



**DEPARTMENT OF THE ARMY**  
**HEADQUARTERS, UNITED STATES ARMY RESERVE COMMAND**  
**4710 KNOX STREET**  
**FORT BRAGG, NC 28310-5010**

REPLY TO  
ATTENTION OF:

AFRC-CO

NOV 6 2012

**MEMORANDUM FOR**

**Commanders, USAR Major Subordinate Commands**  
**USAR Directors and Chiefs, Coordinating Special, and Personal Staff Agencies**

**SUBJECT: US Army Reserve Cost Management Program (CMP) – Update #1**

**1. References.**

- a. Memorandum, SA, 14 Mar 11, subject: Consideration of Costs in Army Decision Making.
- b. Memorandum, ASA(FM&C), 13 Jun 11, subject: Cost Management Performance Reporting.
- c. Memorandum, AFRC-CO, 8 May 12, subject: US Army Reserve Cost Management Program (CMP).

**2. Purpose.**

- a. The purpose of this document is to outline the vision, policy and procedures to establish and sustain a cost culture in the United States Army Reserve (USAR).
- b. This memorandum updates reference 1.c., primarily clarifying responsibilities (1) in paragraph 9 based on revised USAR Command Group organization and (2) in paragraph 11 as it pertains to Review and Analysis (R&A).

**3. Applicability.** The policy and procedures contained in this memorandum are applicable to the USAR staff, Operational, Functional, Training and Supporting (OFTS) Commanders, and Core Enterprise Leads.

**4. Vision.** USAR will establish and sustain a Cost Culture defined by policy and procedures within this document to achieve the following objectives:

- a. Reduce the cost of routine ongoing operations to resource unfunded or underfunded programs.
- b. Identify unnecessary and/or underperforming programs for elimination and/or improvement.
- c. Improve efficiency and effectiveness of enduring business processes.

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- d. Ensure continuity of operations in an era of declining resources.
- e. Execute our fiduciary responsibilities to the American taxpayer.

5. Intent. The USAR CMP is the Command's implementation of the Department of the Army program described in reference 1b above. The CMP is a collection of mutually supporting policies and processes working to achieve the above vision. The policies and processes will be based in common-sense and feasibility given the organization and operation of the USAR Headquarters and subordinate units. However, the CMP is not just about implementing and enforcing new policy and processes, but embracing a way of thinking about everything we do in the USAR and asking, "what is the cost of this activity, what benefit does the command achieve, and is the benefit worth the cost?"

6. Leadership. Committed leadership is the key to successful implementation and sustainment of the USAR CMP. The expectation is that leaders at all levels, commanders and staff, understand the CMP and commit to faithful implementation in their organizations. A critical component to realize the intent of the CMP is to hold leaders responsible for not just implementation of the program, but also achieving the intended results. Each leader listed below will include on their support form the applicable performance objectives as published in the command's Annual Cost Management Performance Objectives memorandum. Additionally, each leader listed below will assess applicable cost management performance for all individuals rated and senior rated.

7. Training. Implementation and sustainment of the CMP requires both a change of culture, as well as development of specific cost management skills. Skills will be developed based on individual roles and responsibilities in CMP processes. Organizations may leverage both Army and commercial training opportunities to develop and sustain these skills. There are several books on the subject of cost management and process improvement worthy of inclusion in a Professional Reading Program, and which will be included as part of the leadership transition for commanders and staff. Leaders at all levels will meet or exceed the training expectations outlined in the command's Annual Cost Management Performance Objectives memorandum.

8. Analytic Cost Expert (ACE). The ACE is the Commander's and Staff Principal's primary advisor for CMP policy and procedures. These individuals are capable of understanding the program, educating others, supporting Process Improvement Projects (PIPs), and coordinating cost management events. The ACE understands Continuous Process Improvement and Cost Benefit Analysis. ACE prerequisites include strong analytic and math skills, solid oral and written communication skills, and a firm understanding of the organization's operations. Appoint individuals with the necessary acumen to this important role, and support them with training and education.

9. Responsibilities.

- a. USAR COS -

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(1) Overall proponent for the USAR CMP and for CMP implementation within the USAR staff.

(2) Determines and publishes the USAR Annual Cost Management Performance Objectives memorandum for each FY in coordination with the USAR DCGs.

(3) Chairs the Core Enterprise's Review and Analysis (R&A).

b. USAR DCG (OPS) and USAR DCG (SPT) -

(1) Proponent for CMP implementation within assigned OFTS commands.

(2) Provides input to the USAR Annual Cost Management Performance Objectives memorandum in coordination with the USAR COS.

(3) Chairs Review and Analysis with assigned OFTS commands as required.

(4) Participates in Core Enterprise's Review and Analysis as required.

c. USAR Core Enterprise Leads -

(1) Implement the USAR CMP within their Enterprise.

(2) Appoint an Analytic Cost Expert (ACE) to assist with USAR CMP implementation within the Enterprise.

(3) Utilize the procedures in this document to achieve the performance objectives published in the command's Annual Cost Management Performance Objectives memorandum.

(4) Coordinate and lead the Enterprise Review and Analysis in coordination with the USAR COS. The Enterprise Review and Analysis will be:

(a) A minimum duration of 3 hours per calendar quarter.

(b) Focused on MDEP-level review of both financial inputs and performance outputs of ongoing programs.

(c) Drives effective and efficient operations through continuous improvement.

d. Operational, Functional, Training and Supporting (OFTS) Commanders -

(1) Implement the USAR CMP within their Command.

(2) Appoint an Analytic Cost Expert (ACE) to assist with USAR CMP implementation within the Command.

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(3) Utilize the procedures in this document to achieve the performance objectives published in the command's Annual Cost Management Performance Objectives memorandum.

(4) Participate in USAR DCG-led Review and Analysis as required.

(5) Implement a Review and Analysis process at the OFTS Command level as part of the USAR CMP implementation.

e. USAR HQ Analytic Cost Expert (ACE) -

(1) Supports the USAR COS with development and implementation of the USAR CMP and Annual Cost Management Performance Objectives memorandum.

(2) Coordinates Review and Analysis for the USAR DCGs as required.

(3) Assists Enterprise and OFTS Command ACEs with implementation of the CMP.

(4) Develop and sustain cost management skills, processes, techniques and training in support of CMP requirements.

f. USAR Core Enterprise/OFTS Command ACEs -

(1) Support the Enterprise Lead/Commander with implementation of the USAR CMP.

(2) Coordinates Review and Analysis requirements for the enterprise/command.

(3) Develop and sustain cost management skills, processes, techniques and training in support of CMP requirements.

10. Cost Management Performance Objectives. Each Fiscal Year (FY) the USAR COS will publish the Annual Cost Management Performance Objectives memorandum for the FY. These performance objectives will constitute the minimum level of cost management activity for the USAR staff and OFTS Commands. Progress toward these performance objectives will be tracked as part of the Review and Analysis process.

11. Review and Analysis (R&A).

a. The R&A is a critical component of the total USAR Cost Management Program and underlying processes. The R&A is a communication forum in which cost analysis is applied to resource informed decisions impacting future cost and program planning. The R&A is a process designed to:

(1) Inform senior leaders on the effectiveness and efficiency of ongoing programs to facilitate program planning and resource allocation decisions.

(2) Assess progress of ongoing Process Improvement Projects and other cost management initiatives.

(3) Provide information on other cost-related topics of interest.

b. The R&A will be tailored to support the cost-informed decision making of the operational leader:

(1) The R&A at the Core Enterprise level will be focused on program reviews at the Management Decision Package (MDEP) level assessing both resource consumption and performance outputs, supporting appropriate program changes in future cost planning periods and in program performance metric adjustments.

(2) The R&A at the OFTS Command level will focus on Process Improvement Projects (PIPs) designed to analyze enduring operations, identify opportunities for improvement, and implement and measure changes that drive efficiency and effectiveness.

(3) The R&A will also be used as a forum to brief other Cost Management initiatives directed by the leadership and/or outlined in the Annual Cost Management Performance Objectives memorandum.

c. Core Enterprise Leads and OFTS Commanders will establish an R&A battle rhythm that meets the following criteria:

(1) Provides predictability to senior leaders as well as supporting cost and management experts in terms of content and timing.

(2) Allows sufficient time to have a meaningful impact on future cost planning and performance objectives.

## 12. Cost Benefit Analysis (CBA).

a. The current version of the US Army Cost Benefit Analysis (CBA) Guide describes how the USAR will execute CBAs in support of major funding decisions. The Guide will be used to meet all CBA requirements external to the Army Reserve. The Guide will be used for internal budget decisions where applicable.

b. Leaders at all levels will encourage use of CBA techniques and thinking as part of their decision process whenever funding is involved. For example, when leaders are making decisions about simple things such as, “do we really need this new equipment?”, or “do we really need to fund this TDY?”, leaders should ask, “what is the cost (inputs)?”, “what are the benefits (outputs)?”, and “do the benefits equal or exceed the cost”?

13. Lean Six Sigma (LSS). Lean Six Sigma (LSS) processes and tools have the potential to be of significant benefit to process reengineering and cost management efforts. Consider utilizing the USAR LSS capabilities as part of your efforts to realize your Annual

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Cost Management Performance Objectives. The LSS Define-Measure-Analyze-Improve-Control (DMAIC) model should be considered the preferred method to approach Process Improvement Projects (PIPs).

14. Process Improvement Project (PIP). A PIP is a deliberate effort to define, measure, and analyze an ongoing process, to identify weaknesses and failure points, and to develop and implement changes that make the process more effective and/or efficient. The PIP process may also be used to assess, improve, and if warranted terminate, ongoing programs.

15. For questions or concerns regarding this program, contact myself or my ACE, Mr. Bill Henry, at phone number, (910) 570-8801 or by email, [william.henry@usar.army.mil](mailto:william.henry@usar.army.mil).



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