



# Army-Based Performance Management

## Advanced ABC/M at Fort Dix

### Cost Management Summit 2004 for Government & Defense

"America's Premier Mobilization Station and Power Projection Platform"



# Why Advanced Modeling?



- Document a methodology and procedure for building the information required for an advanced ABC model
- Train PAIO personnel on the development of advanced ABC models
- Provide a case study that can be used for other directorates



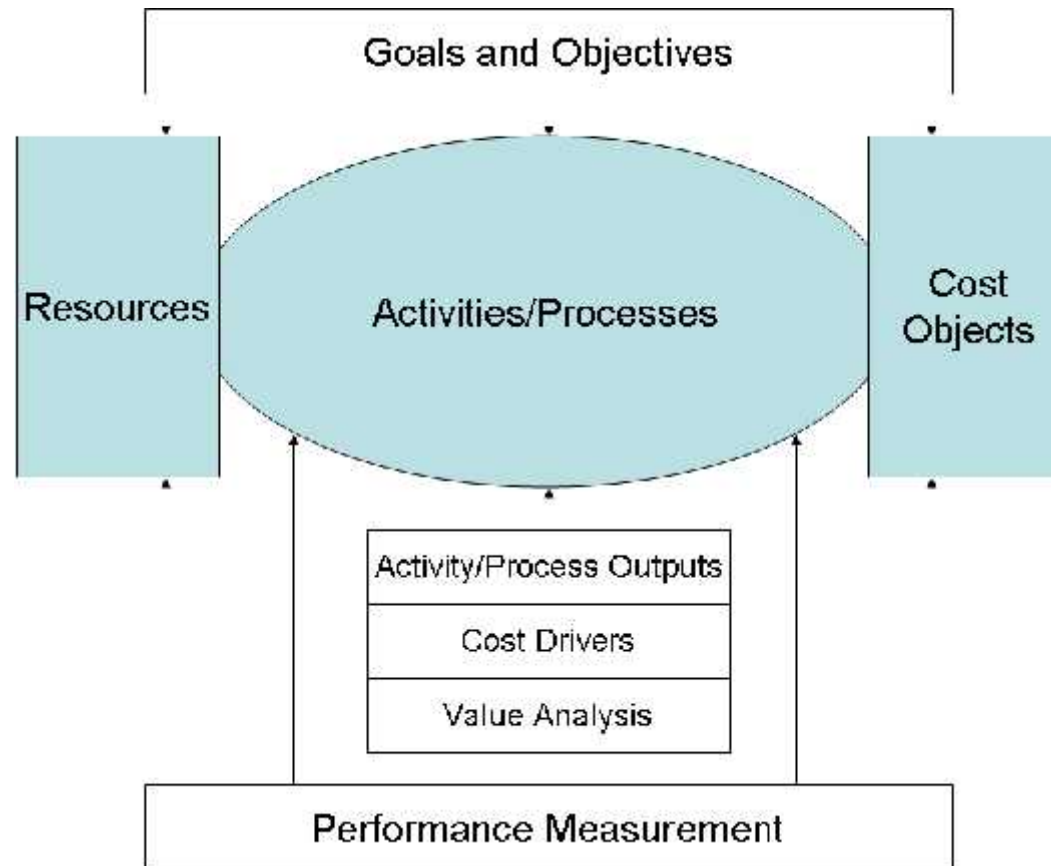
# Basic vs Advanced Modeling



- **Basic Fort Dix models include**
  - Resource modules and drivers
  - Activity modules and drivers
  - Cost objects that contain, at a minimum, ISR services
- **Basic models are helpful to continuous improvement but not as powerful as more advanced models that include attribute features**
- **Advanced Resource Management Office (RMO) model includes**
  - Activity outputs and related costs per unit of output
  - Identifies activities as value-added or non value-added
  - Identifies cost drivers (root cause of cost) for significant activities
  - Links activities to organizational goals and objectives
  - Measures activity and service performance



# ABC Model - Basic/ Advanced Comparison



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# Advanced Model Analyses



- **Validate RMO sub-goals and link to Fort Dix goals**
- **Review RMO costs and identify cost management strategies specific to the types of costs and to specific areas (divisions/activities) of emphasis**
- **Link processes/activities to RMO sub-goals**
- **Develop directorate/division level measures of performance**
- **Evaluate existing performance standards**
- **Conduct activity analysis**
- **Link RMO processes/activities and sub-goals to balanced scorecard**



# Linking RMO Sub-Goals to Fort Dix Goals

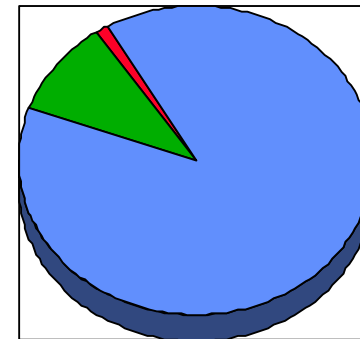
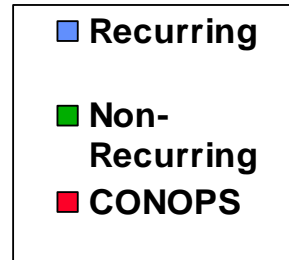
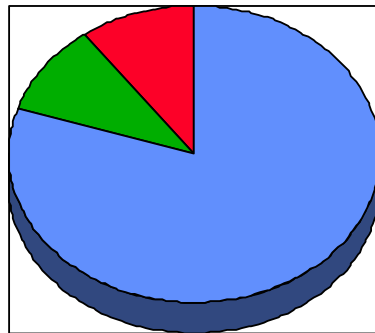


Fort Dix Goals	Enhance RMO Employee Morale	Improve Process/Operational Performance	Focus on Customers and Their Concerns	Optimum Financial Analysis Capabilities	Supplier Performance
Enhance Customer Support/Market Capabilities	Low	Med	High	Medium	High
Improve Productivity	Med/High	High	Med	Med	Med
Enhance well-being	High	Low	Low	Low	Med
Improve Infrastructure	Low	Low	Low	Low	Low
Optimize Resource Stewardship	Low	High	Med	High	Med

Conclusion: Current RMO goals are adequately linked to Ft Dix goals



# Cost Structure Review



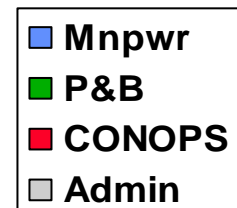
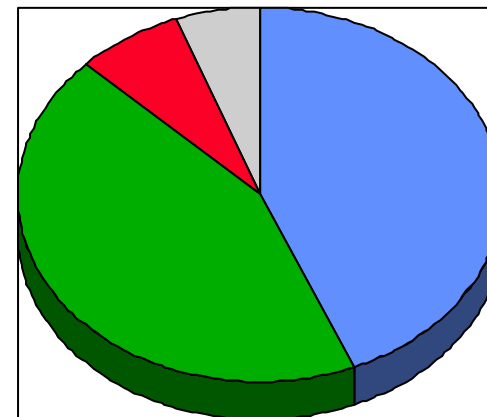
- **Contract (ABC contractors) is a one time cost only**
- **RMO is labor intensive - Cost management strategies should include labor productivity**
  - Right people on the right jobs
  - Minimize rework and duplication
  - Proper training
- **Cost structure changing 1 Oct for GSU contract oversight**
  - Clearly written documents and specifications
  - Controlling contract modifications



# Cost Structure Focus



- Focus of improvement should be in the Manpower and Program & Budget Divisions







# Linking RMO Processes to Sub-Goals



Process (Annual Spending)	Enhance RMO Employee Morale	Improve Process/Operational Performance	Focus on Customers and their Concerns	Optimum Financial Analysis Capabilities	Supplier Performance
Employee Moral/Safety (\$50)	High	High	Med	Low	Low
Formulate Budget (\$500)	Low	Med	High	Med	Low
Process Financial Documents (\$800)	Low	High	Low	Med	Low
Provide Man Acct Support (\$400)	Low	High	Low	High	Low
Perform Pay Operations (\$125)	Med	Low	High	Low	Low
Management Analysis (\$850)	Low	High	Med	High	Med
TDA Management (\$100)	Med	Med	Low	Low	Low
Manage ISA (\$75)	Low	Med	High	Low	High
Provide Admin Support (\$25)	High	Low	Low	Med	Low

**Conclusion: Areas bolded have major impact on RMO goals and should be focal point of improvement**

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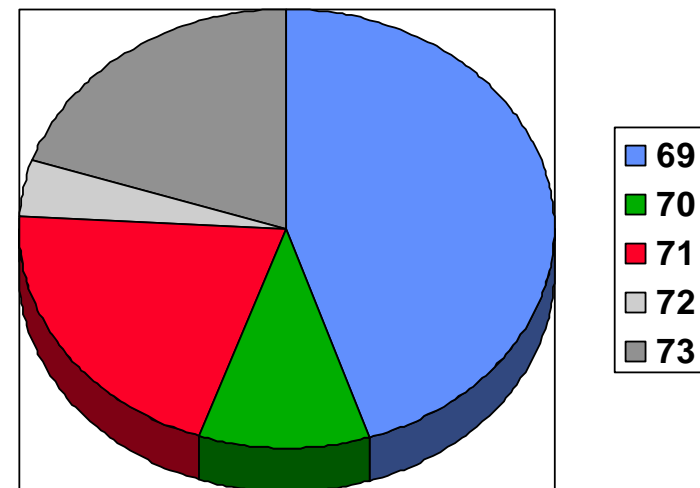


# Develop Measures of Performance



- **Services**

- Program Budget (69)
- Support MOU/MOA Mgt (70)
- Management Accounting (71)
- Installation TDA Management (72)
- Management Analysis (73)





# RMO Performance Measure Evaluation



**Scale: 5 Excellent → 4 Good → 3 OK → 2 Not so good → 1 Bad → 0 Very Bad**

## Service/Service Performance Measurement

## Score

### Service 69. Program Budget

**69-01 Overall mission satisfaction rating of the Program Budget Office 2**

**69-02 Average monthly deviation from Installation Obligation Plan 3**

### Service 70. Support Agreement/MOU/MOA Management

**70-01 Percentage of Support Agreements successfully negotiated within 180 days 3**

**70-02 Within 90 days, successfully update 100% of existing Support Agreements requiring change 1**

**70-03 Complete 100% review of Support Agreements every three years from date of signature 2**

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# RMO Performance Measure Evaluation

(con't)



## Service/Service Performance Measurement

## Score

### Service 71. Management Accounting

71-01 Percent reduction of unmatched disbursements 2

71-02 Percent reduction of negative unliquidated obligations 2

71-03 Percent reduction of Interest Penalty Payments 2

71-04 Percentage of unliquidated obligations in the cancel accts 2

### Service 72. Installation TDA Management

### Service 73. Management Analysis

**Conclusion: Need better measures for service performance**

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# RMO Goal Relationship to Balanced Scorecard



RMO Goals	Customers/ Stakeholders	Internal Processes	Learning/ Growth	Financial Accountability
Enhance RMO Employee Morale	X		X	
Improve Process/ Operational Performance		X		X
Focus on Customers and their Concerns	X			
Optimize Financial Analysis Capabilities		X	X	X
Monitor Supplier Performance	X			X

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# RMO Activity Analysis



Process/Activity	Cost in Thousands (1st and 2nd Qtr)	Activity Output/Measure	Qty	Cost Per Unit	NVA	Cost Drivers	Performance Measures
<b>Employee Morale</b>	\$15						
Conduct Exit Interviews	\$0	# of interviews	0	\$0		attrition	% departing employees receiving exit interviews
Monitor Safety	\$4	# of inspections, reports, etc.	2	\$2,000	X	bldg age	% deficiencies fixed
Develop Annual Training Plans	\$4	# of training plans	30	\$13		updates required	% of plans accomplished
Achieve Cross-Division Training	\$1	# of assignments made	3	\$333	X	# of iterations	% of employees receiving who requested it
Administer Performance Appraisals	\$5	# of appraisals	35	\$143		# of employees due appraisals	% completed
Monitor Employee Satisfaction	\$1	# of comments received	41	\$24		type of complaint	% of complaints addressed/fixed
<b>Formulate Budget</b>	\$168						
Develop Budget Estimates	\$91	# of taskings completed	14	\$6,500		# of accounts	% of responses provided on time
Identify URRs	\$77	# of URRs submitted	5	\$15,400		# of accounts	% of URRs validated

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# RMO Activity Analysis (con't)



Process/Activity	Cost in Thousands (1st and 2nd Qtr)	Activity Output/Measure	Qty	Cost Per Unit	NVA	Cost Drivers	Performance Measures
<b>Manage Reimbursables/ISAs</b>	\$38						
Obtain Customer Orders	\$2	#of orders received	20	\$100		# of customers/tenants	% of orders received to projected reimbursements
Monitor Work Accomplished	\$8	# of obligations	15	\$533		# of orders received	% of obligations to orders received
Monitor Collections	\$6	# of collections	300	\$20		# of billings	% of reimb earned to obligations
Monitor Work Unaccomplished	\$6	# unfilled orders	300	\$20		# of orders received	% of valid unfilled orders
Write/Change ISA	\$14	# of changed ISAs	200	\$700		# customer and service changes	% of customers receiving rate letter changes 6 mos before start
Automate rate development	\$2	# of rates developed	100	\$20		# of rates	# of categories automated per quarter
<b>Process Financial Documents</b>	\$395						
<b>Provide Managerial Acct Support</b>	\$196						
<b>Perform Pay Operations</b>	\$65						
<b>Management Analysis</b>	\$774						
<b>TDA Management</b>	\$47						
<b>Provide Admin Support</b>	\$9						
<b>Total</b>	\$1,707						

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# Linking Processes to Balanced Scorecard



RMO Processes	Customers/ Stakeholders	Internal Processes	Learning/ Growth	Financial Accountability
Employee Morale	X		X	
Formulate Budget		X		X
Process Financial Documents		X		
Provide Manage Acc Support	X			
Perform Pay Operations	X			
Management Analysis				X
TDA Management		X		X
Manage Reimbursable/ISA	X			
Provide Admin Support	X		X	

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