Improving Performance and Reducing Costs

Learning Objectives

- Understand the need to change Army management to focus on productivity
- Know and understand the Army Productivity Management Doctrine
- Understand how to use the Army Productivity Management Cycle to create an effective Cost and Performance Management Program

Topics Presented

- Why This Is Important
- What the Army Wants Done
- Army Productivity Management Doctrine
- How You Do It

Current Fiscal Environment

- Decade of declining budgets
- Growing unresourced requirements
- Army redirecting resources to TO&E
- A-76 competitions and strategic sourcing initiatives
- Top-down driven efficiency measures

Are you the main attack, supporting attack or the economy of force sector?

Demonstrating Effectiveness

How does a TO&E unit demonstrate its proficiency and readiness?

How does an Army business activity demonstrate its value and cost-effectiveness?

Is Congress satisfied with our reporting?

Army's Intent

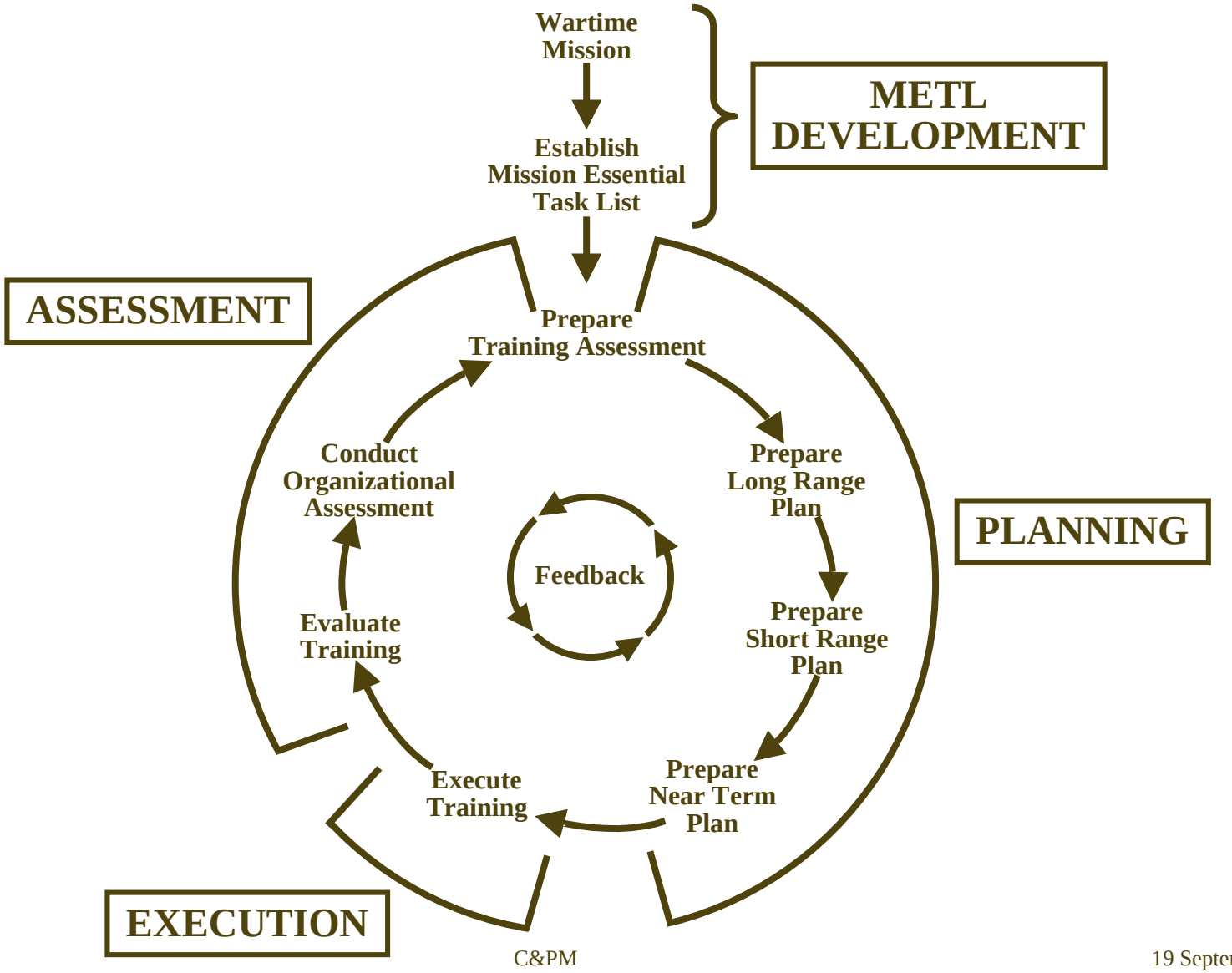
- Change Army management culture
- Centralize guidance and training
- Decentralize execution
- Provide a management system to assist the local manager with <u>continuous</u> productivity improvement
- Provide a measurement system to see full costs in relevant detail
- Find inefficiency and reapply resources

Army's Productivity Management Doctrine

Borrows from Army training doctrine

- FM 25-100, Training the Force
- Define Mission Essential Task List (METL)
- Plan training
- Execute training
- Assess strengths and weaknesses in after action review
- Then, plan the next phase of training via quarterly training briefings

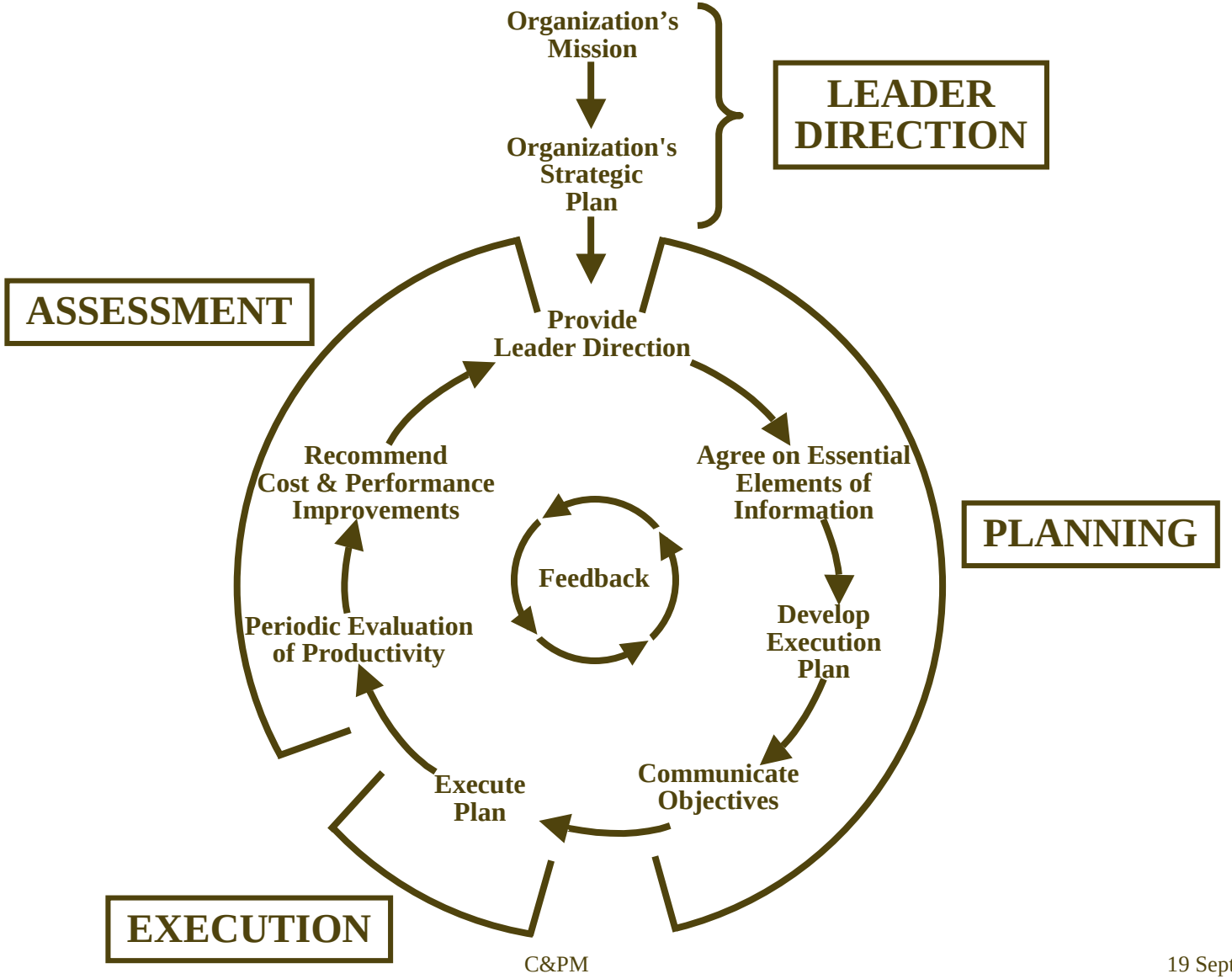
Army Training Management Cycle



Training vs Productivity Doctrine

Training Doctrine		Productivity Doctrine
METL	Goals & Objectives	Strategic Planning Process
Develop Plans Brief to Commander	Planning	Establish EEI Develop Execution Plan Agree on Objectives
Execute Plan	Execution	Execute Plan
Evaluate Training Conduct Organizational Assessments	Assessment	Periodic Evaluation Recommend Improvements
Quarterly Training Briefings/ Weekly Training Meetings	Forum	Periodic Evaluation of Productivity Reviews

Productivity Management Cycle



Important Definitions

Productivity Management = Cost Management + Performance Management

Continuous Improvement means continual <u>benchmarking against current performance and cost</u> to improve service at the same or less cost

Productivity Improvements = Continuous Improvement of both cost and performance

If Cost	and Performance	then Productivity
↓	↓	?
↑	↑	?
↓	↑	↑

1. Kick-Off Role for the Leader

- Approve Strategic Plan (METL) – Establish goals & objectives
- Create an environment challenging managers to continuously improve productivity
- Select a process champion
- Signal importance
- Define EEI – Essential Elements of Information (cost and performance data required)
- Set agenda – Focus effort

Follow-on Role for the Leader

- Require and lead periodic productivity assessments
- Reward success/maintain accountability
- Reevaluate strategy and information requirements
- Make decisions based on productivity information
- Communicate impact of productivity information on strategies, plans, decisions, and the organization (links to goals and objectives)

2. Importance of Planning

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

And remember, planning is not budgeting!!

Financial vs. Managerial Accounting

Managerial Accounting

- Optional
  - Agency leadership choice
- Used by:
  - Local Managers
  - Activity Directors
- Purpose
  - Create incentives thru cost visibility
  - Improve productivity
  - Establish prices
- Methodology
  - ABC
  - Other costing as needed to support productivity improvements
- Local Reports
- Focus on outputs

Financial Accounting

- Mandatory
  - Congress
  - SEC
  - CFO Act
- Used by:
  - Congress
  - Army Audit Agency
  - Senior Leadership
- Purpose
  - Provide consistent, agency-wide reporting
  - Program/budget resource requirements
- Methodology
  - GAAP, FASAB
  - Rules-based
  - Periodic
- Reports from DFAS
- Focus on inputs

3. Execute the Plan

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

4. Assess Execution

Formal productivity evaluation performed with Leader

Managers are held accountable

The evaluation:

- **Highlights productivity improvements**
- **Explains shortfalls/deviations from plan**
- **Emphasizes learning and rewards**
- **Can be tied in with quality control and other performance measures**
- **Forms the basis for renewing the plan and refreshing goals for next cycle**
- **Can use ABC/M software to run “what-if” scenarios**

Periodic Evaluation of Productivity (PEP)

- PEP Meetings
- Forum for:
  - Evaluation of prior period execution
  - Agreement on future period plan
- Frequency
- Attendees
- Cost and performance at same meeting

Summary

- Established Army's intent
- Presented the Army's cost and performance management doctrine
  1. Leader provides direction
  2. Develop plan for productivity improvement
  3. Execute the plan and measure results
  4. Assess and present the results
  5. Repeat cycle with Leader providing redirection