



SECRETARY OF THE ARMY
WASHINGTON

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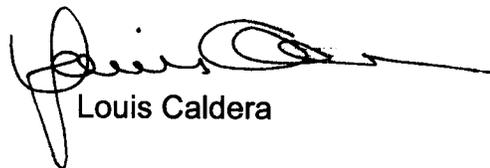
MEMORANDUM FOR PRINCIPAL OFFICIALS OF HEADQUARTERS,
DEPARTMENT OF THE ARMY
MACOM COMMANDERS

SUBJECT: Strategic Plan for Implementing Cost Management/Activity Based Costing (ABC)

In response to the USD(A&T) Memorandum on Defense-Wide Implementation of Activity Based Costing/Management (ABC/M) dated July 9, 1999, the Army has developed the enclosed Strategic Implementation Plan. We fully endorse Cost Management, using ABC where appropriate, as a process of continuous improvement. The Army will pursue ABC as a tool for the local manager to better understand operational cost and performance. We have an aggressive goal to complete implementation in 11 major business areas that support mission readiness within three years.

To meet this challenging timeline, we will provide ABC software and sustainment, establish a Cost Management/ABC course to rapidly train each business area, conduct prototypes in business areas as needed, and provide Cost Management/ABC training material. Each business area will prepare and submit detailed implementation plans through the Army Managerial Costing Steering Committee. The Army Cost and Economic Analysis Center will provide detailed instructions to each functional proponent in preparation for the upcoming steering committee meeting in December 1999, with information briefings available upon request.

Cost Management is not a one-time event; it is a long-term, continuous process solution to control cost and improve operations. This is an important culture changing event within the Army and must have leadership commitment from each business area. We expect the fullest participation throughout the Army and will monitor progress through the Quarterly Army Performance Review.


Louis Caldera

Enclosure