STEPS TO ACHIEVE A FULLY OPERATIONAL CM/ABC PROGRAM

Army Goal is to Establish a Program to Improve Cost Management to Support Army Warfighters
10 STEPS TO A CM/ABC PROGRAM

(1) Leader Decision: Use ABC
(2) Attain Access to ABC S/W
(3) Key CM/ABC Personnel Assigned
(4) Build Initial ABC Model
(5) Establish Data Connectivity to ABC Model
(6) Train Key Persons in ABC S/W
(7) Prepare CM/ABC Reports for Managers
(8) Prepare Draft Reports for QA of Data/Model

NOTE: Order of Occurrence Among Steps 2 - 5 not Important

CM/ABC SUPPORT
ASA(FM&C) MA Contractor
MACOM Other Field Cmds
1. Leader contemplates “What do I need to know?”
   - What it Actually Costs us to Provide Each Service?
   - Which Activities Need to be Improved? ... How?
   - Where & How can We Cut Costs w/o Affecting Our Mission?
   - Where & How are our Indirect Costs being Expended?

2. Schedule CM/ABC Training for Managers

3. Identify Resources for CM/ABC Team
   - Business Manager (familiar w/ Operations & Funding)
   - ABC Modeler(s) Considering Backup needs
   - Plan for Data Input to ABC Model

4. Leadership Meeting
   - Align Operations to Mission & Strategic Plan
   - Review Work Activities
   - Review Performance Measures

Why? ... ABC supports Cost Management, Informing Mgrs on Where Resources are Expended
1. Managers attend CM/ABC Course (typically 1 or 2 days)
   - Directors; Managers; Supervisors

2. Executive Manager Identify Strategic Outputs & Outcomes

3. Managers Are Part of CM/ABC Team to:
   - Identify Key Cost Objects, Work Activities, and Resources for ABC Model
   - Identify Resource and Activity Drivers and Driver Quantities
   - Identify Attributes Required to generate Reports with Relevant Managerial Information

4. Managers review ABC Model to ensure it:
   - Reflects Actual Operations
   - Includes all Significant Costs (Direct & Indirect)
1. Commander/Director assigns:
   - Business Manager (Full Time)
     - Sits-in Leadership
     - Has Quick Access to Mtgs
     - Has Cmdr’s Trust
     - Credible
     - Knows Operations
     - Personable
   - Modeler (Full Time)
     - Good PC
     - Familiar w/ Command Functions Data
     - Analytical Skills
     - Experienced w/ Funding
     - Credible
   - Data Systems Analyst (Initial Contractor Support)
     - Data System Skills
     - Familiar w/ Data Content

2. Best of the Best (Key Assets to Command)

3. ABC is a Tool, a Power Tool

4. ABC Team provides Business Information to Command Mgrs
**CHANGE TO A CM/ABC PROGRAM**

**CURRENT SITUATION**
1. Labor Intensive Data Efforts
2. Questionable Cost Data
3. Cost & Operations Separate Unlinked
4. Operations Expenditures Unknown
5. Performance Cannot be Measured

**CM/ABC SITUATION**
1. Use Existing Manpower
2. Accurate Cost Data
3. Believable Execution Status
4. Cost linked to Operations
5. Supports Performance Measures

**DEPLOY CM/ABC PROGRAM**
1. Existing Resources are Available for ABC/M
2. ABC Software is a Power Tool
3. Operated by Best Personnel
4. All Managers Support/Benefit
5. Integrated by Business Manager

[Graph showing FTEs from October to September with labels for Analysts Busy and Analysts Available.]
1. OROS 5.5 Software has been Provided by ASA-FM

2. SAS ABM 6.1 is Currently being Deployed
   • Web-based, Client-server
   • Requires Server w/ SQL Capabilities

3. CM/ABC Training Available
   • ASA-FM; DAU; TRADOC; Contractors

4. Information about CM/ABC Programs at other Organizations’, Software Capabilities & Support, and Cost Initiatives are Provided by ASA-FM & Army MACOMs
1. Key Personnel that require ABC Software Training are:
   • The Business Manager
   • ABC Modelers
   • Data Systems Analyst(s)

2. Training for ABC Application Users
   • Classroom (typically 4 days)
     ✓ CM/ABC Concepts (Resources-Activities-Output)
     ✓ Use of ABC Application Software (OROS 5.5 or ABM 6.1)
     ✓ Examples to Illustrate How to Use Models
   • On-site Rapid Prototype (typically 4 days)
     ✓ Process(es) of Current Organization Documented prior to RP Session
     ✓ ABC Model Developed (Resources-Activities-Output)
     ✓ Appropriate Managers, Business Manager, and Modelers All Participate in Model Build; Facilitated by
1. Personnel Required to Build/Upgrade ABC Model are:
   - Commander & Directors
   - Line Managers
   - Command Business Manager Managers
   - ABC Modelers
   - Data Systems Analysts

2. Learn Basic Concepts of CM/ABC (Typically 1/2 day)

3. Build ABC Model that Reflects Organization (about 4 days)
   - IAW Existing Command Operations & Functions
   - Key Elements of Model Require Agreement among Managers
   - Identify Output (Cost Objects)
   - Describe Key Activities (e.g. Work Performed) that Produce Output
1. **ABC Model Receives Input from All Managers** -
   - Financial
   - DOIM
   - Line
   - PW
   - Resource
   - Personnel
   - Administrative
   - Service, Safety, etc.

2. **ABC Data Reviewed** -
   - Supervisors for Completeness & Accuracy
   - Managers Validate for their Division
   - Directors Approve for Directorate

3. **ABC Reports Prepared** -
   - By Business Manager for Each Command Level
     (Branch -> Division -> Directorate -> Garrison)
   - Approved at Each Level prior to Reporting to Next Level

NOTE: ABC intended to support all levels of the organization for complete Cost Management.

Organization names used as examples, adapt as needed.
1. ABC Model Receives Input from -
   - Financial Sources
   - Direct Labor Hours Sources
   - Other Applicable Sources

2. ABC Data Reviewed -
   - Supervisors for Completeness & Accuracy
   - Business Manager for Timeliness (Expenditures tied to Activities)
   - Managers Validate for their Division
   - Directors Approve for Directorate

3. ABC Reports Prepared -
   - By Business Manager working with Each Command Level (Branch -> Division -> Directorate -> Garrison)
   - Approved at Each Level prior to Reporting to Next Level

NOTE: ABC intended to support all levels of the organization for complete Cost Management.
1. QA data for -
   - Definitions
   - Completeness
   - Applicability
   - Accuracy
   - Timeliness
   - Understanding

2. Review Data Processed by Model for -
   - Integration of Resources, Activities, Output
   - Integration of Direct and Indirect Costs
   - Ensure All Costs accounted for
   - Discoveries of Costs & Reasons

- **ABC Brief preparation** -
  - Modeler(s) prepare Data, Tables, & Charts
  - Business Manager prepares Business Presentation
  - Applicable Managers Review and Approve
1. ABC Results Briefed up the Organization - (Supvsrs -> Managers -> Directors -> Commander)

2. ABC Brief presented by Managers to Next Level Up -
   - Business Manager coordinates w/ Commander & Deputy
   - Business Manager establishes Briefing Structure based on
     - Commander Expectations
     - IMA & Region Requirements
   - Modeler(s) prepare Tables and Charts
   - Business Manager coordinates w/ all Managers to:
     - Validate Data (accuracy, clarity, consistency)
     - Ensure Business Information in brief is Clear and Accurate

3. Business Manager coordinates w/ other Commands
Leaders Ask Questions:

• What is the Total Cost to provide Service X? Can we do this Cheaper?
• Which Alternative Saves us the Most Money or Resources?
• Which Activity can be Changed to Reduce Cost/Improve Performance?
• Why did Output Q Cost so much to Produce? ...where to reduce costs?
• Where are all the Indirect Costs being Spent? ... and why?

Continue to Refine Cost Management Information (ABM Model)

Everyone in Organization Responds Openly with Information & Ideas:

“CM/ABC CULTURE IN PLACE”