS will interface with, not subsume Wide Area Workflow (WAWF). Goods receipts will be performed in GFEBS and interfaced to WAWF. Interfaces have also been identified for incoming invoices from WAWF to GFEBS.

**When will GFEBS interface with DTS?**

Interface development between the Defense Travel System (DTS) and GFEBS is part of the R1.2 deployment.

**Will Directorate of Logistics use GFEBS for equipment or work management?**

Information will be interfaced to GFEBS from external systems to capture cost (maintenance for real property and installed equipment, and capitol expense for real property and assets). The intent is not to use GFEBS as the work management system for Non-General fund execution.

**How will problems in GFEBS be handle, for example rejects in the Logistics Modernization Program (LMP)?**

Transactions processed through the interface will be translated into an intermediate document (IDOC) to load the data into GFEBS (SAP). If there is an error, the IDOC is suspended and the appropriate person is notified to work the problem and reprocess the IDOC if necessary.



GFEBs is a web-based solution which can be accessed through an internet browser

Will we be able perform cost comparisons like we can in SOMARDS?

GFEBs plans to provide variance analysis on individual cost centers and projects based on budget (spend) and cost plan. In order to provide you with more details, please let us know what type of cost comparisons you perform today that you would need to have done in GFEBs by emailing [gfefs.info@us.army.mil](mailto:gfefs.info@us.army.mil)

Will we be able to create ad hoc reports in GFEBs?

Yes, ad hoc reports can be created in GFEBs. The ad hoc report is useful because it provides a tool with sophisticated sorting capability. Ad hoc reports will be able to run real-time in GFEBs; however, ad hoc queries will be stored in the data warehouse which is updated nightly.

What is the backup process? What would determine when users are transferred to the backup? Is the backup a real time redundant system or just data storage?

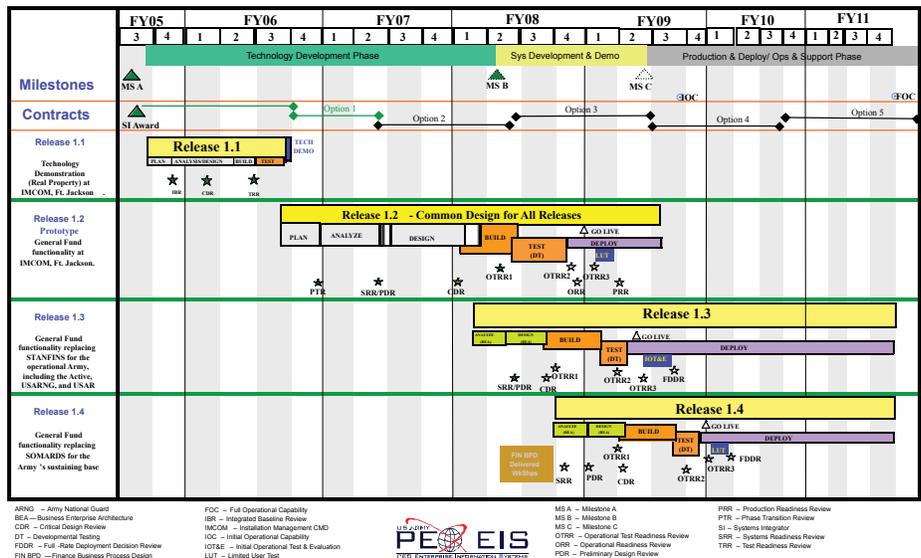
The design for the US Army GFEBs System includes Disaster Recovery Fail-over capabilities, using the Secondary Data Center site, with a near real-time database standby to the primary site as part of Release 1.2. In the event of a disaster or catastrophic event, the GFEBs system would be up and operational within 6 hours, having little to no impact to the end user community.

**FREQUENTLY ASKED TECHNICAL QUESTIONS**

What is the GFEBs backup process?

The GFEBs production infrastructure is located at the Redstone Arsenal Data Center. This data center has redundant power sources, including backup generators and full Uninterruptible Power Supply

**Project Schedule**



(UPS), ensuring high availability for financial operations. During normal operations, GFEBs data will be backed up to tape storage devices and stored off-site. Additionally, this data will be regularly transmitted to a “warm” Disaster Recovery (DR) site. In the event of a disaster, GFEBs will be operational at this DR site within six hours.

A single system like GFEBs will experience extreme demand during year-end processing. Will load testing be performed?

The project has completed the performance test approach for Release 1.2 which delineates the approach for performance and load testing of the GFEBs infrastructure prior to the October 2008 “Go-live” date. These test activities will help establish system performance benchmarks, thresholds, and data points applicable for ongoing capacity planning activities.

Does GFEBs have separate development, quality assurance, test, and production instances?

GFEBs will follow a three-tier system architecture consisting of a development (DEV), quality assurance (QA), and production (PRD) environment. GFEBs

components for these environments will be hosted in two data centers. The primary data center will host the entire GFEBs PRD infrastructure and environment while the secondary data center will host both the DEV and QA environments.

Where will GFEBs data be stored?

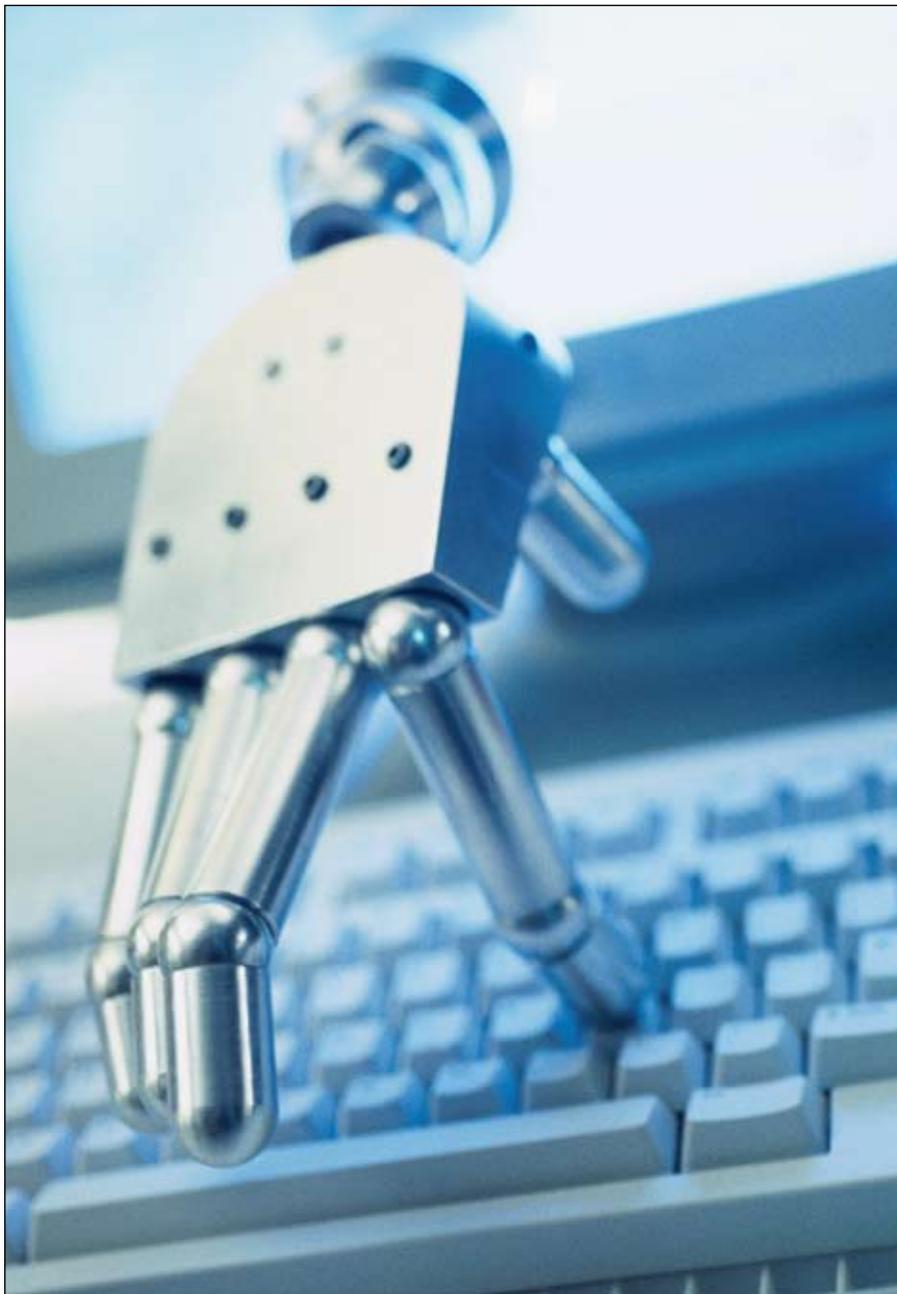
Disk storage will be provided by the internal disk drives on each server until storage requirements are such that a Storage Area Network (SAN) is needed at both the primary and secondary data centers.

What are the user requirements for accessing GFEBs?

GFEBs is a web-based solution which can be accessed through an internet browser. Using Internet Explorer 6.0 or later version is recommended. To access GFEBs, all users must have a National Agency Check (NAC) or equivalent security clearance on file, a Common Access Card (CAC) to use a CAC-enabled workstation, and be a registered AKO user. RM



About the Author  
PEO Enterprise Information Systems



Student feedback has long been an important element toward keeping DFM&CS courses relevant and on target

agape, eyes unblinking while the instructor drones on... and on... and on. The material presented is totally unabsorbed by the members of the class because they are completely disengaged from the lecturer.

The Defense Financial Management and Comptroller School (DFM&CS) at Maxwell Air Force Base is working diligently to ensure its students are fully engaged. One of the primary ways the school is engaging students in all phases of instruction is by leveraging capabilities offered in education focused information technology (IT) systems. New technologies facilitate the education experience by capturing student's feedback, by encouraging student-instructor interaction, and by providing the flexibility to take courses to the students. Educational IT capabilities have become a key component of the DFM&CS vision of being the DoD's Center of Excellence for Financial Management, Comptroller and Decision Support Education.

Student feedback has long been an important element toward keeping DFM&CS courses relevant and on target. The school uses an on-line class survey system to provide students with the opportunity to comment on the effectiveness of the instruction they receive. Student comments are captured at the end of each individual class as well as at the end of the course. The DFM&CS is currently evaluating the potential of taking the feedback loop one step further by incorporating a student response system (SRS) into the school auditorium.

The SRS is designed to provide instructors with real time feedback

## Information Technology Enabling Education

By: LTC Karl M. Kraus

Nothing is worse in the classroom than the inability of the instructor to effectively engage the students. Who can forget the scene from the 1986 movie, Ferris Bueller's

Day Off, when the economics instructor, played by Ben Stein, conducts his monotonous, one-way class? Students completely lost in the lecture sit silently, mouths

regarding the level of learning by the students. With this type of system instructors are able to pose multiple-choice questions to the students at key points during the delivery of the lesson. Each student in the class is able to respond to the questions through a handheld input device located at their seat. The system assembles the response data in real time and provides the instructor with a summary of the student inputs. Instructors can use the feedback to reiterate key points, to facilitate additional classroom discussion or to allow the students to engage in peer instruction. In peer instruction, students turn to each other and convince their classmate why their particular answer is the correct one. This real-time student-instructor interaction is a tremendous advantage in the classroom.

Real time interaction between instructors and students is also enhanced by the ability to capture key concepts and highlight important points visually during the course of a lecture. Interactive white board technology is a capability that is already incorporated into the DFM&CS auditorium and seminar rooms to provide this capability. These systems combine the simplicity of a dry erase board, or whiteboard, with the power of a computer where the whiteboard serves as the display. The instructor or students can control computer applications directly from the display, write notes in "digital ink", and save the work to share later. In the auditorium, the school has acquired a device called a symposium. The symposium is installed as a part of the traditional podium. It allows the same interactive input as a whiteboard display but projects the notes and inputs on the auditorium projection screen.

A key enabler for many of the other information technology initiatives underway is the tablet personal computer (PC). Each student attending a resident DFM&CS course is issued a tablet PC for his or her use during the program. Tablet PC's are fully functional laptop computers that include an innovative touch sensitive screen that allows user input via a special pen called a stylus. Students can

rotate the tablet PC's display 180 degrees and fold it back down over the keyboard, allowing them to make inputs directly on the screen in clip board-like fashion. The student can take notes on a blank page, on pre-developed lesson outlines called note-takers or directly on an electronic copy of the speakers' slides. The tablet PC is equipped with a wireless modem and with an internal voice recorder the student can potentially use to record lesson presentations. All these capabilities enhance student organization, providing the ability to keep notes and research together in a single place, completely without paper-based materials.

The investment the DFM&CS has made in IT supports in-residence course attendance today and is essential for enabling the school to address remote based student needs in the future. The school is exploring the possibility of providing its material to students at their home posts, bases and stations. Potential initiatives in this area range from sending the DFMCS faculty to the field to train FM organizations at home base, to establishing distance- or distributed-learning programs. Establishing on-line course content will contribute greatly to supporting remote based education. The school is migrating portions of its courses into a server based learning management system (LMS) as a first step to facilitate these initiatives.

A LMS is a term used to describe software tools designed to manage user learner involvement in a course. It represents an overarching strategic solution for planning, delivering and managing nearly all course activities within a program of instruction. From student registration to course delivery, evaluation and feedback, modern LMSs are designed to coordinate it all. The school is using a learning content management system (LCMS) to transfer its traditional lesson plans and lecture materials into digital "learning objects" instructors will subsequently use within the LMS to provide their courses to the students. The LCMS manages the process of creating, editing, storing and delivering the lesson content. As additional

## A LMS is a term used to describe software tools designed to manage user learner involvement in a course

DFM&CS course content is structured in an LMS the school will become better able to take its educational programs to the students either through on-site training at an organization's location or through virtual classrooms in the future.

The DFM&CS places a premium on keeping its courses relevant and engaging for its students. New IT capabilities with education-based application are an integral part of the school's strategy to achieve this objective. Recent technological innovations are increasing attention to student feedback, improving student-instructor interaction, and facilitating the ability to take DFM&CS courses to the students. How could anyone disagree with this approach? Anyone? Anyone? Bueller? **RM**



### *About the Author*

LTC Karl M. Kraus is currently an instructor at the Defense Financial Management & Comptroller School, Ira C. Eaker College for Professional Development, Air University, Maxwell Air Force Base, AL. He has served in programming, budgeting and execution resource management positions at the Army Headquarters, Combatant Command and Army Service Component Command levels. He is a Joint Duty Qualified and a Certified Defense Financial Manager with Acquisition designator.



## Transformation in the Finance Organization at USAA

By: LTC Roger Casillas

During the past six months I have had the privilege of working as part of a business transformation and performance management team in the Corporate Finance Department at United Services Automobile Association (USAA). This article discusses how the Finance team is implementing change and driving efficiencies and what lessons the Army can learn to become a more efficient organization.

It is vital that a company endlessly transform in order to adapt to ever changing market conditions. Otherwise it will suffer a fate similar to Kmart, Kodak and IBM. These companies dominated their market at one time and then quickly lost their status to those who adapted more quickly to the competitive environment. USAA is well aware of the need to keep their business practices current so they can

ensure continued service to the military community in the most efficient and effective manner possible.

The senior leadership in the Finance Department realizes that a solid transformation plan and execution strategy alone will not move the company forward. A focused effort on simplifying business processes is needed to help gain the efficiencies required to stay competitive. To drive this effort dedicated “change agents” were appointed within the division I was assigned. The change agents work closely with the business units and process owners to help facilitate change throughout the organization. The team of change agents was freed from daily tasks so that they could focus on a variety of strategically aligned changes throughout the Finance Department.

In any industry, the effectiveness of a team of change agents is a function of support from senior leadership, appropriate skill sets, credibility of team members, and their ability to handle controversy and build consensus.<sup>1</sup>

### SUPPORT FROM SENIOR LEADERSHIP

Transformation is not something that will occur automatically. It is something that must be driven from the top. Additionally, business units need the time and support to address process improvement initiatives rather than just handling as time permits, while performing their normal daily tasks.

A change in the reporting structure of the team of change agents helped to move the transformation focus up to the Finance organization level, rather than a functional level. Direct guidance from the Chief Financial Officer (CFO) also helped in prioritizing and aligning the Finance improvement initiatives. By providing dedicated change agents, process owners were able focus on their transformation priorities. The change agents worked closely with the process owners to facilitate and communicate change proposals to the CFO. Ultimately, these discussions led to better solution sets being developed and implemented.

### CHANGE AGENT SKILL SETS

The selection process for the change agents was focused on key skills needed for effective transformation. Effective change agents should have critical thinking and analytical skills, and excellent communication and facilitation skills. A strong technology background and a broad knowledge base are also important to help develop new business solutions. The credibility of the members of the team due to both specialized skills and business knowledge is a crucial factor in driving strategic changes within a large organization.

### ABILITY OF TEAM MEMBERS TO HANDLE CONTROVERSY

Change agents need to have more than just strong analytical skills. To be effective, change agents must be able to identify

feasible solution sets based on analysis of information and have the interpersonal skills to build consensus in order to implement solutions. If employees implementing the change do not believe in what they are doing the process change will not yield results. Self-fulfilling prophecy is a powerful force to overcome and is therefore worth the effort to get that force working for you rather than against you. Strong interpersonal and communication skills are essential elements to consider when selecting change agents. Never underestimate the power of a consensus builder, especially in a business that is in the maturity stage of its life cycle.

**ACHIEVING RESULTS**

Once the team of change agents was formed, their charter was to take the **Mission** and **Vision** statements of the organization and interpret precisely how each business unit should contribute to the success of the company. Management and employees can easily take a broad vision statement and interpret them in many different ways. The change agents ensure the different business units implement changes, which are both complementary

and supportive of the mission and vision for the company.

At USAA, one of the top priorities is to maintain the most efficient cost structure possible. Reducing expenses by finding efficiencies is imperative to achieving USAA's goal of providing a full range of highly competitive financial products and services and being the "Provider of Choice" for the military community. To be clear, USAA wants to have the ability to support sustained growth while decreasing variable cost per product. By reducing variable cost per product sold, services can be provided at a much lower cost thereby benefiting the association and its members.

One initiative implemented in the Finance Department over the last 6 months was to analyze the organizational structure of one particular Finance department consisting of several hundred people and a variety of financial analyst functions. Instead of looking at each process in isolation and trying to make them more efficient, the entire functional area was reviewed to eliminate redundancies. On their first project, the change agents facilitated discussions with the business teams that led

to the development of an alternative organizational structure for a large labor-intensive slice of the financial section, which resulted in significant cost savings. This was done by consolidating like activities, automating some processes and eliminating non-value added functions. Once they drafted the new organizational structure in coordination with all the stakeholders, it was approved by the CFO and an execution plan was created.

The next step in this iterative process was to study another set of departments with similar functions. These organizational structure studies did not happen overnight; in fact they took several months to complete. In the end, the investment of time and resources had a much greater impact than looking for changes on the margins.

**TO SUMMARIZE:**

The Finance Organization:

1. Selected change agent team members with the appropriate skills.
2. Ensured the change agents had access to and support from senior leadership.
3. Worked closely with the change agents to identify and implement organization and process changes.

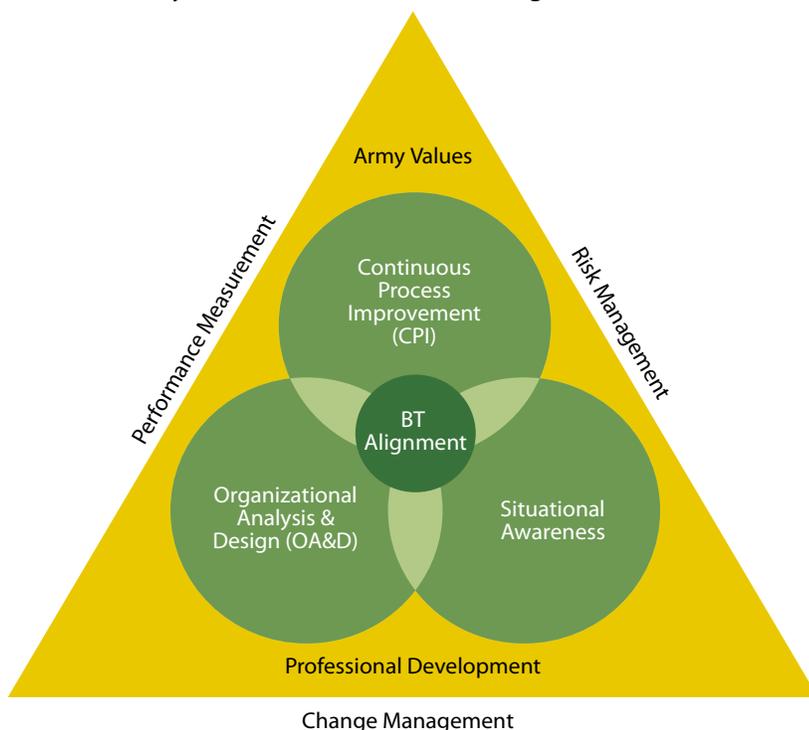
The Change agents:

1. Developed a prioritization list of business processes to be reviewed based on input from business units and process owners.
2. Helped to map the enterprise **Mission** and **Vision** to the piece of the organization being examined...a key part of identifying non-value added activities.
3. Worked with business units to identify savings through automation and identifying non-value added functions that could be eliminated.
4. Crafted supporting documentation including modified organizational charts and process models.
5. Repeated the process for other parts of the organization.

**LESSONS LEARNED**

A lesson the Army can learn from USAA's Finance Organization is that we can achieve better results analyzing our cost

**Army Business Transformation Strategic Framework<sup>2</sup>**



structure reduction goals from a holistic perspective. The Army has provided the field with Lean Six Sigma certified professionals to help identify efficiencies. Lean Six Sigma is a statistical program/discipline/methodology used to improve processes by reducing/ eliminating defects. We partner these functional experts with well-respected individuals from our various organizations and conduct comprehensive process reviews designed to eliminate/reduce defects. The difference between the focus of six sigma professionals and change agents is that six sigma focuses mainly on processes where change agents look at the bigger picture. It is the difference between “doing things right” (efficiency) and doing the right things (effectiveness). In order to achieve “world-class performance” both are needed (efficiency and effectiveness). Army organizations may benefit by focusing more attention on effectiveness to complement the already successful LSS initiative. Establishing teams of dedicated change agents is one way to increase our focus on effectiveness.

The Army’s Business Transformation Strategic Framework acknowledges the need to focus on Continuous Process

Improvement (CPI), Organizational Analysis and Design, and Situational Awareness. It just appears that in the execution of our transformation strategy, we tend to allocate a great deal more effort on CPI objectives, which are achieved through LSS initiatives. We must continue these efforts while increasing our efforts to improve our Organizational Design. This expansion of our focus will result in efficiency gains by eliminating unnecessary layers of our bureaucratic organizational structures.

The main organizational issues covered during Organizational Analysis and Design are:

- What constitutes “right” or requisite organization?
- How to use “clear articulation of mission” and resulting functions to structure role relationships correctly.
- Requisite structuring of organizational layers, to ensure that managers are sufficiently greater in level of capability than their subordinates to be able to exercise effective leadership.
- The establishment of planning processes in relation to direction setting

- Creating information and communication processes at the right level of complexity for each layer of organization.<sup>2</sup>

The opinions in this article are the author’s and do not necessarily reflect the official position of USAA or the Department of Defense. **RM**



**About the Author**

LTC Roger Casillas is one of five Functional Area BC36 officers participating in the Training with Industry program, in his case with USAA.

**End Notes**

1. The McKinsey Quarterly. “Building an Effective Change Agent Team.” Industry News, 11/30/2007
2. The Army Business Transformation Knowledge Center, <http://www.army.mil/ArmyBTKC/focus/oad/index.htm>



## Collaboration – Are You Ready?

By MAJ Tracy A. Foster

**SETTING THE STAGE**

Imagine for a moment that you work in a resource management office for an Army command. The G8/Comptroller calls you into his office one afternoon with the following news: “I just found out that our command is receiving new funding within a few days. I would like you to develop and submit a spend plan for these funds. Once the plan is reviewed by the Army and relevant agencies and approved by the commander, you must manage, track, and report the fund execution. By the way, these funds must be distributed to all of our subordinate units (scattered around the world) and some have special rules and

strings attached. Be sure you obtain and distribute the additional guidance on these funds from the Army Budget Office ABO, and coordinate with at least one other Department of Defense (DoD) agency. Set up a series of meetings over the next week to put this together, and then schedule recurring meetings to track and report progress of the plan. Provide me with a meeting schedule, attendance list, and a time-line of when and where the meetings will take place by close of business (COB) tomorrow.

In this scenario, a collaborative effort is needed to solve the problem. How quickly and easily could you pull together the necessary collaborative events in your current organization?

## INTRODUCTION

This article briefly discusses the topic of collaboration (what it is and why it is important), and then concentrates on some of the tools used within private industry that enables collaboration (who, when, where, and how). Ultimately, the goals of this article are to: 1) encourage resource managers to use collaboration, particularly these and other tools, to help solve complex and challenging resource management problems, and 2) challenge resource managers to support and seek ways to fund collaborative tools and efforts within the Army and their organizations.

Having recently worked with a large organization in private industry, I both observed and participated in collaborative efforts using various resources and tools. In this article, I will share some of those tools and processes used to enable collaboration to solve complex problems. Like the Army, this company is a leader in technology with operations around the world facing financial, operational, and logistical challenges, so there are many applications.

## WHAT IS COLLABORATION?

Many lengthy descriptions of collaboration abound, but in its simplest form, collaboration is just the concept of working together with others to accomplish a common goal.<sup>1</sup> Using this basic definition, collaboration is already widely used within

the Army in ways such as operational planning and the military decision-making process (MDMP). In fact, this article does not intend to suggest that collaboration is not currently being used within the Army; it is intended to encourage more and better forms of collaboration, especially with those outside our immediate organizations.

### Why is Collaboration Important?

Collaboration is a best practice.

Collaboration is becoming increasingly predominant and important to organizations in both private and public sectors. There is no shortage of recent examples in various books and trade journals. Sandy Schuman, editor of *Creating a Culture of Collaboration*, comments, "Why is interest in collaboration surging? Perhaps it reflects a pragmatic change in strategy to accommodate a diverse, interdependent, and complicated world."<sup>2</sup> The world Schuman describes sounds a lot like the one the Army currently operates in.

Collaboration can help maximize resources. Closer to home for resource managers, Caroline Wagner points out that among other benefits, working collaboratively can obtain greater resources when facing competition for finite resources.<sup>3</sup> In other words, collaboration helps organizations do more with less.

Collaboration is applicable within the Federal government. Lest someone think that collaboration only applies to non-governmental organizations, the Government Accountability Office (GAO) published a report in 2005 on practices to aid collaboration among Federal agencies.<sup>4</sup> The Director of Office of Management and Budget (OMB) also issued a memorandum to all cabinet secretaries and administrators in late 2005 that, in part, lays out principles for collaborative problem solving and "directs agencies to increase the effective use of environmental conflict resolution and build institutional capacity for collaborative problem solving"<sup>5</sup> (emphasis added).

## WHO, WHEN, WHERE, AND HOW?

The remaining questions regarding collaboration of who should participate, when and where it should be done, and how it should be done is dependent on the

# The meeting organizer can also include a hyperlink to an on-line electronic conference

particular situation and the organization and its leadership. However, there are many tools available to help answer these questions and facilitate the collaborative process.

1. Who should attend? One method of finding the right people to attend a collaborative effort is through widely published and easily available organization charts that include positions, names, and contacts numbers. Another way is through comprehensive directories that provide not only personal contact data, but also organization, position, and function information, as well as staff lists (who a person reports to and who reports to that person). Active Directory is just one form of directory commonly used, and the Army also has its White Pages via Army Knowledge Online (AKO). Regardless of the specific tool, the key is having information that is current, easily and readily available, and provides all the relevant information (compulsory data fields). Obviously, security measures such as intranets and passwords are critical to ensure this information is not compromised.

2. When should the collaborative event take place? Scheduling a meeting or working session can be one of the more daunting tasks in collaboration. One way to solve this is through use of an electronic calendar. The Army already uses has a widely-used commercial software package – Microsoft Office Outlook – that makes scheduling easy. Using electronic calendars, anyone can see what times are available on attendees' calendars, and then send out meeting notices (and updates) to them and track their acceptance of the meeting request. This software also allows the meeting organizer to include administrative information (e.g., teleconference numbers), agenda, notes, etc., and attach relevant files such as a slide presentation or working documents. The meeting organizer

can also include a hyperlink to an on-line electronic conference. Since these tools are only as good as the available information, it is critical that everyone is disciplined in maintaining their personal calendars.

3. Where should the collaborative event occur? This is a very important question, because for collaborative efforts to happen there must be ample locations, real or virtual, for groups to meet and work as often as needed. There are many ways an organization can provide the "place" for people to meet and work.

Well-furnished conference rooms and meeting rooms, including smaller huddle or focus rooms, in ample quantities are critical for effective and efficient meetings. In addition to the basics of any meeting room (furniture, whiteboards and supplies) most of these rooms should be equipped with teleconferencing equipment, projectors, and cameras to accommodate the sharing of information, not only with those physically in the room but those who may be attending the meeting from other locations. The conference rooms should be listed in the electronic calendars (e.g., Outlook®) so that groups can see what is available and schedule them as needed.

Including attendees from other locations can involve extensive travel funds. However, these participants can attend many of the meetings remotely with the right tools. As mentioned in the previous paragraph, having conference rooms with teleconferencing equipment, projectors and cameras is critical. Software is also needed to run these meetings, such as LiveMeeting® or NetMeeting®, so that all participants can share and view the same information and manage the meeting.

An easy method for communication with remote attendees (i.e., teleconferencing), is also important. Ideally, the teleconferencing communication system/service should have toll-free numbers, so that attendees can call in regardless of their location (e.g., home) in the event the time for the meeting is after duty hours for some of the attendees. DSN does satisfy most of the requirements for this, especially if participants can be patched in from a commercial line through a local number. Teleconferencing communications

services have the added advantage of being able to monitor and control attendance and record meetings for later purposes. Organizations can use these same tools to broadcast town hall meetings and other forums where attendance of large numbers of people from multiple locations is required.

*How should the collaborative event take place?* If an organization is truly involved in collaboration, there will be a great of information that needs to be shared. In addition to the tools and methods previously discussed in this article here are some other important ways to enable collaborative efforts.

Document sharing is crucial so that members can access, modify and share files. There are various techniques for this, to include intranet websites or Compass sites. These allow for documents to be posted, viewed, accessed, and modified by participants and provide for the necessary level of control. These sites also minimize the need to print documents and can compress timelines for projects and preparation for presentations and meeting by allowing last-minute revisions.

Mobility is another key element of collaboration: the ability to quickly and easily meet in various locations while maintaining communications and access to materials needed for the collaborative effort. One of the most evident ways to accomplish this is by providing laptop computers (with docking stations for offices) in lieu of desktop computers and installing secure Wi-Fi (and/or ample local area network (LAN) ports and cables). By using laptops with mobile networking technology, collaboration participants can freely move from one meeting place to another while retaining access to their files and communications (e-mail and instant messaging). Laptop computers also make trips and work from other locations much more practical. As previously mentioned, security is paramount but easily addressed through a variety of commercial applications.

**SUMMARY**

Collaboration (and the tools and resources to support it) are increasingly important to the success and survival of large,

globally dispersed organizations operating in a constantly changing environment. This is true whether it is an organization in the private sector, such as the one I have worked with, or a governmental organization like the Army. This article does not intend to imply that these tools and methods are not being used within the Army; however, there is always room for improvement. The tools and techniques discussed in this article are also not meant to be all-inclusive; many others do exist. The purpose of this article is to provide examples of the ones that I was exposed to in private industry that I believe are effective and applicable to the Army. Ultimately, however, these tools will have limited benefit if the leadership of an organization does not embrace and encourage collaboration and develop a mindset and culture within the organization. **RM**

-----  
**Endnotes)**

1 <http://en.wiktionary.org/wiki/collaboration>.  
 2 Creating a Culture of Collaboration - The International Association of Facilitators Handbook. Sandy Schuman, Editor. August 2006. Publisher: Jossey-Bass, An Imprint of John Wiley & Sons, Incorporated. Albany, New York.  
 3 Wagner, Caroline S. and Loet Leydesdorff. Globalisation in the network of science in 2005: The diffusion of international collaboration and the formation of a core group. [<http://users.fmg.uva.nl/lleydesdorff/cswagner07/index.htm>].  
 4 Government Accountability Office. Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration Among Federal Agencies. Document no. GAO-06-15. Washington, D.C.: Government Accountability Office, Oct. 2005 [<http://www.gao.gov/new.items/d0615.pdf>].  
 5 Office of Management and Budget and Office of the President Council on Environmental Quality. Memorandum on Environmental Conflict Resolution and Collaborative Problem Solving. Washington, D.C.: Office of Management and Budget, November 2005 [<http://adr.gov/pdf/ombceqjointstmt.pdf>].



## Conducting: Resource Management Another Approach

*By Dr. Wayne Applewhite*

No matter if you are looking in the public or private sectors of conducting business, you are sure to find leaders and or managers working in the realm of *Resource Management*. If you took a step back and watched over a period of

time, you would most assuredly observe the leaders and managers attempting to maximize 'these' resources, effectively and efficiently develop 'those' processes, and you would also encounter the leaders and managers of their respective organizations

This is not one of those articles...

involved in a myriad of resource management genres such as finance, human capital, information technology, and the dreaded bottom line.

Taking a closer look at resource management, it simply means getting the 'right' product to the 'right' customer on time and at a price the customer is willing to pay. Anything on the long side of that

It starts very low and gathers greatness and momentum as the conductor artfully 'orchestrates' all of the players towards the strategic goal

is frankly, unacceptable, in the world of resource management.

To be sure there are a plethora of articles and books speaking to process improvement, just in time delivery, quality, Six Sigma, and the list goes on. This is not one of those articles...well, maybe not, depending on your perspective.

In business, we take and use terminology from many sources. By now I am sure most of us are quite fluent in the terms of 'strategic' and 'tactical' which we have used for years thanks to the military. We have adapted to the use of 'surgical precision' taken from our colleagues in the medical profession and all of us have 'struck out' at one time or another. (Did you notice the title of this article? It started with a word taken from our friends in the music industry.) Today, however, I want to focus on a central theme of what many of us have said (and I heard it again just yesterday) about the fact that, "I have to orchestrate this mess..."

The first time I heard the term orchestrate used in this context, I was not quite sure what was meant. Surely we were not in the band room back at school; clearly we were in the boardroom of a mid-sized business...orchestrate.... As I let the term resonate within myself for the next few weeks, I came to see and notice something different about the organization in which I was a part. Yes, it (the organization) had many departments and bosses, and teams, and leaders, and projects, and managers, and divisions, and products to produce. We certainly needed someone to manage these resources. Could this collision of resources

be orchestrated? Is this the hidden secret of resource management? Maybe.

Resource management should be strategically positioned within the organization. Resource management should be the purpose that binds an organization from the lowest levels to the highest. It should be the watchword, the standard of excellence, the golden ring that we all strive to capture as we conduct business day-in and day-out. Again the first word from the title of this article is used, did you notice it? Conduct. So then am I suggesting that our resource managers might be conductors, is that the hidden secret of resource management? Maybe. Let's ponder that thought for a moment.

Imagine the resource manager (conductor) has just raised a hand as if to capture our attention. All is quiet. Then comes a beckoning gesture from the conductor (resource manager) directed to the group in the back of the organization and a definition is presented (defining the problem). Now the conductor (resource manager) looks to the group to the right and beckons a response (possible solutions). Now the manager turns to the left and with a left hand points to the group on the left front side as if to say, "What say you?" (providing alternate solutions). Now with one finger pressing the lips, the conductor quiets the organization and begins ever so slowly to raise the volume of the group. First the conductor points to the group in the middle and raises a hand from low to high as if to say, "Begin, let me hear you." Now looking and pointing to the group on the back right, the conductor completes a similar motion of engagement. Then, to the left, now to the front, over to the right...and now hushing the organization ever so slightly but not totally, the conductor listens... (testing the possible solutions). Now the conductor smiles brightly. Having gathered the best information at one's disposal, collaborating with everyone on the team and some outside of the team, gathering all the experience, knowledge and best practices to date, the conductor raises both hands and starts a new rhythm from within the organization. It starts very low and gathers greatness and momentum as the conductor artfully 'orchestrates' all of

the players towards the strategic goal. At this point in time it is quite loud, as you can imagine, as everyone plays from the same page (best alternative). Finally, the conductor gestures swiftly and firmly at the group in the back right and a very loud BOOM, BOOM is heard throughout the building (product delivered). The conductor raises both arms as if to suspend the sound for eternity and then...quickly and powerfully brings both arms crashing down to the waist with one solid fluid motion. All sound has stopped and for just a brief moment, nothingness. Then, a huge eruption of applause is heard (audit). Profits and moral are high; job well done!

Is there a secret to resource management? It depends on who you ask. However, to be sure, some do it better than others. I suggest the secret is in leadership and management. It is about knowing the people you work for and the people you work with. It is about knowing the organization and the organization's strategic goals and what part you play. It is about collaboration within an organization, not competition. It is about defining the problem and bringing the best solution to the forefront without any hidden agendas. Where do we find most of the answers to our everyday challenges? From individuals! Yes people are our best assets. Respect them. Value them. Challenge them. Hold them accountable. And when the music stops, thank them. **RM**



*About the Author*

Dr. Wayne Applewhite is an Adjunct Professor for Boston University and co-founder of the leadership development firm Just Leadership. You can visit his website: [www.justleadership.net](http://www.justleadership.net). Wayne received his Bachelor of Science Degree in Resources Management from Troy State University, a Masters of Arts Degree in Management and Supervision with a concentration in Health Care Administration from Central Michigan University, and his Doctor of Management Degree in Systems Management from Colorado Technical University.

(by row from left to right)  
 Cynthia Arnold, Cynthia Blevins, Sandra Branner, Andre N. Coulombe, Darryl Daugherty, Terry M. Dorman, Daniel L. Dunaway, David M. Elliott, Valisa Farrington-Lynch, Diane Fortelka, Steven Gray, Marilyn Gower, Andrea Harris, William Henry, Kevin Hoffman, Richard D. Horsley, Robert W.K. Jr Lau, Beverly Maynard-Sims, Jeffery A. Mcquillan, Steven T. Mosher, William C. Pray, Cecilia Solomon, Mark A. Young, William P. Wing

**SRMS-08-1**



(by row from left to right)  
**Back Row:** Tom Willson, Greg Fobell, \*\*Justin Kinnaman, Brad Caton, Chris Reynolds, Robert Daniels, Iakeem Carroll  
**Middle Back Row:** Omar Garcia, Deepak Mathew, Scott Zell, Chris Harper, Barbara Buteau-Peirre, Brian C. Franklin, Leviticus Pope, Bryan Kilmer, Charlie Morse, Marie Jean-Baptiste, Fernando Ortiz, Shawn Lennon  
**Middle Front Row:** Morgan Ashton, Kelley Joyce, Robin Kincaid, Mary Pessolano, LaGwenda Baker, Andrea Bailey, Turmel Kindred, Bridgette Payton, Aimee Schrecengost, Patricia Hughes, Marjorie Isrow  
**Front Row:** Gail Singleton, Brenda Anderson, Christynne Villaneuva, Kaye Spriggs, Lana Jameson, Mary Jo Dotson, Lakeisha Lee, \*\*Johnnica Watson

**ACC -08 -II April 21 - May 14, 2008**



\*Aaron McCabe not available for picture  
 \*\*CLASS LIAISON

(by row from left to right)  
**Back Row:** Joseph Fischer, Mark Williams, Phillip Wooden, Matthew Walsh, Ted Capra, Debra Young, James Kim, Corey Harris, Nancy Houdek, Chad Pedigo, Alfred Daniel Sullivan III, Bill May, Amanda Mieksztyn, Tom Willson  
**Middle Row:** LaToya Murry, Demetra Gilmore, Marlon Elbelau, Earl Vegafria, Jessie N. Jeune, Charlene Moore, Huichong Yom, Joseph Maciel, Nicole Holley, Susan Bolling, Katherine McCormack, Adam Sparrow, Vanessa Pittman, Jeanenne M. Butler  
**Front Row:** Ayesha Bonnette, Darren Pope, Chin Chu, Myrna Loge, Tina Taylor, Beverly Gibson, Carrie Griffin, Donna Horton, LaRita Williams

**ACC-08-I January 14 - February 7, 2008**



\*Not present: Kevin Pierce  
 \*\*CLASS LIAISON



**Comptroller Proponency Office**

Office of the Assistant Secretary of the Army  
(Financial Management and Comptroller)

Resource Management

Professional development bulletin

ISSN 0893-1828

ATTN: SAFM-PO, 109 Army Pentagon,  
Washington, DC 20310-0109.

RESOURCE**MANAGEMENT**