

RM RESOURCE MANAGEMENT

Information • Education • Professional Development

HIGHLIGHT P. 18
Army Cost Culture
Transformation

Focus on

Cost Management

4 Cost Management
Enable Through Enterprise
Resource Planning (ERP)

22 From Cost Estimates
to Decisions

RM RESOURCE MANAGEMENT



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:

Raymond T. Odierno
GENERAL, UNITED STATES ARMY
CHIEF OF STAFF

ADMINISTRATIVE ASSISTANT
TO THE SECRETARY OF THE ARMY

Gerald B. O'Keefe

DISTRIBUTION:
ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT
AND COMPTROLLER
Mary Sally Matiella

MANAGING EDITOR, THE PENTAGON
Patricia M. Hughes

DESIGN/LAYOUT,
Army Publishing Directorate



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.

RM

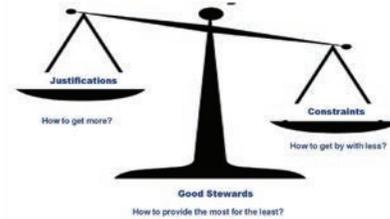
RESOURCE MANAGEMENT

IN THIS ISSUE

- 1 Message from the ASA (FM&C)
- 3 Functional Chief Representative Corner
- 4 Cost Management Enabled Through Enterprise Resource Planning (ERP)
- 10 Extending the Value of Cost Management in Government
- 17 Innovative Edge
- 18 Army Cost Culture Transformation
- 22 From Cost Estimates to Decisions
- 24 Element of Resource Codes: Get Them Right!
- 26 Communication the Cost Benefit Analysis: An Action Officer's Perspective
- 28 Interagency
- 32 Pictures Army Comptroller Course

Cost Management Enabled Through Enterprise Resource Figure 2 Page 4

Figure 2: Drivers of Cost Management



5



18



22

Message from the Assistant Secretary of the Army (FM&C): A Tightening Budget Environment and Cost Management

By The Honorable Mary Sally Matiella

We face a challenging environment and a period of fiscal constraints that will last for some time. Sequestration, budget cuts, and continuing fiscal uncertainty will challenge financial managers and will require us to embrace a cost culture that promotes resource-informed decisions.

Overall, the Army has accomplished great strides in cost management, but substantial work still remains to inculcate a cost culture across the Army.

It's worth taking a moment to explain what we mean by "cost culture." In any organization, "culture" refers to how the group behaves and what it believes. For example, the Army's military culture values mission accomplishment, selfless service, valor, and dedication – concepts that help establish the foundation for how Soldiers go about their duties. These are aspects of the military culture that we can all understand.

In a cost culture, leaders and managers factor cost into their decision-making and understand both the near- and long-term cost implications of their decisions. Cost is part of the decision process from the outset, not an afterthought that is added at the end of the process. A key element of cultural change is that it must begin at the top with leadership behavior. Members of an organization will listen to what the boss says, but they will emulate what the boss does. Top-down leadership in support of the Army's cost culture was demonstrated when the senior leaders of the Army directed that all major initiatives or requests for additional resources must be accompanied by a thorough cost benefit analysis (CBA). This requirement initially applied to a small number of decisions but



now has been expanded to include more than a dozen decision-making forums at Army Headquarters. The CBA, a decision support tool, requires deliberate analysis to arrive at the optimum course of action and provide decision makers with facts, data, and analysis required to make an informed critical decision. The CBA Guide and other helpful resources may be found on the Cost and Performance Portal located at: <https://cpp.army.mil>.

Also, the General Fund Enterprise Business System (GFEBS) represents an unprecedented leap forward in Army financial management by providing the data and analytical tools that are essential for cost management. GFEBS is revolutionizing the Army's long-standing budget and spend culture to a more cost-conscious culture. GFEBS strengthens financial management through the introduction of new business processes and provides greater visibility of operational, improved forecasting and timely decision making ability because of accurate and real-time cost data not available before.

I encourage you to continue to embrace and instill a culture of cost savings and restraint across the Army.



COST effectiveness is a key element of MISSION effectiveness.

Realize the cost implications of the decisions you make and help your supervisors do the same. Practice continuous improvements in order to change some part of the operation or process to accomplish the missions better, faster, or less expensively. Reduce duplication, overhead, excess, and suggest better ways to operate.

Please visit the Assistant Secretary of the Army for Financial Management & Comptroller website at <http://www.asafm.army.mil/> and click on Cost & Economics. At this site you can gain access to Cost Management 101 training material, briefings, cost management handbook, and other valuable material. It also links to the Cost & Performance Portal (CPP) and the CBA Workflow Tool training material at <http://asafm.army.mil/offices/ce/cbaWT.aspx?OfficeCode=1400>.

Cost effectiveness is a key element of mission effectiveness. Today's leaders must understand that a cost management culture that considers performance and risk, as well as cost in decision making, will accomplish the mission most cost-effectively in a resource-constrained environment. **RM**



Functional Chief Representative Corner: Army Competency for the Financial Management Community

By: *Ivonne Reid-Borland*

Over the next five (5) years, the Army intends to transform the way it plans, recruits, hires, develops, and manages its civilian workforce by developing and deploying a competency-based system for Human Resources (HR) lifecycle management. Ultimately, competencies will support a highly professional Civilian workforce by providing the “right people, in the right positions, at the right time” to execute today’s mission while at the same time continuously adapting to the future demands of Army strategic requirements in the 21st century.

In FY12, CP11 participated as part of the Army Pilot for competency development and successfully completed the competency development process for the 0511 (auditing) occupational series. For FY-13, CP-11 is actively engaged in the identification and development of competencies for the following four occupational series:

- 0501 – Financial Administration and Program
- 0505 – Financial Management
- 0510 – Accounting
- 0560 – Budget Analyst

Subject Matter Experts (SMEs) for each of the above occupational series have been identified to participate in competency workshops in May where the competency identification and definition work will be conducted.

After the SMEs finalize the competencies, every 0501, 0505, 0510 and 0560 employee will receive an EMAIL that provides access to the Army Competency Management System to participate in a survey of the competencies identified for your occupational series by the SMEs.

The EMAIL will provide you with a login and password and once in the CMS system, the survey will take approximately 30 minutes to complete. Your support in this effort is vitally important to the overall career management of everyone in your occupational series, but to your personal development as well, as the information gleaned from this survey will be aggregated up for overall career management purposes, but will also be available to you as an individual to assist in your own personal development goals.

I ask each of you in these effected occupational series to take the 30 minutes to provide us with an accurate assessment of whether the competencies listed are important to your job, as well as how proficient you believe you are in each of these competencies. We need you to complete your survey within 3 weeks of receipt of the notification EMAIL. The survey is then sent on to your supervisor who will also complete the survey giving his/her assessment of importance and proficiency. Supervisors have 3 weeks to complete their surveys as well. Once we reach a participation rate of 65% or higher we will aggregate the data, create a gap report for each competency, and gather the SMEs for development of a gap closure strategy for each of our most important competencies. **RM**

Success in this effort is completely dependent on you. We ask your full support in this effort. Please contact your CP11 management team if you have any questions or concerns:



MS. VALISA FARRINGTON-LYNCH:
valisa.farrington-lynch.civ@mail.mil

MR. MARC NEVILLE:
marcellino.m.neville.civ@mail.mil

MR. BRANDON ROBINSON:
brandon.p.robinson1.civ@mail.mil

MS. PAT HUGHES:
patricia.m.hughes8.civ@mail.mil

Cost Management Enabled Through Enterprise Resource Planning (ERP)

By: Brian Jacobs

When first introducing Army organizations to the Cost Management Process, the overwhelming response is often...why? Why should I care about Cost Management? We begin the litany of reasons such as output optimization, requirement justifications, and trade-off decisions...pushing past the frustration of organizations not managing their funds, but merely ensuring to spend all the funds. We would expect that eventually the supplemental budget experienced from long-term engagements such as overseas contingency operations

would decrease, resulting in organizations needing to understand how to survive with less funding. Did we see this coming? Maybe, but we have time, no real need to take action and to change the mind-set. However, given the recent economic situation and the drawdown of the wars in Iraq and Afghanistan our mind-set is beginning to change. If anything, the discussion of cost management has heated-up. What can we do to be more cost focused? How do we perform cost management? First, what is this "Cost Management Process"? Cost Management Process is define as managing business operations Efficiently & Effectively through the accurate measurement & thorough Understanding of the "Full Cost" of an organization's business processes, products & services in order to provide the Best Value to Customers.

The Army is currently experiencing one of the main drivers for Cost Management. In times of abundance, with relative ease of obtaining funding at all levels, often the only perceived use of cost management is to justify the requested budget.

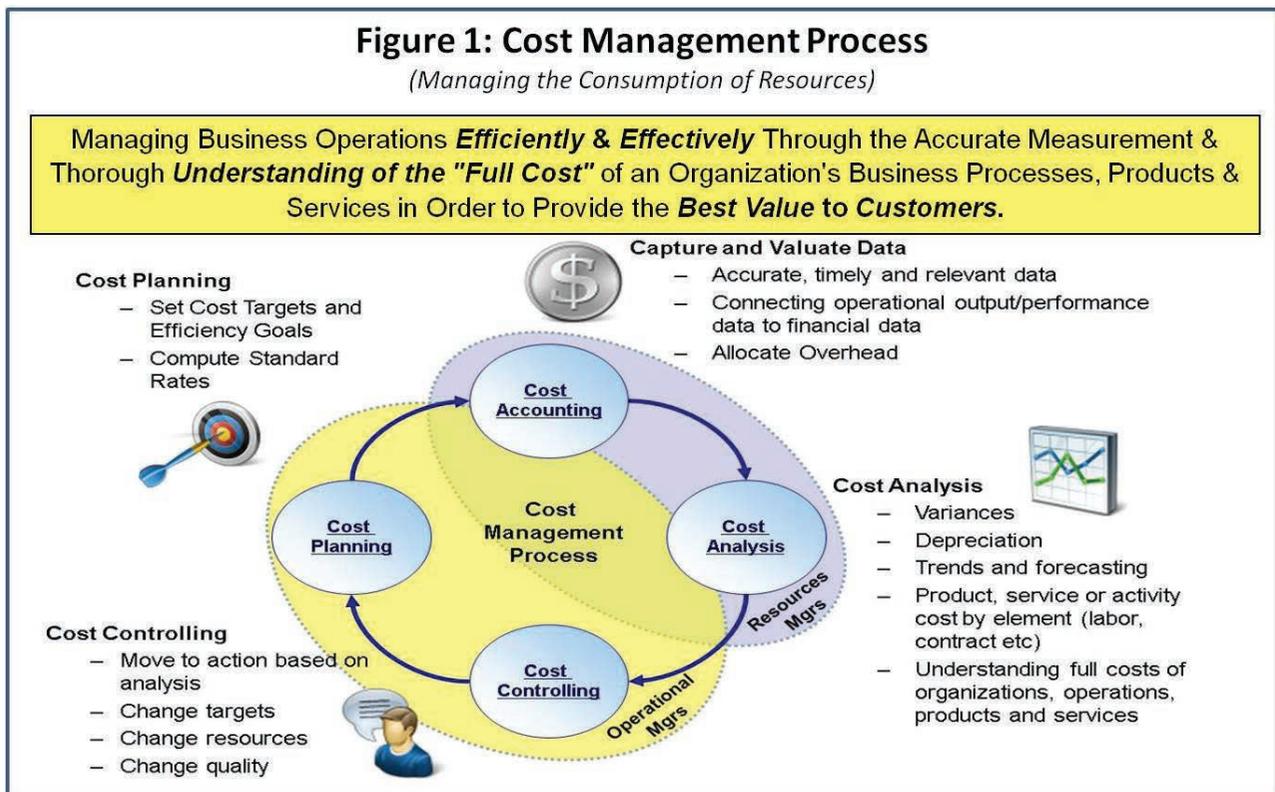
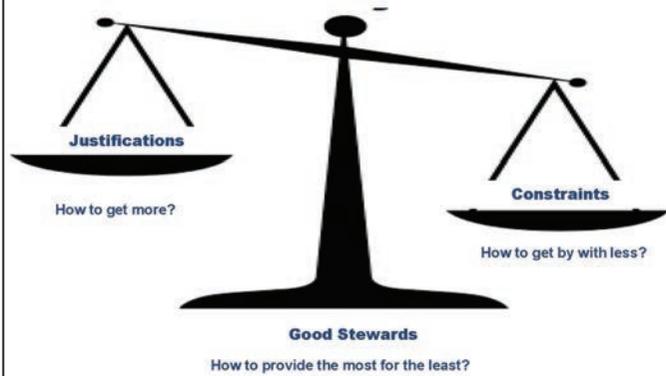


Figure 2: Drivers of Cost Management



How can I get more resources?

Understanding the actual cost generates output and support justifications. In order to provide more outputs there needs to be increased inputs (i.e. resources). The current driver is times of limited funding. A grave misperception is that the quickest form of cost management is merely to cut the budget. Reducing inputs obviously has a direct correlation to reduced costs. However, that is not cost management; it's called cost elimination. Cost elimination also brings the direct reduction in output; creating infrastructure weaknesses, limited or inadequate capabilities, and exposures to risks. Additionally, cost elimination typically generates hidden future costs when addressing these corresponding impacts.

Organizations swing from one side to the other as their environments change, the reality is we should strive for balance. Balance for the Cost Management domain is to actively ingrain the concept, throughout times of feast or famine and becoming good stewards of the resources provided to generate the outputs required to achieve the mission. Being good stewards is the optimization of the utilization of resources available to maximize the outputs generated; basically, striving to get more for less. It also allows for savings to be utilized in the year gained preparing for the future (e.g. training for efficiency, stabilization of infrastructure.)

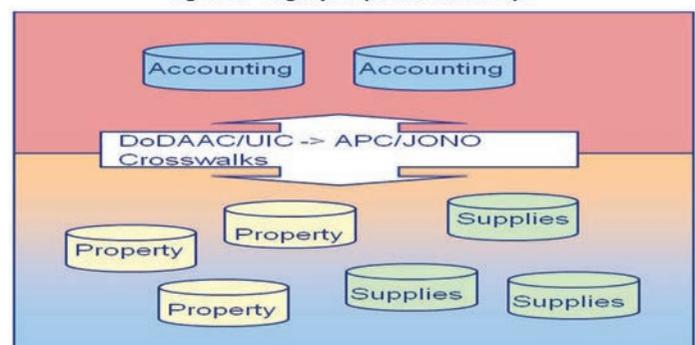
The process to “actively ingrain” is the Army’s Cost Culture Campaign which requires multiple support mechanisms, approaches, and tools to be put in place to aide with the

shift from a Budget-centric mind-set to a Cost-managed culture. It’s no secret that the Army has had this objective for over the past decade and has been making great strides towards this endeavor. Changing a culture requires different types of enablers: people, processes, and systems. Educating the work force through training and programs provide the necessary skills to develop cost information to make better decisions. Reengineering processes through Lean Six Sigma studies help to provide efficiencies. Providing new or enhanced technical capabilities provide the cost information necessary to be utilized by the trained workforces. Enhanced technical capabilities is an area where there have been massive efforts over the past five years and continues as the Army’s technical platforms migrate to new technologies.

Where Are We Moving From?

The Army’s legacy technical landscape, abstractly depicted in Figure 3, comprises hundreds of disparate systems causing a host of challenges for obtaining the cost data required to support Cost Management. Software applications typically are single domain focused such as Financial in nature versus Logistical. This limits the ability to easily, accurately, and timely combine non-financial measures from logistics or operational based systems with financial data (funding, funds execution, costs) requiring crosswalks between systems to transition logistics key data elements to the correct corresponding financial postings. The systems, even within a domain, tend to be process specific; such as Logistical domain systems focusing only on Property Management versus Work Order Management or Supply Warehousing. Furthermore, systems even within that process often utilize the same software but are partitioned into hundreds of databases.

Figure 3: Legacy Disparate Landscape



Aggregation of the various databases occurs through data warehouses. The data warehouses feed more aggregation in other data warehouses; hiding data integrity issues, requiring data cleansing through all levels, generating timing impacts and often causing misalignment of information from incorrect relationships throughout the information generation layers of the systems.

Where Are We Going?

The Army's emerging technical landscape is taking advantage of the capabilities of Enterprise Resource Planning (ERP) systems designed to break down functional domain silos and segregation of business processes. ERPs force organizations to understand the underlying dependencies between functional domains (financials versus logistics) and expose the linkages between processes to streamline end-to-end activities. ERPs have a host of benefits, hence why they have swept through global entities for the past twenty years.

The benefits of ERPs range from increased timeliness and range of information, uniformity of process execution increasing data integrity and interchangeability of resources, elimination of duplicate entries reducing workload and strengthening consistency, to name a few. ERPs are commercial-of-the-shelf (COTS) software applications and therefore have dedicated software developers working on expansion of capabilities. Therefore; ERPs often provide far more and better integrated functionality and capabilities than custom grown applications. The Army has multiple ERPs deployed, in process of fielding, or planned for future fielding.

Bottom left of Figure 4 depicts a few of these ERPs that will greatly improve the ability to perform Cost Management within the Army. The General Fund Enterprise Business System (GFEBS) is the Army's single most important system for generating cost data and information to be utilized for Cost Management processes.

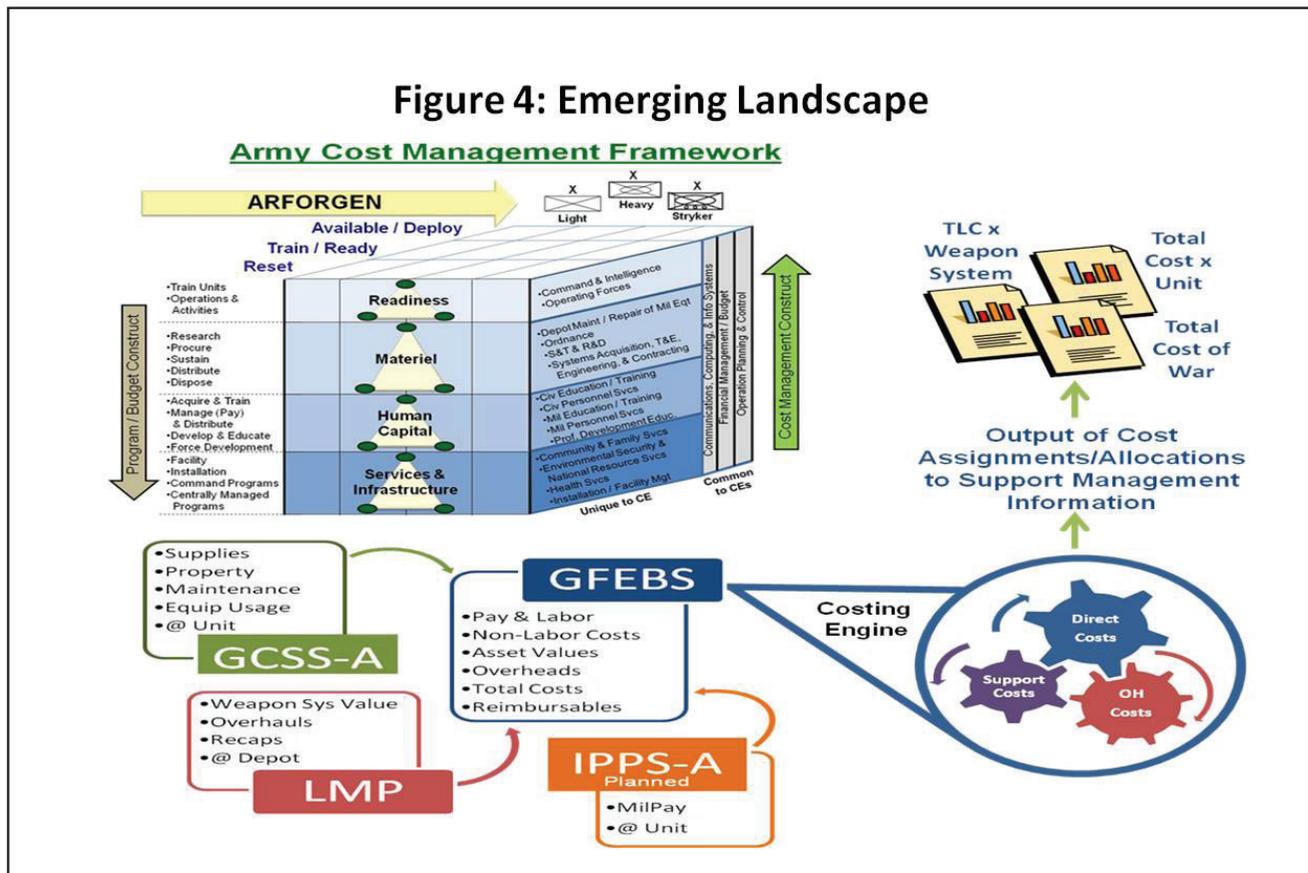
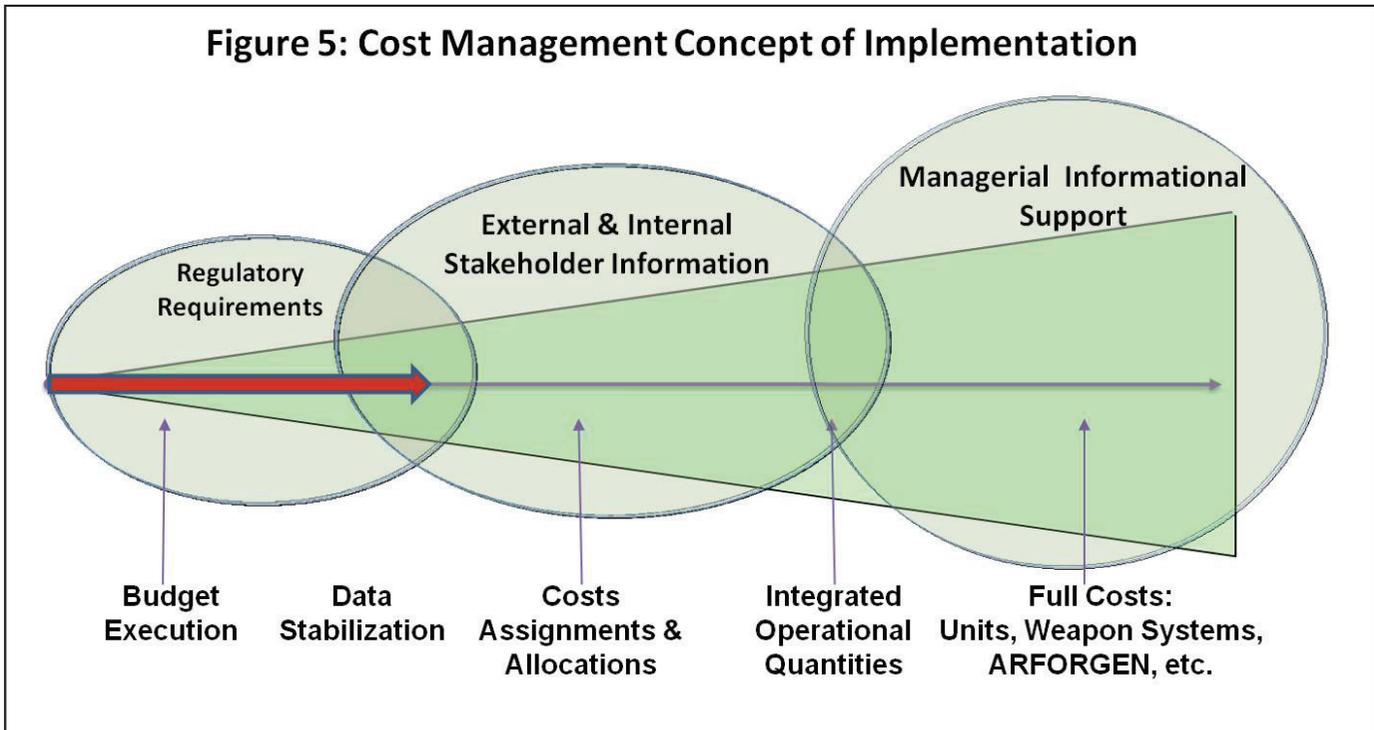


Figure 5: Cost Management Concept of Implementation



GFEBs was fully deployed in July of 2012 and provides costing capabilities previously not available as a tool set within the Army's technical landscape. The GFEBs Cost Management functionality integrates planning capabilities with actual cost capturing for real-time plan to actual management. Additionally, there are cost assignment and allocation tools providing the ability to take indirect and overhead support costs and associate it with receivers (i.e. organizations, products, services, customers.) These assignment and allocation tools with GFEBs can be simplistic associations via percentages or as complex as If-Then business logic (e.g. IF project is of Type X and Labor Hrs charged are > 200hrs THEN apply QA Labor Hrs of 5Hrs.) The generic term to reflect the totality of all the assignments and allocations defined and executed within the system is the Costing Engine.

GFEBs was designed to be the Army's single Costing Engine and as data from other ERPs are brought into GFEBs, GFEBs will support all Army cost management requirements. The Global Combat Support System—Army (GCSS-A) and its current fielding is critical to generating cost information. GCSS-A replaces many of the logistical process systems performing supplies management, warehousing, property book accountability, maintenance, equipment utilization and readiness reporting. While certain Financials and Funds Execution have been split from GFEBs into GCSS-A making both ERPs Financial Accounting systems of record, GFEBs is the Army's single cost allocation system. Resource Managers will be processing transactions in both GFEBs and GCSS-A for funds controlling and execution. However, the costing information within GCSS-A will be brought back into GFEBs to create a holistic cost management data set to be utilized as the basis of cost allocations. The results of the costing engine then generate various views of management information, such as total life cycle cost of a weapon system, total costs of unit, etc.

The Integrated Personnel and Pay System – Army (IPPS-A) is planned for future fielding and will provide

The Integrated Personnel and Pay System – Army (IPPS-A)

military personnel costs to be utilized within the cost management process. Given that Military personnel costs approximately 40% of the Army's overall budget, IPSS-A's cost data is of high interest for the cost analysis community and Army decision makers. Also, the Logistics Modernization Program (LMP), while focusing on the Army Working Capital Fund (AWCF), impacts the valuation of weapon systems and therefore the corresponding costs of weapon systems utilization which is sent to GFEBS and used by the costing engine.

How Do We Get There?

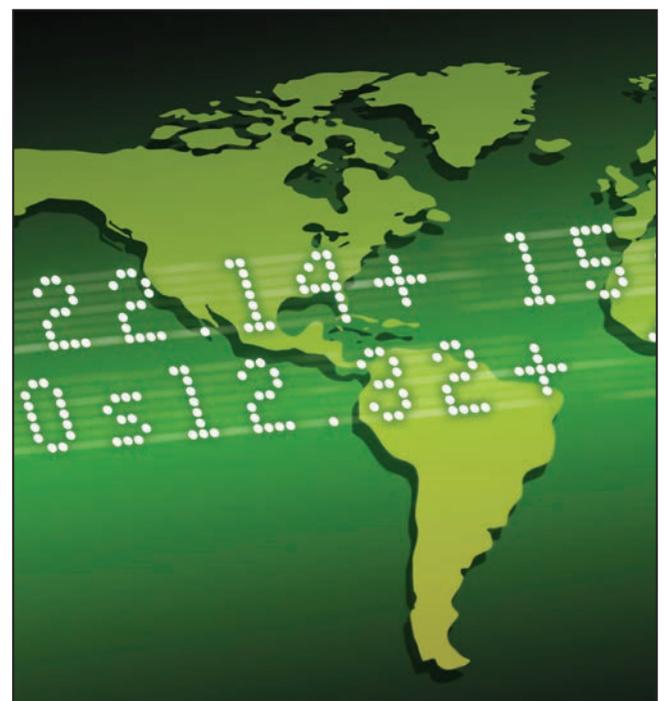
As the new technologies deploy, with it comes the need for ensuring the cost functionality capabilities are in place and embedded within the applications to ensure that the data and information necessary is available. The Army Cost Management Framework in Figure 4 provides the business and functional requirements the various ERPs need to support and enable the Cost Management processes throughout the Army at all levels. Cost Management capabilities are highly correlated to the availability and reliability of data generated by this emerging technical landscape. Figure 5 depicts the Cost Management Concept of Implementation reflecting the cost management objectives to be met over time as systems deploy and stabilize within the Army's new information platform. Actual dates are not depicted since the availability of the capability is dependent on when Programs can incorporate system requirements into their applications and when organizations can start utilizing both the technology and the concepts. The diagram does however reflect the maturation of cost management capabilities in the Army and the respective audience levels.

Regulatory Requirements

The initial starting point is the expectation that the financial reporting requirements are met within these ERPs. Direct expense capturing of the expense elements is a minimum expectation required for financial and funding regulatory requirements. However, there are still some areas to be expanded inside of GFEBS such as the current requirement to incorporate military payroll expenses, thus expanding the total costs of the Army captured within GFEBS. The long-term objective is to support the full cost of a unit (organization) which includes the military payroll by unit to be supported when IPSS-A is deployed.

It might seem odd to have Budget Execution listed as a cost objective. However, the budget execution data set is a shared data set between the Budget Management and Cost Management processes within GFEBS. Additionally, until basic Budget Execution functionality and reporting capabilities are available, little to no attention is paid to Cost Management processes and cost information. Unless resource and budget analysts have control over how much funding is available, spending efforts to support operational managers understand how to more efficiently utilize resources is unlikely.

As greater understanding and experience is obtained working within the ERPs such as GFEBS and GCSS-A, Data Stabilization occurs. The stabilization of data is two-fold; master data definition and utilization versus transactional processing. The cost management master data elements within the ERPs such as cost centers (organizations), internal orders, and Work Breakdown Structures (WBS) Elements (products and services) are now established and stable and will be the foundation for cost allocations and cost assignments to be performed. During the deployment of GFEBS, over 57k cost centers were defined and built as well as over 97k internal orders reflecting the various products and services provided across the various commands.



Additionally, there are already well over 1M WBS elements generated reflecting products, services, and customers. With continued experiences developing reconciliation processes and well-defined checks and balances, the transactional errors reduce and data integrity stabilizes; the underlying data set is reliable enough to be utilized for cost management.

Stakeholder needs for Cost Information

Costs Assignments & Allocations are already a part of the current GFEBS landscape and with each day new requirements are being requested to create more allocations and support Army organizations to associate all their costs to their products, services and customers. The primary focus to date has been in the cost allocation tools and methods that support association of budget-relevant direct or indirect costs, such as labor time tracking and overhead surcharges. However, as users are becoming more familiar operating in GFEBS, expanded allocations are being requested for non-budget relevant areas such as: consumption of internal shared services for generic supplies or communications costs. Also for the association of financial support organizations to all organizations supported or the desire to reflect costs of research tests to projects among others. When looking at relating costs to the consumers, causal relationships are starting to be looked at to understand the impacts that consuming organizations or projects have on the service providers. Understanding the cause-and-effect (inputs to outputs) relationships provides insight into resource utilization and how to manage those resources. For more information on cost allocations and assignments see the DASA-CE Cost Management Handbook. (<https://www.us.army.mil/suite/doc/24042112>)

There are several examples already of Integrated Operational Quantities such as the replacement of the Integrated Facilities Systems (IFS) work order management processes into GFEBS. As work orders are executed costs per work order are captured, by providing organization, per building for both the quantities consumed and the corresponding costs. Additionally there are examples of interfaced operational quantities such as training ammo consumption from the Worldwide Ammunition Reporting System (WARS) The capability exists to support loading non-financial measures that can be utilized to report in combination with financial data

or as a basis for a cost allocation, providing further costs information to support management decisions.

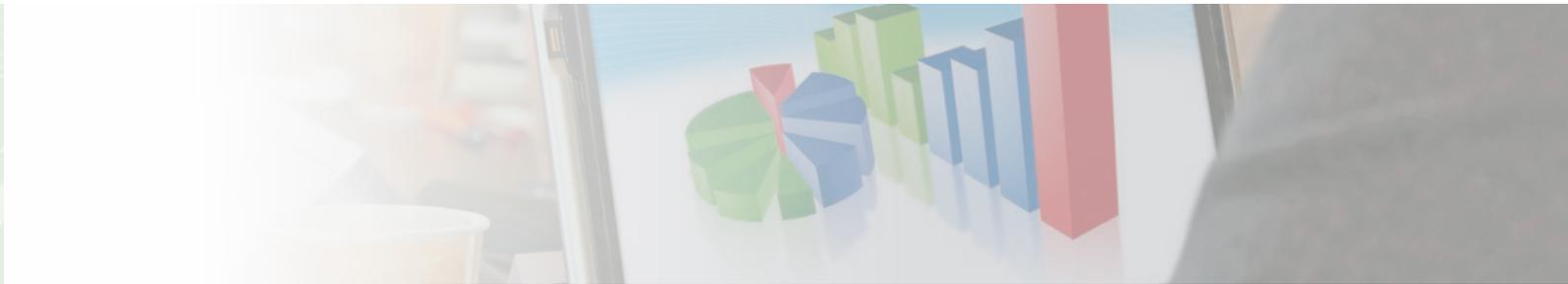
Future Momentum of Managerial Cost Information

As each cost objective is met, the speed towards the next objective picks up pace. So, while the arrow showing where we are now, took approximately five years to achieve, the move further along the implementation line speeds up because technical capabilities (long lead time items) are continuing to be delivered and the data is used by a wider audience throughout the Army. As more ERP capabilities in other systems are released and incorporated into the GFEBS costing engine, the more Managerial Costing Information can be supported for the Army; achieving full costs of units, weapon systems, training events, services, customers to name a few costing objectives.

Massive amounts of resources have been expended to deploy the Army ERPs. The primary focus has been transactional processing and regulatory compliance. As more capabilities are delivered and used by the Army, the primary focus shifts to functionality. The area of requirements growth then shifts from repetitive document generation and reporting to cost management and business information to support the Army's analytical needs. Therefore, for the cost management domain; the work is really just beginning, largely due to the perfect storm effort. The changing financial environment with the reductions in budget provides a triggering mechanism that focuses on costs and cost management. The technical landscape of the Army's ERPs is maturing. Cost Management capabilities within the Army are now at the tipping point ready to spill over and wash across the Army.

About the Authors:

*Mr. Brian Jacobs is Division Chief for Cost Management within the Deputy Assistant Secretary of the Army – Cost & Economics (DASA-CE). He is responsible for Cost Management initiatives and activities within the various Army ERPs among his other duties. Ms. Dawn Sedgley is a Partner with Alta Via Consulting providing contract support to DASA-CE as Cost Management Solution Architect across the ERP applications. **RM***



Extending the Value of Cost Management in Government: Transform business as usual with advanced insight into true costs, future needs and performance optimization

By *Huu M. Hoang*

Executive Summary

The tremendous value that manufacturing companies realized in early applications of activity-based costing (ABC) sparked efforts to develop its power and extend its functionality to new areas. Today, ABC is a management practice found in diverse organizations, including government. The multitude of functions provided by state and local organizations, including transit and health services makes them just as complex and diverse as manufacturing companies and, therefore, enables them to truly benefit from a technique that reveals the sources of cost and profitability, non-financial performance.

Applying lessons learned from ABC, government agencies have a clear understanding of where to transform operations to deliver services in a more cost-effective manner, benefiting both clients and taxpayers. Many government organizations cited in this paper have identified substantial cost savings through cost modeling and have realized both tangible and intangible benefits from capturing that value.

Activity-based costing models can be deployed to predict the impact of future activities and can be a central component of many performance management systems. Through the integration of ABC into performance management initiatives, an organization can communicate financial and nonfinancial strategies to everyone in the organization, measuring performance, developing financial and resource plans, analyzing performance, and creating value.

A “collaborative performance management” initiative indicates the inclusion of costing models in determining corporate strategy.

Activity-based costing and collaborative performance management are long-term strategic endeavors. Neither should be approached as a project that will be completed and marked off the “to do” list, because it really has no “end.” Rather, it is a journey in which there will always be room to improve effectiveness and efficiency within any organization. Its unending nature is largely due to the environmental factors that constantly change, bringing new challenges and opportunities.

The Transformation of ABC

ABC was first used in manufacturing companies in the mid-1980s as a methodology to accurately compute the cost and profitability of products. Its emergence coincided with global competition in automobiles, electronics and other manufactured goods that increased cost and profit pressures for domestic manufacturers.

ABC revealed significant methodological and computational errors in traditional cost accounting systems. Costs reported by these traditional systems often erred by hundreds, and in some cases, thousands of percent when compared with accurate ABC costs. When these errors were corrected using ABC, it was common to find as many as 80 percent of a company’s products unprofitable. In contrast, traditional cost systems incorrectly reported most products as profitable, failed to communicate opportunities to improve profitability and lulled companies into complacency.

Accurate ABC costs were accompanied by new insights into the drivers of profitability. ABC cost information spurred changes in price, product design, cost reduction, and other strategic and operational changes that led to profit improvement.

Given ABC’s early success in reporting accurate cost information, it is common to confuse ABC with cost accounting systems. Cost accounting originated in the 1920- 1930s to enable manufacturing companies to value inventory for financial statement purposes. Only later were these costs used for management decision-making purposes, a function for which they had not been designed.

continued on pg. 11

In contrast, ABC sprang from the need to understand the sources of cost, profitability and non-financial performance in complex and diverse modern organizations.

The early success of ABC led to significant efforts to develop its power, extend its functionality to new areas and harness new technology. Today, ABC is an analytic tool found in service and government organizations, as well as in manufacturing companies. Service organizations are often just as complex and diverse as manufacturing companies and benefit from a tool that reveals the sources of cost and profitability. ABC helps government agencies deliver services in a more cost-effective manner benefiting both clients and taxpayers.

ABC supplies business intelligence about processes, customers, equipment and human resources, in addition to products and services. Areas of application include cost-to-serve activities, distribution and logistics, and support services. ABC models can be deployed with predictive capabilities, and they are the central component of many performance management systems.

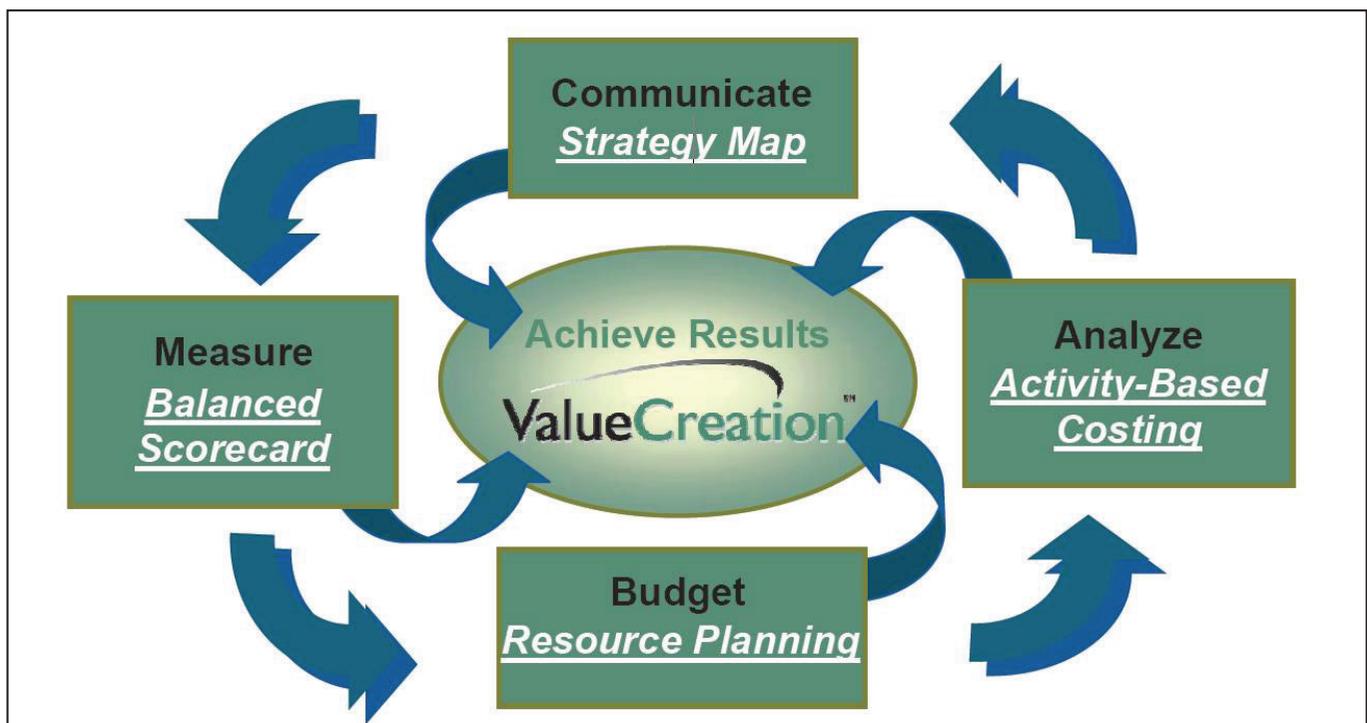
Addressing performance management has been a battle cry for government agencies throughout the last decade. From elder care to transportation projects, activity-based

costing plays a vital role in measuring the impact of service components on quality delivery. The next section will discuss this intersection of cost and performance.

Bridging Cost and Performance

Collaborative performance management (CPM) is an approach to measuring, analyzing, reporting and improving performance. It transforms analytic tools from “number crunchers” to interactive multivariate models that are accessed in a collaborative environment throughout the enterprise. People involvement, decision analysis, change management and value creation are the cornerstones of this method.

CPM plays an important role in communicating and executing strategy. Government organizations receive new mandates and requirements for service delivery on an ongoing basis from federal agencies and state legislation. What is often missing in the directive is the detail of how to modify the internal processes to satisfy the requirements. Responding to the ever-changing environment, while continuing to meet constituent needs, requires highly energetic and capable management. Experience confirms that most business failure is attributable to faulty execution of plans rather than lack of vision. CPM helps correct this



problem by communicating the strategic plan to everyone in the organization, measuring performance, developing financial and resource plans, analyzing performance and creating value.

The CPM system includes five management methods: strategy map, balanced scorecard, activity-based costing, resource planning and value creation

These are described as follows:

- **Strategy map.** A strategy map is a way of communicating strategy in a single page that everyone can understand. It is typically broken into four perspectives: customer, internal process, organization health and learning, and financial. The strategy map includes high-level objectives for each of these perspectives in a cause-and-effect framework.
- **The balanced scorecard.** The balanced scorecard is a set of goals and performance measures derived from the strategy map (and, therefore, linked directly to the organization's strategic plan). It includes goals and measures in each of the four perspectives to provide balance across all important dimensions of performance. Each organization has a set of scorecards – one for each part of the business and the manager responsible – that are linked to each other and the strategy map. Hierarchically, goals are linked to objectives, which are linked to measures in a weighted cause-and-effect relationship. A balanced scorecard can be descriptive as well as predictive of organizational performance.
- **Activity-based costing.** As described previously, ABC is an analytic tool providing business intelligence about resources, processes, products and services, customers and other business elements. It is used to optimize business decisions in terms of cost and profit impact and to provide performance measures for the balanced scorecard.
- **Resource planning.** Resource planning is a predictive version of activity-based costing. It simulates process capacity and resource requirements based on planned quantities and types of output. It helps answer what-if questions about the impact of business changes on financial performance.
- **Value creation.** Value creation is a process to convert analysis into action and action into results. It includes a change management program (leadership, communications, defined roles and responsibilities, training) to enhance buy-in and learning. It also includes a process for executing action plans, analytics to support action plan decisions, tracking of results and communication of success.

Lessons Learned: A Government Perspective

Among government and private industry organizations that implement performance management, achieving a balance between effectiveness and efficiency is a common success factor. Organizations that focus more on one and less the other do not reach the full potential of performance management. An organization can be very effective, but also be wasteful with resources. In contrast, an organization can be so cost-focused that service levels or product quality do not meet constituent expectations and needs. The most successful organizations balance the scales between effectiveness and efficiency – and the use of performance and cost information (including performance indicators) is paramount to this success.

Effectiveness and efficiency can be optimized by connecting strategic performance and operational performance. The top of the organization is connected to and aligned with the front line where operations are run. If everyone from top to bottom agrees and accepts the strategy and how it should be implemented, then the organization can move in a unified fashion to improve overall performance. ABC has proven to be a very descriptive connection between strategic performance and operational performance.

Even with the strategy and measures in place, many government organizations struggle to achieve the requisite cultural transformation. Organizations as a whole must learn to accept and adopt performance management as a discipline. This culture change involves denouncing fears that performance and cost information will be used as a disciplinary tactic; it should not be the reason or motivation for implementing performance management. Rather, the intent should be to give employees the intelligence they need to do their jobs better and make better decisions.

Cultural transformation can be spurred on through great leadership. Some of the most successful implementations of ABC and CPM are in organizations with top leadership spearheading this initiative. They sponsor it and believe in it. Once employees understand this, they are inspired to believe in it themselves – and adopt it. But the top-down push should be met with bottom-up involvement in building a performance management system. It is a collaborative effort.

Finally, ABC and CPM are long-term strategic endeavors. Neither should be approached as a project that will be completed and marked off the “to do” list because it really has no end. Rather, it is a journey wherein there will always be room to improve effectiveness and efficiency within any organization. Its unending nature is largely due to the environmental factors that constantly change, bringing new challenges and opportunities.

Producing Results in a Government Culture

As discussed above, activity-based costing and collaborative performance management are both strategic indicators for measuring results achieved in government programs and services. The results are most likely to have an impact when the performance management system is designed with results in mind to meet the specific business requirements of each agency.

A performance management system with a high propensity for producing results has the following characteristics:

- The system is designed based on a thorough assessment of business needs. This ensures that the analytic components of the system can be used to resolve the agencies specific problems and decision requirements.
- The system is implemented using collaborative techniques wherever appropriate. Collaborative techniques – including worker participation in improving efficiency – enhance buy-in and create enthusiasm for performance management.
- The system is built around integrated technology solutions that make it easy for management to access,

report, comprehend, analyze, optimize and track performance information on an ongoing basis.

- The system emphasizes learning to enhance each employee’s knowledge and ability to optimize performance.

‘Government as Usual’ Redefined

Activity-based costing models and performance measures are excellent sources of information for business intelligence (BI) and advanced data analysis. Governments use business intelligence to assess and report on current performance, trends and areas needing attention across the enterprise. Further use of analytic capabilities with business intelligence can forecast requirements and make decisions to optimize future performance. The application of business intelligence and analytics often results in decision makers spending less time looking for answers and more time determining the right solution.

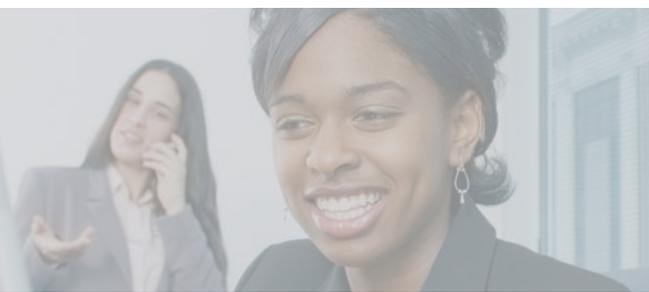
Government has used business intelligence and analytic methods to:

- Analyze the cost of decision alternatives.
- Prepare outcome-based plans and budgets.
- Measure, track, analyze and compare business practices.
- Analyze the impact of different resource replacement, deployment and maintenance decisions.
- Measure, track and monitor strategic goals.

According to the National Conference of State Legislators, “Traditionally, government policies and programs discourage a review of priorities, effectiveness and outcomes. This is under attack in our states as the public is challenging how state governments operate, questioning their efficiency and effectiveness, and expressing distrust of representative government itself.”¹

1 Fundamentals of Sound State Budgeting Practices, National Conference of State Legislatures, May 20, 2005

There is a growing public perception that government could do a better job of allocating resources to meet constituent needs and eliminating fraudulent payments.



Citizens are demanding the same integrated services from government that they receive from the private sector. Business intelligence and analytics help state and local governments transform their operations to deliver the right services, at the right time, with the appropriate resources.

State departments of social services are an excellent example of the value that performance management delivers. Ever-increasing case loads, burgeoning enrollment in entitlement programs and other demands are straining the ability to provide quality service. In some cases, high rates of staff turnover and process inefficiencies make it more difficult to respond cost-effectively to these demands.

Performance management is the remedy for these difficulties. With it, organizations can improve process efficiency, reduce costs, manage knowledge, measure client service and quality performance, forecast the resources needed to meet increasing demands for services, among other key capabilities. It helps organizations meet ambitious service and delivery goals within strict budget constraints.

Developing a Road Map for Success

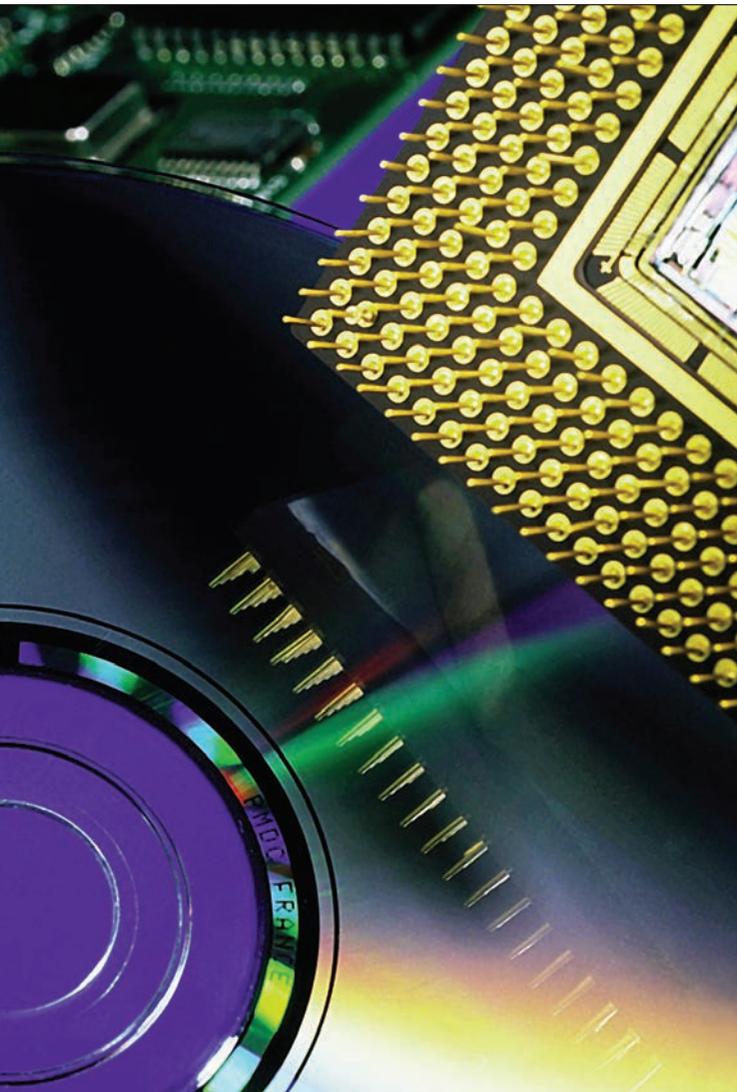
A successful ABC and performance management initiative is one that provides a positive return on investment (ROI), as well as the intangible benefits of enhanced learning and improved communications. Experience confirms that a positive ROI is most likely to result when the agency's staff supports the initiative, implementation adheres to a systematic process and technology is used for maximum benefit.

People

Support for the performance management initiative is vital to its success. Agency staff must be involved in the implementation process, providing input into the design of the system as well as creating an opportunity to learn about performance management. Staff also needs to be active users of performance management information and tools to have a positive impact on the outcome of decisions.

continued on pg. 15

Achieving these positive outcomes requires cultural change, buy-in to the initiative and learning at all levels of the agency. This is accomplished via sponsorship at the highest level of the agency, a positive communications program, and assignment of roles and responsibilities for implementation and use. Collaborative implementation methods engage staff at every step along the way and create opportunities for learning. Finding creative ways to communicate the results of performance management provides positive feedback, enhances perceptions of relevance to strategic purpose and reinforces the change process.



Process

An iterative implementation process is essential to the success of any ABC and performance management initiatives. Systems development must be carefully phased, and the analytic methods must be sequenced correctly. For example, it is recommended that activity-based costing precede building balanced scorecards, since balanced scorecards are heavily dependent on ABC as a source of performance measures.

Technology

Technology enables both of these projects. To maximize the value of a performance management system, data must be available. Data can be collected if it does not already exist (e.g., Web surveys). Data is the catalyst for disseminating fact-based information to the work force. Facts are hard to argue with. The following capabilities can help organizations realize the full potential of a performance management system, as well as ensure a low total cost of ownership:

- **Data integration:** Provides ability to smoothly and seamlessly collect data from disparate systems across the enterprise. Features should include the ability to automate and manage these processes. Data must be first accessed and then transformed into useful information.
- **Business intelligence:** Allows users (both technical and non-technical) of the system to query, report and drill down into data, information and details. View summarized and detailed data to investigate and analyze performance and cost. Use data integration capabilities to automate data updates to view current and accurate information.
- **Business analytics:** A scorecard or dashboard is very “thin” if it only provides a status indicator for measures. Status is important to know, but when one asks the question “why,” then analytics can be used to assess the underlying causes. Analytics can be used to prove or disprove cause-and-effect linkages or to forecast future performance, a capability that is especially helpful for budgeting and planning.
- **Web user interfaces:** A performance management system serves as an enabler for communication and collaboration.



An application that is Web-enabled and easy to use is recommended to best achieve this. Web applications serve the purpose of “reaching out to the masses.”

- **ABC software:** Use software specifically designed for ABC modeling and reporting. Using commercially available ABC software lowers the total cost of ownership compared with building customized applications or using desktop software (which both require time and resources to build and maintain).

Summary

Activity-based costing has been transformed from a tool that simply improves the accuracy of cost computations to one that adds immeasurable value to forward-looking government organizations. Leveraging ABC information for performance management initiatives, business intelligence and advanced analytics has elevated its value. Organizations are now able to make smarter decisions about outsourcing, maintenance schedules, caseload shifts and budget requests based on the most complete and robust intelligence.

We are in a new age of opportunity in the government, when organizations truly must respond to the mantra of doing more with less.

Fiscal demands for homeland security, emergency management, defense, education and social programs will continue to dominate the spending at the federal, state and local levels. Governments cannot expect to receive funding increases commensurate with the demands for services; therefore, they must shift their thinking about delivery and management if they are to optimize performance.

The mere availability of technology that enables ABC and performance measurement does not ensure that initiatives will be successful. Strong leadership, cultural support for change and reinforcement of the systems’ value through results are the cornerstones of initiatives that last more than one administration or one fleeting year.

Finally, smart government leaders will always be searching for ways to improve service delivery while reducing cost. ABC and performance management are additional tools in their toolkit for achieving this goal. Government leaders are tax-paying citizens of these great cities, states and nation, so we can all work to find ways to make the tax dollar go farther and do more, thus assuring a bright future for our children and the next generation of leaders.

RM



The Innovative Edge

By Dr. Wayne Applenbite



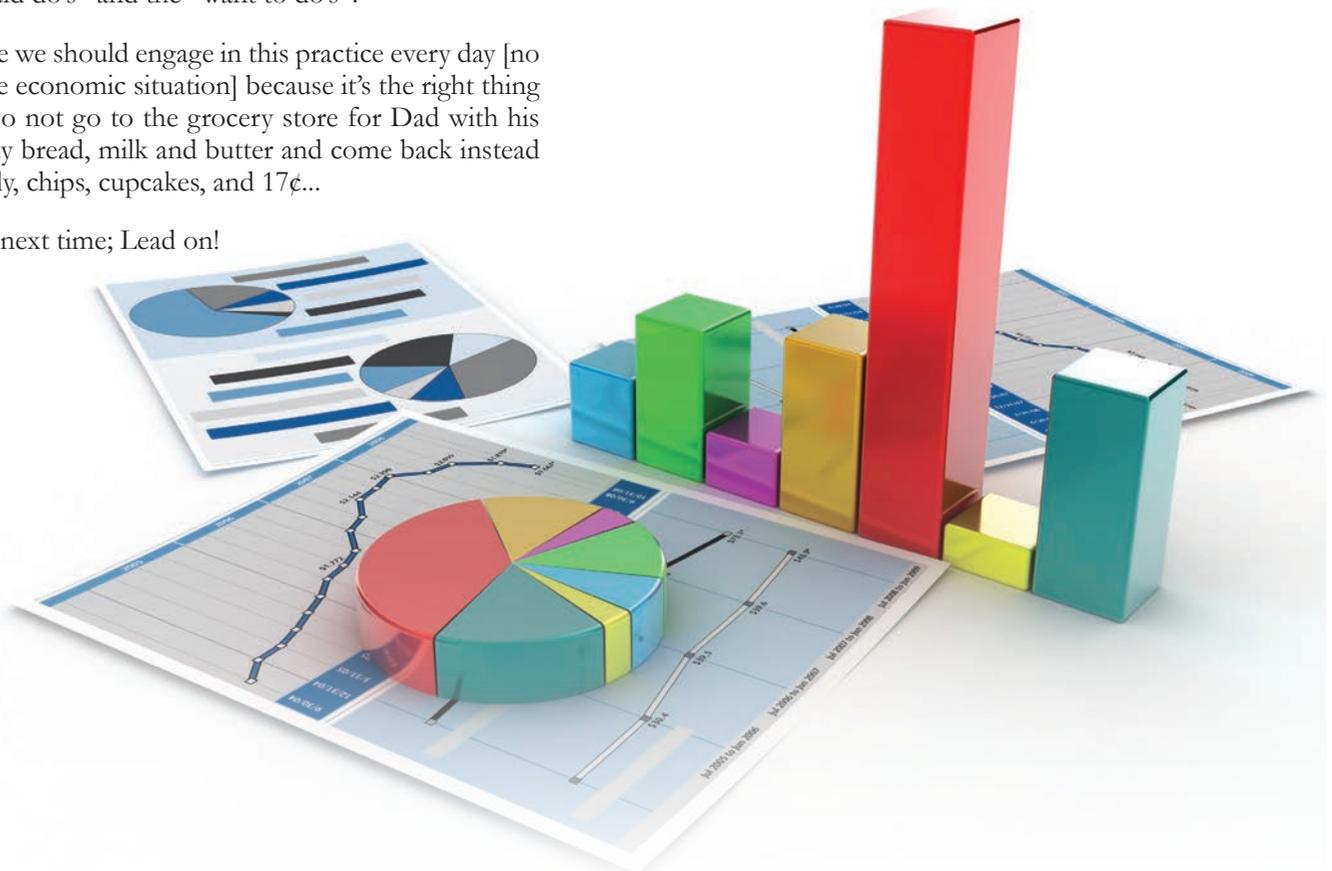
Dr. Applenbite is a co-founder of the leadership development firm, Just Leadership, LLC., and an Adjunct Professor for Boston University. Please visit his website: www.justleadership.net and his Leadership Blog: <http://wayneap.wordpress.com>. If you have a comment or question, you can also drop him a line: wayne@justleadership.net. – Thank you!

Budget Management, as a responsible member of any organization, is crucial.

Today, with our economy not in the best of health, responsible fiduciaries must be prepared to defend every budget line item after having prioritized the “must do’s”, the “should do’s” and the “want to do’s”.

Of course we should engage in this practice every day [no matter the economic situation] because it’s the right thing to do! Do not go to the grocery store for Dad with his \$10 to buy bread, milk and butter and come back instead with candy, chips, cupcakes, and 17¢...

Until the next time; Lead on!



Army Cost Culture Transformation

By Major Donna S. Sims

The uncertainty of the defense budget continues to be a hot topic in Washington. The base budget for the Department of Defense (DoD) increased from just under \$300 billion dollars in 2001 to nearly \$550 billion dollars in 2011. In a time of fiscal uncertainty, sequestration, and declining resources; Congress wants to know how DoD plans to control its spending. In response, the Secretary of Defense developed an efficiency initiative plan to flatten the top line. The plan will not decrease the budget; rather, it redirects money to high priorities during the 2012–2016 future years defense program (FYDP).

In 2011, the Senate Armed Services Committee heard testimony on the defense efficiency initiatives from each Service. Together, they identified \$178 billion dollars in savings. The Services claimed that 80 percent of the savings would be reinvested to support higher priority warfighter capabilities. When the Secretary of Defense asked, who would be accountable for implementing these efficiencies, the answer wasn't clear.

This article discusses how the Army can build on the hope that the efficiencies initiative will transform the Army from a spend culture to a cost culture. As such, holding war fighting decision makers in military occupational specialties (MOS) such as Infantry, Field Artillery, and Cavalry, accountable to implement this transformation is the right answer. Adding an educational approach, such as the Cost Culture Concept Courses (C4) used by the Air Force; and an awards program that rewards saving initiatives would encourage others to join in on the new cost culture.

Holding the Warfighter Accountable

Let's begin by discussing, why holding Army war fighting decision makers accountable for cost transformation will benefit defense efficiencies initiative. First, as the end user, war fighter decision makers are the biggest users of the Army's dollars; therefore, they are postured and have the capacity to make the greatest impact on implementing change in terms of cost throughout

the Army. Additionally, the Army's funding process is designed to support the needs of Army's war fighters, first. For example, in the planning phase, which starts the DoD's funds (Planning, Programming, Budgeting, and Execution (PPBE)) allocation process, Combatant Commanders submit an integrated priority list (IPL) to the Services for funding. This list is so important, that the Chief of Staff of the Army oversees the Chairman's Program Assessment Board ensuring that Combatant Command requirements are included in the Program Objective Memorandum (POM). With deliberate decision support and performance analysis in this initial stage, war fighter decision makers can weed out costly requirements before they ever get added to the POM.

Dr. Joseph Westphal, 30th Under Secretary of the Army and Chief Management Officer of the Army leading the Secretary of Defense's efficiency initiative, testified last year that he and former Vice Chief of Staff, Peter Chiarelli, Chairman of the Joint Requirements Oversight Council, did just that. They used an "ad hoc" decision support process called "portfolio review"¹ to recommend which "weapons" programs to invest in or terminate.

The war fighters are the end users when requirements materialize. Encouraging them to conduct routine performance analysis could eliminate inefficient programs early, saving the Army a good deal of its funding in the out years. Therefore, holding the war fighters accountable will impact cost culture transformation by introducing better quality into the funds allocation process and eliminating inefficient programs early.

Cost Culture Concept Courses

The next focus introduces Cost Culture Concept Courses (C4s) to assist warfighter decision makers to implement cost transformation. The C4s are similar to the Air Force's cost concept courses (C3s). Air University at Maxwell Air Force Base, Alabama, is training its leaders conceptually—according to Colonel Charles Fiquett, Director of Financial Management and Comptroller at Randolph Air Force Base, Texas—about cost transformation. C4s would deal with several aspects of cost, including decision support and performance analysis.

C4s are available across the Department of Defense (DoD).

continued on pg. 19



“...we need to train the war fighters about cost.”

The Defense Finance Military Comptroller (DFMC) Course at Maxwell Air Force Base is one of the courses that curriculum focus on Decision Support (DS). The fundamentals of cost analysis depend on decision support. While cost analysis is a powerful combat multiplier against inefficiencies across DoD, many people don't know how to apply it. Practical application has to be taught in order for the end user to put it to work, and that is what DS does for cost analysis. DS breaks apart the first five steps of the eight steps to cost benefit analysis (CBA) moving it from concept to a workable recommendation that communicates a clear message to the decision maker. The Cost Management Certificate Course (CMCC), managed by the Deputy Assistant Secretary of the Army, Cost and Economics (DASA-CE), hosted at the Naval Postgraduate School in California, teaches performance analysis. Performance analysis is the ability to analyze how your funds performed against the mission it was assigned to support. Also, the Soldier Support Institute (SSI) at Fort Jackson, South Carolina took an enterprise approach to cost planning (CP) by teaching students how to build cost planning data in the General Fund Enterprise Business System (GFEBS). DASA-CE sponsored the development of this capability for DoD and it has just recently been added to GFEBS. Robbin E. Long, a

GFEBS instructor contracted by Binary Corporation, took the initiative to design a course that teaches students to build cost planning data in GFEBS. This training is intricate to performance analysis. Once cost data is built in GFEBS, the system begins to associate all related costs. This makes it easier for comptrollers to conduct expert performance analysis after funds have been executed.

Both the end user and the comptroller have a shared relationship in tracking the flow of funds. Let's use an analogy and equate tracking funds in GFEBS to pouring a glass of water. Say we pour a glass of water and let the "water" represent "funds" and the "glass container" represents GFEBS ability of controlling those funds. As long as the water stays in the glass no problem tracking it, right, it's still in the glass. Now let's pour the glass of water out and let this action represent funds execution, since this, legally, is the job of the comptroller we'll say the comptroller is pouring the water out of the glass upon an approved end user request. What's missing? There is nothing to catch the water when it's poured out, right! You can imagine how difficult it would be to track all the places that water touched when it hits the floor. Well let's change the picture a bit. This time we'll give the end user a glass and let his glass represent the plan, at this point, both



the end user and the comptroller work together to track the flow of funds. The end user places his glass down first, requests the funds, and the comptroller pours the water in the end user's glass. Now, tracking all the places the water touches is much easier. This is cost planning. In the analogy we determined that figuring out all the places where the water landed after being released from the comptroller's glass was nearly impossible. Tracking costs after the fact is the same way. Clearly the end user's involvement makes a huge difference. Although, tracking alone does not equal performance analysis, it is needed in order to expertly analyze cost performance. Building cost planning data in GFEBS takes the burden of tracking away, and is an intricate part of performance analysis. The end users are responsible for building this data because the flow of funds is determined by needs of the warfighter.

Unfortunately though, warfighter decision makers do not generally attend the cost training courses. Cost transformation necessitates cost education. How? Well one idea would be to add the cost courses to the school's curriculum where war fighter decision makers attend. For instance, Decision Support and performance analysis could be added to; the Pre-Command Course, Intermediate Level of Education (ILE), School of Advanced Military Studies (SAMS), and the Civilian Education Advanced Course. All of these courses are held at Fort Leavenworth, Kansas and fall under the Army's Training and Doctrine Command (TRADOC). Just as the Air Force introduced C3 to its Bomber pilots, Squadron Commanders, and Missile Launchers; TRADOC should introduce C4 to its Infantry, Field Artillery, and Armor Soldiers.

Mr. Stephen Spataro, the Combined Arms Center G8, advocated the C4 approach saying "we need to train the war fighters about cost." In dialog with the ILE Course Director, acceptance from the Schools was very much an option and would only be subject to a one for one trade off of courses already scheduled. With Command endorsement from TRADOC, bringing C4 courses to the Army's war fighters is a feasible option. Not only would this adjustment facilitate war fighter decision makers' training, but it would reach three times as many leaders. Consequently, warfighter decision makers can begin using decision support more to submit effective and efficient requirements and can use performance analysis techniques to eliminate inefficient programs. Another idea to sustain

a cost culture transformation could be to implement an awards program.

An Awards Program

So, the final focus of this article is to discuss implementing an awards program that will sustain cost transformation by encourage others to continue cost transformation initiatives. Warfighter decision makers could give achievement, team, and or time-off awards routinely to personnel who identify savings. Doing so would send a clear message across the Army that saving is a definite part of Army culture. A rewards program would also build a plethora of best practices for others to emulate. Take Fort Bragg, for example. This is a place where many Army warfighter decision makers call home; ergo, Fort Bragg is the "Home of the Airborne Infantry." On a recent visit to Fort Bragg's Soldier Support Center, which used to be the old Womack Army Hospital, that now traffics numerous military and civilian customers daily, a sign was posted in the public restroom which read; "By switching from paper towels to electric hand dryers in this one set of restrooms over the course of one year we are saving: 35- 6" Diameter Trees, over one tone of solid waste, over three cubic yards of landfill space, and \$3,500 in supplies along. Greenhouse-gas emissions: 246 pounds using paper towels versus 80 pounds using hand dryers." What a strong message! Not only are they sending a clear message that savings is a part of the Fort Bragg culture, but they are making others feel good about helping support the initiative. What if we all did this? To be sure, whomever came up with the idea to post the sign deserves recognition, and certainly the decision maker who chose to buy electric hand dryer over paper towels for the restrooms should have this codified in lessons learned as a best practice across the Army to support cost culture transformation initiatives. The Army's Chief of Staff is asking all service members to make similar efforts.

In October, 2012, The Chief of Staff of the Army, General Raymond T. Odierno, visited Ft. Jackson, the Army's largest training post for Initial Entry Soldiers (IET), to share among other things, the Army's troop draw down strategy. About cost, he said that "every Soldier's help is required by practicing good financial stewardship."³ He informed Soldiers that with the \$500 billion dollar budget cut DoD has to take over the next 10 years, the Army will lose nearly 80,000 troops by the end of fiscal year 2017.

continued on pg. 21



And while we may not see it, those small dollar savings, similar to the \$3,500 savings Fort Bragg's Soldier Support Center realized from simply choosing an electric hand dryer over paper towels in their public restroom makes a big difference across the total Army. In the end, Odinero said our efforts could yield reinvested savings that may keep the Army's force structure from shrinking beyond 80,000 troops. Undoubtedly, a rewards program would promote savings that could be reinvested to maintain a robust military force, ready to fight America's wars.

In conclusion, war fighter decision makers are the answer when asked 'who would be accountable for implementing the efficiency initiatives. Proportionally, the war fighter decision makers use most of the Army's budget. Numerically, war fighters have the breadth to reach more of Army's Soldiers and therefore, can better implement transformation in terms of cost. Supporting the war fighter's cost culture transformation implementation efforts through education is critical. Sending a tiger team of CMCC, DS, and CP graduates or instructors to Fort Leavenworth to teach C4 lessons at the PCC, CES, ILE, and SAMS courses can serve as a feasible solution. This would provide cost training to the war fighter decision makers quicker, and teach them practical performance analysis techniques and decision support skills they need in order to eliminate ineffective and inefficient programs.

Finally, instituting an awards program that encourages organizations to develop initiatives that embody cost culture transformation supports the mission. When General Odinero spoke at Ft. Jackson, concerning troop draw down, he told everyone to "be able to inculcate ... a way to make the best use of every dollar that we have."³

Certainly, cost culture transformation is sure to support the Secretary of Defense's efficiency initiative, by getting the right leaders to make the right decisions, educate more folks on cost, and sustain initiatives through a well developed rewards program. In the end these garnered savings can be reinvested to support the high-priority needs of war fighters.

¹ Carl Levin. 2011. "Hearing before the Committee on Armed Services, United States Senate, One Hundred Twelfth Congress, First Session." <http://www.gpo.gov/fdsys/pkg/CHRG-112sbrg71377/html/CHRG-112sbrg71377.htm> (accessed September 12, 2012).

² Levin, 2011.

³ Kappler, Susanne. "Fort Jackson Leader" October 25, 2012.

"This article originally was published by the Cost Warrior Newsletter, Volume I, Issue 8. For more information on the newsletter, please contact usarmy.pentagon.hqda-asa-fm.mbx.editor-cost-warrior-newsletter@mail.mil."

About the Author:

*Major Sims is assigned to the Soldier Support Institute's, Financial Management Division as the Instructor for the Deployed Resource Management Course (DORMC). In that role, she focuses on providing relevant and ready instruction on financial systems used in theater, fiscal law, contingency contracting, and theater-specific pots of funding (CERP, ISF, LOGCAP, ACSA, Rewards). In conjunction with 3rd US Army, she provides training on critical tasks. She also is a member of the Palmetto Chapter a Local American Society of Military Comptrollers (ASMC) Chapter, and the Finance Corps Association. **RM***



From Cost Estimates to Decisions

By: Lauren Moore, Shawn Niemi, and Laila Wahedi

The Army must continue to project power, cultivate and strengthen alliances, and maintain the ability to defeat our nation's enemies. In part, success hinges on leadership's ability to efficiently and effectively manage resources in a time of reduced budgets paired with the looming uncertainty and risks imposed by Sequestration. Behind the scenes, a host of cost analysts and program evaluators that utilize sound processes, methods and techniques to support senior decision makers throughout the resource management process. Perhaps, nowhere is the connection between cost analysis and strategic decisions as obvious as it is at the Cost Assessment and Program Evaluation, (CAPE), Office of the Secretary of Defense.

COST ESTIMATES play
a critical role in the
decision-making
process.

Let us examine Cost Assessment and Program Evaluation, (CAPE). Cost Assessment (CA), develops cost estimates for materiel systems, forces and missions along with other Army programs and projects and is critical to the acquisition process. It supports management decisions for different acquisition strategies, hardware and software designs, personnel requirements, and operating and support concepts. CA evaluates these programs at milestone decisions or along their production schedule, depending on the programs size.

CA, in conjunction with Army and Program Offices, each makes an estimate for a given program. The Army and

Program Offices collaborate to produce a Component Cost Analysis, or CCA; while CA makes an Independent Cost Estimate, or ICE. CA often coordinates with the Army and program offices when developing the ICE, and will occasionally designate the Army as the lead or even adopt the CCA as the ICE. The ICE and CCA focuses on the main cost drivers—the quantity of systems procured, labor hours with building the program or system, and top material drivers—as well as the labor rates associated with these cost drivers. In theory, eighty percent of the material cost comes from the top twenty most expensive materials. More efficient technology, processing and management of materials would create greater cost avoidance. When budgets become tight, quantity amounts are usually the first section of the estimate to decrease.

The ICE and CCA are developed separately for Major Defense Acquisition Programs (MDAPs) for which the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD (AT&L)) is the milestone decision authority. Each uses independent methodologies behind developing the procurement, operation and sustainment, and labor costs. With various view points about the actual cost of the system, the Army and OSD alike are looking for accurate costs to allow the Army to budget accordingly.

The second part of CAPE; is Program Evaluation or PE. PE manages the programs portfolio. Different divisions within PE manage different portfolios. For example, the Science and Technology portfolio monitors science and technology investments in budget activities 6.1, 6.2, and 6.3. It is at this level that strategic tradeoffs under DoD-wide budget constraints must be made. Decision-makers making these tradeoffs rely on the ICE and CCA estimates.

Every year, the services submit their POMs to OSD. It is at this point that services are able to see the shifts in investments of the other services from the previous year. OSD and the services then submit issue papers in which they request funding for various programs that fell below the cut line, or voice complaints about changes that other services have made. These issues are mediated by PE. They are sorted by portfolio, and Issue Teams with representatives from all interested parties convene. These Issue Teams provide a forum to discuss strategic tradeoffs, and the merits of each issue.

continued on pg. 23



Cost estimates play a critical role in the decision-making process. First and foremost, they provide the gauge by which PE assesses how close the department is to the top line. If an investment decision is made, cost estimates show how many more dollars the department has left to spend, or how many dollars must be cut.

Cost estimates also serve as a metric in determining which option to select. If a given decision has three options, and option two is almost as good as option one but a fraction of the cost, option two looks more inviting than it would if costs were ignored—especially in a context where trade-offs are being made. Choosing a less expensive option leaves dollars to be spent on other capabilities. Given limited budgets, the Department wants to ensure that they are getting the most “bang for their buck”, and that they are making the choices that provide the greatest capability for the best possible price.

Finally, cost estimates aid the decision-making process by ensuring that vital programs have the necessary funding to succeed. Underfunding a program can cause long-term cost growth and unexpected capability gaps. There is often a pressure for agencies to make costs appear as low as possible, but accurate cost estimates help protect programs that senior decision makers deem vital to our national security interest by ensuring that they are fully funded. Subsequently, if budget constraints necessitate cuts, accurate estimates enable reductions to be executed in a manner that preserves overall health of the program, even if it progresses at a slower pace.

The Issue Teams discuss the merits of the submitted issues, weighing both the strategic advantage of different options, as well as their cost. All interested parties present relevant facts, and the members attempt to resolve as many issues as they can. Those issues that are not resolved at the Issue Team level are packaged and elevated to senior decision makers. The package includes the background information that the Issue Team believes is most relevant to the decision, and a set of options for senior decision-makers to select between. Each option must include a cost estimate.

The issues are then sent to Three-Star Programmer’s Review, where they are discussed at the 3-star level. Some Issues are resolved, and the rest are sent to the Deputy Secretary of Defense for decision. The final decisions are packaged in the RMD and distributed to the comptrollers for adjustment within the budget.

At every step in the process, cost estimates provide crucial information to decision-makers as they make strategic tradeoffs and investment decisions, both within and between portfolios. This provides senior decision-makers the knowledge and flexibility to adapt our military to meet the threats of the 21st Century, while still being careful stewards of the tax payer’s dollars.

About the Authors:

*Lauren Moore is assigned to SAFM-CEA-W Aircraft & UAS Systems and Shawn Niemi with Missile Defense & Munitions, and Laila was assigned to SAFM-CES-U, Unit Mission Costing. **RM***

Element of Resource Codes: Get Them Right!

By: Ms. Meghan B. Mariman

Do you take the time and effort to always specify the correct Element of Resource (EOR) code? Researching the proper code might seem like a mere bureaucratic exercise. To the contrary, an incorrect code is a time bomb that may contribute to seriously mischaracterizing accounts to Army Headquarters, the Office of the Secretary of Defense (OSD), the Office of Management and Budget (OMB) and even Congress! In significant measure, the Army's effective control over its funds depends upon activities specifying correct EOR codes.

For those who may be unaware, an EOR code is a four-digit data element that identifies a specific type of resource being acquired or employed (e.g., communications or utilities). The first two digits relate to an object classification specified in OMB Circular A-11. The final two digits identify the detail needed for Army management reports, budget exhibits and general ledger accounts.

The Army Budget Office (ABO) has particularly noted problems with the EOR coding of service contracts for Advisory and Assistance Services (A&AS). OMB defines a "service" as an identifiable task to be performed, in contrast to delivery of an end item of supply. In turn, the Federal Acquisition Regulation (FAR) defines a "service

contract" as one 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.

A&AS are services acquired by contract from non-governmental sources. The services may support or improve government policy development, decision-making, management and administration or program and project management and administration. They may also improve the effectiveness of management processes or procedures or the operations of weapons systems, equipment or components. A&AS fall into three basic types, each with its own set of EOR codes.

Type 1: Studies and Analyses

Studies and analyses are organized, analytic assessments designed to understand and/or evaluate complex issues. Their objective is to improve policy development, decision-making, management or administration. The end product is a formal, structured document that includes conclusions and recommendations for leadership use. They may include databases, models, methodologies and software constructed in support of the effort. Note: studies and analyses funded under the Defense Environmental Restoration Act are excluded from this category.

Studies and analyses performed by Federally Funded Research and Development Centers (FFRDCs), such as the Rand Arroyo Center, receive EOR code 2513. Those performed by other non-governmental organizations receive EOR code 2514.

SUMMARY OF A&AS EOR CODES		
Studies & Analyses	FFRDC	2513
Studies & Analyses	Non-FFRDC	2514
Management & Professional Support	FFRDC	2511
Management & Professional Support	Non-FFDC	2512
Engineering & Technical	FFRDC	2515
Engineering & Technical	Non-FFDC	2516



Type 2: Management and Professional Support

Management and professional support services contracts provide assistance, advice or training in support of effective management and operation of Army organizations, activities or systems. In most cases, the services closely relate to the basic responsibilities and mission of the serviced organization. They support (or contribute to) program management, logistics management, project monitoring and reporting, data collection, budgeting, accounting and auditing. They may also provide administrative or technical support for conferences or training programs.

Management and professional support services performed by FFRDCs receive EOR code 2511. Those performed by other non-governmental organizations receive EOR code 2512.

Type 3: Engineering and Technical

Engineering and technical services contracts provide technical assistance, instruction and training by commercial companies to Department of Defense (DoD) personnel in the installation, operation or maintenance of DoD weapons, equipment and systems. This includes transferring the knowledge required to imbue DoD personnel with the technical skill required for installing, maintaining and operating such items in a high state of military readiness. Such contracts ensure that existing weapons systems, equipment and components operate at design (or required) specifications.

Do you require additional information on proper EOR coding?

Contact the ABO's Management and Control Directorate, Mr. Adam Beem at (703) 692-5811/DSN 222-5811 or adam.c.beem.civ@mail.mil.

Direct your questions concerning A&AS to Army G-8, Army Study Program Management Office, Ms. Meghan B. Mariman at (703) 692-9029/DSN 222-9023 or meghan.b.mariman.civ@mail.mil.

Engineering and technical services performed by FFRDCs receive EOR code 2515. Those performed by other non-government organizations receive EOR code 2516.

It's a team effort! Army Regulation 5-14 (Management of Advisory and Assistance Services) requires activity A&AS directors to ensure that purchasing, finance and accounting offices receive information sufficient to accurately code contract and accounting records. Working together, activities with requirements and their purchasing/financial management offices can ensure that the Army and the key organizations to which it reports maintain an accurate overview of Army resources.

About the Author:

*Ms. Meghan Mariman is a graduate of the US Naval Academy at Annapolis. While on active duty, she served as an Engineering Officer and a Public Affairs Officer. She currently serves as the Director, Army Study Program Management Office, Army G-8 since September of 2012. Previously, she served as an analyst within the same office. **RM***



Communicating the Cost Benefit Analysis: An Action Officer's Perspective

By Timothy J. Edwards

The most difficult aspect of a cost-benefit analysis (CBA) is the communication required to bring the CBA to fruition. By the same token, the most rewarding aspect of performing a CBA is the realization that the CBA has been communicated effectively, and decision makers and customers understand what the action officer (AO) has known all along. That is, a CBA is both art and science. Numbers might not lie (or we hope they don't), but they never tell the whole truth of the matter. This little essay is more experiential than research based. It is intended to generate thought, provoke discussion, and perhaps offer humble advice from one who often finds himself in the trenches with other AOs seeking to affect a positive cost-management solution.

CBA communication is omni-directional. There is no single lane in the road that leads to a successful outcome and, normally, no single source of inquiry to build a solid CBA. The AO may have the idea and may know the solution and how to get there, but the details are likely in several databases or even organizations. Anyone who has tried to track the status quo costs of a project, program or piece of equipment knows how difficult it is to unearth the total status quo cost. Once those costs are determined and the numbers are crunched—to show such things as net present value, benefit to investment ratio, or savings to investment ratio—the AO must communicate in a different direction and with a different message. Historical and future communications require different methods to turn a CBA into more than just a good idea and a pile of numbers. Hence, it is imperative that the AO become as proficient as possible in several modes of personal communication.

Jay Conger hits the nail on the head as to one of the main reasons that a CBA fails before it has a chance to succeed.¹ That is, decision makers are not persuaded

sufficiently. Stating a position strongly, supporting one's arguments well, and pushing decision makers toward a close will, most likely, fail. Why? It's because the persuader failed to consider all those pesky human factors. Humans make decisions in the world of cost management and, for good or ill, the AO must consider how to lead another human to make the requested decision.

In the world of CBAs, numbers don't sell an idea; communication does. Good numbers and math are imperative, but they must strike a spark that flames up to engulf the "so what?" of the matter. Here are a few things to keep in mind when developing and selling a CBA

What do they want?

I will be the first of a long line of people to visit your door if you can answer this. We may speak of the Army or cost management in terms of machinery, e.g., cogs in the wheel, processes, and drivers. But ultimately it is about convincing another person to provide information or to agree to the information we present. A bit of research on a decision maker will go a long way toward achieving a positive outcome. For example, is he or she a linear or an abstract thinker? Most commanders and senior leaders will issue guidance on what is important to them and on what they expect in a briefing. Crafting the CBA along those lines will put one's foot in the door. Conversely, the information required to build a solid CBA is often in the hands of someone well down the chain of command. Hence, proper respect of the holder's position is necessary to unlock hidden treasures that give life to a CBA.

Are you credible?

Once when working on a CBA, I was asked by the command's ombudsman: "why is a librarian dabbling in this?" My first thought was to respond: "Because I know more about it than you do." Fortunately, I had just enough sense to hold my tongue and explain my position thoroughly. I won; he won; we all won! "Because I know more about it than you do" may sound wonderful when spoken by James Earl Jones in a movie, but it generally resonates badly in real life.

Is this good?

It's not a bad suspicion to wonder about the motive behind a CBA. Was it ordered from higher echelon? Is someone trying to make a name for themselves.

continued on pg. 27



There is a “what’s in it for me” sphere in this question, but often as a CBA moves up the chain of command and outward, the question becomes whether it is good for all concerned. Aside from the cost benefit, is there personal and organizational benefit that should be carefully explained in the non-quantifiable section of a CBA? It is nearly impossible to affix a number to personal satisfaction, but it is possible to convey goodness beyond the strictness of the numbers. Give it careful thought.

How heavy is it?

If you’re like me, when handed a 100-page document and a 20-page document, you will give more attention the light one. Decision makers are chronically short of time, therefore edit the CBA down to fighting weight. Economical use of words is as valuable as the supporting cost metrics. If a CBA does not state the obvious (i.e., what you want) within the first paragraph and if the supporting evidence is not made clear within an executive summary of fewer than two pages, it likely will fail to persuade a decision maker.

Is it universally understandable?

Mastery in a subject area is marked by the ability to simplify concepts and language so that an outsider can

understand it. Excessive technical language should be appended and referred to within the CBA. Senior decision makers often rely on internal technical experts to advise them on the details. Besides, the opportunity to bedazzle them with technical jargon will arise during a briefing. Even then, use it sparingly; otherwise, an AO may be like the theologian who prayed in such lofty language that his audience wondered if even the Almighty could understand what he wanted.

Hopefully, these tips will help you persuade the reader of your CBA’s value.

1 Jay A. Conger. “The Necessary Art of Persuasion.” Harvard Business Review, 1990, 84–95.

“This article originally was published by the Cost Warrior Newsletter, Volume I, Issue 8. For more information on the newsletter, please contact usarmy.pentagon.hqda-asa-fm.mbx.editor-cost-warrior-newsletter@mail.mil.”

About the Author:

*Timothy J. Edwards is the Command Librarian, Army Material Command, Redstone Arsenal, Alabama. **RM***

Interagency

By: MAJ John Roub

A large part of this vision is giving the US Military “the partner it needs and deserves”.

Executive Summary

The US Department of State is responsible for representing our nation abroad in an increasingly complex global environment where threats and opportunities are magnified. Recent conflicts abroad have exposed some challenges in State’s ability to carry out these responsibilities - challenges that require additional diplomats and enhanced training to better position State for the complex and vital mission it must perform. The Defense Department shouldered some diplomatic responsibilities in these recent conflicts. Calls for increased State funding by Defense officials reflects a consensus view that, despite successes in State-Defense partnering on diplomatic missions in Iraq and Afghanistan, Defense must focus its shrinking resource base on the conventional war fighting function. State has the talent and expertise to effectively apply our nation’s soft power. State has interagency programs and an organizational structure well suited for partnering with Defense to ensure foreign nations respect the nation’s ability and will to “swing the hammer” when necessary. For Defense to better focus on application of the “hammer”, leaders in State, Defense and stakeholders throughout the government’s foreign policy resourcing construct are focused on increasing State’s personnel numbers and training effectiveness. The Quadrennial Diplomacy and Development Review, (QDDR), establishes an inspiring vision for partnering with Defense and addressing the myriad other challenges where State must lead interagency efforts abroad. The QDDR relies on a much needed planning and budgeting paradigm for achieving its lofty vision. The planning and performance based focus takes State in the right direction but congressional reports continue to indicate challenges in quantifying and measuring its programs. Defense can help with sharing of its own resourcing paradigm – a construct that links planning to budgeting through programming; an analytical construct for answering the

who, what, when, where, how and how much of capability requirements.

Introduction

According to Prussian military theorist Karl Von Clausewitz, “War is merely a continuation of politics, by other means.” From March into May of 2003, US actions in Iraq reflected that definition. However, as Operation Iraqi Freedom continued into the summer and beyond, the operations conducted by the military were more accurately described as a continuation of war by other means. Organizing local elections while rebuilding civil infrastructure and igniting economic growth is more in the realm of diplomacy and development – roles designed for Department of State and USAID. The Department of State answered the call to duty the best it could but the best State could provide was often not enough, as many diplomatic positions went unfilled or were filled by Foreign Service Officers lacking such prerequisite abilities as Arabic language proficiency. Fully cognizant of the military’s need for a bolstered diplomatic partner, former Defense Secretary Gates engaged Congress for higher State Department funding to increase the number of Foreign Service officers and align their training to match 21st century requirements. Equally cognizant of State’s inadequate planning and mindful that Defense successes in funding relied on solid planning and programming, Secretary Clinton unveiled the Quadrennial Diplomacy and Development Review (QDDR). The QDDR establishes a vision where DoS genuinely leads US Government efforts abroad, providing legitimate and competent oversight of all other US Agencies. A large part of this vision is giving the US Military “the partner it needs and deserves”.

As I conclude my year at the State Department, in the capacity of an Army Interagency Fellow earning a Command and General Staff College degree, (by other means), I’m compelled to share my observations on the State – Defense partnership. I’ll begin by summarizing State capabilities and the partnership linkage to Defense, before addressing State’s personnel and training shortfalls, and other Departmental characteristics that seem to impede State’s realization of the QDDR vision. I’ll conclude with summary comments on the State-Defense partnership and suggest how each agency can help State realize the QDDR vision, giving the US Military “the partner it needs and deserves.”

continued on pg. 29

Department of State Responsibilities and Capabilities

The core of State Department responsibilities emanates from Title 22, United States Code assigning management of foreign affairs to the Secretary of State. In this capacity, State leads interagency coordination and direction, both in Washington and at US posts abroad. The Department's Washington bureaucracy provides resourcing and policy synchronization to almost 300 diplomatic and consular posts worldwide through six geographically based (regional) bureaus. There is a wide and growing range of "global affairs" bureaus covering economic affairs, political-military affairs, energy affairs, environmental issues, human rights and democracy and refugee issues, among others. Functional bureaus such as the Bureaus of Consular Affairs, Diplomatic Security, Overseas Building Operations and Administration control specifically defined functions and areas. Generally speaking, the bureaus are organized within one of State's six undersecretaries: Political Affairs; Management; Arms Control and International Security Affairs; Civilian Security, Democracy, and Human Rights; Economic Growth, Energy, and the Environment; Public Diplomacy and Public Affairs that roughly align to at least one of the five functions within the Foreign Service. The five tracks include: Political Affairs, Economic Affairs, Public Diplomacy, Consular Affairs, and Management. The capabilities of these tracks require professionals adept at negotiation, communication, persuasion, reporting, analysis and management. Work at overseas posts and domestically is carried out by Foreign Service Officers (FSOs) divided among the five career tracks, as well as Foreign Service Specialists (Diplomatic Security Agents, Financial Management Officers, Human Resource Officers, Medical Officers, Secretaries, etc.) The FSO vs Specialist distinction is somewhat akin to commissioned officer vs warrant officers in the military. The Foreign Service career tracks represent the Capabilities State brings to our government and are discussed below along with a summary of the bureau linking them to Defense.

Representing the US Abroad (Political & Economic Affairs; Public Diplomacy)

Political and Economic Affairs FSOs represent the US in an official capacity across all aspects of international interactions. Economic Affairs FSOs cover all economic interests, to include agriculture, science and technology,

intellectual property, environmental issues, and other areas with a close link to global trade. Economic FSOs must have an elevated understanding of economic intercourse but more importantly, must use their skills to lead interagency efforts, relying heavily on interagency cooperation to share economic expertise. The Economic Affairs Track is overseen by the newly-branded and expanded office of the Undersecretary for Economic, Business and Agricultural Affairs. From a State-Defense partnership perspective, there is a counter threat finance mission within the traditional Economic Affairs function which leads interagency efforts, to include DoD entities.

Political Affairs FSOs focus on all other aspects of official US interaction abroad, representing U.S. views on a broad range of issues and maintaining a circumspect situational understanding to influence foreign policy in Washington. The political track has traditionally been the "power track" toward ambassadorial assignments, which helps maintain this Foreign Service Track as the most sought—after and toughest in which to gain entry. The political track still maintains a plurality of ambassador assignments but a strong effort by State's HR ensures increased representation by other career tracks—including consular and management—among ambassadorial assignments. Political Affairs represent the diplomatic capability most relied upon in civil-military operations: negotiations with allied military's, other foreign governments and non-governmental organizations. Success is largely fostered by the six regional bureaus providing a broad range of support to all posts in their geographical area or responsibility. The Undersecretary of State for Political Affairs oversees all regional bureaus.

While the Political and Economic Affairs FSOs engage primarily with overseas government officials, the Public Diplomacy FSO focuses on delivering the appropriate message to the broader population. Public Diplomacy carries out its mission by promulgating the values and history of our country through exchange programs, library and speaker programs, press conferences and press releases, use of social media, etc. The bureaucratic link to Public Diplomacy capabilities is found throughout the office of the Undersecretary for Public Diplomacy and Public Affairs. Information operations in the military is largely focused on the same mission and the importance of a well synchronized message between State, Defense

and other government agencies is highlighted in current military doctrinal sources.

Management of International Diplomacy (to include Consular Affairs)

At the intersection of representing US interests abroad and administering the management of diplomacy is the Consular Affairs function. Consular Affairs falls within State's Undersecretary for Management, and when considering the process driven functions of administering the visa provisions of US Immigration Law, the management category seems appropriate. However, Consular Officers often have more daily interaction with foreigners than do their embassy colleagues, making them informal "first-impression" diplomats much in the same way military members are. From this perspective, they too represent US Interests abroad. Most important from a Defense perspective, close collaboration with consular officers enables non-combatant evacuation (NEO) planning and other efforts to protect Americans abroad, while effective visa processing protects the homeland. Since 9-11, Consulate Operations have been part of frontline efforts to thwart terrorism, which enhances resourcing opportunities and prestige.

The remaining management functions abroad are carried out under the supervision of a Management Officer, who ensures all logistical, construction, financial, legal, administrative and personnel and requirements for an Embassy are functioning to best support the mission. These same functions are supported in Washington, largely by the bureaus within the office of the Undersecretary for Management. The Embassy is often engaged in discussions of interagency and intergovernmental logistical requirements, demanding as much diplomatic skill as the political officer. The State Department uses a well established, interagency cost sharing system called International Cooperative Administrative Support & Services, or ICASS in order to fairly apportion the shared costs of housing multiple agencies in embassies and consulates overseas. The Management Officer works closely with the Embassy/Consulate ICASS Council where all agencies sharing management support voice support requirements and determine feasible options for meeting the collective support requirements. In comparing GAO reports on ICASS between 2004 and 2012, it's clear that the growth and efficiency of this interagency cost sharing tool has improved substantially.

Another area of interagency success for State resides within its organizational structure, enabling synchronization of the State-Defense partnership. It's a key part of Secretary Clinton's 3D focus (Diplomacy, Development and Defense).

The Bureau of Political-Military Affairs

Residing within the office of State Departments Undersecretary for Arms Control and International Security is the Political-Military (Pol-Mil) Bureau, facilitating effective collaboration between the capabilities described previously with Defense counterparts. The Pol-Mil Bureau includes a security negotiations and agreements directorate function that interfaces with DoD and host nations to establish Status of Forces Agreements (SOFA) while negotiating to spread the burden of security among beneficiary nations of security services. Pol-Mil recruits and vets Foreign Service Officers for prospective duties as political advisors, (POLADS), to military service commands, combatant commands and NATO commands; reviews State Department strategic planning documents for synchronization with national security and defense plans; facilitates planning and programming of foreign military financing requirements; and serves as a conduit for integrating diplomatic functions into defense exercises.

The Pol-Mil Bureau is well structured to facilitate a synchronized State-Defense partnership. I actually served as one of the State role players in a NORTHCOM led exercise while assigned on the interagency team within State's Office of Emergency Management. My only concern regarding the partnership was the capacity my full time colleagues and I served in was not an emergency management one. We were filling in due to personnel shortages within the office that would usually participate in the role play. This instance of personnel shortage was not an isolated incident.

Why Leaders are calling for a bolstered and transformed diplomacy

In short, a large and chronic shortage of qualified personnel resulted in far too many vacancies at diplomatic positions over the past ten years. The vacancies were most acute in Iraq, Afghanistan and the broader Middle East where large shortages triggered reallocation of almost 300 Foreign Service personnel from lower priority posts.

Despite the reallocation, 17% of hardship posts remained unfilled in September, 2008 and the Defense Department usually paid the price by assigning its own personnel to cover critical positions in Iraq, Afghanistan and Pakistan. Overall, 14% of diplomatic posts were unfilled in 2008 and another 14% were filled by “upstretch” personnel – individuals’ serving in higher grade positions than their experience qualifies. From the State personnel filling positions, to include upstretch, many lacked the required qualifications. Lack of necessary language skill was and remains the largest training deficiency, with over 50% of personnel occupying Arab speaking posts lacking the required language fluency required.

The GAO has tracked both shortfalls since they became widely recognized about five years ago. Significant improvements have been made both in terms of increasing personnel numbers and ensuring they receive the necessary training for their posts but it’s an uphill battle as new requirements keep pace with increased hiring. The latest GAO report indicates vacancies and “upstretch” fills each represent approximately 14% of required positions. Additionally, although training is better aligned to core capabilities, GAO remains concerned about program analysis and evaluation as it cites the limited approach to capturing expenditures and insufficient evaluation techniques for assessing whether the training met its objectives. The QDDR recognizes State’s lack of analytics and strives to correct this shortfall through a strategic planning and budgeting construct, which emphasizes a better monitoring and evaluation system as part of a better coordinated, more transparent system.

From my observations in State’s Bureau for Budget & Planning (BP) and as a member of United States Forces – Iraq (USF-I), working on the OSC-I budget, increased budgetary interaction and transparency is required in the State-Defense partnership. The lack of transparency was evident when the USF-I budget team was unable to explain State’s request for security reimbursements to USF-I leadership. State’s estimate was at least twice what we were estimating based on historical USF-I data. Within a week of my arrival in BP, I learned that security costs included all basic life support (BLS) costs needed to support security contractors and that the BLS estimate was a very conservative estimate to begin with. Increased budgetary interaction could reconcile these differences before too



much or too little funding is appropriated and before formal cost sharing documents are struck. Increased budgetary interaction could also expose State to the heart of Defense’s resourcing paradigm – programming . Programming links planning to budgeting, providing an analytical construct for answering the who, what, when, where, how and how much of capability requirements. A primary objective of the QDDR is Working Smarter and a component of the planning focus toward that end seeks collaboration with interagency partners to achieve a unified national security budget.

The QDDR also seeks to improve State’s lead role in interagency collaboration abroad and I believe this need for corrective action stems in part from the departments bureaucratic culture. I recall too many examples of engagements where a noticeable focus on bureau specific interest obstructed collaborative efforts to achieve a unified department view. The most memorable illustration of this bureau centric focus came after I had drafted a department budget request for Iraq based on each bureau’s narrative and a budget colleague from one of the submitting bureaus responded by noting that the summary was no longer the bureau’s request. Of course, he was correct. And as I responded to him, it was the department request and it represented his bureau accurately but as part of a cohesive Department narrative. Perhaps this lack of unity, which manifests itself in modes of self preservation at the individual, bureau and even department level, is a natural consequence of the Foreign Service professionals mission. The career Foreign Service personnel undergo a rigorous entrance process and then spend their lives immersed in a career track where they glean a unique and valuable sense of cultural relativism



that is, at times, in contradiction to the US Policy they are sworn to advocate. To compound the challenge, some State political appointees with substantially less Foreign Service experience, steer the Department irrespective of the Foreign Services counsel. Worse is the case in which non State political appointees steer Foreign Policy without Departmental vetting and in ways for which the Department is simply not prepared.

Conclusion

Current State Department initiatives such as the QDDR and the Diplomacy, Development, and Defense emphasis in addressing national security set the right tone for a State-Defense partnership. The Bureau for Political-Military Affairs and interagency exchange programs, like the one I'm working to complete, help to synchronize the partnership and increase mutual understanding.

Taking the next step requires the sort of interagency sharing and transparency envisioned in the QDDR's commitment to working smarter. Integrating Defense's program and budget construct within Pol Mil would be a large step toward interagency programming and leveraging of shared resources, saving tax payer dollars and allowing decision makers to view a more unified picture of national security requirements, capabilities and shortfalls. It would bolster State's effort to inject analytics into its budget justification process, helping to ensure realization of personnel and training goals. I see no immediate antidote for the bureaucratic culture but increased transparency and resource sharing could erode the distrust behind bureau centric thinking. A refreshed, whole of government, mindset is necessary for enabling leadership of interagency efforts abroad - in national security efforts and all efforts enriching our American way of life. **RM**

ACC 13-II

February 4 - 22, 2013 (left to right)



*Back Row: Greg Caplinger, Carlos Casillas, Debbie Nelson, Daniella Fitzhugh, Geri Fields, Kevin Taylor, Mona Maham, Courtney Watkins, Carrie Lambertus, Gordon Gipner, Tasha Pettis, Rick Baranoski, Aaron Sager Second Row: Tom Willson, Pam Pistella, Sandra Weegmann, *RiShard Robinson, Chi Ok Rolle, *Leigh Wild, Sharon Valdez, Michael Nixon, Shannon Eimer, Julie Fowler, Stephanie Adkisson, Hanyoung Pak-Spalding, Ronna Wilson, Irma Finocchiaro Seated Row: James Althouse, Stacy Towns, David Murn, Melissa Pitts, Karen Polk, Donna Mears, Philip Kostka, Janette Joseph, Janay Parham *CLASS LIAISON*



Comptroller Proponency Office
Office of the Assistant Secretary of the Army
(Financial Management and Comptroller)
Resource Management
Professional development bulletin
SSN 0893-1828
ATTN: SAFM-PO, 109 Army Pentagon,
Washington, DC 20310-0109