



# Getting Started with ABC/M



# Learning Objectives

- ◆ **Realize ABC/M is about change management**
- ◆ **Understand enterprise prototyping**
- ◆ **Be able to apply the process to your organization**
- ◆ **Understand the role of ABC Technologies' Rapid Prototype™ workshop**



# Topics Presented

- ◆ **Change management**
- ◆ **Review of ABC/M concepts applicable to getting started**
- ◆ **Setting up for initial effort**
- ◆ **ABC Technologies' Rapid Prototyping™**
- ◆ **Applying the productivity management doctrine to getting started**



# Definition: Change Management

**Process that consists of strategies and activities to support organizational and individual transitions from the current state to the desired future state. Factors influencing the strategy include:**

- ◆ **Organizational lifecycle**
- ◆ **Number of people affected**
- ◆ **Degree of required behavioral changes**
- ◆ **History of change**
- ◆ **Resources for implementing the change**



# Change Management Components

## Organizational and individual transitions need:

- ◆ Vision for change
- ◆ Organizational readiness and the case for change
- ◆ Leadership capacity and stakeholder commitment
- ◆ Communication strategy
- ◆ Individual and team capacity
- ◆ Change strategy
- ◆ Culture realignment with change
- ◆ Organizational design and performance management
- ◆ Outside expert assistance



# Barriers to Change

**Desired changes may not be realized because:**

- **People refuse to change their behavior**
- **People find ways to “get around” or accept only part of the change**
- **Managers operate in “fire drill” mode**
- **Organization remains reactive vs. proactive**
- **Resources (time, money, people) are wasted**
- **People lose confidence in leadership**
- **Workforce morale declines**



# ABC and ABM

- ◆ **ABC is an information source...must be used to support ABM**
- ◆ **Accuracy does not depend on inputs alone...the assignment structure tends to dampen any assignment errors**
- ◆ **PRECISION DOES NOT EQUAL ACCURACY!!**



# Significance in Modeling

- ◆ **Keep it simple**
- ◆ **Focus on relevant costs**
- ◆ **Minimize activities accounting for less than 5% of total costs**
- ◆ **Apply the Pareto rule**
  - **20% of a set of the activities are normally responsible for 80% of the costs**



# What Is Enterprise Prototyping?

**Developing an ABC/M model at the start of an organization's ABM process to meet the information requirements of an organization's top-level leadership and management**

- ◆ **Quick**
- ◆ **Strategic**
- ◆ **About right**
- ◆ **Leader directed**
- ◆ **Establishes consensus**
- ◆ **Creates a baseline for refinement**
- ◆ **Foundation for ABC/M**
- ◆ **Results oriented**
- ◆ **Integral part of change management**



# Prototyping Success Factors

- ◆ **Leader support**
- ◆ **Keep model at significant level; evolve into a more detailed model, as required**
- ◆ **Identify and involve your change agents**
- ◆ **Model developed for use by local managers but info rolls-up to support leader requirements**
- ◆ **Managers and teams/individuals held accountable for productivity improvement**
- ◆ **Management, resource, and awards decisions based on ABC/M information and results achieved**
- ◆ **Technical/consultant support**



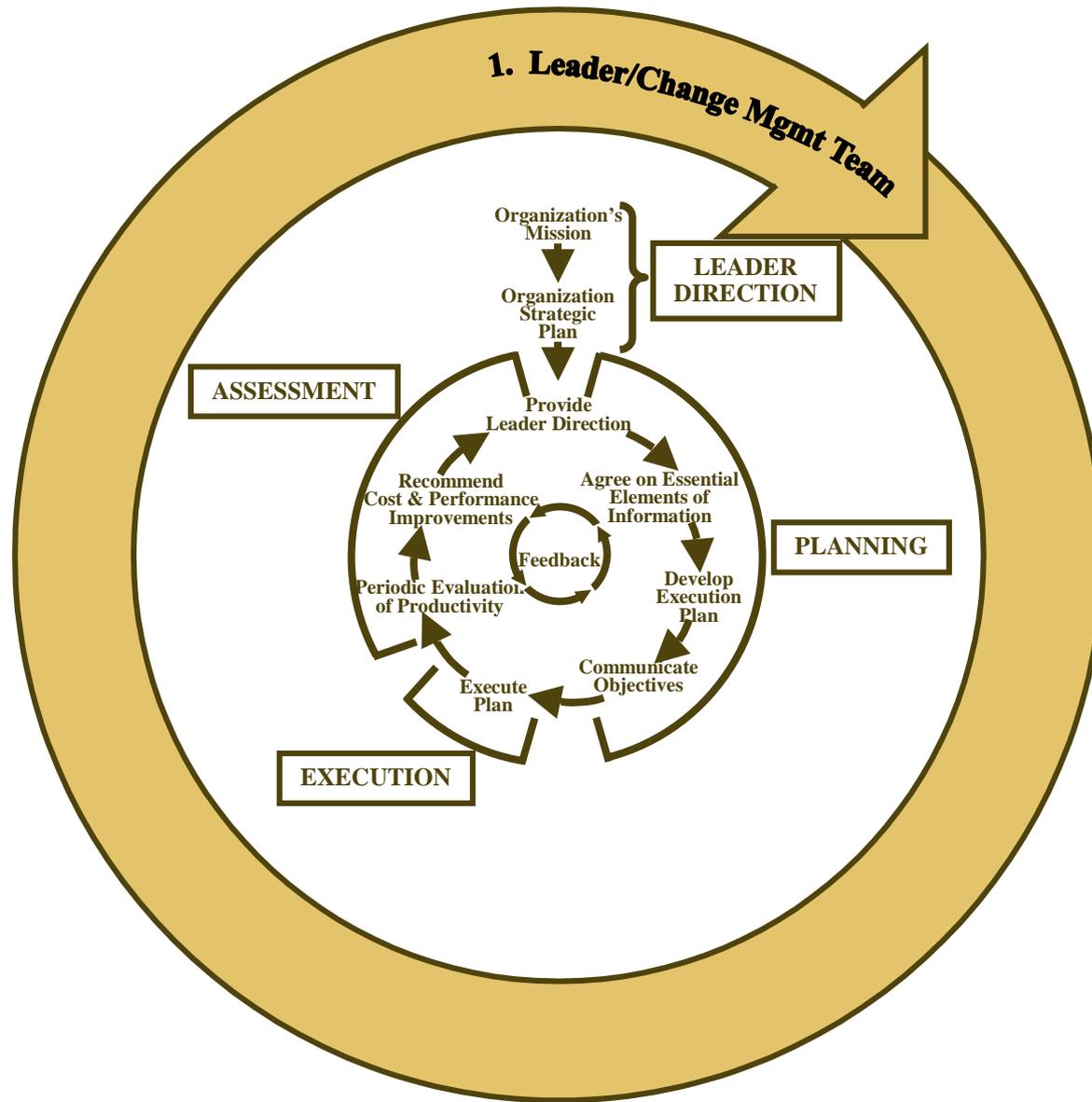
# Prototyping Goals

**Quickly produce a model for the Leader and targeted management level(s) that:**

- ◆ **Captures the ABM information required to make resource and productivity management decisions**
- ◆ **Provides the basis for further model refinement to:**
  - **Support lower levels of management**
  - **More closely evaluate specially targeted processes**
  - **Grow to meet evolving (and increasingly sophisticated) needs of Leader and managers**



# Productivity Management Cycle for Enterprise Prototyping - 1. Preparation



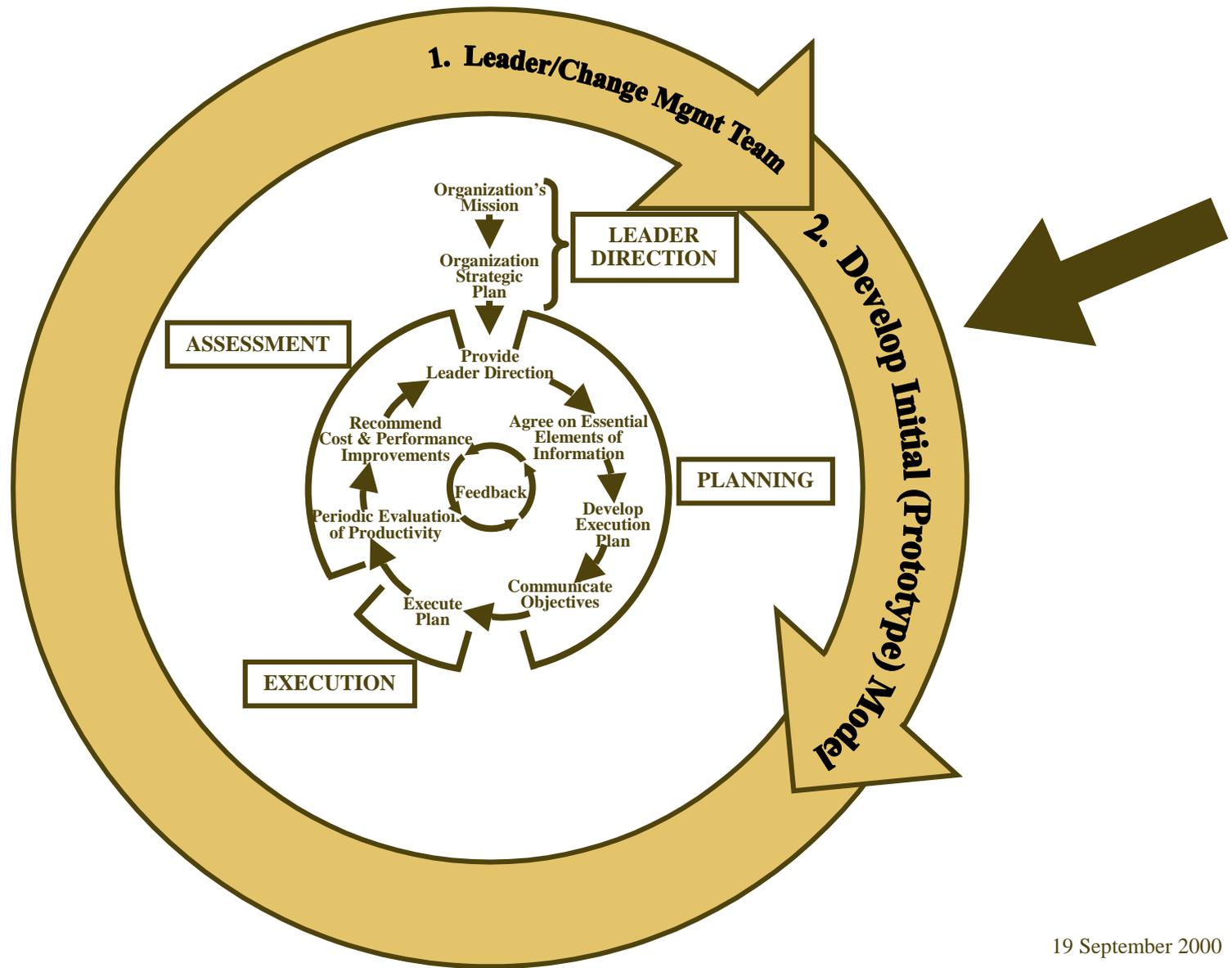


# 1. Preparation for Enterprise Prototyping

- ◆ **Leader and Change Management Team provided training in application of ABC/M**
- ◆ **Organization strategic plan/goals and objectives identified**
- ◆ **Team of functional change agents identified to develop model**
- ◆ **Leader support and guidance provided and information needs (EEI) identified [goals for ABC model established]**
- ◆ **Implementation plan drafted**
- ◆ **Responsibilities for implementation established**
- ◆ **Existing financial and workload data collected on targeted functions**



## 2. Develop Initial Model





## 2. The Initial (Prototype) Model Effort

- ◆ Establish team consensus on desired results IAW Leader's guidance
- ◆ Define level of information needed
- ◆ Discipline demand for more detail - target significant areas only for initial model
- ◆ Build initial model with expert guidance (both functional and software expertise)
- ◆ Report out results to Leader
- ◆ Define next steps



# 5-Day Prototyping Effort

***Monday:*** Team, their Director, and any functional consultants meet with Leadership to establish ABC/M goals and EEI; then establish Team's goals and EEI

***Tuesday thru Thursday:*** Team is taken thru a rapid model build assisted by functional and technical experts/consultants

***Friday:*** Director, Team, and functional consultants prepare for brief to Leadership on results of model effort and present brief with recommendations to Leadership



# ABC Technologies' Rapid Prototyping™

**Over 3 days (Tuesday thru Thursday):**

- ◆ **Provides fast-paced learning of ABC/M**
- ◆ **Jump starts ABC Project w/expert guidance**
- ◆ **Encourages team building and produces consensus on desired results**
- ◆ **Is *organization* focused and defines level of information needed**
- ◆ **Produces “real” model and results thru reporting tools**
- ◆ **Produces a road map for further action**
- ◆ **Minimizes initial investment in time and \$s**



# Prototyping Workshop Format Roles and Responsibilities

## **Modeling Facilitator:**

- ◆ Guides participants
- ◆ Drives the model building exercise

## **Software keyboard artist:**

- ◆ Assists modeling facilitator
- ◆ Enters information into the Oros Software
- ◆ Team's model sustainer works with keyboard artist

## **Outside Functional Expert/Consultant:**

- ◆ Assists Team to maintain Leadership's focus and model discipline
- ◆ Advises Team on functional matters

## **Organization's Change Management Team:**

- ◆ Provides knowledge resources
- ◆ Participates in model design and build
- ◆ Shares knowledge and experience



# ABC Technologies' Rapid Prototyping™ Workshop

## Day 1 [*Tuesday*] Define Project/Start Model

- ◆ **Review/learn ABC/M methodology:**
  - **What a model is; how it's structured; how changes impact model**
- ◆ **Build model structure:**
  - **Identify goals and uses for model including targeted functions and management levels**
  - **Identify work groups, resources, work activities, and cost objects**



# Rapid Prototyping™ Workshop (Continued)

## Day 2 [Wednesday] Complete Model Structure

- ◆ **Build assignment network**
  - **Assign costs and identify resource and activity drivers**
- ◆ **Complete the model**
  - **Identify cost drivers, output quantities, performance measures, attributes**
  - **Populate model with available data**
  - **Produce reports**



# Rapid Prototyping™ Workshop (Continued)

## Day 3 [Thursday] Analyze and Present Results

- ◆ Review, refine, & optimize the model
- ◆ Review business processes with model
- ◆ Develop findings
- ◆ Present results to Director/Senior Managers
- ◆ Prepare for follow-on efforts
  - Review and refine Implementation Plan for validating and expanding the ABC/M effort

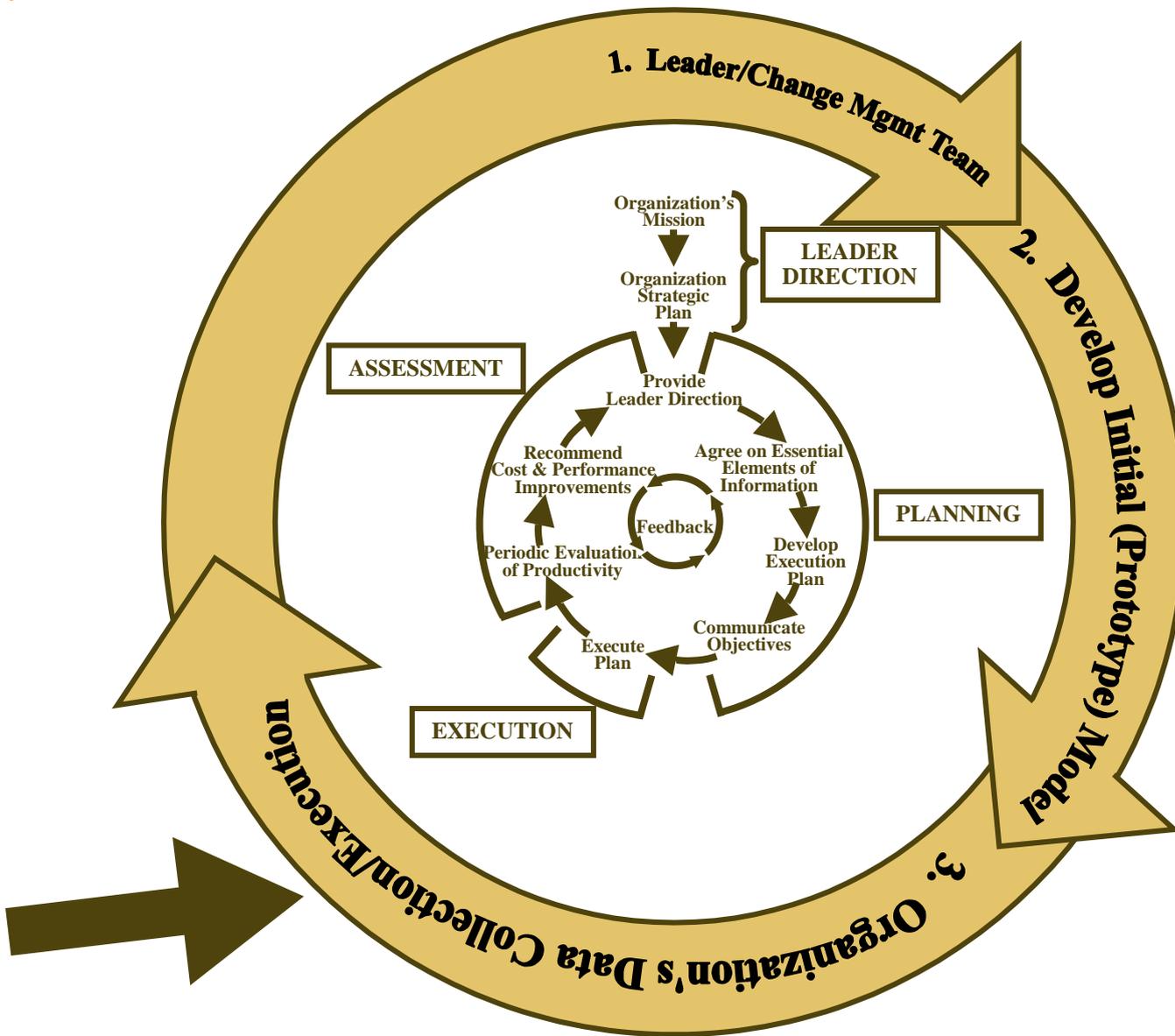


# Model 0 Uses

- ◆ **Identify and resolve model design issues**
- ◆ **Refine and articulate project objectives**
- ◆ **Refine implementation and modeling plans**
- ◆ **Report out to and share with rest of the organization**
- ◆ **Refine work activity definitions**
- ◆ **Improve cost driver estimates**
- ◆ **Improve data collection and validation**
- ◆ **Monitor implementation progress**



# 3. Execution





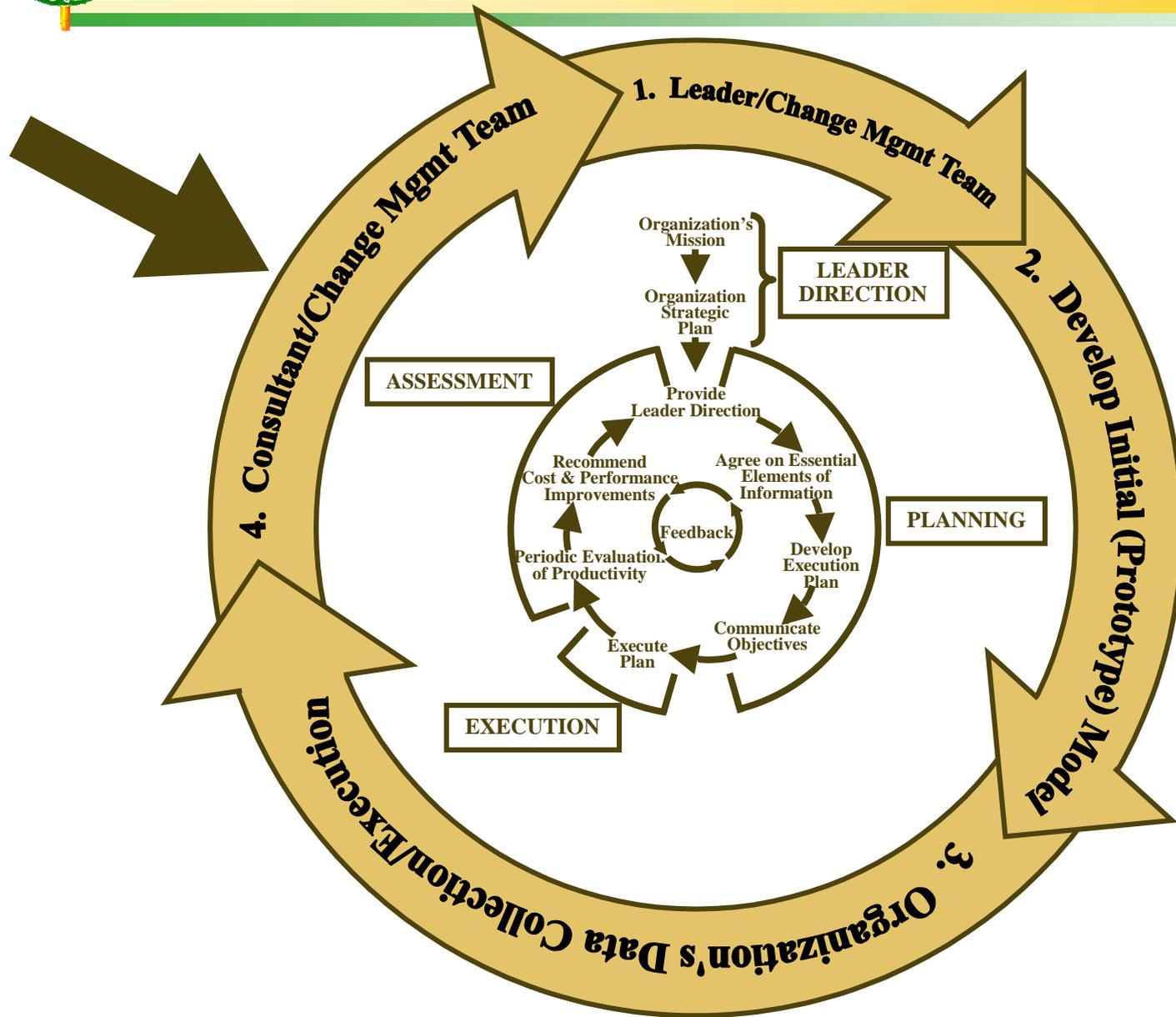
## 3. Data Collection/Execution

### Collection plan implemented

- ◆ **Review and validate data used during initial modeling session**
- ◆ **Collect data, if necessary**
- ◆ **Transform data**
- ◆ **Establish baseline for measurement (first time)**
- ◆ **Display and distribute information**



# 4. Assessment



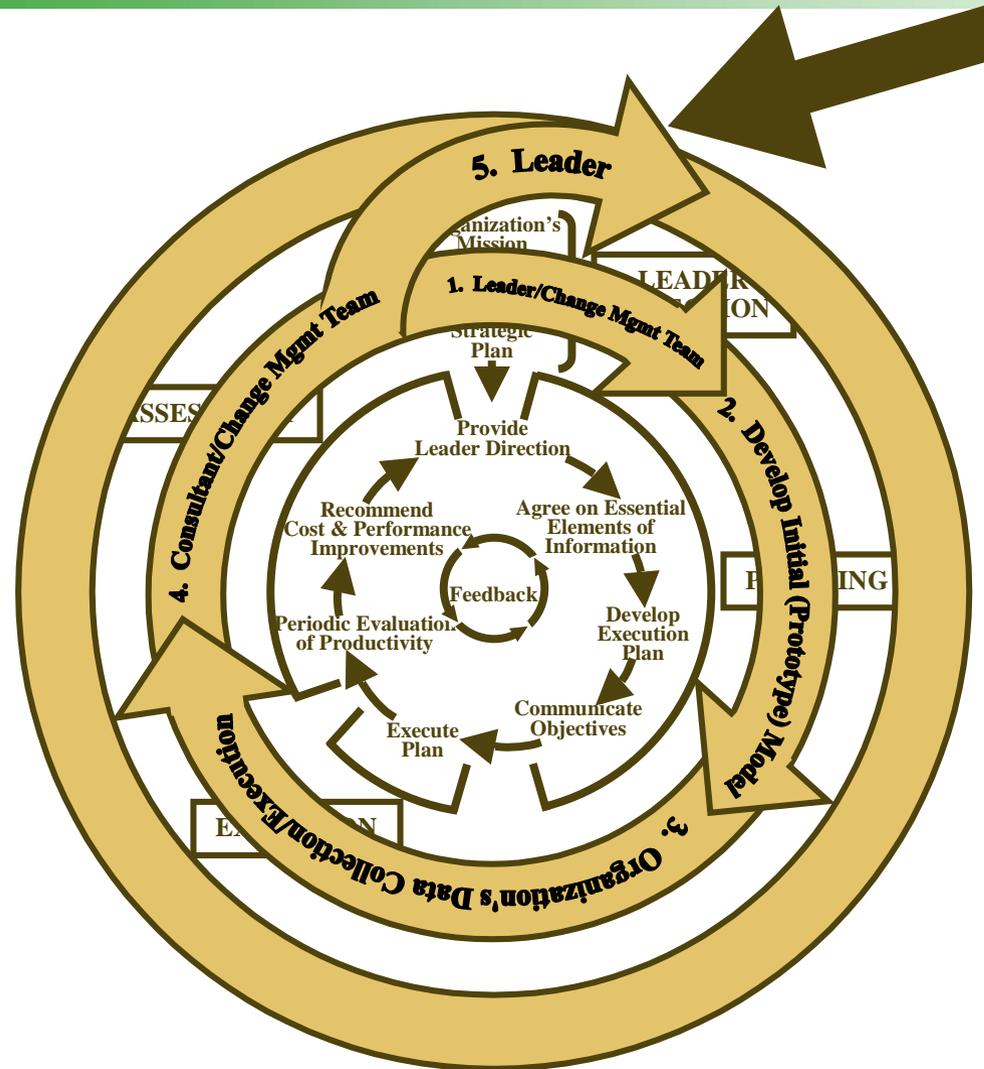


## 4. Analyzing Model Information

- ◆ **Resource consumption vs value vs strategic objectives**
- ◆ **Improvement opportunities**
- ◆ **Productivity indicators**
- ◆ **Effectiveness/usefulness of measures**
- ◆ **Reliability of data**
- ◆ **Recommendations for change**
- ◆ **Consultant support for analysis**
  - **CEAC**
  - **AAA**
  - **Others**
    - **Government**
    - **Contractor**
- ◆ **Culminates in Leader led Periodic Evaluation of Productivity (PEP) meeting**



# 5. Redirection





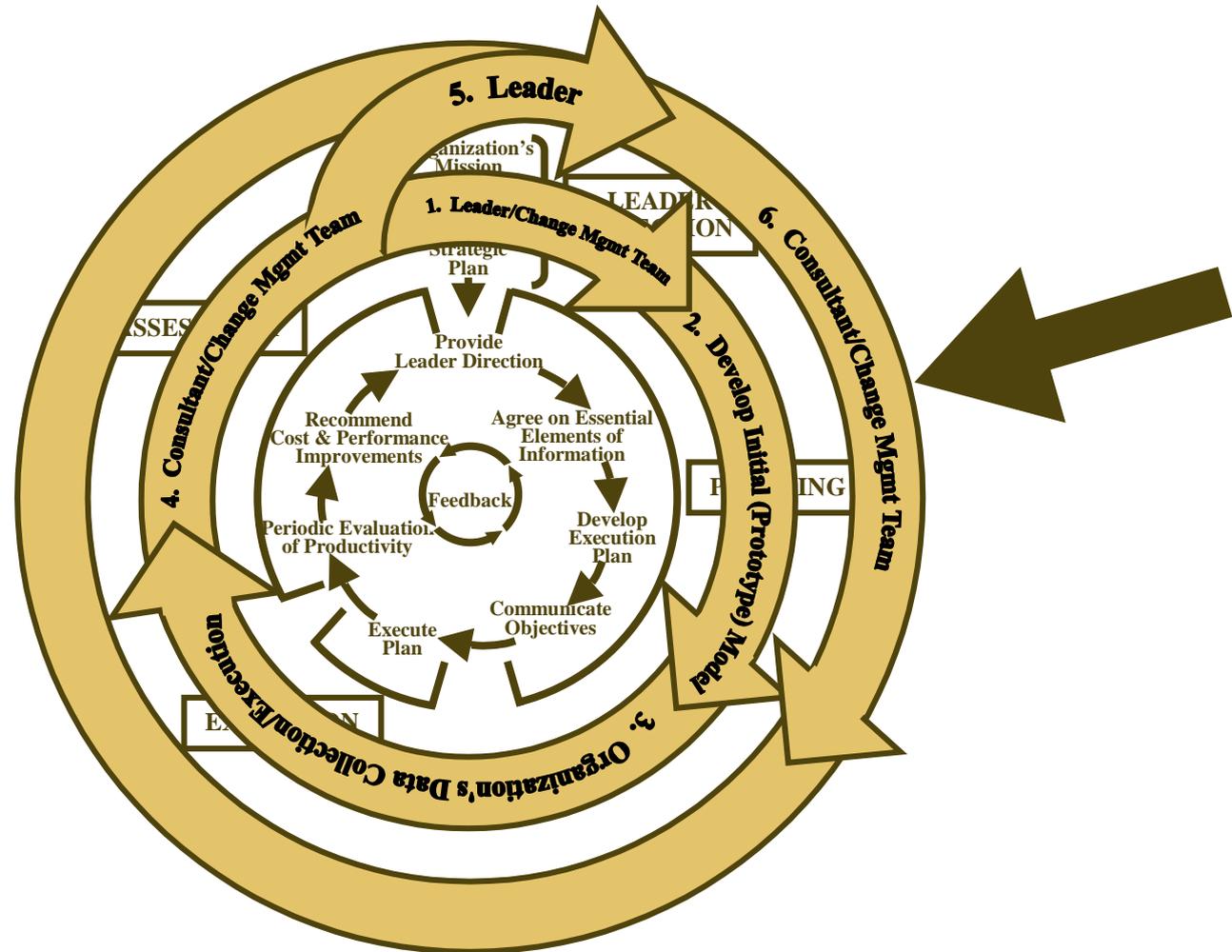
# 5. Redirect Process

## The Leader:

- ◆ **Performs own assessment of recommendations**
- ◆ **Makes decisions**
- ◆ **Assesses how useful the ABC/M information has been in making decisions**
- ◆ **Evaluates progress towards goals**
- ◆ **Refines information requirements [goals of modeling effort]**
- ◆ **Communicates decisions, rationale, and changes**



# 6. Refine the Model



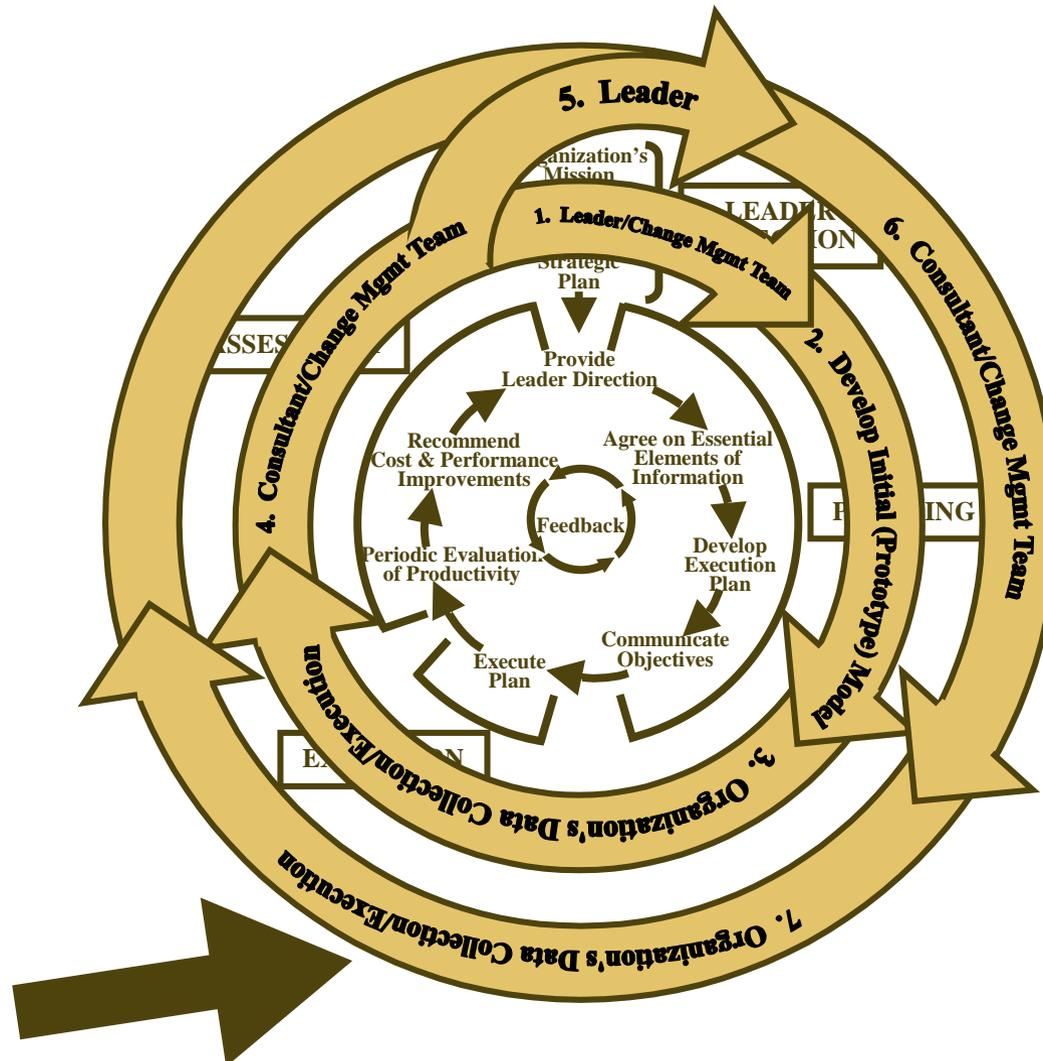


## 6. Refine the Model

- ◆ **Respond to Leader decisions**
- ◆ **Change and refine ABC/M model**
- ◆ **Revise plans**
- ◆ **Develop requirements to establish electronic links to obtain/transmit information**
- ◆ **Consultant support for refinement**
  - **AAA**
  - **Others**
    - **Government**
    - **Contractor**

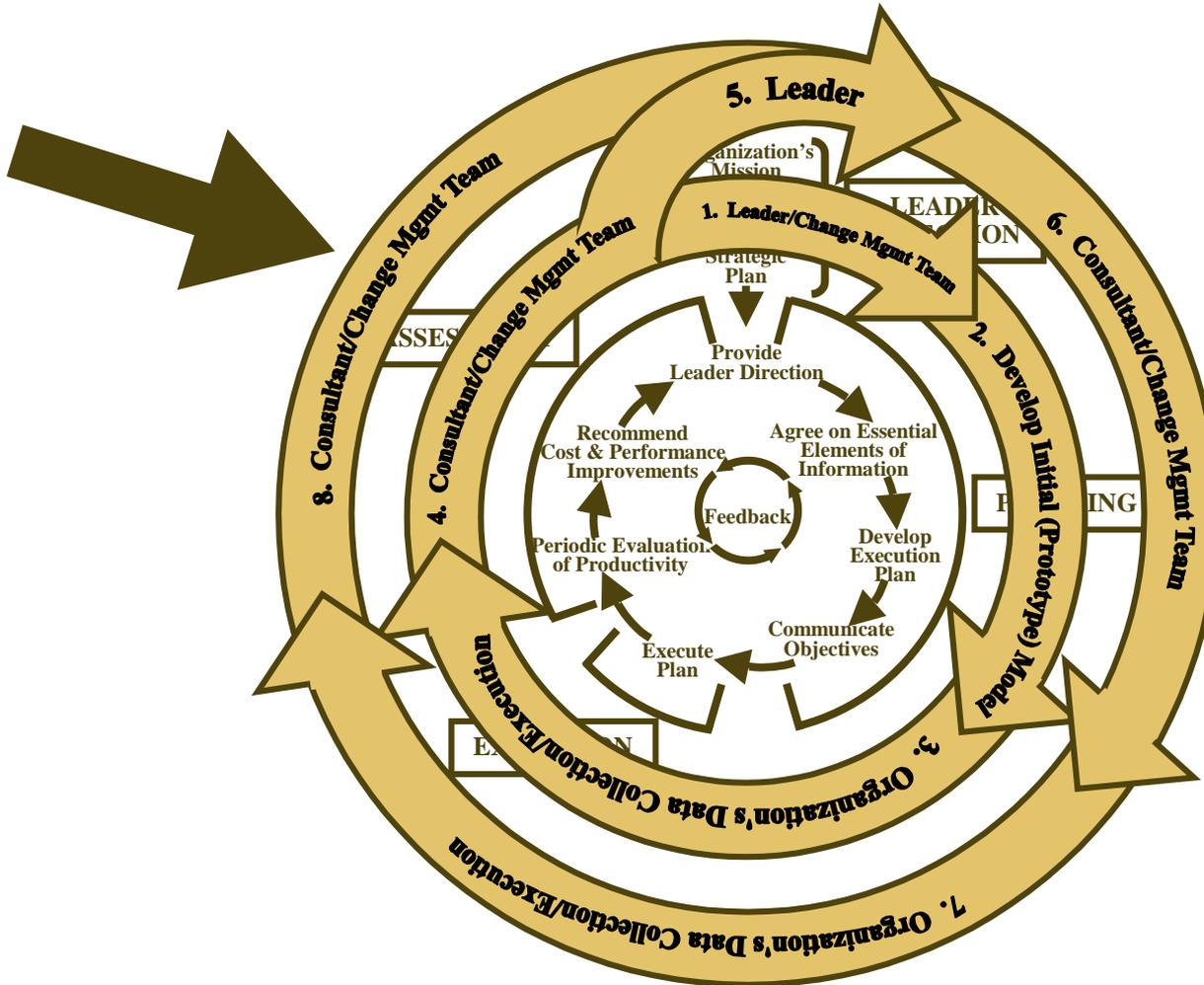


# 7. Refresh Data



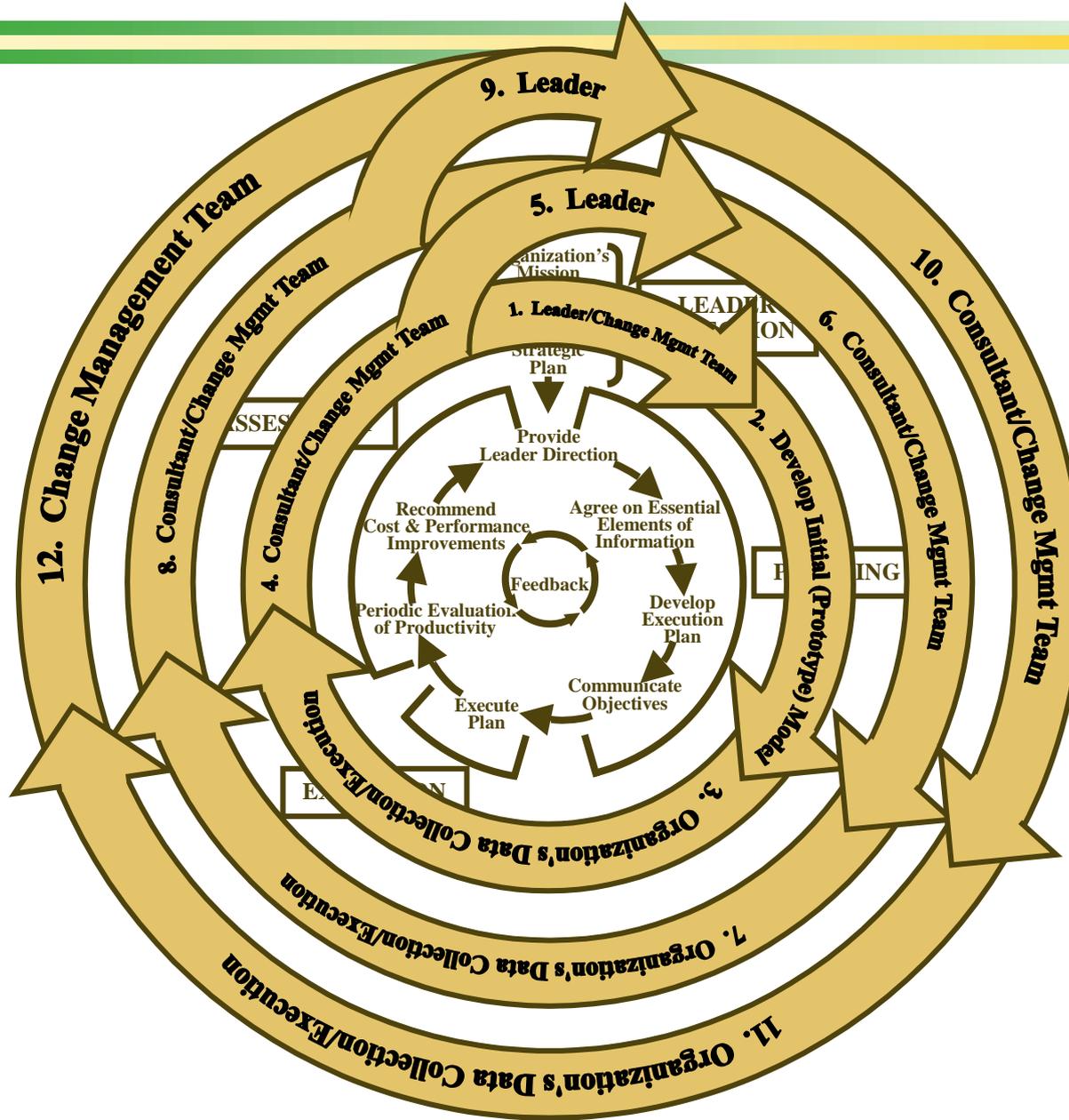


# 8. Reassess





# Cyclic Review





# Deployment/Reapplication of Enterprise Prototype Model

## Beyond the 3rd cycle:

- ◆ ABC/M iterative evaluation process embedded
- ◆ Leader and change agents have gained ABM experience and have validated model and process
- ◆ Modeling costs and efforts understood
- ◆ Model ready for augmentation and drilling down to meet process and production managers' requirements
- ◆ Organization prepared to focus on cost and performance management
- ◆ Electronic data exchange plans initiated
- ◆ Prepared to conduct “what if” analyses



**THIS IS CHANGE MANAGEMENT**

**AVOID OVERLY COMPLEX  
MODELS**

**MAKE IT WORK FOR TOP LEVEL  
MANAGERS FIRST**



# Technical Requirements for Oros ABCPlus Software Version 4.4

- ◆ Windows compatible network (NT, Novell, Banyan, OS/2 LAN Server, Etc.)
- ◆ Windows 95/98, Windows NT 4.0 or Windows NT 4.0 TSE (client-server) required
- ◆ Multi-user Concurrent Model Access requires Windows NT 4.0
- ◆ Pentium-class processor
- ◆ Recommendations (allows for space for models):
  - Standalone/Client PC: 1 GB Hard Drive and 32 MB RAM
  - Server: 3-5 GB Hard Drive and 64 MB RAM