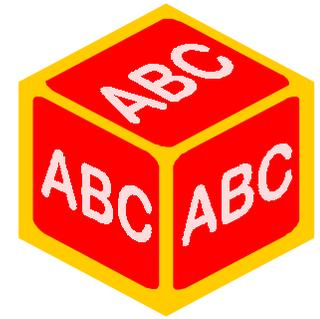




Cost & Performance Management Team Cost Management / Activity Based Costing Training

**Army Implementation
CEAC Support and
Training**

Subjects Covered



- ✓ **Army Cost Management / ABC Plan**

- ✓ **Implementation Support**
 - ***Software & Technical Support***
 - ***ABC/M Courses Offered***
 - ***Prototyping Support***
 - ***Training Materials***



Creating A Cost Management Culture



- ✓ Know The True Cost Of What You Do - *Not Knowing Cost Makes Everything Appear Free*
“Free Goods Have Infinite Demand”
- ✓ Cost Management is Compatible With Military Leadership
- ✓ Cost Management Is Not Easy -- You Have to Understand a Little Managerial Accounting
- ✓ Cost Management Sounds Like “Do More With Less” - *It Is! Improved Methods / Processes Lead to Doing More With Less*

Shifting From Budget To Cost



Budget Management

- Attention on Inputs
- Focus on Sources of Funds
- Execute Budget First
- Reward for Securing Spending Authority
- Project Expenditures
- Centralize Budget Decisions

Cost Management / ABC

- Attention on Outputs
- Focus on Cost of Outputs
- Maximize Productivity First
- Reward for Leadership in Achieving Ambitious Cost Reduction Targets
- Forecast Cost/Commitment
- Decentralize Decisions to Cut Costs & Improve Quality

Cost Management Plan

Basic Concept



- **Create a Cost Management Culture Within All Army Business Areas (11) That Support the War Fighter**
- **Business Area(s) Develop Detailed Implementation Plan for Approval (Flexibility To Assess Using ABC)**
- **Business Areas Fully Integrate Cost Management Into Management Processes (Balanced Scorecard)**
- **Cost Management / ABC Will Support BPR & BPI (Benchmarking) Efforts**
- **Implement Cost Management / ABC in Three Years From the Time the Strategic Campaign Plan Is Approved**
- **Business Area Implementation Consists of Two Complementary Components Operational & Strategic**

Implement Cost Management / ABC in 11 Business Areas

*Create a Cost Management Culture Within All
Business Areas That Support the War Fighter*

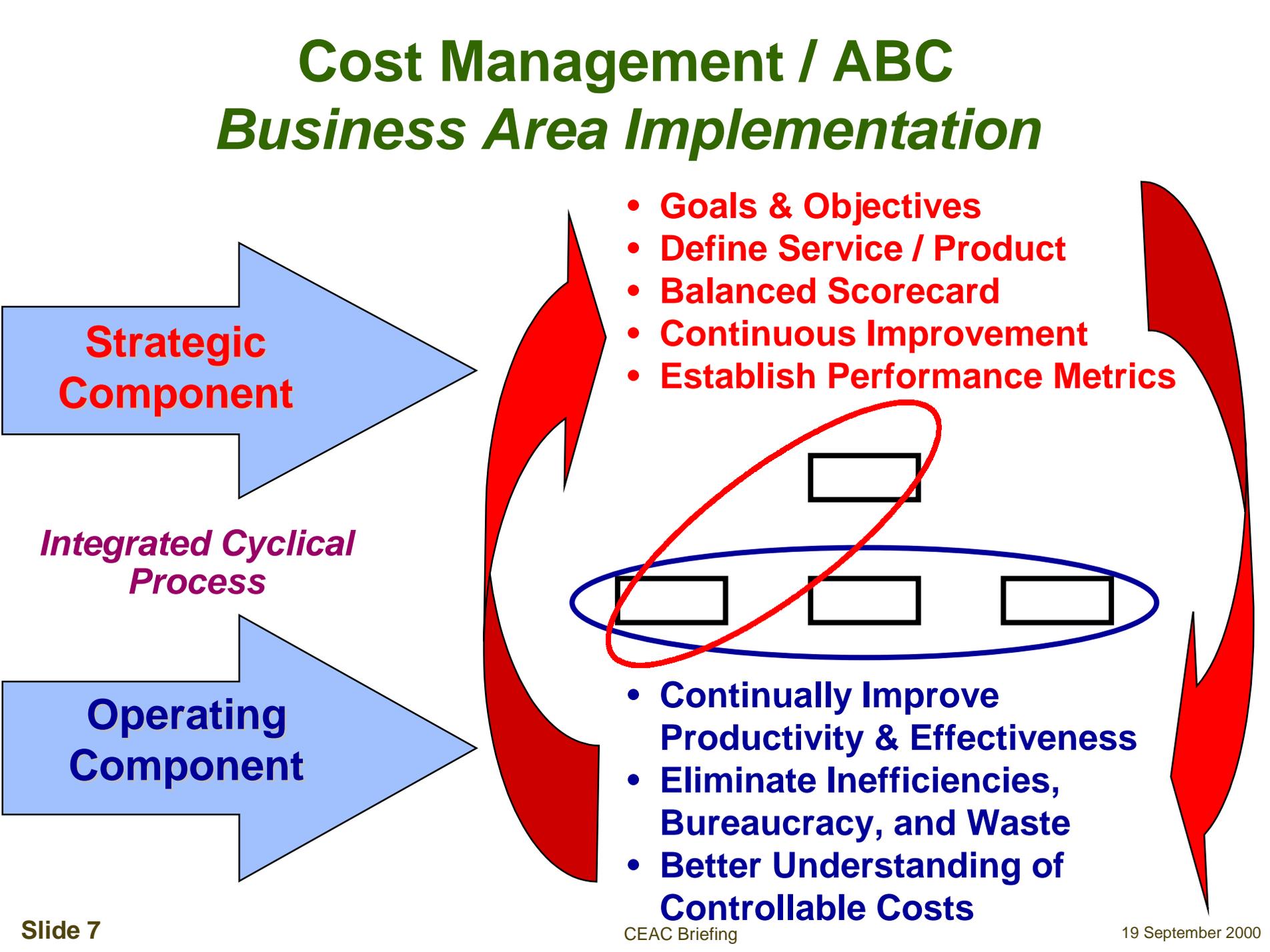
- ✓ Depot Maintenance Operations
- ✓ Supply Management
- ✓ Ordnance
- Information Support
- ✓ Civilian Human Resources
- Institutional Training
- ✓ Base Operations & Support
- Research & Development Laboratories
- ✓ Test and Evaluation
- ✓ Contracting Process
- Acquisition Process

*Tied to the CSA's
Strategic
Readiness System*



Cost Management / ABC

Business Area Implementation



The diagram illustrates the Business Area Implementation process. On the left, two large blue arrows point right: the top one is labeled 'Strategic Component' and the bottom one 'Operating Component'. Between them is the text 'Integrated Cyclical Process'. On the right, a large red circular arrow surrounds a central area. This area contains a list of five red bullet points at the top and three blue bullet points at the bottom. In the center of this area are three white rectangular boxes arranged horizontally, with a blue oval around them and a red oval above them.

Strategic Component

Integrated Cyclical Process

Operating Component

- **Goals & Objectives**
- **Define Service / Product**
- **Balanced Scorecard**
- **Continuous Improvement**
- **Establish Performance Metrics**

- **Continually Improve Productivity & Effectiveness**
- **Eliminate Inefficiencies, Bureaucracy, and Waste**
- **Better Understanding of Controllable Costs**

Cost Management / ABC

Business Area Overlap Issue

Test Center
Test and Evaluation Business Area

Test Range	DOIM	DOL	DPW	DCA	DOC
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Base Support Business Area

Information Support Business Area

Contracting Business Area

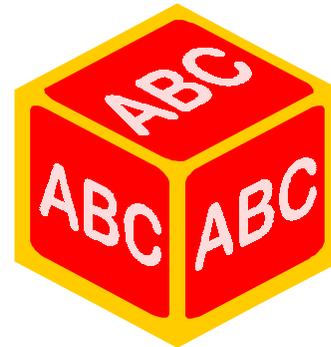
ABC Models Measure Manager's Responsibilities

Cost Management / ABC

Cost Management is a Process of Continuous Improvement that Simultaneously Focuses on Cost and Performance To Gain Efficiencies, and Improve Operations Through Informed Decision Making



**Cost
Management
Doctrine**



**Cost
Measurement**



**Cost
Savings**

Cost Management Doctrine

“Managing Costs for Superior Performance”

4. ASSESSMENT

- Conduct Leader-led productivity assessment sessions
- Evaluate Resource consumption vs. value vs. strategic objectives
- Identify improvement opportunities
- Evaluate effectiveness/usefulness of measures and reliability of data
- Develop recommendations for change

3. EXECUTION

- Power down
- Activity/Process manager adapts plan as required
- Fix responsibility for data collection
- Collect data and track results
- Motivate subordinates

1. LEADER DIRECTION

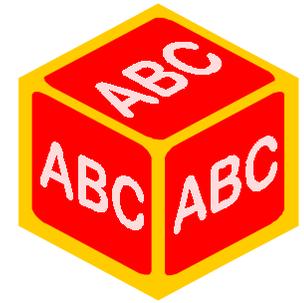
- Establish goals & objectives
- Reward success/maintain accountability for continuous improvement
- Define cost and performance data required
- Make decisions based on productivity information
- Set agenda – focus effort (every cycle)



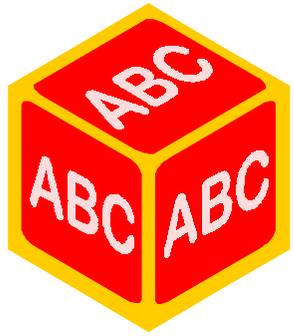
2. PLANNING

- Put manager in control and make accountable
- Establish mutual agreement on objectives including cost and performance data desired
- Develop execution plan
- Communicate plan

Keys To Success



- ✓ **Train To Improve ABC Technical Expertise**
- ✓ **Ensure There's Motivation To Undertake Heroic Efforts To Bring About Change. . . *If not in a Crisis, Create It***
- ✓ **Plan For Organizational Resistance To Change**
 - **Legitimacy. . . *CEO Must Be Champion***
 - **Interdependent Environment. . . *Link To Preexisting Ongoing Process-Oriented Improvement Programs***
 - **Security. . . *People Generally Do Not Willingly Make Choices That Threaten Their Own Security***
 - **Critical Timing. . . *ABC Must Be Available When Needed***
 - **Coordination & Integration. . . *Cross-Functional***
 - **Incentive Alignment. . . *Organization / Individual Performance***



Cost Management / ABC

Measures of Success

Milestone

Completed Model

“Accurate” Model

Sustained ABC

Opportunities Identified

Decisions Made

Actions Taken

Improvements Initiated

Measurable Improvements

Measurable Success

Cost Awareness



Improved Management



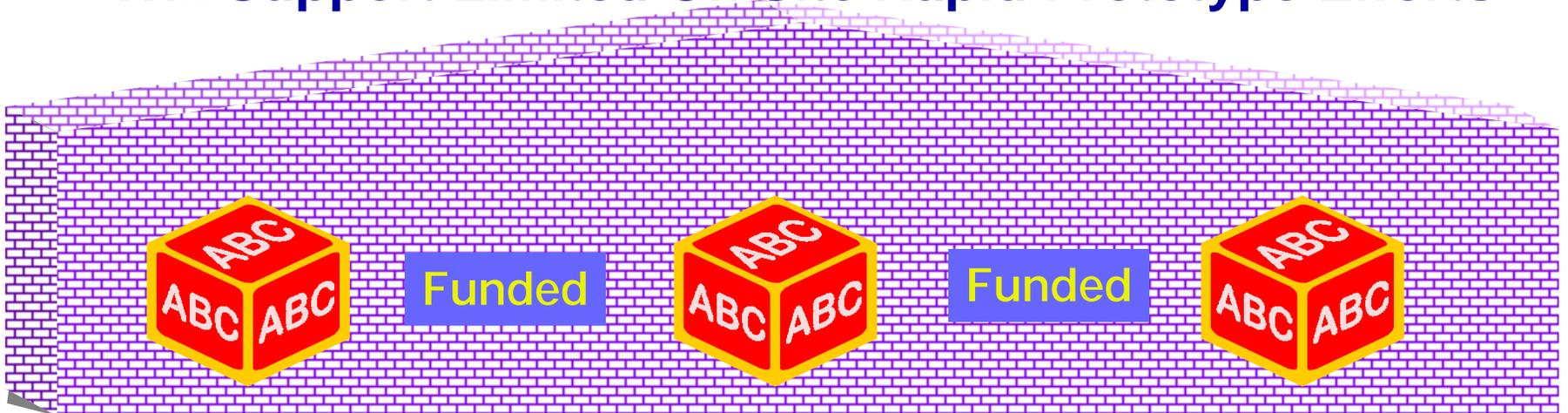
Improved Processes



***Competitive Success &
Transformational Change***

Centrally Supported Software Acquisition & Training

- ✓ Funding Army Wide ABC Software . . .
- ✓ Funding Army Wide ABC Software Sustainment . . .
- ✓ Provided Initial Business Area Staff Training . . .
- ✓ Established Cost Management Courses . . . *Started June 5-9, 2000*
- ✓ Will Support Limited On Site Rapid Prototype Efforts



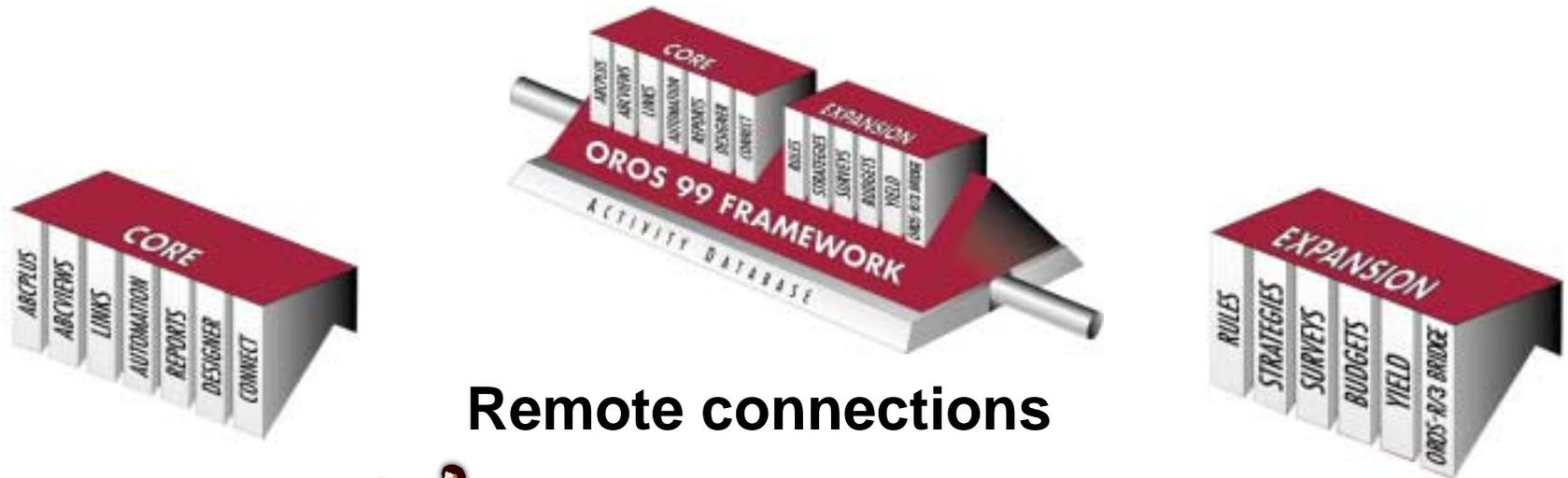


ABC Software and Sustainment

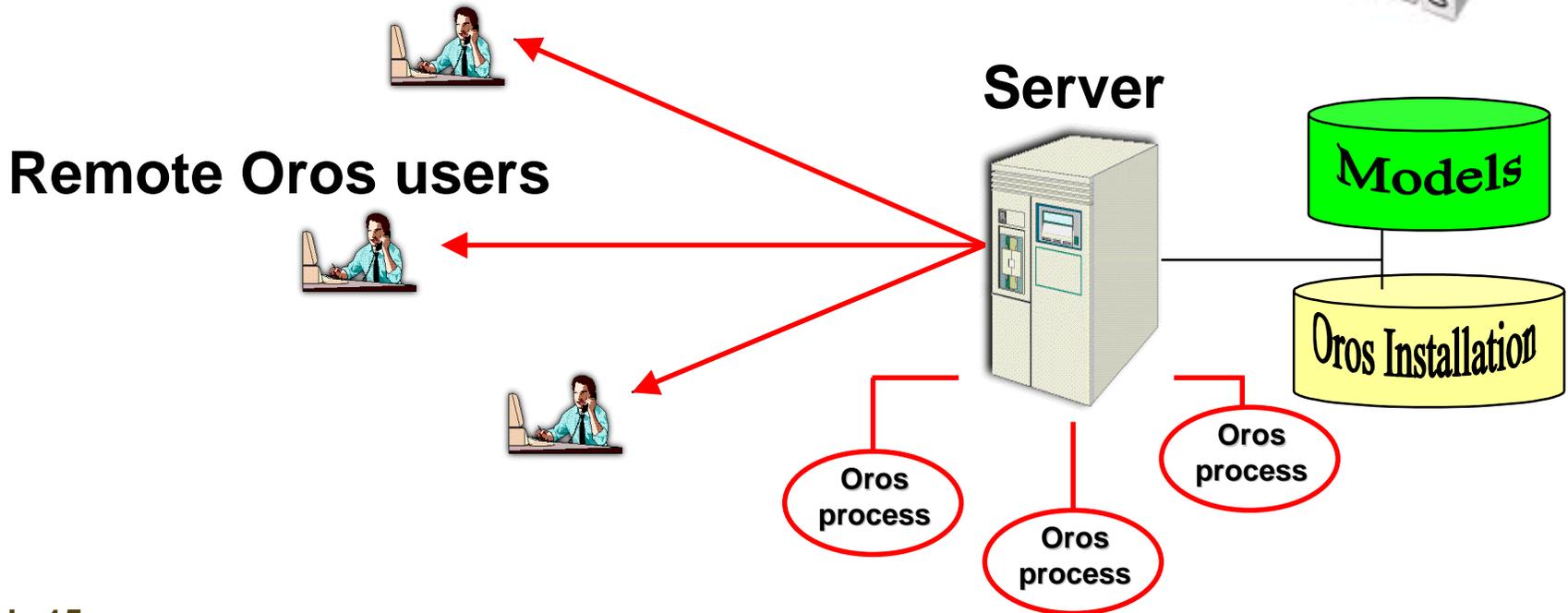
Oros ABCPlus software:

- ◆ Licenses for software include Expansion package
- ◆ Software maintenance for all users. If previously purchased by activity, USACEAC will renew software to same capability level provided for other Army users
- ◆ Dedicated help desk support at ABC Technologies funneled thru MACOM POCs
- ◆ Contract vehicles for obtaining supplemental ABC training and on-site technical and consultant support
- ◆ Contact Vernell Lewis, USACEAC, Vernell.Lewis@hqda.army.mil, DSN 329-4146, (703) 601-4146

Oros ABC Plus Software Version 4.3



Remote connections





Current CM/ABC Training

- ◆ **Cost & Performance Management Team CM and ABC/M Training (5 days)** for implementing teams responsible for building and maintaining ABC models
- ◆ **Organization/Staff Level CM and ABC/M Orientation (2 days)** for headquarters and staff of organizations implementing CM and ABC/M
- ◆ **Executive Briefing on CM and ABC/M (1-4 hours)** for General Officers and Senior Executives



Cost & Performance Management Team Implementation Training

- ◆ **Conducted at CALIBRE Systems training facility in Falls Church, VA with limited OCONUS on-site presentations**
- ◆ **16-24 students per class**
- ◆ **Topics covered:**
 - **CM and ABC/M principles and application**
 - **Oros ABCPlus software training to build ABC models**
 - **Developing performance measures**
 - **Implementing ABC/M at the local level**
- ◆ **On-site requires classroom w/PCs for students**



Cost & Performance Management Team CM and ABC/M Training

Day 1	Day 2	Day 3	Day 4	Day 5
Introduction to Cost & Performance Management	Exercise in Building an ABC Model	Oros ABC Plus Software Training – <i>Designing & Building a Model Continued</i>	Oros ABC Plus Software Training – <i>Costing & Reporting Continued</i>	Lessons learned in CM and ABC/M from AAA Getting Started with ABC/M
The Basics of CM and ABC/M Measuring Performance	Oros ABC Plus Software Training – <i>Designing & Building a Model</i>	Oros ABC Plus Software Training – <i>Costing & Reporting</i>	Oros ABC Plus Software Training – <i>Performance Measures & Analysis</i>	USACEAC Support



Organization/Staff Level CM and ABC/M Orientation

- ◆ **Conducted on site on request**
- ◆ **15-20 students per class**
- ◆ **Topics covered:**
 - **CM and ABC/M principles and application**
 - **Developing performance measures**
 - **Implementing ABC/M at the local level**
 - **Demonstration of Oros ABCPlus software**



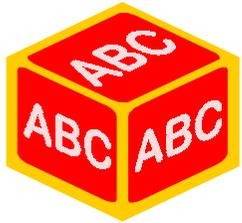
Organization/Staff Level CM and ABC/M Orientation

Day 1	Day 2
Introduction to Cost & Performance Management	Lessons learned in CM and ABC/M from AAA Getting Started with ABC/M
The Basics of CM and ABC/M Measuring Performance	USACEAC Support Demo of Oros ABCPlus Software



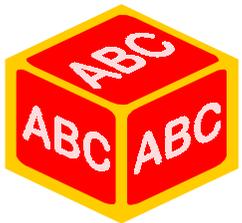
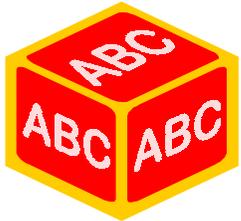
Executive Briefing on CM and ABC/M

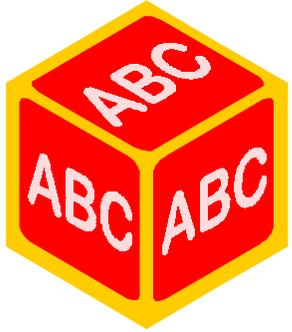
- ◆ **Conducted on site on request**
- ◆ **Presents CM and ABC/M principles and discusses their application to the Army**



Scheduling Training

- **Submit Requests Thru Business Area POC or the Following CEAC POCs:**
 - ✓ **Bill Mattfeld (Primary),
bmattfeld@calibresys.com, (703) 998-1052**
 - ✓ **David Comings (Alternate), comind@
hqda.army.mil, DSN 329-4151, (703) 601-4151**
- **Provide the Following Information:**
 - ✓ **Course Name**
 - ✓ **Business Area**
 - ✓ **Number of Spaces Requested for Each Course**
 - ✓ **Acceptable Training Dates (Primary and Alternates)**
 - ✓ **Name, Address, Commercial and DSN Phone Number, and Email Address for the POC Coordinating the Request**





Pilot Structure

*A Cycle Of
Commitment/Review That
Facilitates Continuous
Improvement*

- **Prototype Development**
 - ✓ **Day 1: Morning - Meet with Commander, key staff, and Director(s) to brief on CM/ABC and to establish goals, objectives, guidance, and essential information (EEI) for pilot effort**
 - Afternoon - Meet with Director(s) and Pilot Team to develop draft plan and EEI in preparation for Rapid Prototyping**
 - ✓ **Days 2-4: Rapid Prototyping w/ABC Technologies and Pilot Team**
 - ✓ **Day 5: Morning - Director(s) and Pilot Team revise draft plan and prepare presentation to Commander**
 - Afternoon - Director(s) present(s) results and plan to Commander and key staff**
- **First and Second After Action Reviews**

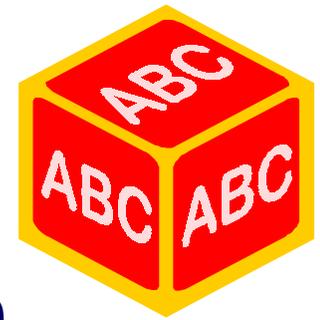
CM and ABC/M Training Materials

*A Cycle Of
Commitment/Review That
Facilitates Continuous
Improvement*

- **CEAC is Revising the “Army Managerial Costing” CD-ROM Published in February 1998**
- **The Revised CD-ROM Contains the Following Material:**
 - ✓ **DOD and Army Reference Documents Directing CM/ABC**
 - ✓ **Application of Army Cost and Performance Management Including a Set of 10 Lessons in PowerPoint With Audio Instruction**
 - ✓ **Application of ABC/M Including a Set of 16 Lessons in PowerPoint With Audio Instruction**



Summary



- ✓ **Army's Cost Management / ABC Plan**
 - **Business Area (11) Concept**
 - **Strategic & Operational Approach**
 - **Integrates Army Strategy With Cost Management (Balanced Scorecard)**
 - **Centrally Support Software Acquisition & Training**

- ✓ **Opportunities For Creativity**
 - **New Cost Management Methodologies Will Support Break Through Performance**