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RESOURCE MANAGEMENT

3rd Quarter 2003

BIC

Business Initiative Council

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This medium is approved for official dissemination of material designed to keep individuals within the Army knowledgeable of current and emerging developments within their areas of expertise for the purpose of professional development.

By order of the Secretary of the Army:

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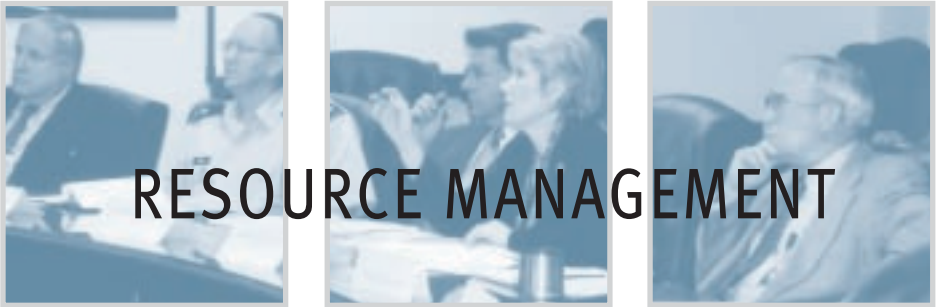

RESOURCE MANAGEMENT

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A Message from the Assistant Secretary of the Army

Financial Management & Comptroller

The Honorable Sandra L. Pack

This issue of the Resource Management publication is dedicated to telling the story of the Business Initiative Council (BIC). As many of you know, the Secretary of Defense established the BIC in July 2001 and challenged the Council to identify new and better ways of executing DoD's business processes. In its two years of existence, the BIC has more than met the challenge, having approved 58 initiatives across all functional areas.

The Army Business Initiative Council (ABIC), which was created to help carry out the broader DoD effort, has selected 66 initiatives, 26 of which subsequently were referred to the BIC for defense-wide implementation. While these raw numbers are remarkable, the breadth of participation in the BIC is truly outstanding: Virtually every major command and HQDA agency has tendered at least one proposal.

I am impressed by the quantity and quality of the BIC initiatives offered and their impact on Army finances. We will avoid costs of more than $1 billion over the program years as a result of the initiatives implemented so far, and that figure will continue to grow with each new round of projects. I also am delighted to note that members of the Resource Management community have done their share, supplying a large percentage of the approved submissions.

Articles in this issue describe how the BIC operates, and also highlight a few BIC initiatives that have been particularly successful. You can find a summary of all BIC initiatives at the ASA-FM Web site, **http://www.asafm.army.mil/BIC.asp.**

If you've gotten involved in the BIC effort, you have my thanks and appreciation. And if you're still standing on the BIC sidelines, I encourage you to learn more about the program and to look for additional initiatives that will improve our business practices.

A Message from the Principal Deputy Assistant Secretary of the Army

Financial Management & Comptroller

Ernest J. Gregory

The BIC As A Tool to Support Resource Stewards

As I evaluate the initiatives submitted for BIC consideration, I see two common features in most of the initiatives. From a functional perspective each initiative is, of course, an attempt to make a process perform better for its users. When we remind ourselves that many "users" of Army and DoD processes are soldiers on the front lines in Southwest Asia, the importance of process improvement programs such as the BIC becomes crystal clear. We owe our soldiers—and all who support them—the most effective processes and systems we can provide.

But from a Financial Management perspective, the feature many initiatives have in common is that they contribute greatly to our ability to carry out our responsibilities as stewards of the Army's resources. A quick scan of ongoing Army and DoD BIC initiatives reveals innovative proposals that will:

- Generate millions of dollars in savings or cost avoidance by enabling us to acquire computer hardware and software at reduced prices.
- Reduce the cost of providing schoolhouse training to soldiers by better leveraging Army facilities and capabilities.
- Enable our installations to use lower-cost (but still effective) approaches to environmental clean-up.
- Develop new relationships with academia and the private sector to make more efficient use of our facilities.

In an organization as vast and as complex as the United States Army, resource stewardship will always be a difficult undertaking. When we add in the additional challenges associated with extended deployments to multiple theaters, the degree of difficulty can only climb higher. As Resource Managers we owe it to ourselves and to our Nation to use all the tools available to succeed in this challenging environment, and the BIC has shown itself to be an exceptionally useful tool.

The BIC, reinforced by sustained support from the DoD and Army leadership, has created an environment that places a premium on improving functional processes and on making better use of our financial resources. The BIC has served us well, and I look forward to a continuing stream of initiatives from the BIC pipeline.

Creating Better Business Processes

The Business Initiative Council

Mr. Donald Tison

As this issue of Resource Management goes to press, the DoD Business Initiative Council (BIC) has passed a milestone, having recently observed its second birthday. Birthdays are often a time to pause and reflect on where we've been and where we're going, and I welcome this opportunity to share the BIC story with an audience of resource management professionals.

Other articles in this issue describe real-world success stories the BIC process has produced, and also give you some insight into how BIC initiatives are evaluated at Army Headquarters. In my few pages, I'd like to describe the BIC structure from the top down, to include a particular focus on the features that make the program different from others that have gone before it.

The BIC Mission—and What Makes it Different

The BIC was chartered to improve the efficiency of DoD business operations by identifying and implementing business reform actions and reallocating savings to higher priority programs. If this sounds familiar, that's because it is. We've heard or read words like these frequently over the past 10-12 years. The Defense Management Review, the Defense Reform Initiative, and the Business Process Reengineering Program are just a few of the programs the Department has instituted with the same general objectives.

But in spite of the similar objectives shared by the BIC and its predecessors, it is the differences between them that are truly noteworthy, and that have enabled the BIC to continue to receive the willing, enthusiastic participation of the Services for two years. There are a number of design features that set the BIC apart, with the following being the most significant:

- BIC membership is limited to the most senior executives from the Services, the OSD Staff, and The Joint Staff.
- Day-to-day leadership is provided by the Military Departments rather than the OSD Staff.
- BIC initiatives are evaluated, and decisions made, in a streamlined fashion.
- All savings from BIC initiatives are retained by the Services.

Executive-Level Membership

The BIC consists of just seven individuals. The Council is chaired by the Under Secretary of Defense (Acquisition, Technology, and Logistics), [USD(AT&L)] and its additional members are the Secretaries of the Military Departments, the Vice Chairman of the Joint Chiefs of Staff, the Under Secretary of Defense (Personnel and Readiness), and the Under Secretary of Defense (Comptroller). This senior-level membership means that the BIC is more willing to accept reasonable degrees of risk in taking on difficult but potentially valuable initiatives, and less likely to be deterred by bureaucratic roadblocks to progress.

Day-to-Day Leadership

Although the BIC is chaired by the USD(AT&L), that is the only level at which a member of the OSD Staff is "in charge." At the outset, the BIC members established a subordinate element, the Executive Directors (ED), and gave it broad responsibility and authority to conduct the operational business of the BIC. While each BIC member is represented by the EDs, the chairmanship of the EDs is held by the Military Departments on a six-month rotating basis.

Reporting to the EDs are seven Process/Functional Boards (PFB). Each PFB is staffed with functional experts representing the BIC Principals. The PFB members evaluate initiatives in their functional areas, provide subject matter expertise to evaluate related initiatives in other functional areas, ensure their Service/agency position is presented to the PFB, and keep their ED apprised of the status of initiatives as they move through the evaluation process. Each PFB is chaired by Military Department representatives, on the same six-month rotating basis that is followed by the EDs.

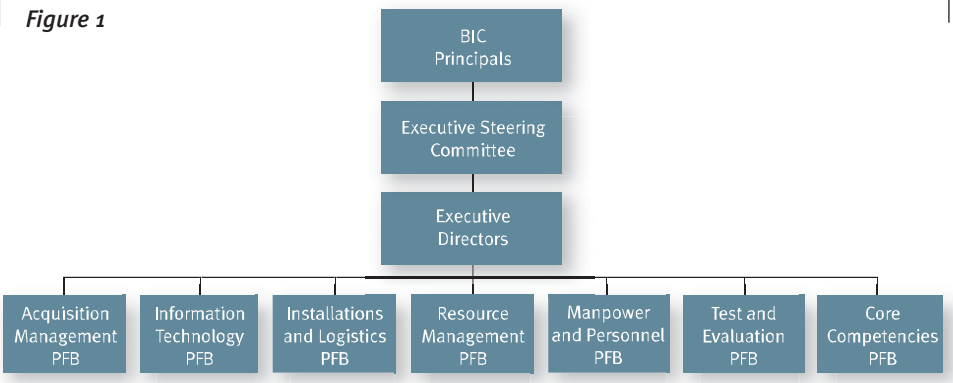
Thus, at the ED level and at the PFB level, day-to-day direction is provided by the Military Departments. The EDs and PFB members have no doubt that they "own" the BIC process, and this strong sense of buy-in has been a critical element contributing to the Services' constant participation and the continuing flow of good ideas into the BIC.

Streamlined Decision Process

When the BIC was established, the members determined that a key to success would be their ability to evaluate and reach decisions on new initiatives as expeditiously as possible. A streamlined decision process would sustain enthusiasm for the program, enable DoD to reap the benefits of new initiatives more quickly, and send a clear message that the BIC represented a new paradigm for process reform.

Figure 1 shows the complete BIC organizational structure. In addition to the PFBs and EDs as discussed above, the BIC hierarchy includes an Executive Steering Committee (ESC), a three-star body that provides guidance to the EDs as needed and makes a final critical assessment of initiatives before they are presented to the BIC Principals for decision. A well-developed initiative can work its way through the BIC evaluation process and be approved in as little as 7-8 weeks. Anyone familiar with the normal pace of DoD-wide coordination and staffing will recognize this as a dramatic time reduction.

Figure 1



Retention of Savings

In almost all cases, previous reform projects were expected to generate significant dollar savings, and the savings were harvested by senior headquarters for reallocation to organization-wide priorities. But in the case of the BIC, the commitment was made from the outset that the Services will retain any savings generated by BIC initiatives. Even though actual savings to date have been modest, the fact that savings will stay with the organization that produces the savings has been, and continues to be, one of the BIC's critical success factors.

When people know that they will be allowed to reap the benefits of their hard work, they are much more likely to create, propose, and implement challenging initiatives than would be the case if the savings were going to be taken away by higher headquarters.

Perhaps the most unexpected side benefit of the savings policy is that it has produced an unprecedented level of cooperation among the Services and the OSD Staff. When there is no possibility that funds will be lost, the Services no longer have a reason to compete with each other, and they find themselves working together in a spirit of genuine cooperation to identify, evaluate, and approve BIC initiatives.

DoD Summary

The preceding sections have identified the elements of the BIC organizational structure, and have described the key elements of the BIC process that have contributed to its success. Almost without

exception the Services and the OSD Staff agree that the process is working far better than could have been expected, and most participants expect that the BIC effort will continue in DoD for some time to come.

Army Business Initiative Council (ABIC)

A short time after the DoD BIC was established, the Army decided to create the ABIC. There were two primary reasons for this decision. First, the Army leadership determined that an internal Army structure that mirrored the DoD structure would make it easier for the Army to handle its BIC leadership responsibilities during its six-month rotations into the leadership position. Second, and more importantly, the leadership also determined that a successful BIC program requires a steady flow of initiatives into the pipeline, and that a structure and process would have to be put in place to manage this flow of initiatives.

The ABIC was established in the Spring of 2002, and the subsequent 12-15 months have proven the Army to be correct on both counts. Each time the Army has assumed or relinquished the BIC leadership role, our key players have handled the transition seamlessly. And since the ABIC was established, the Army has become a major contributor of BIC initiatives. This has been particularly true in the Resource Management PFB: in the past year, the RM Board has sent 10 initiatives to the DoD BIC EDs for consideration, and 9 of these were submitted by the Army.

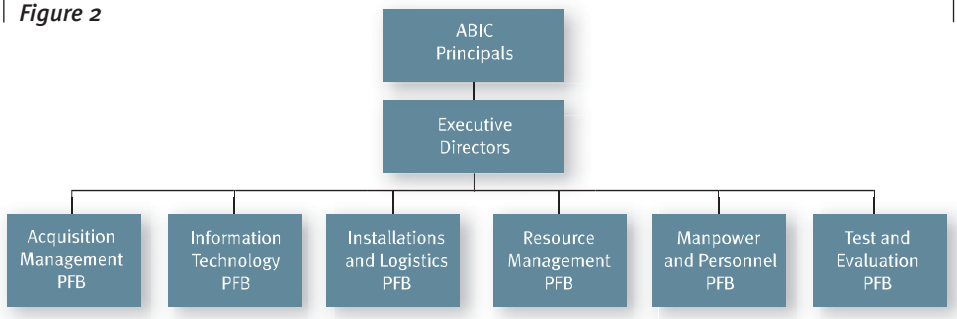
Figure 2 depicts the ABIC organizational structure. It differs from the DoD structure in two ways:

- There is no ESC. The Army experimented with an internal ESC for a short time, but chose instead to have its three-star level executives (the Assistant Secretaries of the Army and the Deputy Chiefs of Staff) become part of the ABIC, which is chaired by the SECARMY.
- There is no Core Competencies PFB, since this function is managed at the OSD level.

The ABIC operates on a quarterly cycle. Each cycle begins with the submission of proposed initiatives by MACOMs and HQDA agencies. (Details on the submission procedures are provided elsewhere in this issue.) Each initiative is assigned to a PFB. The responsible PFB ensures that the initiative is presented clearly and fairly, and considers comments from MACOMs and other HQDA agencies in developing a recommended action for the initiative. If an initiative has potential applicability across DoD, the responsible PFB simultaneously presents it to the DoD PFB (The role of the PFB is explained in greater detail in the "RB Perspective" article in this issue.)

Following the staffing and coordination process, all initiatives are briefed to the ABIC in a single decision meeting. The Army process is just as streamlined as the DoD process: this decision meeting occurs just six weeks from the date the initiatives were originally submitted.

Figure 2



What Lies Ahead

Some previous reform efforts were designed to produce initiatives that would have dramatic impacts on the Defense Department. But the BIC Principals established a less aggressive goal for the BIC effort, setting their sights on initiatives that would have a moderate but meaningful impact.

If we were to ask the people engaged in the BIC process on a day-to-day basis—the Executive Directors and the Process/Functional Board members—to assess how well the BIC has done in identifying moderate but meaningful initiatives, I believe the consensus would be that the BIC deserves high marks, both for its work to date and for its potential future contributions. I've been pleased to be a part of the BIC process for the past seven months, and I expect its good work to continue for the foreseeable future.

About the Author

Mr. Don Tison is the Assistant Deputy Chief of Staff, G-8, at Headquarters, Department of the Army. In this position he is responsible for Army Programs, Force Development, Quadrennial Defense Review, Army Studies Management, and the Concept Analysis Agency. He also has a significant additional duty as the Army member of the BIC Executive Directors, which gives him responsibility for day-to-day leadership of the Army BIC and of the Army role in the DoD BIC. Prior to assuming his current position, Mr. Tison served as the Deputy Director of Army PAED and as the Director of Force and Infrastructure Cost Analysis Division in OSD PA&E. Before joining OSD PA&E, he completed a distinguished career in the Navy Supply Corps, rising to the rank of Captain.

Business Initiatives Council Meeting July 25, 2003

MG Ross Thompson briefs the ABIC Board of Directors (BOD) on his implementation plan for the Ground Systems Industrial Enterprise (GSIE) initiative

Mr. Don C. Tison, Assistant G–8 and Executive Director, ABIC

Mr. Steve Randol, Office of the Vice-Director of the Army Staff, and Ms. Claire Marche, Office of the CIO/G–6.

MG Ross Thompson, TACOM, discusses the GSIE initiative

BIC Success Story

Guaranteed Fixed-Price Remediation

Major Paul B. Olsen

A little over one year ago, Guaranteed Fixed Price Remediation (GFPR) was a sleepy environmental action in an inbox. Within six months, Army briefed GFPR to the Under Secretary of Defense, the President signed GFPR expanding legislation into public law, and the Army and Air Force created contracts totaling almost $1 billion to execute this initiative. How did an idea at action-officer level get implemented so quickly? The answer is the Department of Defense and Army's Business Initiative Council (BIC). This article presents an overview of GFPR, and demonstrates one example of how the BIC served as an implementation catalyst.

Background

GFPR is a performance-based contracting vehicle obligating the contractor to guarantee the fulfillment of an environmental remediation requirement (including regulatory site closure). The Army and the contractor agree on a fixed price, up front, for the contract award, then stick to it. By using either a services contract, or a construction contract (with the differing site conditions clause removed), all avenues for the contractor to come back to the Army for cost over-runs are closed. The contractor buys insurance, or absorbs costs to cover over-runs if the cleanup becomes more expensive than the contract award. The insurance suites available are by nature as different as environmental remediation requirements. The contractor buys the best mix of insurance policies to match the environmental cleanup risks.

Although new to the Army, GFPR is not a new concept. The first examples are found in the private sector in the late 1970's. The most common examples were banks that had foreclosed on contaminated properties. Like foreclosing on a house or car, the banks were not interested in keeping the asset, but rather liquidating these properties as quickly as possible. In their search for the quickest way to accomplish this task, many banks preferred the GFPR contract. An Army analysis of 40 GFPR contracts showed a very desirable cost savings of 40% when compared against cost-based cleanups for the same projects.

The Department of Energy (DOE) pioneered GFPR for environmental remediation for the Federal Government. GFPR contracts did not succeed for DOE, but the Army learned many basic lessons from their efforts. The Navy was the next Federal entity to attempt a public sector GFPR cleanup. Although successful, the Navy did not see savings in cost or time compared to cost-based cleanups. The Army was next to pick up the GFPR torch. From 1999 to 2002, Forces Command (FORSCOM) and Training and Doctrine Command (TRADOC) awarded nine GFPRs, totaling $80 million.

When the GFPR contract cost of these nine are compared to the estimated cost-based contracts, at least 14% savings is seen ($12.5 million). The 14% savings is a conservative figure, grounded in empirical data. In the 40 GFPR contracts analyzed in the private sector (Chevron, DuPont, Shell, etc.) an average of 40% cost savings is normally seen.

Besides cost savings, GFPRs also show time savings. When compared with original cleanup plans, GFPR timelines tend to be half as long. Although it is too early to confirm these timelines, this trend is supported by 40 private sector GFPRs that have shown an average of 45% acceleration to site closure.

GFPR becomes a BIC Initiative

The savings in time and money seen by the nine Army GFPRs caught the attention of the Army's Deputy Assistant Chief of Staff for Installation Management, who submitted this initiative to the Army BIC. The BIC exists to improve the efficiency of Defense business operations. The reforms identified and implemented by BIC allow savings to be reallocated to higher priority efforts (i.e., people, readiness, modernization and transformation). The DoD BIC approved the GFPR initiative Sept. 4th 2002, requiring the services to maximize the use of GFPR contracts where feasible. The initiative took only 120 days from initial submission to DoD approval.

The BIC Catalyst

The importance of the BIC process cannot be understated in this example. The BIC puts a good idea on the fast track, providing the initiative with senior leadership support and visibility to cut through organizational and administrative processes. In the case of GFPR, the initiative was constrained by a statutory requirement preventing expensive environmental remediation services from being multi-year funded. In other government programs, such as tank acquisition, the government can pay the contractor every year by the number of deliverables created (i.e., tanks). This stretches the large contract into smaller payments, like a home loan. In environmental cleanup, no discernable interim products (like tanks) are created, so they can't be funded that way. Instead, the government had to obligate the entire cleanup cost in one year and disburse it over five. With active installation GFPR contracts ranging up to $25 million, this limited the scope and frequency. The BIC took the lead, and convinced Department of Defense leadership that the Army's legislative fix was a priority on Capital Hill, and must be passed by Congress. The Multiyear Funding provision was passed in the FY03 Defense Authorization Bill. This suggests the legislation's success is attributed to the visibility provided by the BIC, because although the same legislation was proposed in Fiscal Years 01 and 02, it was not successful due to low visibility and priority.

The BIC puts a good idea on the fast track, providing the initiative with senior leadership support and visibility.

Current Status Of GFPR

The Army is moving out aggressively with GFPR contracts. It is a three-pronged attack consisting of the U.S. Army Corps of Engineers (USACE), the U.S. Army Environmental Center (AEC), and the ACSIM's BRAC Office. USACE has established a $500M GFPR contracting capability under a suite of contracts that will support both large and small cleanups in Army, Navy, Air Force and the Environmental Protection Agency, including provisions for small businesses. These contracts will be fully operational the fourth quarter, FY03. AEC plans to award six major GFPR contracts in 4th Quarter, FY03 at Fort Dix, Fort Jackson, Ravenna and Lake City Army Ammunition Plants, Sierra Army Depot, and a bundled GFPR of U.S. Army Reserve sites. The ACSIM's BRAC Office has three additional GFPR contracts planed for FY03 and more in FY04. The Air Force is also executing GFPR contracts this fiscal year. The Army OACSIM provided Air Staff environmental engineers many models and lessons learned to promote their program. This partnership and information sharing is enabling the services to grow their cost savings together. The latest Air Force GFPR awarded showed a 20% cost savings compared to the cost-based contract estimate.

The Army is focusing its future GFPR contracting efforts by making the contracting process even more streamlined and performance based. Contracts with Statements of Work averaging 60-100 pages are being set aside for more agile Statement of Objectives (SOO) or Performance Work Statements (PWS) familiar to Performance Based Contracts.

Conclusion

The GFPR contracting initiative integrates the best practices from engineering, environmental science, and the private sector. The professionals who developed this initiative, and those currently working on awarding new GFPR contracts will save both time and money. However, being a good steward of tax dollars is only part of the equation. Knowing that an initiative will result in better protection of human health and our environment provides the remaining, non-quantifiable balance.

About the Author

Major Paul Olsen, of the Office of the Assistant Chief of Staff for Installation Management, is the Army's and DoD's designated point of contact for GFPR policy, strategy and implementation. He holds Masters Degrees in Environmental Engineering and Business Management.

Where do the Savings Go?

Many of the initiatives approved by the Army BIC are intended to spend dollars more wisely, and save money. However, past reform efforts have taken whatever savings were generated by the Services and given them to OSD to re-allocate.

BIC is different. One of the guiding principles of the DoD BIC process is that savings stay with the organization that generated them. In fact, the BIC Charter, which was revised and signed by all seven DoD Principals in June, 2002, specifically states, "When a DoD component implements an initiative, and thereby generates savings, it will retain both the savings and the ability to reallocate their use."

And the Army has decided to have the same policy internally as does the BIC. Savings from BIC initiatives will be retained by the MACOM that generates them. MACOM commanders will be permitted to reapply the savings to programs as they see fit, consistent with Army priorities.

BIC Success Story

Contractor Manpower Reporting System

Dr. John Anderson
Ms. Eileen Ginsburg

The inability of Army planners and programmers at the Department and major command levels to obtain labor and costs associated with the contract work force that supports the Army's organizations and its missions has been a longstanding problem because of constraints inherent within existing procurement and financial data systems. This information is needed in order to make sound business decisions, provide proper stewardship over public resources, and effectively articulate and support manpower budget requests. In addition to Army needs for contractor workforce information, the National Defense Authorization Act for FY 2002 requires the Army to submit annual reports to Congress that summarize work year equivalents performed by contractors providing services to the Army. In March 2002, the Secretary of the Army directed the re-establishment of a pilot program within the Army to test a contract manpower and cost reporting process in order to obtain the information needed by Army planners and programmers.

History

The current effort to collect contractor manpower data is unique in DoD and in the government as a whole. A prior effort to collect similar data failed because of strong political resistance from some contractors. Moreover, the procurement community, being accustomed to safeguarding such data, did not see the need for collecting this information, and policy-makers who needed the information for planning purposes did not appreciate the hurdles and potential objections from contractors. The Business Initiative Council (BIC) at the OSD level has provided a framework for Departmental oversight of the pilot by helping to resolve these conflicting cultures and processes. The Army pulled together an Integrated Process Team with broad participation from each Service, as well as the comptroller, acquisition, personnel, and legal staffs at the OSD level.

Meetings were held with the 25 largest Defense contractors, and representatives of the small business community. As a result, certain data elements included in the earlier effort were deleted or simplified to obtain greater buy-in from industry to the process. Additionally, an XML interface has been established to give contractors the flexibility to bulk insert their workforce information via a web interface. This will minimize the hours that would be required to manually report their information.

Current Pilot

The Army had originally intended to collect the required contractor workforce data via a non-standard contract clause. This met with such resistance from the contractor community that the Army's data collection efforts were cancelled. The current Contractor Manpower Reporting (CMR) System will include the data collection task as a line item in Section B so that service contractors within the Army will be compensated for the time and effort involved in entering data in the Army web site.

The eleven fields of information that must be entered by the contractor into the Army web site are: 1. Contract reporting period; 2. prime contract number; 3. prime task/delivery order number; 4. major federal service code of the contractor employees; 5. name, address, email address and telephone number of the contractor; 6. information regarding the "organization customer" so as to derive the Unit Identification Code (UIC); 7. name, address, email address and telephone number of the contracting office associated with the subject contract; 8. direct labor hours; 9. direct dollar amount; 10. disbursement amount; 11. comments by the contractor as it deems appropriate. The following chart depicts the CMR reporting process.

In order to begin collecting the information, the Army must obtain the approval of the Office of Management and Budget (OMB) pursuant to the Paperwork Reduction Act (PRA). A notice of the proposed collection of information appeared in the Federal Register on June 18, 2003 and requested comments from the public by July 28, 2003. The notice estimates that approximately 31,870 contractors will each enter data on 30 occasions per year and that it will take each contractor five minutes to enter the data. A decision from OMB is expected in late 2003.

In addition to the PRA application at OMB, the effort could face additional hurdles in the form of resistance from the contractor community, which is skeptical as to the Army's need for the information and concerned about protecting proprietary business information. The Army has been careful to request only that information which is absolutely necessary in order to achieve its goals. To this end actual labor rates are not being requested nor is the actual labor mix on a particular contract being requested. Although total direct labor hours and the total direct labor dollar amount are to be reported for each period, this would only reveal an average labor rate for the whole contract. Within the data base, the labor hour information is not linked to a particular contract number. Further, the database is password protected

and no contractor would have access to any other contractor's data.

Benefits to the Army and to the Public

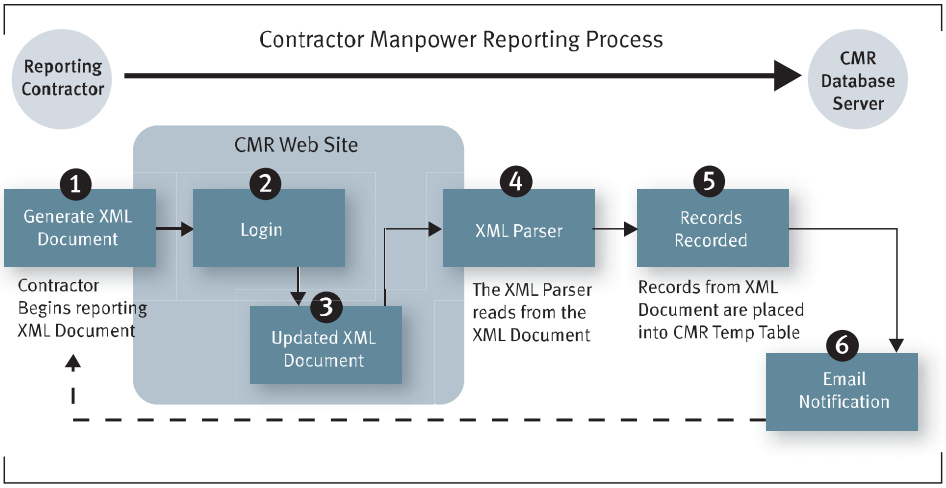
Collection of labor costs and labor hours for service at the level by function performed, Army unit supported and appropriation funding the contract will provide the following benefits:

Validating Savings Due to Outsourcing. Tracking contract labor costs per work year over time, as compared to in-house labor costs provides an independent metric for determining whether private sector sourcing of a function has truly resulted in savings to the Department. The issue of contractor cost growth after the public–private competition has been completed has been a continuing controversy associated with the A-76 program.

Controlling the Size of Government. Reporting contract support of organizations at the level of detail of function performed and organization supported provides an auditable basis for enforcing the downsizing of government, which can otherwise be avoided by merely shifting work to the private sector without savings. Unless such information is reported and analyzed the true size of government will not be known.

Avoiding Duplication of Effort. Reporting CMR data prevents duplication of effort when validating requirements and making decisions as to requests for additional in-house manpower within an organization and function. Allocation of military or civilian manpower to functions already performed by contractors in that organization can not be avoided without access to information on the total requirement being performed by all sources of labor, including contract. The magnitude of this problem is unknown until the Army obtains the necessary information, but in the few cases in which such duplication of effort between in-house and contractor manpower has been accidentally discovered during manpower surveys, the extra cost to the Army has been substantial. Therefore, collection of this information is necessary for proper allocation and stewardship of public resources.

Figure 3



Determining Proper Manpower Mix. Determining the level of contract support by function and organization supported provides a foundation for determining the appropriate mix of in-house core capability relative to the risks associated with different levels of contract support pursuant to Title 10 United States Code, Section 129 (a), which requires the Department to determine the most cost-effective mix of military members, civilian employees and contractors consistent with military requirements when developing its personnel authorization requests to Congress. While the precise ratio of in-house to contract personnel within a given functional area is a matter of policy judgment, the Department currently lacks the ability to exercise that judgment in the absence of the contractor data at issue.

Prioritization of Requirements. Approximately one-third of the Army's obligation authority is spent on support contractors. But because there is no centralized repository which identifies contractor labor and cost data by function unit supported and appropriation, the level of contractor support is rarely examined. The prioritization process scrutinizes civilian and military personnel in determining where to make cuts, but due to a lack of visibility contractors are never considered on the same basis.

Conclusion

The Contract Manpower Reporting System Pilot Study will be a valuable management tool for assessing savings through outsourcing, monitoring the size of government, avoiding duplication of effort, determining proper manpower mix, and exercising proper stewardship over public resources.

About the Author

Dr. John Anderson is the Principal Assistant Deputy Assistant Secretary of the Army for Manpower Management. He served for five years on active duty in the Army, practiced law in the private sector for five years, and has served the remainder of his career in the Army manpower management program. He holds a B.A. from the University of Michigan and a Ph.D. and J.D. from Catholic University. He is also the author of Why Lawyers Derail Justice, (Penn State Press, 1998).

Ms. Eileen Ginsburg is a Program Analysis Officer with the Office of the Assistant Secretary of the Army, Force Management, Manpower and Readiness and practiced procurement law with the Army for 13 years. She holds a B.A. from Colgate University and a J.D. from American University's Washington College of Law.

BIC Success Story

Military Training Service Support

Mrs. Mary Ellen McCrillis

The Army sends approximately 198,000 soldiers to institutional training each year. About 77,000 of these are active component soldiers, with the remaining soldiers being from the reserve components. The average number of days in the training base for an active duty soldier is about six weeks at a support cost of about $160 million, or $53 per day. A reserve component soldier spends about three weeks in resident training

Funding requirements to support travel to institutional training historically exceeds the amount of funding available. To "train the load," Army commanders have had to migrate other mission funds into the training travel accounts to make up the shortfall. The challenge has been to find a way to bridge the funding gap without adversely impacting other programs. In August 2002, the Secretary of the Army approved a Business Initiatives Council (BIC) initiative that could help close the funding gap. The initiative would change the funding process for soldiers going to institutional training and reduce costs so the Army can train more soldiers.

Background

Institutional training, or schoolhouse training, is required to support unit readiness and meet mandatory education requirements for promotion. Courses of instruction are designed to meet basic and advanced military occupation and leader development requirements. Examples of courses are Quartermaster Officer Basic, Supply Systems Warrant Officer Basic Course, Automated Logistical Specialist Basic Non Commissioned Officer Course, and Parachute Rigger.

Today, soldiers attending courses of instruction in a temporary or active duty training status incur all expenses for lodging, meals, and transportation. Upon completion of training, they seek reimbursement up to the authorized amounts. Even though on-post facilities are available, soldiers often use commercial lodging and generally purchase their meals at commercial facilities. Soldiers from the various commands and installations are not given consistent travel funding while at the training installations. For example, some soldiers attending the same course are authorized full per diem while others are directed to eat in the on-post dining facility. Some soldiers who bring their privately owned vehicle (POV) are authorized 40 miles per day for in-and-around transportation while others are allowed 10 miles per day. As a result, there is no standard level of service for soldiers attending the various training installations, and it is difficult to predict and budget for the right dollar amount.

The Initiative

To bridge the funding gap and mitigate growth in travel support expenditures, the Army embarked on a BIC initiative that would leverage on-post facilities and capabilities to support the training load, and assist in setting a standard level of service for soldiers attending institutional training. The initiative includes all Army military components and ranks attending training in a temporary duty (TDY) or active duty training (ADT) status. Rather than implement the new approach immediately, the Army choose to begin with pilot tests at selected schoolhouse installations.

Under the test, the training support funds for the soldiers' service support (lodging, selected meals, and selected on-post transportation requirements, if needed) are given directly to the training installation rather than the sending installation. The training installation determines the best way to provide the support services without adversely impacting training and soldier quality of life. The training installation rather than the soldier pays the cost of these selected services.

Fort Lee and Fort Gordon are serving as pilot test sites in FY 2003 and FY 2004. Under the test, procedures will change in three areas: lodging, meals, and transportation.

Lodging. Depending on the course of instruction, students will stay either in permanent housing (barracks) or in on-post lodging. The student's travel orders will direct soldiers to report to one of two locations for room assignment. Students attending MOS Advanced Individual Training (AIT) will report to designated training brigades for permanent housing (barracks). All other students must check in at the on-post lodging office upon arrival for their room assignments. If no room is available on post, students will be directed either to a Lodging Success Program hotel or to a locally contracted hotel. By leveraging the high demand for room nights, the Army has been able to get accommodations at quality hotels at rates that are significantly lower than the per diem rate. By enforcing student check-in procedures, the installation is able to reduce "leakage" and increase its on-post lodging occupancy rates. The training installation pays for lodging costs. The soldier does not have to pay, thus eliminating travel credit card debt and the need for high cash advances.

Dining. Students are provided selected meals at no cost utilizing dining, Morale, Welfare, and Recreation (MWR) or Army Air Force and Exchange (AAFES) facilities.

Multiple dining areas are provided to promote easy access to lodging and classes. Meals are served buffet style and comply with the military food standards. On weekends and Federal holidays, soldiers not attending MOS AIT are in a full per diem status for meals. Students attending MOS AIT training are messed seven days per week. Since reducing the meal portion of per diem was a major change, soldiers initially perceived this adversely affecting their quality of life. However, student surveys show increased satisfaction with meal quality, variety, service, and hours of operation. Schoolhouse personnel stated that providing the weekday meals has improved student time management.

Transportation. The majority of students (80 percent or more) drive their POVs to school. Those who do not bring POVs are authorized funding for taxis. A standard rate of in and around mileage and taxi fare authorization is set for each installation. The approved per day mileage rate and weekly taxi amount is calculated based on location of meals and classrooms from lodging.

Status

Test results to date show concept has merit. Projected cost avoidance to the Army stands at $1.2M for the first six months. The efficiencies gained allow the Army to train more soldiers, reduce soldiers up front out-of-pocket expenses (e.g., reduced credit card debt and requirement for cash advances), attain better identification and accountability of training cost drivers, use on-post facilities to a greater extent, and improve student logical management. To sustain the momentum, Fort Lee and Fort Gordon will continue to refine their internal processes while the Army proceeds to capitalize on test successes by implementing similar procedures at other training installations during the upcoming year.

As has been the case with many other initiatives over the past two years, the BIC spotlight has contributed in a meaningful way to the Military Training Service Support's (MTSS) early success. MTSS represents a significant change from the status quo, and such changes are sometimes difficult to bring about through normal staffing processes. But the BIC was designed as a mechanism to foster and encourage change, and it has proven to be a key element in the success of the MTSS initiative to date.

Additional information on this BIC initiative can be found at **http://www.hqda-odc-sops.army.pentagon.mil/mtss/ .**

About the Author

Mrs. Mary Ellen McCrillis is a Department of Army civilian in the Training Directorate, Office of the Deputy Chief of Staff, G-3, at Headquarters, Department of the Army. As the project officer responsible for implementing MTSS throughout the Army, she oversees all aspects of the pilot tests and ensures that lessons learned during the pilots are incorporated into the overall MTSS implementation plan.

BIC Success Story

Designated Source for Commercial IT Purchases

Ms. Linda Cook

In an effort to maximize the Army's buying power, the Army Business Initiative Council (ABIC) designated the Army Small Computer Program (ASCP) as the primary source for commercial Information Technology (IT) purchases within the Army. The initiative seeks to increase the use of ASCP contract vehicles, with the goal of making purchasing more efficient, resulting in Army-wide cost avoidance when purchasing computer hardware and services.

The Assistant Project Manager for ASCP is Ms. Olga Lawrence, who is the champion for this initiative. ASCP reports to Program Manager Enterprise Infostructure (PM EI), under Program Executive Office, Enterprise Information Systems (PEO EIS), Fort Belvoir, VA. ASCP is physically located at Fort Monmouth, NJ and has been providing Army customers with a source for commercial IT since 1985.

ASCP is also named the acquisition agent to work closely with Information Technology E-Commerce and Commercial Contracting Center (ITEC4) performing market surveys, developing business case analysis and the resulting contract requirements, and program managing all Army commercial off-the-shelf IT contracts greater than $500 million. Because of the close working relationship with ITEC4, ASCP currently has 29 hardware, software, and services contracts that customers can choose from to meet their IT requirements. In fiscal year 2002, the Army purchased over $645 million in software through these contract vehicles. Since program inception in 1985, Army customers have purchased over $5.5 billion in IT through ASCP, resulting in a cost avoidance of $550 million. This excludes cost avoidances achieved through the DoD Enterprise Software Initiative (ESI).

ASCP's Role in the Enterprise Software Initiative (ESI)

In January 2001, the Army Chief Information Officer designated ASCP the Army's Software Product Manager for the DoD ESI. In this capacity, ASCP is responsible for managing the DoD-wide and Army-wide Enterprise Software Agreements (ESAs) for the Army. These responsibilities include sole waiver approval authority and software asset manager for the Army. Since the implementation of the DoD ESI in 1998, ASCP has awarded twelve ESAs. Examples of some of the software products available are: Microsoft, Adobe Capture (formerly JetForm FormFiller), Informix, Oracle, and Sybase.

One of the most successful enterprise agreements is with Oracle Corporation.

The Army, as the holder of the DoD enterprise agreement for Oracle, worked closely with the Air Force to award an Air Force-wide buy-out of Oracle. Cost avoidance for the consolidated Air Force buy was $550 million. This equated to a discount of 84% below GSA schedule prices and included 10 years of maintenance discounts.

Another ESI success story is an example of how consolidation of multiple requirements can result in greater cost avoidance. In May 2002, ASCP assisted in consolidating the Oracle requirements of 10 individual Army customers and realized a 69% discount off GSA schedule prices. As part of this consolidated buy, the Army purchased $2 million in Oracle licenses utilizing the Army Stock Fund and held the licenses in virtual Government inventory. The pre-purchased inventory enabled customers with small requirements to buy Oracle software and get the identical discount as customers with large requirements. Army customers have already purchased all the Oracle software licenses in the Government's inventory. This consolidated buy resulted in a total cost avoidance to the Army of $3.9 million.

A new Army-wide task order with Softmart has changed the way Army customers will acquire their Microsoft software.

The Army has purchased Microsoft software licenses to satisfy all the Army's desktop and many of the Army's server requirements. Customers will submit their Microsoft requirements to their Director of Information Management (DOIM). The requirement will be validated by either the DOIM and/or Regional Chief Information Officer (RCIO), and ultimately distributed back through the DOIMs to the customer.

ASCP's role in the Enterprise Software Initiative has to date resulted in $1.3 billion in DoD cost avoidance. The ABIC initiative, designating ASCP as the primary source for commercial IT, seeks to expand the success of the enterprise software initiative to include hardware and services.

Army Business Initiative Council (ABIC) Initiative

In March 2003, the Secretary of the Army approved the initiative designating ASCP as the "Primary Source for Commercial IT Purchases" within the Army. The initiative will be phased in over three years to meet all its goals. Phase I of the initiative was kicked-off on 1 July 2003.

Goals:

COST AVOIDANCE:

In keeping with the mission of the ABIC, one of the goals of the initiative is to achieve increased cost avoidance through higher volume purchasing. As evidenced with the success of the ESAs, as more Army customers purchase from the Army contracts, vendors can offer even lower prices. Through the initiative, the Army can maximize use of ASCP contract vehicles in order to take advantage of these economies of scale.

ASSET MANAGEMENT:

Purchasing through ASCP will also help enable asset management of commercial IT purchases. When a customer purchases from an ASCP contract vehicle, the sales data is captured in ASCP's database. This data has the potential to be the beginnings of an overarching Army asset management process. This initial capture of data is procurement centered. Provided to the local DOIM, it can be used for hand receipt and product distribution. The same data will allow for Network Enterprise Technology Command (NETCOM) technical oversight and networthiness verification and finally, track product maintenance over time. This effort will be synchronized with the DoD BIC initiative, "Software Asset Management."

END-TO-END PURCHASING:

A long-term goal of the initiative is a streamlined end-to-end purchasing to payment process. ASCP's new Information Technology Enterprise-Mart (IT E-Mart) will set the foundation to realize this goal. The ASCP IT E-Mart is a new, innovative, internet-based website and E-Commerce system combined. It is designed to be easy to use and to facilitate communication and ordering between ASCP customers and vendors. The site has the ability to search for products, request a quote from one or more vendors, validate configurations, create a shopping cart, and facilitate ordering using the Government purchase card. The site uses Secure Socket Layer (SSL) as a security measure to safeguard data transmissions. ASCP also participates in the Army's Reverse Proxy Program, a security measure that protects against hackers. The end-to-end purchasing capability will be synchronized through the Virtual IT Market Place (VITM), another DoD BIC initiative.

What's in it for me?

Who says getting an initiative approved by the Army BIC isn't glamorous? Sure, it's not like winning the lottery, but there are some benefits.

First, all Army BIC initiatives, whether recommended for approval or not, are presented to the Secretary of the Army. And the slides that are prepared for the SecArmy briefing do list the name and organization of both the initiative's submitter and champion.

After he decides whether to go forward with an initiative or not, the next stage begins. All submitters-whether the initiative is approved and disapproved-receive a letter from Army BIC Executive Director thanking them for their contribution. For those who submit successful initiatives, in addition to congratulatory letters from the Army BIC Executive Director or the Army G–8, they receive a one-of-a-kind, original, coveted Business Initiative Council T-Shirt.

History of Army Small Computer Program's (ASCP) ABIC Initiative

Dec 02 ASCP is nominated as an Army Business Initiative Council (ABIC) candidate.

Feb 03 Major Commands review initiative and concur.

Mar 03 Secretary of the Army approves the initiative to designate the ASCP as the Primary Source for Commercial Information Technology Purchases

Apr 03 Implementation Plan is briefed to the ABIC council and approved

Implementation Plan:

TEAMWORK:

To successfully leverage the enterprise purchasing power of the Army, a new process was needed. ESI lessons learned showed that teamwork was critical. The first step in this initiative was to identify the key stakeholders affected by the initiative and form an Integrated Process Team (IPT) to ensure all concerns were addressed. The team is comprised of members from:

- Assistant Secretary of the Army for Acquisition, Logistics, and Technology (ASAALT)
- Chief Information Officer/G6 (CIO/G6)
- National Guard Bureau
- Office of the Chief of the Army Reserve
- Network Enterprise Technology Command (NETCOM)
- Installation Management Agency (IMA)
- Information Technology E-commerce and Commercial Contracting Center (ITEC4)
- Information Systems Engineering Command -Technical Integration Center (ISEC-TIC)
- Project Manager, Enterprise Infostructure (PM EI)
- Army Small Computer Program (ASCP), who is the champion for the initiative.

WAIVER PROCESS:

Another idea borrowed from the success of the ESI process is the waiver. All Army customers must look to the ASCP contract vehicles as their first source. If the products and services available cannot meet their requirements, a waiver will be granted. Customers must prepare the on-line waiver request form (available at: http://pmscp.monmouth.army.mil). The form is simple and takes only a few moments to complete. The waiver data is extremely important. It will be used to capture and identify Army requirements that are not currently available on an ASCP contract. As the requirement for a particular product or service grows, it will be considered for addition to an existing contract, or a new contract may be awarded to satisfy the requirement.

COMMUNICATION PLAN:

As with all good ideas, they are of no value if no one knows about them. In order to spread the word to the Army community, a communications plan was put in place. All IPT members sent information regarding the initiative via email throughout their organizations. Briefings at various RCIO and DOIM conferences, teaching opportunities at the Defense Acquisition University and School of Information Technology, trade shows, website updates, and print media are all used to get the word out. A major part of the communications plan incorporates the initiative into Army regulations. Language is included in the draft rewrites of AR 25-1, Army Information Management and AR 70-1, Army Acquisition Policy.

Future Cost Avoidance:

The chart below identifies the anticipated cost avoidance by fiscal year. Existing ASCP sales data confirms that in fiscal year 2003, cost avoidance will be $37 million. Fiscal years 2004, 2005, 2006, and 2007 reflect cost avoidance figures based upon an increase in sales (due in large part to this ABIC initiative) of 25% per year. Fiscal years 2008 and 2009 show a leveling off as IT sales through ASCP approach 100%. The cost avoidance figures are for hardware and selected services only and do not reflect cost avoidance from any of the ESIs. Figures are based on contractual discounts for a quantity of one and do not reflect higher discounts for large volume orders.

About the Author

Ms. Linda Cook is a product leader with the Army Small Computer Program at Fort Monmouth, NJ. Her previous assignments include managing the Army's PC and Army Desktop Mobile Computing-1 (ADMC-1) contracts. She is currently the project leader for the ABIC initiative designating Army Small Computer Program as the primary source for commercial IT. She has been recently selected to attend the Naval Postgraduate School, Monterey CA, to receive a Masters in Program Management.

Cost Avoidance by Fiscal Year

(In Millions of Dollars)

FY03	FY04	FY05	FY06	FY07	FY08	FY09
37.0	47.0	59.6	75.8	96.4	98.2	99.9

** ESI cost avoidance not included. Percentage of cost avoidance based on a minimum discount for a quantity of one.

** Methodology validated by Army Audit Agency

BIC Success Story

Embedded Instrumentation for Diagnostics, Prognostics, Testing and Training

Mr. Jim Pellien

Every modern automobile has "Embedded Instrumentation" or EI. Automobile EI includes an onboard computer and all of the miniature sensors connected to that computer. Sensors that measure air and oil temperature, ambient humidity, vehicle velocity, gas flow, tire pressure, location (Global Positioning System) and more are "embedded" in many of today's finest vehicles. These sensors, when hooked into an automobile's onboard computer, can do many things our grandfathers could only dream about. For example, the temperature and ambient humidity sensors can be used to compute real-time changes to the fuel/air mixture for top performance and fuel economy. Automobile EI can also be used to alert the driver to required maintenance actions to keep the vehicle in tip-top shape. EI sensors can also predict imminent catastrophic failures and give the driver time to get to a service station before breaking down.

The use of Embedded Instrumentation on DoD's weapon platforms is not nearly as widespread as in the private sector. This is in spite of the fact that the potential battlefield advantages of EI to the military are at least as significant as the gains achieved in the private sector. Lets look at some examples to show why EI has such great potential for our Armed Forces:

Test and Evaluation

In the past, projectile round testing required the removal and replacement of the projectile's warhead with a large, heavy and expensive piece of test instrumentation (that most likely would be destroyed during the first test). The center of gravity and the flight characteristics of these specially configured test projectiles were so significantly altered that they could not be used to verify flight characteristics. Additional test firings with a "production" round were required for flight envelope testing. The Hardened Subminiature Telemetry and Sensor System (HSTSS) program devised the concept of embedding microminiaturized sensors and transmitters into the design of the Navy Extended Range Guided Munition (ERGM) test projectiles. These tiny (size of a quarter) EI sensors were able to measure data and transmit the data to the ground test facility during developmental testing. Because the EI on the ERGM was so small and lightweight, the warhead did not have to be removed and the flight characteristics of the EI rounds were essentially identical to the actual round. This meant that the test program could eliminate purchasing additional flight test, resulting in a $6M cost avoidance. This example demonstrates the potential for tremendous cost avoidances DoD-wide as EI is used routinely for testing new weapon systems.

Logistics

Embedded Instrumentation on future vehicles will include embedded accelerometers to measure engine, transmission and vehicle vibrations. These vibrations and their intensity are continuously measured and analyzed and forwarded to the driver and his command unit. When these vibrations exceed a pre-determined threshold and pattern, the onboard computer sends an alert to the driver and his command unit indicating that a specific component is about to fail on this vehicle. This gives the driver time to get to a repair station. This is called "condition-based maintenance," as opposed to today's "scheduled maintenance" philosophy, in which vehicle components are serviced at a pre-determined number of operating hours, whether they need to be serviced or not. Embedded Instrumentation gives vehicle drivers and their command units tremendous leverage over their opponents. No longer will they be required to bring tanks off the battlefield for scheduled maintenance. They can fight longer, until they are about to break down, without maintenance action, thus giving them a distinct advantage over their adversaries. Embedded Instrumentation is the key to this paradigm shift in diagnostics and prognostics philosophies. EI has the potential to avoid hundreds of millions of dollars in maintenance for the Department of Defense when EI is widely deployed in next generation weapon systems.

Training

Embedded sensors within a tank can measure the azimuth and elevation (AZ/EL) position of a gun at the instant the gunner fires a round. Simultaneously, other embedded sensors can measure the vehicle's exact location (using GPS for example), the vehicle's AZ/EL attitude, the command and control actions by other crew members, the direction and speed of the tank at the instant the gun is fired, and other pertinent data required to assess the results of a live fire training exercise. To save on round expenditures, the actual gun firing could be simulated. Embedded Instrumentation gives the crew the ability to have realistic training in the field and to conduct simulated rehearsals prior to the actual commencement of hostilities. This gives our commanders leverage over adversaries that do not have "in-the-field" embedded training capabilities.

The TE08 Integrated Process Team (IPT) recently completed the BIC initiative on Embedded Instrumentation. The TE08 IPT had over 30 members from the Army, Navy, Air Force, Marines, the Joint Chiefs of Staff (JCS) and the Office of the Secretary of Defense (OSD). The membership included testers, trainers and logisticians from the Services and OSD. The initiative's intent was to ensure that acquisition and requirements policies within the Department of Defense contain sufficient guidance on the use of Embedded Instrumentation for Program Managers. As a result of the IPT's two years of work, including eight IPT meetings, a consensus was reached to add the following language to DoD 5000.2 and CJCSI 3170.01C:

Embedded Instrumentation Additions to DoD 5000.2:

Section 3.9.2.4.1: "PMs shall optimize operational readiness through affordable, integrated, embedded diagnostics and prognostics, and embedded training and testing; serialized item management; automatic identification technology (AIT); and iterative technology refreshment."

Section E5.1.2: "Test planning and conduct shall take full advantage of existing investment in DoD ranges, facilities, and other resources, including the use of embedded instrumentation."

Embedded Instrumentation Additions to CJCSI 3170.01C:

Body: "(c) Embedded Instrumentation. J-6 will ensure that CDDs and CPDs include Embedded Instrumentation in system trade-off studies and design analyses."

Definitions (Encl G): "Embedded Instrumentation: Data collection and processing capabilities, integrated into the design of a system for one or more of the following uses: diagnostics, prognostics, testing or training."

Embedded Instrumentation is an enabling technology that spans the T&E, training and logistics functional areas. Most of the EI sensors and computers used by the testing community can also be used by the trainers and logisticians and vice-versa. This concept is depicted graphically on the following page.

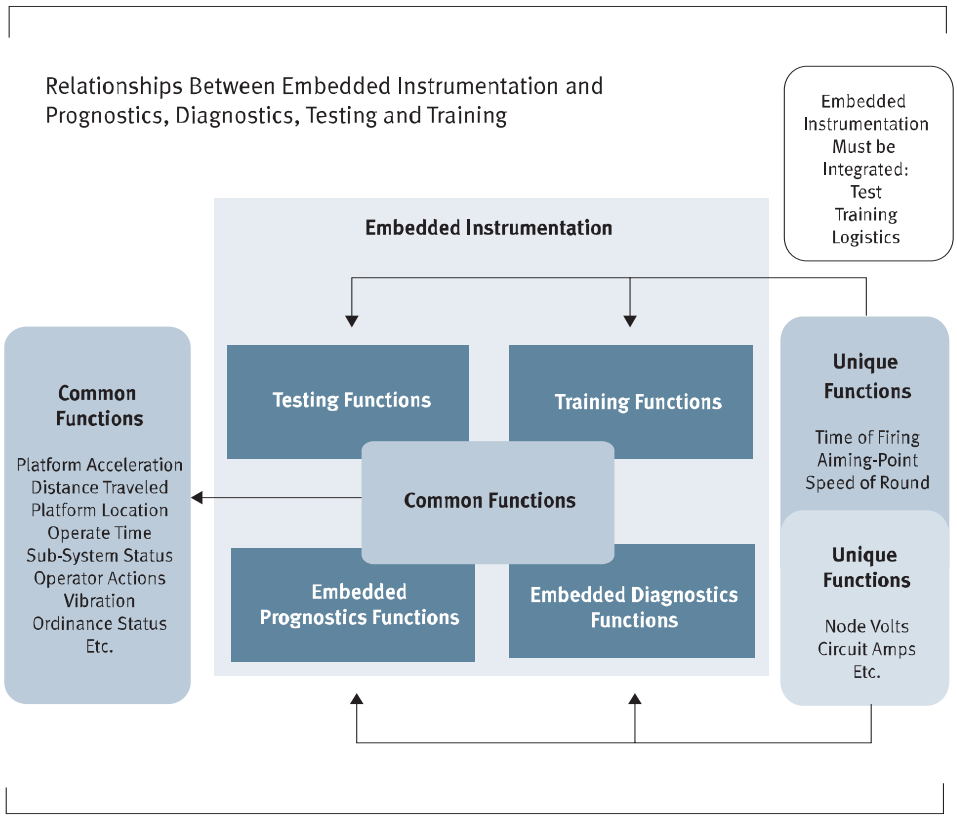
Predictions: The use of Embedded Instrumentation by the Defense Department over the next decade will become as ubiquitous as the use of integrated circuitry became in the 1970's. It will profoundly effect how we design, test, maintain new systems and train our warriors. EI will make our fighting forces more lethal at a lowered life-cycle cost.

This initiative is clearly a "good news" story for the Business Initiative Council.

About the Author

Mr. Jim Pellien, senior defense analyst from Applied Resources Inc., assists the US Army's Test and Evaluation Management Agency (TEMA) on all matters regarding the BIC. Mr. Pellien is the coordinator for a number of BIC initiatives in the T&E functional area. He retired from the Defense Department after 26 years of service in 1997, with his last assignment as the Director of the Joint Precision Strike Demonstration (JPSD) office at Ft. Belvoir, VA.

Figure 4



BIC Success Story

Cell Phone Subsidy

Ms. Suzanne Kirchhoff

The Acquisition Management Process/Functional Board (AM PFB) of the Business Initiative Council (BIC) has sponsored an initiative that could lead to a subsidy payment for DoD employees authorized to have a government cellular telephone. The BIC envisions this subsidy as being implemented similarly to the commuter incentive reimbursement program–a fixed rate received by the employee on a monthly or quarterly basis.

Legislation

The FY03 Defense Transformation Act for the 21st Century legislative package has in it language resulting from the "Cell Phone Subsidy" BIC initiative. If passed, this legislation will authorize payment of a monthly stipend to employees who had previously been authorized and issued a government cellular phone to conduct official business calls.

Benefits

By encouraging employees to use a personal cellular phone in lieu of a government issued cellular phone, the government will no longer be required to issue, track and account for government-issued cellular phone equipment and employees will no longer have to account for official calls or carry two cellular phones. With the approved legislation, an authorized employee will be able to use his/her personal cellular phone and receive a monthly stipend to offset the cost of official calls. This will lead to improved quality of life because authorized cell phone users will need to carry only one phone and they will be able to select their service provider and level of service without concern about impact to the government. The cycle time to secure and activate a phone will be reduced, and performance will be improved from a customer perspective due to freedom from inventory and control procedures and relief from the onus of the "official calls" dilemma.

Next Steps

An Integrated Process Team (IPT) is being formed to study the specific mechanics and methodologies by which this subsidy will be implemented and managed. The IPT will look at issues such as: how much the subsidy should be; whether there should be different levels of subsidies for different levels of users (e.g., senior leadership versus lower level employees, and those with heavy usage requirements versus those with only moderate or light usage). If all goes according to the approved implementation plan, this subsidy will be effective at the start of Fiscal Year 2005.

About the Author

Ms. Suzanne Kirchhoff, SAIC, supports the Acquisition Management Process/ Functional Board of the Army Business Initiative Council.

What is a Champion?

Webster's Dictionary defines a champion as "one who acts or speaks on behalf of a cause; a defender; an advocate." Champions of BIC initiatives are routinely called upon to fill these roles.

Each approved BIC initiative has a champion who is responsible for making sure that the initiative gets successfully from approval to implementation. Once an initiative is approved, the Champion is charged with developing an Implementation Plan, including milestones with specific dates for action items, developing and tracking metrics to measure the success of the initiative, and ensuring that all relevant players are part of the initiative's development, whether through the establishment of an IPT or other means.

As part of the BIC process, the champion appears regularly before the ABIC BOD to brief its members on the status of their initiative. Occasionally, even the best of champions misses a milestone. Then the ABIC BOD steps in to approve a new set of dates, and a new way ahead, to keep the initiative moving forward.

Leverage as an Operating Principle

Lieutenant Colonel Michael Sheaffer

"We will develop leaders at all levels and in all components who can prosecute war decisively and who can negotiate and leverage effectively in those missions requiring engagement skills."

A Term Who's Time Has Come

Leverage is in vogue. A simple query on the internet using leverage and US Army will reveal a range of finds, with the result either a reference to a briefing, press announcement, a senior leader using the term or a writer using it to evaluate performance potential or capability. We even find this word in multiple Army publications. For example, the Army Vision Smart Book [2] contains the word ten times between the charts and the supporting notes pages. Field Manual 7-0, Training the Force, uses the term five times.[3] In fact, this management idiom is found in the General Order that established the United States Army Contracting Agency (ACA), an Order that tasks the ACA to "to reduce duplication and leverage economies of scale" [4]

While the term is used often, it's definition and institutionalization within the Army comptroller community remains hazy. The glossary in Army Regulation 1-1, **Planning, Programming, Budgeting, Execution System,** dated 20 Jan 94, makes no reference to the term. Even publications that use the term fail to define it, as is the case in the terms section of the glossary in FM 7-0, which defines a learning organization yet fails to define leverage. The DoD Dictionary[5] does define leverage but only in relation to technology, even though leverage is used in DoD beyond the construct of technological benefits. The DoD Inspector General Strategic Plan provides an example with this quote: "As a model of excellence in organizational effectiveness and efficiency, we believe we must . . . leverage the talents of all of our employees . . .".[6]

As this term promulgates throughout the force it is essential that we have a common reference point and better yet, a conceptual model on how to think about leverage. To meet that goal I will attempt to delineate the term leverage and present a basic construct to conceptualize leverage opportunities. We will review some leveraging opportunities in the Army today and also review some examples of leverage found while participating in Training With Industry (TWI) at the Motorola Corporation. A component of this article is the recommendation of a US Army definition of leverage, which hopefully, will offer a common term of reference and allow leaders and soldiers at all levels to adopt leverage as an operating principle and capitalize on its promise.

Just what is this leverage stuff?

Today we see leverage used in the context of leveraging people, resources and capabilities. However, for most comptrollers exposure to leverage begins in a finance course and usually at a civilian institution. In this framework leverage is discussed in relation to debt, operating and fixed costs. Current use of the term has expanded beyond the financial equation to a managerial operating principle, but to understand it we will first look at it as a financial principle.

Financial leverage is typically defined as the use of debt to capitalize a business opportunity. For example, a company may secure a loan in order to finance operations, which will lead to—hopefully—a net result (profit) above operating and loan repayment costs. If the cost of debt is fixed and the company has control over its variable costs, it can increase earnings at an ever-increasing rate with the more income it generates, thus leveraging the debt to produce greater profits. Simply stated, financial leverage implies earning a return above the cost of capitalizing the project and in the end, obtaining the maximum use of each dollar invested.

But what about leveraging things non-financial, such as people? How do we fulfill statements found in the Army Vision? It is in this context that leverage transitions from financial to something else. For lack of a better term I will call this type of leverage

Figure 5

	Residential Communities Initiative (RCI)	Family of Medium Tactical Vehicles (FMTV)	Army Depots Excess Capacity	Army Depots Excess Capacity	Center for Army Lessons Learned
Advantage	Steady stream of BAH funding	Scope of requirement (order Quantity)	Availability of the facility	Positioning and relationships	Experience of operational units
Push	Decision and privatization authority	Decision to build common chassis	Decision and authority to lease depot capability	Decision to expand the role of participants	Decision to establish the CALL organization
Enabler	Vendor capital	Common Chasis	Excess capacity	Process to match Army needs to corporate experience	Process used by the CALL organization
Result	Housing renovation without MFH	Achieve economy of scale purchasing power	Income to offset cost	Access to lessons learned or excellence	Increased efficiency

"managerial leverage". Managerial leverage is less readily defined than financial leverage, and requires more of a conceptual view.

The premise of managerial leverage is to use our talents, resources, positioning, and capabilities to gain a tactical or strategic advantage that will allow us to influence an outcome. Much like the tactical concept of developing the situation, effective managerial leveraging is to exploit the full range of opportunities that are presented in any given circumstance. Stated another way, managerial leverage does not necessarily involve the use of capital but rather it is the use of any advantage, resource, or authority to allow an enabler (the fulcrum) to achieve the desired result.

To achieve leverage you have to determine what you want to leverage, how you plan on doing it and what results you are looking for. We can break this into a basic thought model by looking at the four basic components of managerial leveraging, which is helpful when analyzing any leverage opportunity. Figure 5 identifies the four basic components, which I have called the *advantage,* the *push*, the *enabler* and the *result*. The *advantage* is what you are trying to leverage. The *push* can consist of a multitude of things but what it really does is provide the impetus for the *enabler* to perform. The *enabler* is the key tool or decision that facilitates the *result*. Of course the *result* is what we are trying to gain by leveraging. As we go thru the following examples I'll identify these four components. Note that while both financial and managerial leverage have the same characteristics, the trademark of financial leverage is the use of capital as a key component. Managerial leverage might involve some expenditure of funds, but the key *enabler* is usually something non-financial. See the table at Figure 5 for a comparison of the examples below.

Army Financial Leverage

Examples of leveraging DoD resources are found in several facilities management programs. The Residential Communities Initiative (RCI) provides an example because of its use of land and the future cash flow generated by housing allowances. In the RCI program a commercial developer takes operational control of housing assets with the expectation that the developer will upgrade and maintain the property. In exchange the developer receives a stream of cash flows equal to the amount that the Army would spend in Basic Allowance for Housing (BAH) funding if the soldiers lived off post. With a guaranteed revenue stream that is consistent with local market conditions, the developer can seek out capital to upgrade base housing and the Army avoids the need to acquire Military Family Housing (MFH) dollars. The Army is able to leverage the developer's investment capital by receiving upgraded housing without obtaining MFH dollars, while at the same time the developer has a steady revenue stream to offset capitalization and variable costs. In this case the *advantage* is the steady stream of BAH funding, the *push* is the decision and authority to privatize, the *enabler* is the capital supplied by the vendor and the *result* is the renovation of housing without the need to use MFH funds.

Another example is Enhanced Use Leasing (EUL). Under this program the Army is authorized to lease property that is available but not deemed excess as per 40 USC. 472. This program allows us to leverage investments made many years ago, especially since the leasing prices must fall in line with local fair market value. Property, both real and personal, can be leased to a customer and in return the installation receives the proceeds. A successful EUL program exists at Ft. Sam Houston, which leases the Brook Army Medical Center in exchange for renovation and upkeep of the building. Here the *advantage* is the facility, the *push* is the decision to lease the space and the authority to do so, the *enabler* is capital supplied by the lessee and the *result* is both income and renovation.

Legislation now exists that allows the Army to use a portion of Research, Development, Test and Evaluation (RDT&E) funding for venture capital opportunities.[7] The Army needed another tool to find, support and exploit emerging technologies and move them into the force

quickly and the legislation is designed to fill that gap. This emerging program will allow the Army to leverage investment dollars by partnering with industry.

Army Managerial Leverage

Lets now turn to non-financial leverage, which I am calling managerial leverage. Today it seems like we are trying to leverage just about everything. As mentioned above, the ACA has the mission to leverage economies of scale. How does an organization fulfill that goal? Common platform reuse provides an example of leveraging investment dollars in order to achieve economies of scale. The Army's aging truck fleet, often symbolized by the love-hate relationship found with the M35 truck ("deuce and a half"), required an investment decision. As the truck fleet grew older and repair parts harder to come by the Army had to find a replacement. The Army was going to make the investment but the question was how to invest wisely to gain maximum return. This situation posed a managerial leverage problem in that we really do not receive a benefit that could be evaluated with standard financial models.

The replacement answer was found with the Family of Medium Tactical Vehicles (FMTV). While there were some fleet modifications required during the initial fielding, the advantages of the FMTV became clear. The basic truck chassis is available in 14 variants with 85% parts commonality between vehicle platforms.[8] This allows both the parts managers at Army Materiel Command (AMC) and our suppliers to employ economies of scale strategies when purchasing/supplying parts. Furthermore, because of the common chassis configuration Army mechanics do not require as much specialty training as they would if we had multiple types of chassis, engines, transmissions, etc. The result is that we lowered our expenses in parts and training by leveraging the FMTV common chassis investment. Or, to plug back into our model the *advantage* is the scope of our requirement, the *push* is the management decision to build a common chassis, the *enabler* is the common chassis, and the *results* are the benefits listed above.

As the Service's move towards common platforms (HHMV, Blackhawk, etc.) we can exploit the full economies of scale and leverage our investment in the platform along the spectrum of the platform's lifecycle. That includes not only the design and acquisition phase, but also sustainment and overhauls at depot centers of excellence for that specific platform.

The current debate on the underutilization of Army depot facilities provides another opportunity for managerial leverage. In November of 2002 the Army Times reported that the average workload at 5 major Army depots in FY03 is projected to be at 76 percent of capacity and to further decline, while at the same time the budgeted amount for depots increased 34 percent between FY02 and FY03.[9] An option might be to use the authorities behind EUL and lease out the excess capacity. A potential consequence is a reduction in employees and impacts in the local economy. Due to constituent impacts and other concerns, Congressional resistance to this type of arraignment presents a challenge. In the end, the best solution for the Army is to retain enough capability to meet wartime needs while at the same time generating income to cover underutilization costs. Renting out the excess repair capacity (people, expertise, facilities, testing grounds, tools) to other Services, other federal agencies, or heavy industry could potentially attain this goal, which in effect would leverage the money already invested in infrastructure while also maintaining the capability. If we apply our simple model, the *advantage* is the availability of the facility, the *push* is the decision and authority to lease out excess capacity, the *enabler* is the excess capacity and the *result* is an income stream to offset the cost.

Leveraging property, plant, and equipment is one thing, but how do we leverage people and programs? For example, how can we leverage some of our comptroller training programs? One way to leverage the TWI program is to expand the role of the participants into liaisons with industry. For example, if DoD wants to look at how a company handled something we are struggling with or are researching, we can use the TWI participants to gain access into those companies that might offer an example of excellence or lessons learned. So in this case the *advantage* is the positioning and relationships developed by the TWI participants, the *push* is the decision to expand the role of the TWI participants, the *enabler* is a process that matches Army needs with corporate experience and the *result* is access. This is one way to maximize our investment in PCS costs, pay and time.

The Center for Army Lessons Learned (CALL) provides an example of leveraging our operational experience. The CALL organization sends teams around the world to capture lessons learned and then shares those lessons with the rest of the force. In this case the *advantage* is the experience and subsequent lessons learned, the *push* is the CALL organization, the *enabler* is the methods the CALL uses to obtain and share lessons learned and the *result* is greater efficiency.

The examples above provide a pretty good idea of how we can execute both financial and managerial leverage in the Army. The TWI year at Motorola taught me that our organizations are similar in many ways, so lets look at some corporate examples.

Leveraging at Motorola

There are parallels that can be found at the Personal Communications Sector (PCS) within the Motorola Corporation. PCS is the group that develops, manufactures, and markets cellular phones worldwide. The crash of the technology sector and the commoditization of cellular phones hit the industry hard. This environment has forced companies like Motorola to carefully scrutinize their go-to-market strategies.

The leadership at Motorola understands the benefits of leverage and economies of scale afforded by common software platforms and reduced parts complexity. One area that Motorola focused on was their supply chain and new product development

strategies. The folks in the supply chain function have even created a leverage metric that they use to measure their product portfolio relative to their peers.

Motorola tries to gain maximum use from its investment dollars. For example, when selecting a supplier for plastic housings for a new cellular phone, it is preferred to carefully select a vendor that can deliver both the prototype and the commercial housing. Plastic housings require the development of prototype cavity tools, which can be very expensive to develop and often cannot handle the rigors of normal commercial production. However, once the housing passes all quality tests often times there is capability left in the development cavity tool that can be used to satisfy the first, usually low number, commercial run. Furthermore, by using the same company for the commercial run Motorola is able to capitalize on the lessons learned by the supplier as the part transitions from prototype to qualified for full production. Applying our model to the private sector we find that the *advantage* is order quantity, the *push* is the decision to carefully select the supplier, the *enabler* is the retention of development lessons learned during prototype development, and the *result* was quicker transition to production.

Another example of leverage is found in, of all places, the Motorola Wellness program, where Motorola was able to leverage off of a Wellness program in order to reduce health care costs. Motorola invests in fitness centers and Wellness programs at many of its facilities and even includes reimbursement for membership at a non-Motorola fitness club as part of the program. The intent of the program is to increase the health of Motorola employees and impact business results. A study on the results of the program showed that participants in the Wellness program filed health care claims at a lower rate than non-participants and it was determined that the investment reduced medical costs by $3.93 for each $1.00 sent on the Wellness program.[10] Thus Motorola was able to reduce medical costs by leveraging off of the Wellness program. Looking at this from the health care cost perspective and using our model again, the *advantage* was the desire by a good number of employees to participate in a Wellness program, the *push* was the decision and funding to establish the program, the *enabler* is the program itself and the *results* are lower health care costs and a happier workforce.

Today we see leverage used in the context of leveraging people, resources and capabilities.

Based on these examples and my experience at Motorola, it appears that we can take comfort in our leveraging efforts, as they are comparable with another large and diverse organization.

Will leverage become another passé buzzword?

Over the course of a career it is possible to hear and participate in many different management and leadership theories. For example, remember the "band of excellence" concepts found in the old Field Manual 25 series? So where does the concept of leverage rate? Will it go the way of Total Quality Management (TQM)? I say probably not because leverage by its nature means seeking the most out of any situation. It is this basis that makes leverage more than a management buzzword. It is the embedded notion of always looking for the win-win situation.

The Army is fortunate to have tremendous resources including facilities, people, relationships and reputation and consequently, tremendous opportunities to exploit the concept of leverage. Adopting leverage as an operating principle and developing a more rigorous method of applying it is essential to the Army's future success as it allows us to fully exploit the range of opportunities that our resources offer. Expanding on the Army vision, leveraging is the use of any advantage, resource, or authority to influence something else in order to achieve the desired result. It is a deliberate thought process that seeks to gain an advantage by using our resources dynamically. Our resources offer advantages that, when matched and leveraged with those of the other Services, Coalition partners, industry and community, can shape an environment that allows us to achieve our objectives.

So leverage is here to stay but there is some more work to be done. By developing a construct for thinking about leverage, like I have tried to do here, we can expand our leverage opportunities throughout the force. Furthermore, since the term is already found in multiple official documents it is time for an Army definition to further institutionalize leverage precepts. Once done, we should ensure the topic is touched upon in our professional development system and thus truly realize the opportunity.

About the Author

Lieutenant Colonel Michael Sheaffer was one of five FA 45 officers who participated in the Training With Industry or TWI program, in his case with Motorola Corporation. He is currently the Comptroller Proponency Officer.

1 Army Vision, www.us.army.mil/csa/vision.html.

2 Army Vision Smart Book, www.army.mil.

3 FM 7-0, *Training the Force.*

4 General Order Number 6, *Establishment of the United States Army Contracting Agency (ACA)*, para 1.a., 23 Sep 02.

5 DoD Dictionary, www.dtic.mil/doctrine/jel/doddict/.

6 DoD Inspector General Strategic Plan, Core Values and Principles, pg 5, http://www.dodig.osd.mil/PUBS/strategic_plan/igplan.htm.

7 FY2002 DoD Appropriations Act, Public Law 107-117, Section 8150 (a).

8 Army Magazine, "FMTV A1 Program Update", Scott R. Gourley, Sep 02.

9 Army Times, "Army Depot Inc", page 19, 4 Nov 2002.

10 Motorola Wellness Reimbursement Initiative Study, Executive Summary, pg. 3.

Co-Sponsorship of Events with Non-Federal Entities

Mr. Matt Reres

Introduction

This is the last in a trilogy of articles focusing on the *Standards of Ethical Conduct* rules for dealing with non-Federal entities. The first article involved: "Army Relationships With Private Organizations (AKA: Non-Federal Entities)." We discussed the different rules that govern our personal and official participation in, and relationships with, non-Federal entities (NFEs). We provided lists of what is permissible *(e.g.,* it is lawful to appoint an officer as your official liaison to the private organization) and what is impermissible (e.g., it is illegal to appoint an officer as a command point of contact for the private organization's membership drive).

The second article involved what degree of support we could provide to NFE events. We identified the restrictions imposed on those who request support on behalf of a private organization *(e.g.,* federal officers or employees are prohibited from representing NFEs as agents with the Federal government); and on those who participate in the decision to provide support *(e.g.*, federal officers or employees may be disqualified from participating in a decision affecting an NFE because of conflicts or appearances of conflicts of interest). We then discussed the specific criteria that must be met before we can decide to participate at any NFE event or provide other support. Finally, we concluded with some ideas about whether we should provide support even if all the criteria were met. We suggested that in some cases that it might be more appropriate if the event was treated as an Army event, or if the event was at least co-sponsored by the Army. We promised to follow-up with a third article, this time focusing on the co-sponsorship of events with NFEs.

What is a Co-Sponsored Event?

A co-sponsored event is a cooperative effort between the Army (represented by a command or other organization) and some private organization (usually a nonprofit organization) to sponsor and present a scientific, technical or professional event where there is a *bona fide* "mutuality of interest" between the two parties. The event might be a conference, seminar, symposium, educational program, or a similar type of event where attendance is open to other than to Federal employees.

There are other types of co-sponsored events involving civic and community activities, such as a bicycle rodeo co-sponsored by the installation Provost Marshal Office and the local civilian police department. However, this article will limit itself to the professional type of event. In addition, to allay any confusion, the **commercial sponsorship** of morale, welfare and recreational (MWR) activities is different than a co-sponsorship and is un-addressed by this article.

"Mutuality of interest" means that there is a demonstrable substantive interest in the subject matter of the event by both parties, and it is an essential ingredient to any co-sponsorship. Otherwise, the Army is merely "using" the organization to assist it in putting on the event thereby creating potential claims against the Army and raising the issue of unlawful supplementation of appropriations. If a true mutuality of interest does not exist, or is only marginal, the lawful approach is to **contract** for the support that this organization would provide.

Are Co-Sponsored Events Permissible?

Department of Defense (DoD) Directives formerly prohibited DoD Components from co-sponsoring events with private organizations. With the advent of the DoD *Joint Ethics Regulation* (JER) (DoD *5500.7-R)* on 30 August 1993, however, the rule was changed to permit co-sponsorship, but subject to a number of requirements and restrictions.

First, there must be a finding that the subject matter of the event involves scientific, technical or professional issues relevant to your mission. Who makes this finding? You do as the head of the command or organization that proposes to participate in the co-sponsorship. Second, following closely on the heels of the subject matter requirement, you must also find that the purpose of the co-sponsorship is to transfer federally developed technology or to stimulate wider interest and inquiry into scientific, technical or professional issues, and that the event is opened to interested parties. Rather than a "closed" event for only Government personnel and members of the NFE, the event must be open to any legitimate participant who may wish to attend.

These first two criteria mean that it must be fiscally and legally proper for the Army to hold the event in the first place. Moreover, we want to do it in conjunction with an NFE because the "mutuality of interest" between the Army and the NFE enhances our ability to transfer the technology or to stimulate this wider interest and inquiry into the issues.

The third requirement is that the NFE must be a recognized scientific, technical or professional organization approved by the Army Designated Agency Ethics Official (DAEO) (the Army General Counsel) for this purpose. As of the date of this article, the DAEO has approved the following as organizations with which the Army may enter into co-sponsorship arrangements:

- Scientific, technical or professional organizations exempt from Federal income taxation under 26 U.S.C. § 501(c)(3);
- Foreign, state and local governments for co-sponsorship of scientific, technical or professional events;
- Armed Forces Communications and Electronics Association, International (AFCEA);
- National Security Industrial Association (NSIA); and
- Army Aviation Association of America, Inc. (AAAA).

Finally, there must be a "cooperative agreement." The JER sets out some specific statutory authorities for these agreements. Most events, however, will still fall outside the purview of the listed laws. Nevertheless, there must still be a written "cooperative agreement" that covers the following:

- The nature and purpose of the event
- What the Army undertakes to do
- What the NFE undertakes to do
- Funding responsibilities and admission fees
- Disclaimers
- No Endorsements

Nature and Purpose. A clear and comprehensive statement establishes the "mutuality of interest" referred to above, and also serves as a written record that all mandatory criteria have been satisfied.

Army and NFE Undertakings. Written guidance establishes the mutually agreed responsibilities of the parties for obtaining the conference room, making hotel arrangements, printing the brochures, providing security, notifying and providing speakers and panelists, obtaining and setting up audio-visual aids, communications, and computers, and so on. Experience has shown that this results in a more disciplined approach to the event with less chance of crucial issues left unresolved.

Funding Responsibilities and Admission Fees. One should agree prior to any event who is responsible for what costs, and who will charge what fees. It is unnecessary for the actual fees to be written into the agreement, but the agreement should reflect the following principles. The agreement should take into account that whatever the Army collects must be deposited into the U.S. Treasury. Further, the same rules concerning fees for events that you wish to "support," as we explained in our second article, apply here. If an admission fee is charged, the fee structure should be designed to recover only the reasonable costs of the event. Finally, it is appropriate to seek and accept a reduced fee for Army or DoD participants to reflect the extent of the Army participation.

Disclaimers. To avoid Anti-Deficiency Act issues or violations, the agreement should include a provision that the Army is free from liability should the Army elect to reduce the level of its participation or withdraw from the event. The agreement should clearly provide that the NFE will hold the Army harmless from any and all claims and that no claims will be filed against the Army. Certainly, you enter into an agreement with every intention of performing it both in the spirit and the letter of law. However, events occur: priorities change; a freeze on official travel for conferences may occur; a major deployment might be necessary, etc. Because of these possibilities, the disclaimer must be included.

No Endorsement. Finally, the NFE must agree that it is unable to use the fact of the Army's co-sponsorship of the event to imply that the Army endorses the NFE or its other events. The co-sponsorship may never be used by the NFE in its promotions to attract financing, membership, or attendance at other events. Related to this, the brochure and other publicity that the NFE develops to promote the co-sponsored event should be carefully scrutinized to ensure that it is factual and there are no improper appearances of Army endorsement of the organization. A statement of "no endorsement" should be included in the brochure and other advertising literature.

You might find that the organization with which you want to co-sponsor an event is somewhat reluctant to enter into a "cooperative agreement." First of all, they may never have done this before. Prior to 30 August 1993, co-sponsorships were prohibited. They might also be concerned about entering the morass of Government contracting.

And yes, this is a contract. However, we call it a "cooperative agreement" to distinguish it from the usual contracts signed only by contracting officers that are written, competed, executed and administered according to volumes of contract laws and regulations. Usually, you or someone who works for you will sign the agreement. With two exceptions, it is mutable: however, the disclaimers and the no endorsement provisions must remain. The parties can always agree to change any other aspect of the agreement when it serves their needs. Even as to the disclaimers, we can agree to give the NFE notice as early as possible concerning any changes in our participation and work with the NFE to help minimize the impact of any changes.

Conclusion

Yes, co-sponsoring an event with a NFE is an option. But, there must exist "mutuality of interest." In addition, the NFE must be "approved" by the DAEO, and you must determine that it meets the other criteria of the *Joint Ethics Regulation.* Finally, the co-sponsorship must be memorialized in a written agreement.

What does this mean? This means that the event is now an Army event. You can endorse it, promote it, direct personnel to support it, and participate in it fully as you would any other Army program. However, it is also an event of the NFE; accordingly, you must remember those rules about conflicts of interest. Army personnel who are officers, directors, trustees, employees, or active participants of the NFE are prohibited from participating in these official matters because either the NFE is a party to the matters or they will have a financial impact on the NFE. Similarly, Army officers or employees generally are prohibited from representing the NFE in dealing with any part of the Federal government.

If you want to co-sponsor an event with an NFE, you should seek the **early** advice and counsel of your Ethics Counselor to assist you in determining whether co-sponsorship for your command is appropriate. Moreover, your Ethics Counselor will assist you by ensuring that Army personnel working on the event have no conflicts of interest and that the agreement is legally correct.

About the Author

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The Perspectives articles are written by different OASA (FM&C) deputies. Not every deputy will provide input for this feature.

From Inception to Approval: How BIC Initiatives are Evaluated

Ms. Sharon Weinhold

When the Secretary of Defense established the Business Initiative Council (BIC), the Council members gave themselves two challenges. Most significantly, they set out to identify new and better ways of accomplishing the Defense Department's business processes. But in addition, they also wanted to develop an internal process for identifying, evaluating, and approving proposed initiatives that would be significantly streamlined in comparison with normal DoD staffing. Thanks to the dedicated efforts of people in the Military Departments and the OSD staff, that goal has been achieved. This article provides a brief description of how a proposed BIC initiative makes its way from inception to approval.

As explained in Mr. Tison's article in this issue, the BIC identified six functional areas to categorize all of DoD's business processes, and established a Process/Functional Board (PFB) to lead the evaluation of initiatives in each of these areas. In this article, we'll describe how a typical PFB carries out its responsibilities. While the PFBs are allowed some leeway in establishing their operating procedures, all the Boards use the same general approach.

DoD and Army PFBs and their Members

Each PFB supporting the DoD-wide BIC process includes a core of seven members: one for each Military Service, one for each of the Under Secretaries of Defense (USD) who are BIC members USD(Personnel and Readiness); USD(Acquisition, Logistics, and Technology); and USD(Comptroller), and one from The Joint Staff. These individuals, usually at the Colonel/GS-15/SES level, are responsible for coordinating and presenting their agencies' official position on the initiatives assigned to the Board.

To ensure that the PFB has ready access to the full breadth of functional expertise, the PFBs may add representatives from selected Defense Agencies. For example, the Resource Management (RM) PFB includes a representative from the Defense Finance and Accounting Service. The PFBs conduct their business in recurring meetings, with most PFBs meeting on a weekly basis .The Army also established Army PFBs for each of the functional areas. But these Boards are more virtual than real: The only member of the Board is the chairman, who calls upon other functional experts from HQDA to assist in evaluating specific initiatives as needed.

The Army created a group called the Army Business Initiative Council (ABIC) Board of Directors (BOD). The BOD is chaired by Army member of the ABIC Executive Directors, and its members include each of the Army PFB chairs. The BOD meets weekly to monitor and direct required actions for both the DoD and Army BIC efforts. (For additional information on the role of the ABIC BOD, refer to the ABIC Charter at http://www.asafm.army.mil/rabp/bic/ap/charters/armycharter.doc.)

The BIC Evaluation and Approval Process

To make its way to final approval, an initiative will go through five steps:

- Inception and submission
- Initial assessment
- Development
- Evaluation
- Review and approval

These steps are fairly straightforward, but there is an additional wrinkle that is a key element in achieving the streamlined process the Council members requested. When a MACOM or HQDA agency submits a proposed BIC initiative that applies only to the Army, the five steps occur in sequence, with the PFB taking the lead to ensure that the initiative is ready for final review and approval by the ABIC. However, when an initiative has the potential of being applied across DoD, most PFBs try to run the Army and DoD processes concurrently, with the action often bouncing back and forth between the Army and DoD. This is sometimes confusing, but it significantly reduces the time that would be required if the Army and DoD processes were run sequentially.

The following sections describe each of the steps in the process.

Inception and Submission

From the HQDA perspective, the process begins when a new initiative is submitted. Initiatives may come from anywhere — MACOM, HQDA agency, another Service, the OSD staff, or even the BIC Principals. In the RM arena, the Army has been exceptionally productive, having submitted well over half the initiatives that have survived past the initial assessment phase.

Army initiatives are submitted via the BIC Collaboration Web Site (http://www.bic-collaboration.com). When an initiative is posted to the web site, the ABIC Support Team reviews the initiative to determine which PFB is best suited to lead the evaluation process, and assigns the initiative to the appropriate PFB. This is usually a clear-cut decision, but initiatives frequently cross functional boundaries. Recognizing this, all PFBs carefully evaluate the initiatives assigned to other PFBs, to ensure that all functional perspectives are factored into the evaluation and recommendation.

The assignment of initiatives to PFBs is the start point for a rapid process that generally requires only six weeks to bring an initiative to the ABIC for final approval. (For DoD-wide initiatives, final review and decision at the DoD BIC level will require additional time.)

Initial Assessment

The primary responsibility of the PFB is to ensure that each assigned initiative is presented accurately, fairly, and clearly, so that everyone involved in the evaluation process has the opportunity to reach an informed opinion on the initiative. The PFB begins fulfilling that responsibility during the initial assessment phase.

The PFB must first gain an accurate understanding of the intent of the individual who submitted the initiative, focusing on identifying the problem or opportunity the initiative addresses, and on clearly defining the proposed action. At the very least this will require a thorough analysis of the input submitted to the web site and extensive discussions with the individual who submitted the initiative. It might also require additional research to identify the law, regulation, or policy that is the root cause of the problem; and discussions with individuals in various organizations that are impacted by the problems or will be required to participate in the solution.

During this phase, it is not unusual for the PFB to redefine the problem statement to more accurately identify the underlying issues, which will better enable the Board to develop the optimum solution in the next phase.

As noted, for initiatives with potential DoD-wide applicability, the Army and DoD evaluation processes may be run concurrently. The concurrent operations can begin at this early stage in the process. The PFB will, based on input from subject matter experts, make an initial assessment of the "goodness" of the initiative. If the PFB believes that the ABIC is likely to approve the initiative and that it has potential applicability for all of DoD, it will brief the initiative informally to the DoD PFB members. This begins a cross-Service dialogue that gives the PFB the benefit of additional experts to evaluate the initiative, and gives the PFB a preliminary, unofficial sensing of the initiative's chances of success if and when it is submitted for DoD consideration.

Development

The objective of the development phase is to settle on the specific proposal that will be sent forward. There are several factors that will influence how this is done, and how difficult or easy it is. Generally, if the posting to the web site is clear and explicit, and is prepared by an individual who has a thorough grasp and full perspective of the subject matter and of the BIC process, the task of translating the raw input into a meaningful proposal will be relatively simple. But the task becomes more difficult if the submitter:

- Identifies a symptom rather than the underlying problem.
- Is not aware of statutes and regulations that affect the problem.
- Doesn't know how to solve the problem, but recognizes only that a problem exists.

It is not surprising that apparent shortcomings such as these sometimes appear in the raw input. Some submitters of BIC Initiatives might not be aware of all the factors above their level that contribute to a problem or affect the type of solution that might be feasible. In these cases, the PFB will work with the submitter (and others) to develop the answers to two simple questions: What, exactly, is the problem? And what, exactly, should be done to solve it?

Evaluation

In the evaluation phase, the PFB identifies the pros and cons associated with the initiative. As the "honest brokers" in the process, PFB members must, to some extent, set aside their own opinions regarding the initiative, and ensure that all legitimate pros and cons are presented fairly and accurately.

In this phase, the PFB also decides what recommendation it will make. In the Army context, there are five possible recommendations:

- Go Army: Approve for Army-only implementation.
- Go DoD: Take to DoD BIC for adoption across the Department.
- Already in Play: The initiative is a good idea, but it's not needed because the problem is already being dealt with in another forum.
- Not Accepted: This is a polite way of saying "disapproved."
- Defer: We have to gather additional information, or we need more time to evaluate the information we have. We will bring the initiative back in the next cycle with a recommendation.

This is a good place to describe how the results of the PFB's work are captured and presented to others. The primary communication medium for the BIC process, at both DoD level and within the Army, is briefing charts. The PFB uses a format called a "tri chart" to present all the relevant information about the initiative. The tri chart includes the following:

- Issue or problem: This should answer the first of the two questions mentioned above, and should identify the real problem, not merely its symptoms.
- Proposal: This should answer the second question from above by stating the specific action that should be taken.
- History/current situation: This should give the reader all the information needed to understand the situation and how things got to be the way they are. One of the PFB's key responsibilities is

to ensure that the first three bullets, taken together, give the reader a clear, complete understanding of the situation, the problem, and the proposed solution.

- Estimated implementation cost and projected dollar savings.
- Pros and cons. As noted above, the PFB is responsible for presenting both sides of the issue fairly.
- Recommendation.

For initiatives being considered at the DoD level, these tri charts are distributed electronically or in hard copy to the other participants. For internal Army use, the charts are posted to the same web site that was used for the raw input. For both DoD and Army actions, the preparation of effective tri charts is critical, because they form the basis for all remaining actions.

Review and Approval

For Army internal staffing, MACOMs and HQDA agencies are given approximately two weeks to review all the initiatives and to enter their comments or concurrences directly on the web site. The PFB's responsibilities at this point are to (a) discuss comments (particularly the nonconcurrences) with the submitters and attempt to resolve them, and (b) continue to ensure that the tri charts are complete and accurate by incorporating the comments into the charts as appropriate. This might entail clarifying the problem statement or the proposed action, modifying pros and cons, or changing the recommendation. The PFB then posts "final" tri charts to the web site, and those charts are used to prepare the decision briefing that will be presented to ABIC.

The ABIC is chaired by the Secretary of the Army, and its members include most of the principal staff officials at HQDA. The ABIC meeting is conducted in much the same way as any other decision meeting for senior executives. A briefing package is distributed to all attendees, and staff officers ensure their ABIC members are prebriefed. Because of the extensive coordination that has been conducted leading up to the meeting, in most cases the ABIC will approve the recommendations. But there is no guarantee that this will happen, and the ABIC has been known to change recommended approvals to disapprovals, and to ask questions that cause initiatives to move into the "defer" category.

Following the ABIC decision meeting, the remaining actions will resemble those required for any other project. PFBs will task initiative "champions" for approved initiatives to develop implementation plans, and these plans will be briefed to the BOD for approval. The BOD will also monitor the status of approved initiatives to ensure that implementation stays on track, and will direct corrective action when problems arise.

Conclusion

Both within the Army and at the DoD level, the BIC process operates differently and at a faster pace than most other decision processes we are familiar with. The intent of this article has been to give you some insights into how that process works. As you can see from the success stories that are presented throughout this issue of the magazine, the BIC can be a valuable tool to implement important changes. We encourage everyone to consider the BIC as a viable course of action when changes are needed.

Army Day 2003 Resource Management Professionals—Partners in Combat

Sometimes it's hard to see the big picture, even in the financial management world. We concentrate on administering the funds for a particular, typically small segment of the Army, but don't always realize the macro effect of what we are doing. At the 2003 Army Day, service leaders brought the oft-missed broader vision into stark relief.

Financial managers are not merely money-minders; they are partners in combat. Operation Iraqi Freedom may seem far away and separate from what we do at our individual installations and posts, but U.S. troops did not execute that mission in a vacuum, emphasized Mrs. Sandra Pack, Assistant Secretary of the Army (Financial Management and Comptroller): U.S. troops achieved the president's objectives as a result of what the financial management community does, day in and day out.

"You, the financial management community, were and continue to be absolutely essential to our victory. Because you were effective in all aspects of financial management, our warfighters were able to make Iraq happen," she stated.

Mrs. Pack further applauded the financial management team for performing exceptionally well despite less-than-ideal fiscal circumstances. She acknowledged that the 2003 budget "was not built with war in mind" and emergency supplemental funding was not in "our hands until after the president declared combat in Iraq over." Nonetheless, the Army "stayed afloat during

the first six months of the year because you found ways to make it work," she told conference attendees.

The FM community's critical role is far from finished, however, Mrs. Pack advised. Operations in Iraq, for which the Army will be the principal player, are just now entering the second phase, which could last for years. Additionally, the Army has been named executive agent for the Coalition Provisional Authority (CPA).

"You and I will be managing all funds for [the CPA]. Their task is enormous and absolutely critical to the long-term success of a free, democratic and stable Iraq. Your continued hard work and creativity are going to be essential to [CPA] achieving its goals."

Lt. Gen. Johnny Riggs brought another piece of that big picture into focus during Army Day. Riggs, the director of the Objective Force Task Force, explained the Army's vision for the Future Combat Systems (FCS) and its new force structure, the unit of action and the unit of employment. Concepts for FCS – and Transformation overall — are still evolving and will continue to change, Riggs said. But, already, some of those ideas have been translated into working pieces of machinery, such as phenomenally versatile robotic ground vehicles and mini unmanned aerial vehicles.

Riggs cautioned, however, that pursuing technology for technology's sake is not worthwhile. It must be funneled into "useful products."

"Technology is nothing but a menu. [It's] not a meal," he said.

The service cannot falter in its quest to transform, Riggs continued, because, without question, national security requires a top-notch Army.

"If you want to punish the adversary, if you want to solve the problem, you do it with boots on the ground," he emphasized. "To win the war, you have to do it by making the peace," and only soldiers can accomplish that mission.

Brig. Gen. Paul Izzo, program executive officer for ammunition, and Maj. Joe Hitt, a member of Izzo's team, followed the day's theme, connecting those who manage money and materiel to those who serve on the battlefield. PEO ammunition, which is 18 months old, has dedicated itself to providing more effective, leap-ahead munitions to the warfighter in a more efficient manner, Izzo informed the audience.

But, PEO ammunition is not solely focused on the future, Hitt reminded attendees. With a rapid-fire succession of visual images from around the world, Hitt showed the FM community the fruits of its labors: staggering quantities of all sorts of munitions for every service flowing into the Persian Gulf theater.

To see the bigger picture in its entirety, the Army Corps of Engineers must be included. While the USACE supports soldiers daily through civil works programs and military programs, its position during wartime operations is equally important, stated Dr. James Houston, director of the Engineer Research and Development Center. During the past two years, the USACE has played major roles in Afghanistan and Iraq, providing protection against terrorist threats and conducting damage assessments and mobility analysis. The USACE also has tailored some of its research and development to fulfill warfighting and force protection needs.

The Corps of Engineers is essential not only to security and war but to domestic prosperity, as well, Col. Peter Rowan, commander of the USACE's New Orleans District, added. The Corps' mission in the Big Easy is a perfect example. The Port of New Orleans, by tonnage, is the world's largest, Rowan stated. To keep the international commerce that flows through it running smoothly, ships must have easy ingress and egress; otherwise, the port would not function. The Corps of Engineers, Rowan said, ensures that access remains trouble-free.

At the same time, the Corps is charged with protecting the areas surrounding the port, he continued. The City of New Orleans, which is constantly menaced by the mighty Mississippi, lies, on average, two meters below sea level and it continues to sink slowly into the Gulf of Mexico. The USACE helps mitigate the watery threat to the city, building and maintaining levees and floodways and improving and stabilizing channels and tributaries.

The Corps of Engineers also plays a role in the ecological health of the nation. In New Orleans, that includes maintaining and restoring fragile wetlands, Rowan said. The USACE often provides disaster relief, as well, which is critical to this hurricane-prone district.

The Army, and its financial managers, must guarantee that our troops always will be able to retain the advantage, whether facing a thinking adversary on the battlefield, a terrorist on home soil, or the whims of Mother Nature. Reforms within key organizations, such as Army Materiel Command, will help the service maintain this preeminence in the future, stated Maj. Gen. John Doesburg, commander of the Army Soldier and Biological Chemical Command. At the 2003 Army Day, service leaders brought the sometimes-missed broader vision into stark relief.

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