Outsourcing Support Office

BUSINESS UNIT DEFINITION AND ANALYSIS GUIDE

- A Supplement to *Succeeding at Competition*

31 December 1997

Naval Facilities Engineering Command   Naval Supply Systems Command

Table of Contents

INTRODUCTION

Purpose of this Guide

This guide provides an eight-step Business Unit Analysis (BUA) process, for use at the installation. This process serves two overarching purposes: (1) it provides an approach to help installation commanders accomplish the Business Unit Definition task in Step 1 of the A-76 process, Planning for a Commercial Activities Study, and (2) it provides commanding officers a powerful tool for assessing, rethinking and improving core businesses on an installation irrespective of the A-76 process or a Commercial Activities Study. The business unit analysis process described in this guide will help installation commanders:

- Identify the business unit structure at an installation;

- Identify all costs related to each unit;

- Identify areas for highest improvement opportunity using performance metrics; and

- Build a change implementation plan.

Benefits of the Business Unit Analysis Process

The U.S. Navy operates in an environment of limited resources while being required to maintain high levels of readiness to meet operational commitments. In such an environment, installation commanders are constantly faced with the need to increase operating efficiencies. There are issues and questions which must be addressed when making decisions about how to achieve these operating efficiencies.

The BUA process described in this guide provides a methodology to address these issues so installation commanders can make more informed decisions while seeking to improve service to customers and to generate greater operating efficiencies. The methodology can easily be used to build on what's already been developed during the annual strategic business planning process.

A BUA study can be conducted in about 90 days. This study will provide commanders with a basic economic business model of the installation. With this analysis, they can understand where the installation's resources are being applied and what adjustments can be made with corresponding risks identified.

The installation commander is completely in charge of the BUA process. Use of the methodology is solely at the installation commander's option. It can be changed, remolded or adapted in any way to fit installation needs.

> **CO Tip: Typical questions this guide helps to address include:**
>
> **What are our core competencies?**
>
> **Who are our customers?**
>
> **What volume of business do each of our customers represent?**
>
> **What services do they need and/or want?**
>
> **Who in the organization is responsible for delivering quality products or services to each customer?**
>
> **What are the business unit groups that deliver our products?**
>
> **What total resources (people, budget, reimbursables, equipment, and facilities) did we have this year to produce our products?**
>
> **How much did we invest in each business unit per unit of product delivered?**
>
> **How does our performance compare with private industry or other commands?**
>
> **What should we change?**

EXECUTIVE SUMMARY

Business Unit Analysis Process

The 90-day (12 week) business unit analysis described in this guide is an eight-step process. Exhibit 1 depicts each of these eight steps and the timeline for the overall business unit analysis.

Step 1: Establish and Charter the Business Unit Analysis Team. The process begins with the installation commander establishing, chartering and empowering a business unit analysis team to perform the work. Estimated time to complete: 0.5 weeks.

Step 2: Identify Installation Customers and Mission. The installation commander chairs an off-site meeting with the business unit analysis team and other installation senior leaders. This meeting is to define the installation's mission in terms of its customers and the products and services the installation provides them. This step leads to identification of the installation's core business areas. Estimated time to complete: 1 week.

> **CO Tip:** For purposes of this guide, "core business areas" refers to the main business lines that constitute base operating functions. It does not refer to operational core missions.

Step 3: Define the Installation Business Unit Structure. The business unit analysis team builds on the work begun in Step 2 and defines a core business model for the installation. This core business model includes developing a more detailed understanding of the functions and sub-functions performed within each of the installation's core business areas identified earlier in Step 2. At the conclusion of Step

3, the business unit analysis team provides the installation commander a progress update for approval. Estimated time to complete: 3 weeks.

Step 4: Identify Cost of Resources. The business unit analysis team identifies the total cost of resources used to generate products and services within each sub-function. These costs are then aggregated to provide total costs for each function and subsequently, each core business area. During this step, the team identifies the sub-functions which consume the largest portion of resources on the installation. These "main event" sub-functions then become the focus of more detailed analysis aimed at identifying improved operating efficiencies. Estimated time to complete: 3 weeks.

Step 5: Benchmark Performance. The business unit analysis team compares or benchmarks "main event" sub-function performance (quality, timeliness and cost per unit) with "best in class" commercial organizations or other commands. This helps identify the greatest targets of opportunity for performance improvement. However, the most important benchmark is that desired by your customer to meet their mission needs as identified by your customer surveys. At the conclusion of Step 5, the business unit analysis team provides the installation commander a progress update for approval including focus areas recommended as targets for improvement. Estimated time to complete: 2 weeks.

Step 6: Formulate Strategies for Change. The business unit analysis team formulates and analyzes strategies for change in each of the focus areas approved as targets for

improvement during the installation commander progress update at the conclusion of Step 5. Estimated time to complete: 1 week.

Step 7: Prepare Change Implementation Plan. The business unit analysis team prepares a change implementation plan including proposed prioritization of the strategies for change identified during Step 6. At the conclusion of Step 7, the business unit analysis team provides the overall

business unit analysis and change implementation plan to the installation commander for approval and subsequent implementation. Estimated time to complete: 1 week.

Step 8: Execute the Plan and Monitor Progress. The installation incorporates business unit analysis as a part of its day-to-day business activity and the annual strategic business planning process of the installation. This step is on-going.

EXHIBIT 1: BUSINESS UNIT ANALYSIS PROCESS AND TIMELINE

WEEKS												
1	2	3	4	5	6	7	8	9	10	11	12	On-Going

1. ◆
2.
3. ◆
4.
5. ◆
6.
7. ◆
8.

Eight Steps In The Process

◆ Installation Commander Review And Approval Milestones
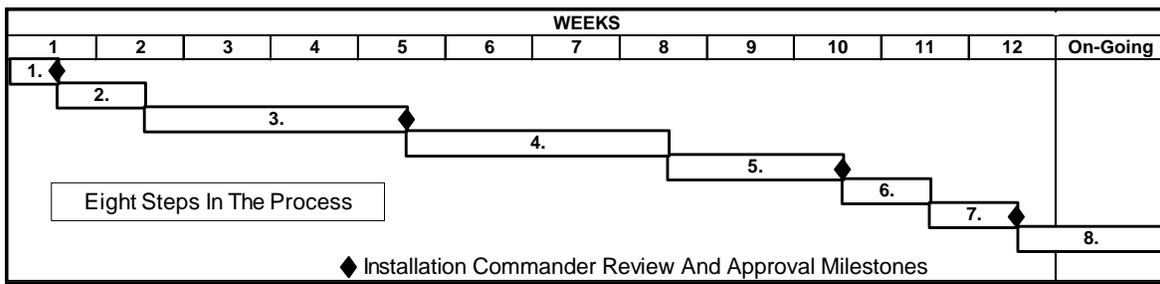
DESCRIPTION OF STEPS IN THE BUSINESS UNIT ANALYSIS PROCESS

Step 1: Establish and Charter the Business Unit Analysis Team

Step 2: Identify Installation Customers and Mission

Step 3: Define the Installation Business Unit Structure

Step 4: Identify Cost of Resources

Step 5: Benchmark Performance

Step 6: Formulate Strategies for Change

Step 7: Prepare Change Implementation Plan

Step 8: Execute the Plan and Monitor Progress

How the Business Unit Analysis Process Fits with the A-76 Study Process

The Outsourcing Support Office publication entitled *Succeeding at Competition: Guide to Conducting Commercial Activities Studies* organizes the OMB Circular A-76 study process into 15 steps. The business unit analysis process described in this guide can

feed directly into to the first step of the A-76 process.

Early in the first step of the Commercial Activities (CA) process, the Commanding Officer, CA Team Leader and the organization's senior management discuss all issues surrounding the function to be studied. This includes identifying the elements of the organization under study and

those associated groups that interact and support the core function. In performing this task, the Commanding Officer and the CA team establish the boundaries of the function or business unit under study. Where these boundaries are set is crucial to the shore establishment's ability to perform the A-76 work regardless of who wins the competition. In creating the business unit, boundaries are established in such a way that the product or service produced by the activity is adequately maintained.

In the business unit analysis process described in this guide, the most complete understanding of an installation's business units occurs at the end of Step 7, Prepare Change Implementation Plan. Performing a Commercial Activities Study may be one of the strategies proposed for the change implementation plan developed during this step of the business unit analysis process. Accordingly, the completed business analysis process can feed directly into the business unit definition task in the first step of the A-76 study process.

The time line for an announced A-76 study may preclude a complete business unit analysis before performing the first task in an A-76 study. If this is the case, sufficient information should exist at the end of the first phase of Step 3 of the business unit analysis process (Define the Installation Business Unit Structure) to feed the business unit definition task in the first step of the A-76 study process.

> **CO Tip:** The business unit analysis process described in this guide can feed directly into the business unit definition task of the A-76 study process either at the conclusion of Step 3 or Step 7 of the business unit analysis process.

Organization of the Guide

The remainder of this guide includes a detailed discussion of how to perform each of the eight steps in the business unit analysis process. Each step includes sample tools for use in performing the step.

STEP 1: ESTABLISH AND CHARTER THE BUSINESS UNIT ANALYSIS TEAM

							WEEKS					
1	2	3	4	5	6	7	8	9	10	11	12	On-Going

```
1. ◆
 2.
     3.              ◆
          4.
                5.        ◆
                    6.
                      7. ◆
                          8.

Step 1 - Days1 to 4

◆ Installation Commander Review And Approval Milestones
```
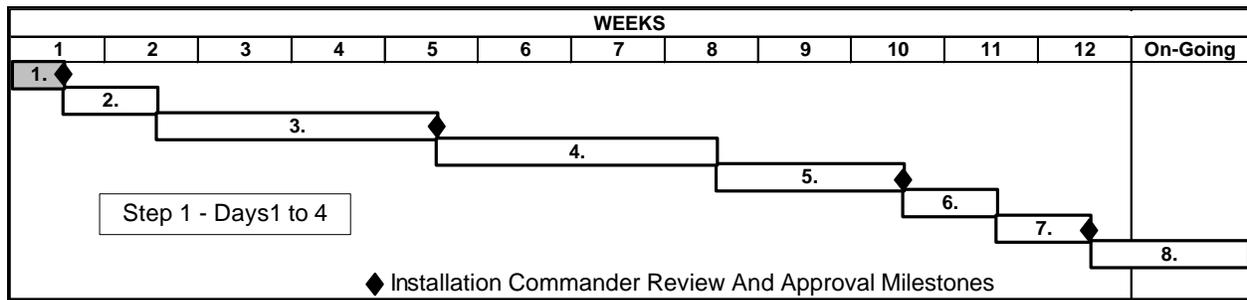
1.1   OVERVIEW

The purpose of Step 1 is for the installation commander to establish and charter a team to perform the business unit analysis for the installation.   A team with a varied experience base will likely provide the breadth and depth of analysis required.

1.2   TEAM CHARTER

A written charter from the CO as the sponsor of the study will empower the team and define the parameters for the business unit analysis. A charter which formalizes the parameters for the analysis also helps ensure that everyone concerned understands the study is the CO's initiative. In turn, this will help garner cooperation from managers and others throughout the installation.

The charter should describe the purpose of the study as well as its general scope and the expected results of the study. It should also set a target date for completion of the study along with target dates for interim progress reports, if desired.

> **CO Tip: A worksheet is provided in Exhibit 2 to help structure the charter and select team members.**

1.3   TEAM COMPOSITION

1.3.1   Leadership

As in any endeavor, the leader should have good leadership skills as well as technical competence to perform the business unit analysis for the installation.   He or she should be skilled at planning meetings, facilitating analytical thinking in a group environment, and keeping group discussions on track.

The team leader will have a distinct advantage if he or she has a good "systems sense" and is intuitively able to track cause and effect in various analyses. It will also be helpful if the leader is knowledgeable of installation customers and their needs and concerns.

> **CO Tip: Recommend you designate a senior individual as team leader and charge him/her with ensuring that the study charter is followed and the study is completed on time.**

1.3.2   Membership

The greater the breadth of experience on the team the better the analytical results are likely to be. Accordingly, the team should include top level thinkers from those core business areas that will likely constitute the areas under study. The Installation Core

Business Model shown in Exhibit 4 in the Step 3 section of this guide can serve as a reference when considering team composition.

> **CO Tip:** Recommend at least one team member from each Core Business area shown in the IMAP Installation Core Business Model in Exhibit 4.
>
> You can select individual team members, have core business area managers select them, or delegate selection to your team leader.

1.3.3   Facilitation Support

Use of facilitation and technical support services in selected steps or throughout the BUA process can provide significant leverage in using your existing in-house resources to meet these objectives. Various sources include: outside consultants, claimant resources, and other activities.

1.4   TEAM PLANNING

Once the team has been empowered, they should study this guide and develop a task management plan for conducting the BUA. This plan should include items such as: identification of main tasks and time line, assignment of individual team member responsibilities, and checklists to help accomplish individual tasks

> **CO Tip:** Once the team has been incorporated, tasks have been identified and a timeline has been established, have the team leader brief you and your staff. Collect comments and recommendations from your staff and approve (or disapprove) the team's approach. Make it clear to your staff that this team is your team—the CO's team—empowered to conduct this study on your behalf.

1.5   PRODUCTS OF THIS STEP

- Team and charter
- CO briefing and approval of team approach

.

EXHIBIT 2: STEP 1 WORKSHEET

Worksheet

Step 1: Establish and Charter the Business Unit Analysis Team

1.   Define the Business Unit Analysis Team's charter. Identify:

   a)   The purpose of the study (e.g., re-engineering, prepare for competition initiative, etc.).
   _____
   _____
   _____
   _____

   b)   The business areas to analyze.
   _____
   _____
   _____
   _____

   c)   Progress reports to be provided and target dates.
   _____
   _____
   _____
   _____

   d)   Final product desired.
   _____
   _____
   _____

   e)   The desired completion date for the study.
   _____

2.   Identify the tam leader.
   _____

3.   Identify the team members.

Office	**Representative**
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

4.   Signature page (CO and team members).

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STEP 2: IDENTIFY INSTALLATION CUSTOMERS AND MISSION

						WEEKS						
1	2	3	4	5	6	7	8	9	10	11	12	On-Going

1. ◆
2. (bar)
3. ◆
4.
5. ◆
6.
7. ◆
8.

Step 2 - Days 5 to 11

◆ Installation Commander Review And Approval Milestones
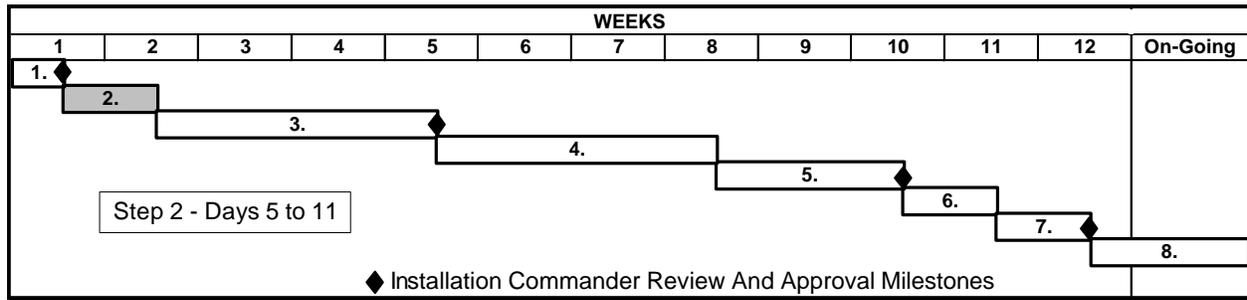
2.1 OVERVIEW

The purpose of Step 2 is to define the installation's mission in terms of its customers' needs. During this step, the installation's core business areas are also defined. These core business areas are a key input to Step 3, aimed at defining the business unit structure of the installation.

> **CO TIP: The key questions addressed in Step 2 are:**
>
> **Who are the important organizations, groups, and individuals we support and what do they do for the Navy?**
>
> **What do they need or want from us?**
>
> **What is our mission statement in terms of what our customers need?**
>
> **What are our core business areas which support this mission?**

2.2 IDENTIFY CUSTOMERS, MISSION AND CORE BUSINESS AREAS

The recommended format to accomplish this step is a short (half-day) off-site meeting led by the installation commander with the senior staff and the business unit analysis team. The business unit analysis team, in close coordination with the installation commander, should make arrangements for the off-site including date, time, location, agenda and other support requirements.

The data gathering worksheet in Exhibit 3 contains suggested questions to brainstorm during the off-site. Preparing answers to these questions in advance, and addressing them in the order presented in the worksheet, provides a loosely structured agenda for the meeting.

In preparing to accomplish this step, all participants should review the remainder of this guide, particularly Step 3, Define Business Unit Structure. Much of the follow-on business unit analysis process flows from identification of the installation mission and core business areas which take place in this step.

> **CO Tip: To stimulate thought and focus discussions during the off-site, it is beneficial to have off-site participants complete a preparatory assignment, using the step 2 worksheet, and bring it with them to the off-site to use as reference.**

2.3 PRODUCTS OF THIS STEP

- Mission statement
- Customers
- Core business areas

EXHIBIT 3: STEP 2 DATA GATHERING WORKSHEET

Data Gathering Worksheet

Step 2: Identify Installation Customers and Mission

Recommend Step 2 be performed by the installation commander, senior staff and the business unit analysis team in a short (half day) off-site meeting.

1. Who are our installation's **customers** and what do we do for them?

Organizations, Groups, Individuals	What They Do for the Navy	What We Do for Them

2. What are our installation **core business areas** and what **products** do we provide our customers?

Core Business Areas	Products

3. What is our installation's **mission** in terms of supporting our customers (providing products and services)?

_____

_____

_____

_____

_____

STEP 3: DEFINE BUSINESS UNIT STRUCTURE

WEEKS													
1	2	3	4	5	6	7	8	9	10	11	12	On-Going

1. ◆
2.
3.
4.
5. ◆
6.
7. ◆
8.

Step 3 - Days 12 to 33

◆ Installation Commander Review And Approval Milestones

3.1   OVERVIEW

The purpose of Step 3 is to identify the Local Core Business Model (LCBM) for the installation, display it in a pictorial model, and to gain a detailed understanding of the functions and sub-functions within this model. This step has two principal phases. The first involves development of the model by the business unit analysis team as a whole. The second involves collection of information about functions and sub-functions within the model by individual members of the business unit analysis team.

At the conclusion of Step 3, the team prepares a report containing the model and a description of its components. This report forms the basis of a progress report to the installation commander. In addition, this model will be used later in Step 4 to collect costs for each function and sub-function. It will also form the basis in Step 5 for performance comparisons with industry or other installations.

> **CO Tip: The core business model developed in Step 3 may not exactly follow the organizational structure of the installation, but it will likely be very similar. The aim is to identify the various functions which, as a whole, produce a set of products or services that directly support the mission identified earlier in Step 2.**

3.2   THE INSTALLATION CORE BUSINESS MODEL

> **CO Tip: To save time, the business unit analysis team may want to use the Installation Core Business Model (ICBM) developed by the Installation Management Accounting Project (IMAP) as a starting point in developing the installation's local core business model.**

The Installation Management Accounting Project (IMAP), jointly chartered by the Assistant Secretary of the Navy (Financial Management and Comptroller) and the Deputy Chief of Naval Operations for Logistics, deployed a systematic way of capturing and reporting base operating costs within the Standard Accounting and Reporting System-Field Level (STARS-FL). Appendix C gives more information on the IMAP.

This method uses Cost Account Codes correlated with the Installation Core Business Model (ICBM) shown in Exhibit 4. Since cost accounting is already correlated with the ICBM, it is a good starting point in developing the LCBM. Using the ICBM as a starting point will likely save considerable time throughout the business unit analysis process, especially in Step 4, identifying resources associated with each business unit.

The IMAP Installation Core Business Model in Exhibit 4 arrays core businesses on the

top row with functions and sub-functions below the core business. For example, referring to Exhibit 4, Airfield Support, Seaport Support, Other Mission Support and so forth have been identified as core businesses. Under Airfield Support, Air Operations is identified as a function and its sub-functions include: Airfield Logistics, AT Control, Aviation Fuel Support, and so forth. Other Air OPS is a second function in the airfield Support business area and its sub-functions are identified in the block immediately below it.

3.3 BUILD LOCAL CORE BUSINESS MODEL

The business unit analysis team should develop the LCBM.

> CO Tip: In Step 4, the LCBM will be used in identifying resources associated with each business unit.

At this point, two options are available to the business unit analysis team regarding development of the LCBM. The team can start with a "clean sheet of paper", study the installation's businesses, and build the LCBM. Alternatively, the team can use the Installation Core Business Model presented above as a baseline, compare the installation's business units to it and identify installation deviations from the Installation Core Business Model. In this manner, the team can quickly compare installation business units to the Installation Core Business Model, remove business functions from the model that the base does not perform, re-arrange business units within the model as appropriate and add local business functions not included in the model.

Exhibit 5 shows the Local Core Business Model developed in a similar recent study at

a Naval activity. A comparison of this model with the Installation Core Business Model in Exhibit 4 shows the inherent similarities between the two models, but there are differences to reflect the local business units which operate at that facility.

> CO Tip: The challenge for the business unit analysis team is to assess existing business units and apply the thought process to create the LCBM for your installation.

3.4 COLLECT DATA ON LOCAL FUNCTIONS AND SUB-FUNCTIONS

Once the LCBM has been developed for the installation, the second part of Step 3 is to develop a more detailed understanding of the core businesses, functions and sub-functions shown on the model. This part of Step 3 is aimed at gaining more detailed insights concerning customers, products and services, and the quantity and quality of products and services provided to customers. This information is collected at the sub-function level and then aggregated upward at the function and core business unit levels of the model. The information will be very useful in describing and understanding the overall business unit structure of the installation as well as later in Step 5, benchmarking or comparing performance with "best in class" activities or other commands.

3.4.1 Business Unit Analysis Data Collection for Each Sub-Function

The data collection worksheet in Exhibit 6 is designed to aid data collection within each sub-function. The form should be used to summarize data collected by team members in interviews with sub-function managers, employees and customers. Although there are various ways to collect the information,

one fairly straight forward approach is outlined below.

> **CO Tip:** The information being developed here directly relates to an A-76 study. Recommend you refer to Exhibits 6 and 7 while reading the following:

- Who are our customers?

  Identification of each sub-function's customers can be obtained by an interview of the sub-function manager.

- What products and services do we provide our customers?

  Identification of products/services for each sub-function can also be obtained via interview with the sub-function manager or observation.

- What quantity of products and service do we provide our customers?

  The quantity of products/services can be obtained by interview, observation, or from reports that exist on various sub-functions, e.g., the average number of children cared for in the child care center is available from existing reports.

- What is the quality of product and service from a customer point of view?

  Obtaining the quality of product and service from a customer point of view for each sub-function may require a customer survey of some sort. There are various approaches which can be used ranging from an installation-wide customer service survey covering all sub-functions to more simple random

surveys of customers of individual sub-functions. The latter, more simplified approach, could better serve the time constraints of a 90-day schedule. It would make use of one or two questions on customer perceptions of quality as indicated on a five point scale. Exhibit 7 provides an example of a "mini-survey" which could be used for this purpose. This type approach can be used to assess customer perception of product/service quality for any sub-function across the entire installation. This information may also be useful in comparing performance with "best in class" activities or other commands. Once customer perceptions are ascertained, they can be summarized on Exhibit 6.

- What is the customer's perception of the cost of our products and services?

  Ascertaining customer perceptions about reasonableness of costs for products and services may require a customer survey of some type. Exhibit 7 provides a means to obtain this information.

- How well do we meet our customer's expectations?

  Ascertaining how well each sub-function meets customers' expectations may also require a customer survey of some type. Exhibit 7 provides a means to obtain this information. Once opinions are ascertained on how well the sub-function meets customer expectations, they can be summarized on Exhibit 6.

EXHIBIT 4: INSTALLATION CORE BUSINESS MODEL

Core Businesses →

Airfield Support	Seaport Support	Other Mission Support	Community Support (QOL)	Facility Management	Public Safety	Command Support

Functions →

Sub-Function →

Airfield Support

Air Operations
- Airfield-Logistics
- AT Contraol
- Aviation Fuel-Support
- Ground-Electronics
- T-Line/Airfield-Facilities

Other Air OPS
- Auxillary-Airfield-Support
- Cargo-Handling
- Crash &-Rescue
- Passenger-Terminal ops
- Weapons

Seaport Support

Port Services
- Berthing &-Hotel Srvices
- Port Logistics
- Port-Operations-Center
- Tugs & Craft

Other Port Ops
- Degaussing
- Sea Air-Rescue
- Spill Response
- Weapons

Other Mission Support

MiscSupport
- Cemeteries
- Military-Banking Facility
- Mobilization
- Museums
- Health Care-Support
- Retail Service-Support
- Commissary-Support

Community Support (QOL)

MWR
- Mgt Support
- Cat A Activities
- Cat B Activities
- Cat C Activities

Shelter/Subsistentce
- Bachelor Quarters
- Contract Berthing
- Galley

Family Svc Center
- Counseling-Services
- Family-Advocacy-Program
- Education/-RAMP/TAMP

Child Care
- Center Care
- In-Home Care

Family Housing Support
- Management &-Operations
- Maintenance
- Minor Construction-& Major Repairs
- Police & Fire-Protection

MILPERS Services
- Ceremonial Guard
- ESO/Campus
- Pay & Personnel-Support
- Restricted Barracks

Facility Management

Utilities
- Cable TV
- Chiller Plant
- Electric
- Gas
- Other
- Pneumatic Power
- Pure Water
- Sewage
- Steam
- Water

Facility Maint
- CBU/1stLT/Self-Help
- Dredging
- Emergency/Service Maintenance
- Minor Construction
- Preventive Maintenance

Building Services
- Janitorial
- Pest Control
- Refusee Collection-Recycling

PW Mgmt
- Mgt & Admin
- Installation Plans and Engineering
- Real Estate Mgt

Transportation
- Mgt/Admin
- Railroads
- Cranes
- Vehicles
- GSE/MHE
- Construction
- Other

Environmental
- Clean Up
- Compliance
- Conservation
- Pollution-Prevention

Grounds Maint
- Grounds Maint & Landscaping
- Street Sweeping & Snow Removal

Public Safety

Force Protection
- Disaster Preparedness
- Guard/Security/-Traffic
- Law Enforcement/-Crime Prevention

Fire and Safety
- EM Response
- Fire Protection/-HAZMAT
- Centrally Mgt Safety Prog/NAVOSH

Command Support

Command
- CO/XO/Admin
- Chaplain Svcs
- G&A
- Legal
- MILPERS Mgmt
- Postal Ops
- Public Affairs

Resource Management
- CIVPERS Mgmt
- CIVPERS PCS
- Financial Mgt
- Intra Station Moves

Supply
- Inventory Control
- Mgt & Procurement
- POL Management
- SERVMART
- Warehousing

Information Svs
- ADP
- Audio/Visual
- Printing
- Base Comms

EXHIBIT 5: LOCAL CORE BUSINESS MODEL

Mission Business

Tenant Support

Aviation Support (C-12 Ops)

Mobilization Support

Community Support (QOL)

MWR	Child Care
Cat A Activities	Child Dev. Center
Cat B Activities	Family Home Care
Cat C Activities	

Housing

Family Housing Ops
CBQ

Galley

Family Svc Center

Counseling Services
RAMP/TAMP
Comm. Outreach
Retiree Affairs
FAP
Spouse Empl Asst
Transition Asst

Religious Services

Health Care

Medical
Dental

Mil Pers Services

ESO/Navy Campus
Single Sailor Initiative
Ceremonial Guard
Pay & Personnel
Restricted Barracks

Retail Services

Commissary
NEX
Navy Lodge

Facilities Management

Utilities	PW Mgmt
Electric	Planning & Engineering
Steam	Contract Admin
Water	
Sewage	
Gas	
Communications	

Transportation

Operations
Maintenance
CSE/MHE

Facility Maint & Bldg Services

Preventive Maint
Emergency Service
Recurring Maint
Minor Maint
Specific Maint
Minor Construction
Refuse Collect/Recycling
Janitorial
Pest Control
Grounds Maint

(Special Projects
MILCON)

Environmental

Pollution Prevention
Compliance (HW,IW)
Conservation
Clean Up (Restoration)

Public Safety

Security

Law Enforcement &
Crime Prevention

Pass/Decal/
Vehicle Registration

Guard/Security/
Traffic

Fire

Fire Protection
HAZMAT
Fire Prevention
Crash & Rescue

Safety

NAVOSH

Disaster Preparedness

Command Support

Command

CO/XO
Legal
Public Affairs
MILPERS Mgmt
Command Eval.
Admin Support
Postal Ops

Financial Mgmt

Budget
Accounting

Supply

Procurement
Personal Prop Mgmt
Warehousing
Inventory Control
POL Management

Human Resources

CIVPERS Mgmt
Training Mgmt

Information Svs

ADP
Audio/Visual
Printing

EXHIBIT 6: STEP 3 DATA COLLECTION WORSHEET

Data Collection Worksheet

Step 3: Define Business Unit Structure

> This form should be used as a guide in collecting and documenting information for each sub-function identified in the Local Core Business Model (LCBM). Information collected for sub-functions can then be aggregated into functions and core business areas, as appropriate.

Core Business Area: _____

Function: _____

Sub-Function: _____

1. Who are our customers?

    _____
    _____
    _____
    _____
    _____

2. What products/services do we provide them?

    _____
    _____
    _____
    _____
    _____

3. What quantity of products/service do we provide our customers?

    (Current and Projected)

    _____
    _____
    _____
    _____

4. What is the quality, from our customers' point of view, of the products/services we provide them?

    _____
    _____
    _____
    _____
    _____

5. What is the customer's perception of the cost of our products and services?

    _____
    _____
    _____
    _____
    _____

6. Do we meet our customers expectations? If not, why not (what are the barriers to meeting their expectations)?

    _____
    _____
    _____
    _____
    _____

EXHIBIT 7: SAMPLE CUSTOMER SERVICE SURVEY

	Poor	Fair	OK	Good	Excellent
(Sub-Function Name) You are one of our very valued customers. Please take a moment to let us know how we are meeting your needs by filling out this mini-survey and returning it to _____.					
1. Thinking of the <u>products and services</u> we provide you, please rate each item below.					
a) On Time Delivery	1	2	3	4	5
b) Sufficient Quantity	1	2	3	4	5
c) Adequate Quality	1	2	3	4	5
d) Reasonable Cost	1	2	3	4	5
2. Overall, how well do we meet your expectations for our products/services?	1	2	3	4	5
3. (Any other questions you wish to add)	1	2	3	4	5

3.4.2   Complete Worksheet for Each Function and Core Business Area

After gathering data and completing the Step 3 data collection worksheet for each sub-function, the next task is to aggregate sub-function results into a single summary for each function. Following this aggregation of results at the function level, the information can then be summarized to the core business level. This process of upward accumulation consists mainly of gleaning the most salient information from each sub-function's summary and then compiling a more general summary at the function level, and subsequently at the core business area level.

3.5   PREPARE PROGRESS REPORT

After developing the LCBM and completing data gathering and summarizing information

for sub-functions, functions and core business areas, the BUA team should prepare a progress report and provide an update to the installation commander for review and approval. The report should include the following main topics:

1) Base mission (from Step 2);

2) List of installation customers and the major products provided them (from Step 2);

3) LCBM chart showing core businesses, functions and sub-functions (from Steps 2 & 3);

4) Textual description of the core businesses, functions and sub-functions (from Step 3); and

5) Highlights of customer satisfaction surveys, "good and bad" (from Step 3).

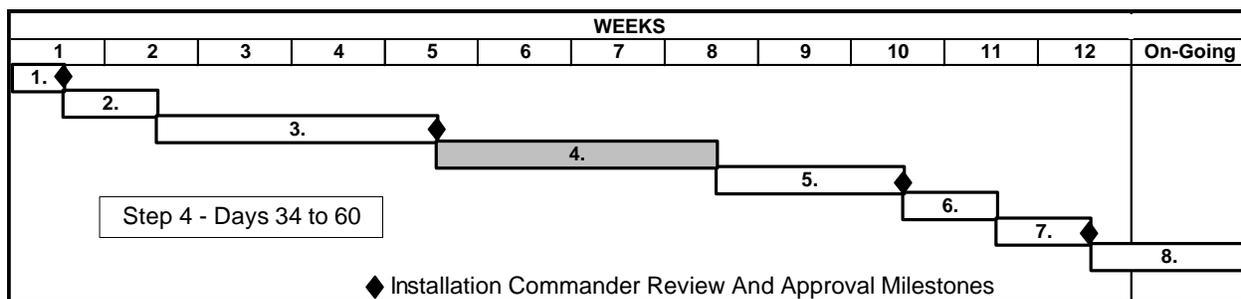## 3.6   DELIVER PROGRESS REPORT TO INSTALLATION COMMANDER

Before beginning to identify resources associated with each sub-function in Step 3, the installation commander will likely desire to review and approve progress to date. This also provides an opportunity for an in-course correction, if appropriate.

> **CO Tip: Recommend an executive summary briefing covering the areas outlined above for the progress report.**

3.7   PRODUCTS OF THIS STEP

- LCBM report with model and a description of its contents
- CO progress report/briefing

STEP 4: IDENTIFY COSTS OF RESOURCES

WEEKS													
1	2	3	4	5	6	7	8	9	10	11	12	On-Going

1. ◆
2.
3. ◆
4.
5. ◆
6.
7. ◆
8.

Step 4 - Days 34 to 60

◆ Installation Commander Review And Approval Milestones

4.1 OVERVIEW

The purpose of this step is to collect all costs associated with each resource in the LCBM at the sub-function level. This information will help identify which functions and core business areas consume most of the resources at the installation. Those business areas which consume most of the installation's resources will be the target of further analysis in subsequent steps.

4.2 RESOURCE COST CATEGORIES

For purposes of the BUA, resources can be broken down into five main areas:

1) Manpower (civilian and military personnel);

2) Facilities (operations & maintenance and capital investments);

3) Supplies and Equipment;

4) Contract services (including outsourced functions); and

5) Other resources.

Although these five categories could be broken down further into other very detailed sub-elements, this categorization is sufficient to identify the business areas which consume the majority of the resources on the installation.

> **CO Tip: These five categories are sufficient to categorize all costs. Guard against the complexity of further categorization.**

4.3 COLLECT RESOURCE COST DATA ON LOCAL MODEL

Using the LCBM, identify and compile all annual costs associated with each sub-function in the LCBM by resource category (manpower, facilities, supplies and equipment, contract services, and other costs). To accomplish this, design a data-gathering process and related tools that best suits the installation.

This guide provides several options for developing costs for each resource category. In addition, OMB Circular A-76 provides specific guidance which must be used when performing CA studies.

The outcome of this cost collection effort will most likely take the form of a database or spreadsheet like the one shown in Exhibit 8. The source of data for each resource category in the exhibit is described below.

EXHIBIT 8: SAMPLE SUB-FUNCTION COST REPORT

Sample cost break-down for all sub-functions within a function.

Resource Category (Cost / Year)	Sub-Function 1	Sub-Function 2	. . . . . .	Sub-Function "n"	Function Total
Manpower (MILPERS)	$10,345	$25,583		$5,686	$41,614
Manpower (CIVPERS)	$55,439	…		…	…
Facilities, O&M	$201,643	…		…	…
Facilities, Capital	$700,439	…		…	…
Equipment	$255,090	…		…	…
Contract Services	$90,454	…		…	…
Other Resources	$101,000				
Total	$1,313,410	…		…	…

4.3.1   Manpower

4.3.1.1 Civilian Manpower (CIVPERS)

Using the IMAP methodology and the corresponding cost account codes, identify the CIVPERS costs per year of each sub-function being studied.

4.3.1.2 Military Manpower (MILPERS)

The IMAP structure does not assign military manpower costs by individual sub-functions. Use the A-76 manpower costs methodology to calculate the MILPERS cost rates for each sub-function.

> **CO Tip: Your base manpower and personnel staff should be able to assist in computing civilian and military manpower costs.**

4.3.2   Facilities

4.3.2.1 Facility Operations and Maintenance

The IMAP structure does not assign facility O&M costs by individual sub-functions. The team must devise a methodology to allocate installation-wide costs to each facility on the base, then assign facilities to each sub-function.

Annual facility O&M costs can be computed in varying levels of detail, depending on the time and information available. The following are four ways in which these costs have been collected in the past:

1) Annual O&M costs are allocated on a "flat" distribution to all sub-functions by their proportion of gross area.

> **CO Tip: Facility O&M expenditures are one of the most predominant at an installation. Although functions with large facilities collect the highest facility costs on a gross area basis, there is no way to determine which facilities or sub-functions are actually absorbing O&M resources at less than acceptable rates.**

2) Facilities are assessed for structural condition or support to the mission using a rating or scoring system against a standard. The assumption is that a more degraded facility consumes more resources—either to sustain its current condition or to upgrade its condition to

standard. Per area costs are allocated against these ratings to determine where annual O&M funds are used the most.

3) Annual O&M funds are categorized into more detailed sub-accounts (e.g., operations, utilities, maintenance, etc.). These sub-accounts may identify possible areas of improvement in a more focused manner.

4) To determine expected and real costs, annual O&M funds are computed based on research of historical and current work orders, backlogs of maintenance and repair and any other hard costs such as metered utilities, if available.

4.3.2.2 Facility Capital Investment

There are two possible methods of computing annualized facility capital investment costs. Both are shown below:

1) From real property records, determine the Plant Replacement Value (PRV) of a facility. Divide the PRV by the expected economic life of the facility to compute an annualized facility capital investment cost.

2) From real property records and programming documents, determine the historic and projected capital investments for a facility. Divide this amount by the expected economic life of the facility to compute an annualized facility capital investment cost.

> **CO Tip:** Your base engineers should be able to assist in computing estimated or real facility O&M and capital investment costs.

4.3.3 Supplies and Equipment

Supplies and equipment costs consist of the total annual cost for operating supplies, consumable equipment and capital investment equipment for each sub-function.

4.3.3.1 Supplies and Consumable Equipment

Using the IMAP methodology and the corresponding cost account codes, identify the annual supplies and consumable equipment costs of each sub-function being studied.

4.3.3.2 Capital Investment Equipment

Use depreciation schedules and terminal value computations for individual equipment items to determine annualized costs. Add the annualized cost for individual capital investment equipment items in each sub-function.

> **CO Tip:** Your base supply, transportation and procurement staff should be able to assist in computing supply, consumable equipment, and capital equipment costs.

4.3.4 Contract Services

Identify the annual cost of contracts. Add to the contract cost any indirect government costs related to the contractors execution of the contract. For example, identify any unreimbursed government cost of utilities and maintenance for facilities which the contractor uses in the performance of the contract.

Consider prison labor or other "free" resources as contract services and determine the cost for each service provided.

Compute the manpower equivalent for each contract service activity. This is important when improving functions that are outsourced or preparing other functions for competition. Refer to the A-76 study manpower costing guidance for information on how to perform these calculations.

> **CO Tip: Your procurement and manpower staff should be able to assist in computing contract services costs.**

4.3.5   Other Resources

Other resources could be reimbursable accounts, community funds, and land or other assets available to the installation through joint-use agreements. Using the IMAP methodology and the corresponding cost account codes, identify any annual costs associated with these resources for each sub-function being studied.

> **CO Tip: Your real property and procurement staff should be able to assist in computing the value of other resources.**

4.4   SUMMARIZE COSTS INTO FUNCTIONS AND BUSINESS AREAS

The information on Exhibit 8 can now be summarized by core business area in much the same way that sub-functions were summarized by function.

Summarizing sub-function costs into functions and core business areas will help identify which major areas in an installation consume most of the resources.

Exhibit 9 is a sample summary report with the function costs aggregated into core business areas. This summary report is essential for the next step in the business unit analysis study. The goal of this summary is to identify the distribution of resource consumption at an installation. This information may help identify which business areas consume most of the base's resources. It may also help determine which functions within them consume the most resources.

> **CO Tip: Identify the three or four "Main Event" business areas that consume the majority of your resources.**

The opportunity to improve performance and reduce costs at the installation is most apparent in these main event areas not because of their poor performance (which has not been determined) but rather because of the large amount of resources they consume. Furthermore, identifying only the "top three or four" business areas focuses attention on them to ensure any key improvements can be monitored and executed in a timely manner.

To better visualize the consumption of resources between functions, present the results of this summary in a pie-chart or similar graph. Exhibit 10 is a sample graph depicting all functions within the Community Support business area.

4.5   PRODUCTS OF THIS STEP

- Sub-function cost reports
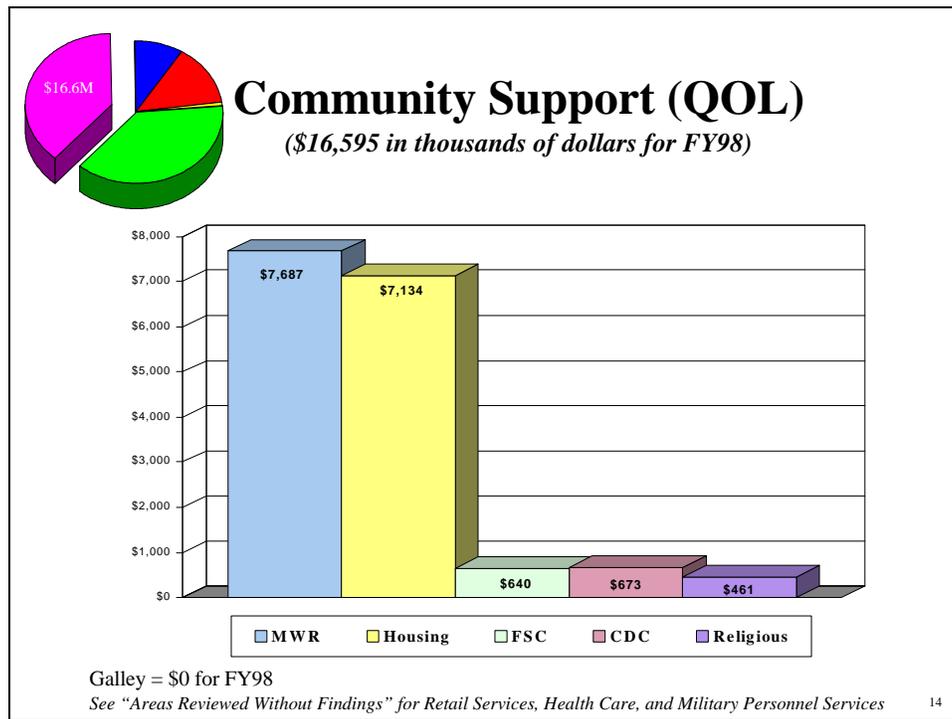- Function and core business area cost summary reports

EXHIBIT 9: SAMPLE FUNCTION AND CORE BUSINESS AREA COST SUMMARY REPORT

Sample cost break-down for all functions within a core business area.

Resource Category (Cost / Year)	Function 1	Function 2	. . . . . .	Function "n"	Business Area Total
Manpower (MILPERS)	$120,300	$325,750		$145,100	$591,150
Manpower (CIVPERS)	$255,600	…		…	…
Facilities, O&M	$1,201,000	…		…	…
Facilities, Capital	$8,700,000	…		…	…
Equipment	$755,000	…		…	…
Contract Services	$300,500	…		…	…
Other Costs	$101,000				
Total	$11,433,400	…		…	…

EXHIBIT 10: SAMPLE CORE BUSINESS AREA MAIN EVENT CHART

Main Event areas under the Community Support (QOL) business area are MWR and Housing.

Community Support (QOL)

($16,595 in thousands of dollars for FY98)

$16.6M

MWR: $7,687 — Housing: $7,134 — FSC: $640 — CDC: $673 — Religious: $461

Galley = $0 for FY98

See "Areas Reviewed Without Findings" for Retail Services, Health Care, and Military Personnel Services 14

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STEP 5: BENCHMARK PERFORMANCE

							WEEKS					
1	2	3	4	5	6	7	8	9	10	11	12	On-Going

```
1. ◆
  2.
        3.                    ◆
                   4.
                          5.          ◆
                                     6.
                                       7. ◆
   Step 5 - Days 61 to 73
                                          8.
        ◆ Installation Commander Review And Approval Milestones
```
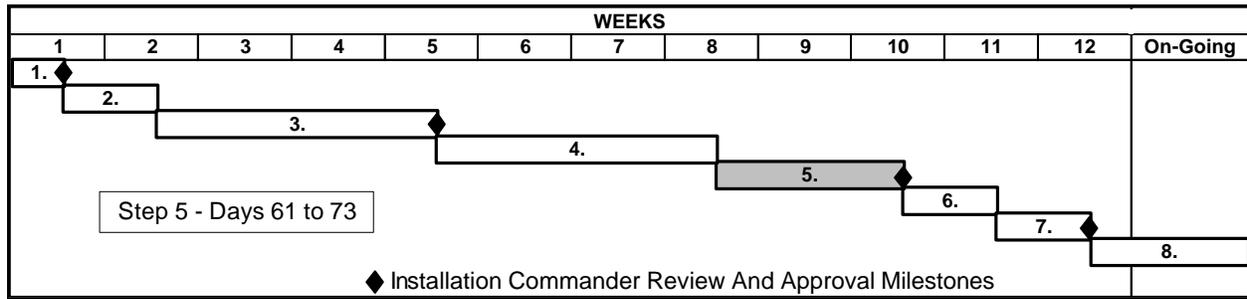
5.1 OVERVIEW

The purpose of Step 5 is to compare or benchmark performance of the "main event" sub-functions identified in Step 4 with "best in class" organizations or other commands. This performance comparison is to help identify the greatest targets of opportunity for performance improvement.

> **CO Tip: The benchmarking approach described herein for the business unit analysis process is an abbreviated or "jump start" approach rather than a comprehensive benchmarking study approach.**

At the conclusion of Step 5, the business unit analysis team provides the installation commander a progress update for approval including focus areas recommended as targets for improvement.

5.2　BACKGROUND ON BENCHMARKING

A benchmark is a performance level recognized as the standard of excellence for a particular process. Benchmarking is the process of continually searching for the best methods and practices; adopting or adapting their good features; and implementing them to become the best of the best.

Some of the objectives associated with benchmarking include improving customer satisfaction, fostering breakthrough thinking and continuous improvements, accelerating organizational change, and getting more output from less input.

A literature search on how to conduct benchmarking yields various descriptions of a multi-stage process. The number of stages may vary by author, but the process generally includes planning, analysis, and action and requires that you:

- Understand your own process;

- Determine what needs to be improved;

- Identify who has the best practices;

- See how they perform;

- Adopt/adapt the best of what they do; and

- Measure results, communicate findings and gain acceptance.

> **CO Tip: Benchmarking normally focuses on the most critical processes to success. As a result, the business unit analysis team should concentrate benchmarking research on those "main event" areas with the predominant share of costs as identified in Step 4 of the business unit analysis process.**

5.3 BUILD METRICS TO COMPARE WITH "BEST IN CLASS" ORGANIZATIONS

5.3.1 Key Metric Categories

In preparation for comparing performance with "best in class" activities and other commands, the business unit analysis team will most likely have several brainstorming sessions in which they will seek the most relevant performance measurements. For purposes of this study, metrics may be broken down into three major categories which are easy to recognize and comprehensive in identifying organizational performance. They are: *quality, timeliness, and cost per unit.*

> **CO Tip:** Three key metric categories which are simple to recognize and equally comprehensive in identifying the performance of a function are quality, timeliness and cost per unit.

5.3.1.1 Quality Metrics

Quality metrics reflect many aspects of performance including meeting customers' expectations for a product or service, responsiveness of the supplier to changing customer needs and desires, and others. Customer expectations, needs and desires change over time and are in turn dependent on many other variables such as changing life styles, changing environmental factors, and so forth. As a result, quality metrics may be difficult to define or the results from selected metrics difficult to understand.

For purposes of the business unit analysis process, the simplest metrics of quality may be customer satisfaction with products and services. Customer satisfaction can be measured by a customer service survey such as that shown earlier in Exhibit 7. Some examples of quality metrics include:

- Degree of meeting customer expectations for products and services;

- Number of customer service complaints;

- Number of times a report is re-written or another product re-worked to meet customer needs; or

- Percentage of motor pool vehicles that require repair within a certain time of having preventive maintenance performed.

5.3.1.2 Timeliness Metrics

Timeliness metrics usually relate to how well the organization performs in delivering the product or service to the customer when they need it, or how well the organization performs in meeting its delivery date commitments to the customer. Timeliness metrics can involve customer surveys, such as those shown in Exhibit 7, to measure customers' perception of timely deliveries. Timeliness may also include other more direct measures of performance such as percent delivery of a certain product within a specified time. For purposes of the business unit analysis process, it may be necessary to use a combination of approaches. Some examples of timeliness metrics include:

- Customer perception of on-time delivery;

- Percentage of services delivered by due date, as job orders for facility repairs;

- Number of travel orders or travel pay reimbursements delivered by promised date; or

- On-time delivery of fully serviced weapon system components.

5.3.1.3 Cost Per Unit Metrics

Cost per unit generally refers to the <u>total price</u> required to provide a <u>given level of service</u> or product. Of course, the given level of service encompasses many variables such as quality, reliability, time to deliver the product or service, and others. Cost per unit can be measured in terms of cost to produce, from the suppliers' standpoint; cost to buy, from the customers' standpoint; or cost to own. For purposes of the business unit analysis process, total cost to provide a product or service will likely provide the best metrics for use. Some examples follow:

- Cost per child cared for in the Child Development Center;

- Cost per square foot to maintain facilities;

- Cost per hour to operate a bulldozer; or

- Cost per cubic yard to dredge a channel.

5.3.2   Select Key Metrics for Each Main Event Sub-Function

The BUA team should select two or three key metrics for each main event sub-function. In selecting metrics, it is easy to "over do" it under the theory that more is better. The objective is to select a small number of key metrics which yield a balanced view of the organization's performance. For example, having five or six metrics on "cost per unit" may completely miss the mark on judging timeliness of delivery or customer satisfaction.

As a starting point for the "Main Event" business units and functions, identify at least one quality, one timeliness, and one cost per

unit measure of performance with no more than three metrics per sub-function.

> **CO Tip: As a cautionary note, make sure that the cost of computing accurate metrics does not outweigh the benefits of the metrics.**

5.3.3   Compute Current Performance

Once metrics are selected, the BUA team must compute current performance in order to benchmark with external organizations. In some cases, key performance measures and data collection to compute them may not be in use within the organization. If not, it will be necessary to implement a measurement process before being able to compare performance (benchmark) with external organizations.

> **CO Tip: Once performance measures are selected for each sub-function, appropriate data should be collected and the current performance should be computed for each measure.**

5.4   COMPARISON WITH "BEST IN CLASS" ORGANIZATIONS

In addressing the question of "how does our performance compare with private industry or other commands", the BUA team should look to comparisons with "best in class" organizations rather than comparisons with mediocre performance. These "best in class" organizations could be in the private sector or they may be within government. The initial challenge is finding them. Some possible sources include:

- Professional, academic, and trade associations;

- Reports -- annual/stockholder, unit inspection, etc.;

- Library information services / professional journals;

- Data bases/bulletin boards;

- American Productivity and Quality Center (www.apqc.org); and

- World Wide Web searches.

If organizations with best practices are located in the performance areas you wish to examine, collect data from them and determine gaps between local performance and theirs. Make sure local and "best in class" metrics contain the same elements (cost or other). Analyze causes for variations between local and "best in class" performance. This process allows the team to identify performance constraints or bottlenecks in specific sub-functions. The team can then drill down in appropriate processes to understand how to improve performance. In this manner, the team will identify "focus areas" which provide the greatest targets of opportunity for improvement in main event sub-functions.

5.5 SETTING PERFORMANCE GOALS

After comparing performance with "best in class" activities, performance goals should be set for each metric. Rather than establishing goals which represent minimum acceptable performance, goals should be set which represent desired outcomes. Goals may take the form of short-term and long-term goals. Short-term goals represent performance outcomes which would be acceptable based on current organizational capabilities; whereas, long-term goals could establish desired performance improvements over a longer period of time with process improvements or some change in organizational capability.

If external information is not available to assist in establishing a goal for a particular metric, historical performance records may help in establishing short and long-term performance improvement goals. However, care should be taken to avoid the trap of incorporating minimum acceptable performance into goal setting while optimal performance is sought.

> **CO Tip: Don't let the team get bogged down looking for external benchmarks if they're not readily identifiable. Instead focus on historic performance and customers needs to develop performance goals.**

5.6 PREPARE BENCHMARKING SUMMARY REPORT

The worksheet in Exhibit 11 is provided to record results in each sub-function as the benchmarking process takes place. When the benchmarking process is complete, this worksheet for each sub-function can be consolidated with other sub-functions to summarize results within each function and core business. An overall benchmarking summary report can then be prepared. This report should be analyzed by the BUA team to determine the greatest targets of opportunity for improvement, or focus areas, for the installation.

5.7 PROVIDE PROGRESS UPDATE TO THE INSTALLATION COMMANDER

The BUA team should update the installation commander before moving to Step 6, formulating strategies for change. The update should include recommendations for approval of the focus areas identified during Step 5. This update should include:

1) A review of the material presented to the commander in the last update at the conclusion of Step 3 including:

- Base mission (from Step 2);

- List of installation customers and the major products provided them (from Step 2);

- LCBM chart showing core businesses, functions and sub-functions (from Steps 2 & 3);

- Textual description of the core businesses, functions and sub-functions (from Step 3);

- Highlights of customer satisfaction surveys, "good and bad" (from Step 3);

2) Results of sub-function, function and core business costs (from Step 4);

3) Results of benchmarking (from Step 5); and

4) Focus areas recommended as targets for improvement (from Step 5).

> **CO Tip: This update presentation provides an opportunity to give direction to the team as they begin to formulate strategies for change.**

5.8   PRODUCTS OF THIS STEP

- Summary benchmarking report
- CO progress report/briefing

EXHIBIT 11: STEP 5 DATA COLLECTION WORKSHEET

Data Collection Worksheet

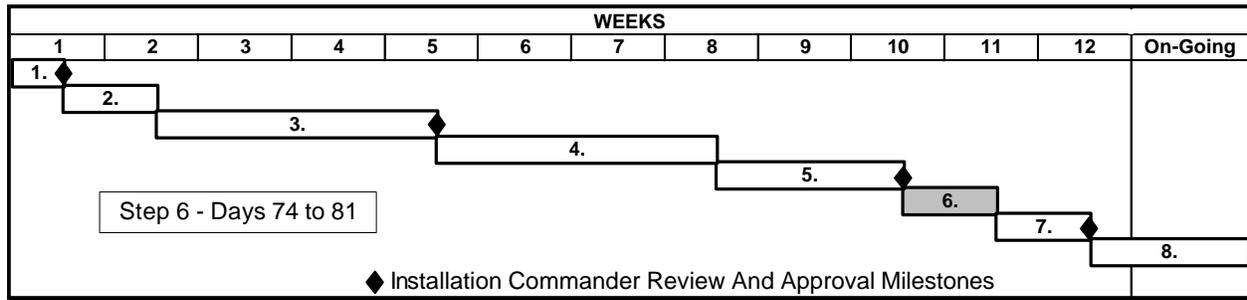**Step 5: Benchmark Performance**

Core Business Area: _____

Function: _____

Sub-Function: _____

Metric Category	Measure of Performance	Our Current Performance	Benchmark Performance	Target Performance
Quality	_____	_____	_____	_____
Timeliness	_____	_____	_____	_____
Cost/unit	_____	_____	_____	_____

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STEP 6: FORMULATE STRATEGIES FOR CHANGE

						WEEKS							
1	2	3	4	5	6	7	8	9	10	11	12	On-Going

1. ◆
2.
3. ◆
4.
5. ◆
6.
7. ◆
8.

Step 6 - Days 74 to 81

◆ Installation Commander Review And Approval Milestones

6.1 OVERVIEW

The purpose of Step 6 is to formulate and analyze strategies for change in each of the focus areas approved as targets for improvement during the installation commander progress update at the conclusion of Step 5. During Step 6, the BUA team will formulate strategies for change, analyze them, and select the strategy for each focus area which maximizes payback and minimizes risk. Risk considerations should include economic, mission performance, contingency, and others.

6.2 GENERATE ALTERNATIVES

Drawing on information developed during benchmarking, the BUA team should use a brainstorming session to generate ideas to reduce costs or improve service for each business area identified as a focus area. These ideas should then be used to develop two or three alternatives for each focus area.

Once alternatives are identified, the team can analyze each to identify projected payback and risk. The team should then select the best strategy to recommend for each focus area maximizing payback and minimizing risk.

6.3 OBTAIN CORE BUSINESS AREA COORDINATION

After the team has analyzed and selected the best alternative or set of alternatives to recommend for each focus area, they should present findings to the chief of the core business areas concerned. This presentation will give the core business area chief an opportunity to provide input and accept and/or endorse the proposed strategy for improvement.

6.4 PREPARE STRATEGIES FOR CHANGE SUMMARY REPORT

The worksheet in Exhibit 12 is provided to use in analyzing strategies and selecting recommended courses of action.

> **CO Tip:** The objective of Step 6 is to formulate strategies for change in focus areas, analyze them, and select the strategy which maximizes payback and minimizes risk categories.
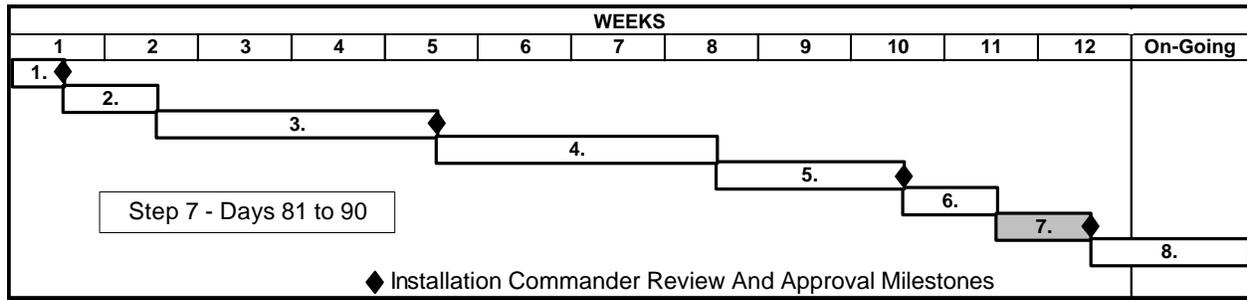
6.5 PRODUCTS OF THIS STEP

- Strategies for change summary report

EXHIBIT 12: STEP 6 ANALYSIS SUMMARY WORKSHEET

Analysis Summary Worksheet
Step 6: Formulate Strategies for Change

Focus Area for Improvement	Alternative Ways to Provide Product or Service	Projected Payback	Risk Analysis	Recommended Alternative
1.	a)			yes no
	b)			yes no
	c)			yes no
2.	a)			yes no
	b)			yes no
	c)			yes no
3.	a)			yes no
	b)			yes no
	c)			yes no
4.	a)			yes no
	b)			yes no
	c)			yes no
5.	a)			yes no
	b)			yes no
	c)			yes no
6.	a)			yes no
	b)			yes no
	c)			yes no

STEP 7: PREPARE CHANGE IMPLEMENTATON PLAN

							WEEKS						
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**On-Going**	

Step 7 - Days 81 to 90

◆ Installation Commander Review And Approval Milestones

7.1   OVERVIEW

The purpose of Step 7 is to prepare the change implementation plan to be presented to the installation commander and others for approval and execution.

7.2   PREPARE CHANGE IMPLEMENTATION PLAN

This step involves prioritizing the strategies selected in Step 6 from the highest potential improvement payback to lowest.   This prioritized listing of strategies will normally provide the recommended change implementation plan for the installation. This plan in turn should drive resource allocation decisions for implementing the plan.   In an environment of competing resource allocation, the highest priority strategy according to potential improvement payback should receive the first allocation of resources to implement it, and so forth. Occasionally, there will be a compelling reason to execute a lower priority strategy ahead of other strategies. This possibility needs to be considered while performing this step.   The change implementation plan should include a discussion of the rationale for priority placement of each strategy in the plan.

Exhibit 13 includes a worksheet for preparing the change implementation plan.

> **CO Tip: The BUA team prioritizes strategies from highest payback to lowest for your review and approval**.

7.3   PROVIDE IMPLEMENTATION PLAN PRESENTATION TO INSTALLATION COMMANDER FOR APPROVAL

On completion of the plan, the basic BUA process is nearing completion.   All that remains is to present the overall business unit analysis and change implementation plan to the installation commander for approval and subsequent implementation. This presentation should build on previous presentations to the installation commander and include the following:

1) A review of the material presented to the commander in the last update at the conclusion of Step 5 including:

   • Base mission (from Step 2);

   • List of installation customers and the major products provided them (from Step 2);

   • LCBM chart showing core businesses, functions and sub-functions (from Steps 2 & 3);

- Textual description of the core businesses, functions and sub-functions (from Step 3);

- Highlights of customer satisfaction surveys, good and bad (from Step 3);

- Summary of main event costs (from Step 4);

- Results of benchmarking (from Step 5);
- Focus areas selected as targets for improvement (from Step 5);

2) Analysis of strategies for change (from Step 6); and

3) Proposed change implementation plan for installation commander approval (from Step 7).

7.4   INSTALLATION COMMANDER APPROVAL AND IMPLEMENTATION

Upon the installation commander's approval of the change implementation plan, core business area, function, and sub-function managers should be placed in the "lead" to implement the approved performance improvements.
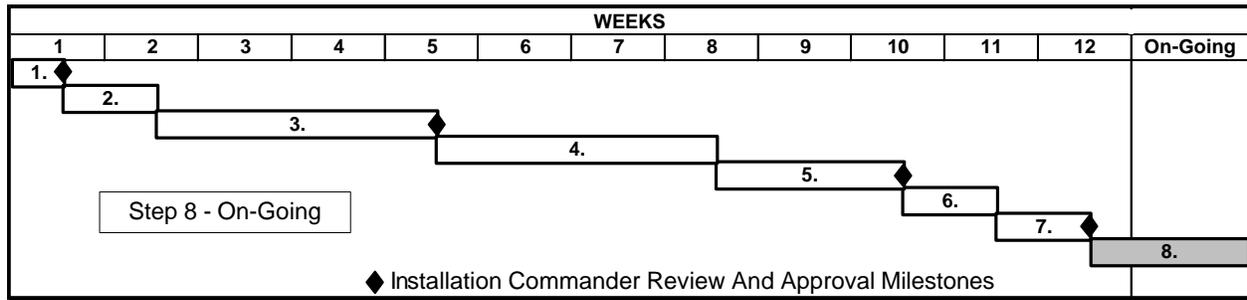
7.5   PRODUCTS OF THIS STEP

- Change implementation plan
- CO decision presentation

EXHIBIT 13: STEP 7 ANALYSIS WORKSHEET

Analysis Worksheet
Step 7: Change Implementation Plan

Priority	Focus Area for Improvement	Recommended Improvement Strategy	Implementation		Projected Payback	Risk Assessment	Rationale
			Time	Cost			

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STEP 8: EXECUTE THE PLAN AND MONITOR PROGRESS

WEEKS												
1	2	3	4	5	6	7	8	9	10	11	12	On-Going

1. ◆
2.
3.
◆
4.
5. ◆
6.
7. ◆
Step 8 - On-Going
8.

◆ Installation Commander Review And Approval Milestones

8.1   OVERVIEW

This last step in the business unit analysis process is a continuing step. This involves incorporating business unit analysis as a part of day-to-day business activity and the annual strategic business planning process of the installation. It is not necessary for the business unit analysis team to remain constituted during this on-going process. The aim is to identify what was useful from the business unit analysis process and incorporate it into the installation's normal business practices.

8.2   PERIODIC PERFORMANCE REVIEW

At the installation commander's option, this on-going process may include periodic review of some of the performance metrics developed during the business unit analysis process. The on-going process may also expand review to other business units and include periodic development of improvement strategies and/or new performance goals.

> **CO Tip: Assign functional managers to each improvement area and request periodic updates on implementation and performance improvement.**

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APPENDIX A: FUNCTIONAL ANALYSIS/PROCESS IMPROVEMENTS

The Functional Analysis (FA) process improvement technique offers a means for cooperative discussion and problem solving among various parts of an organization. It makes possible the resolution of information problems for the best interests of an entire organizational unit.

Some of the FA principles may be helpful during the Business Unit Analysis (BUA) process. The value of FA to the BUA process is that it is a simple methodology that seeks to optimize, improve, and simplify the work performed by functions within an organization. This optimization can lead to improved quality of services by the installation, improved timeliness of those services to customers, and reduced O&M costs for those services.

FA uses the concept of three key measures of performance (metrics): Quality, timeliness, and cost per unit. This simplified categorization of performance measures makes FA easy to implement at any level of an organization. Typically, one metric for each of these three areas for each function or sub-function is enough to track performance of that function or sub-function.

The purpose of FA is to make an improvement in the day-to-day operation of an organization. It is a way of re-thinking the rules by which the business runs. The rules of operation are the heart of the system by which the organization runs. A system is the way in which people pass information to one another. The rules by which it operates determine the timing and quality of that information. Some of the rules are built into the information systems of the business, but they are also built into the daily procedures for work. These results might or might not be documented. Usually they are not.

A key benefit of this technique is that FA can be applied at any level of an organization as well as it would for a business as a whole. This is an advantage over some other analysis techniques that must start the process at the executive level. The analysis of business units, their functions and performance can all be evaluated using the functional analysis practice regardless of the organizational level—installation-wide, core business unit, function or sub-function. In fact, the FA methodology uses much of the same terminology as that defined in the IMAP and in this guide. Furthermore, FA is function-oriented, not organization-oriented. That is: FA evaluates the performance of specific functions that generate products within an organization whether or not those functions are organized within a specific "branch" or other organizational structure. This is also true for the IMAP cost accounting installation core business model described in this guide.

Another benefit of the FA technique for business unit development is its definition of work units. In FA, the term "business" is used generically to define any endeavor where the use of resources produces a product delivered to a customer (be it material, information, or a service). FA identifies the functional structure of a "business" and the "business units" in hierarchical rank:

- Core Business,
  - Departments,
    - Sub-Functions.

Exhibit A-1. Flow Diagram of a Functional Analysis Study Approach
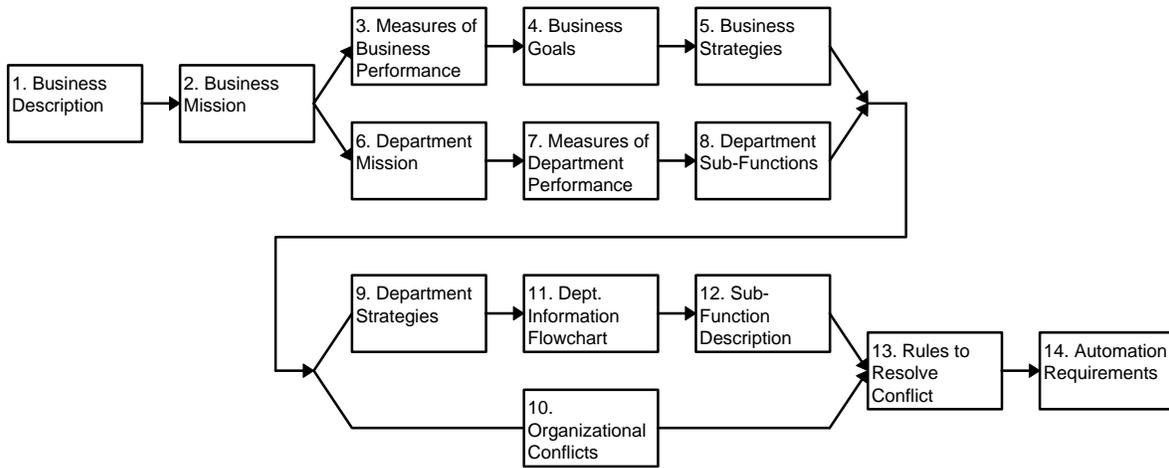
FA consists of a series of modest, logical steps. These steps lead from corporate strategies to operating procedures, to information systems, and—where appropriate—to the use of computers and automation. Many of the recommended steps described in the guide follow the functional analysis study approach.

> **The lowest element of a work process under FA is a <u>sub-function</u>.**

Attachment 1 to this Appendix includes a bibliography on Functional Analysis for purposes of further reading on the subject, if desired

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Source: *Functional Analysis : Simplify Before Automating*. Eugene J. Wittry / Published 1991

APPENDIX A, ATTACHMENT 1: FUNCTIONAL ANALYSIS/PROCESS IMPROVEMENTS—SELECTED BIBLIOGRAPHY

- **Functional Analysis : Simplify Before Automating, Eugene J. Wittry / Published 1991**

  Abstract: [This book] "provides all of the keys to analyzing the flow of materials, information, and services within a business, and then shows you how to simplify operations for maximum efficiency. You're shown how to use Functional Analysis to assess the performance and strategies of your business […] Techniques of representation, analytic methods, and causes and cures for common errors in all applications are fully covered. […] Step by step instructions in the chapters demonstrate how to use FA to establish goals and objectives, determine the organizational impacts of new automation, set up implementation teams, document results, and obtain maximum involvement from staff members."

- **The 20% Solution : Using Rapid Redesign to Create Tomorrow's Organizations Today. John J. Cotter / Hardcover / Published 1995**

  Abstract: "… the key to getting a jump on change and beating out the competition in today's tumultuous, hyper-competitive business jungle is Rapid Redesign. A dynamic new approach to formulating and implementing strategic change, Rapid Redesign is based on the ongoing, systematic assessment of "the 20% of what you do that will contribute most to your success in the future," and then doing less to accomplish more by concentrating your time and energies on that 20%. […] provides step-by-step guidelines on how to go about designing, planning, building, and managing such an organization. You'll learn how to identify and prioritize key strengths and weaknesses in your organization's structure, work routines, and personnel in the context of tomorrow's opportunities. You'll discover hundreds of innovative new approaches to improving productivity - such as horizontal business teams and internal and external alliances […] You'll also learn how to reshape your organization in the three key areas of structure, support, and staffing, and how to build mechanisms for continuous reflection and renewal into the new organizational structure."

- **The Improvement Guide : A Practical Approach to Enhancing Organizational Performance (Jossey-Bass Business and Management Series). Gerald J. Langley (Editor), et al / Hardcover / Published 1996**

  Abstract: "The Improvement Guide offers a fundamental approach that promotes integrated activities designed to eliminate quality problems, reengineer systems to reduce costs, and create new products and services to increase demand. Unlike

other books that focus on such tools as flowcharts and cause-and-effect diagrams, this book demonstrates how to make change happen. […] Drawing from experience over the last fifteen years in such diverse settings as manufacturing, construction, healthcare, law, government, education, and the nonprofit sector, the authors provide an innovative blend of practical ideas, examples, and applications for improvement. To make the change process even easier, the authors have compiled a Resource Guide to Change Concepts containing a rich collection of ideas for improvement and examples of how they can be applied. It catalogues a variety of change concepts - such as smoothing the flow of work, scheduling into multiple processes rather than one, and building in consequences to foster accountability - and presents real-life examples of each, enabling even beginners to utilize the tested techniques of some of the world's most experienced improvement practitioners."

- **Business Process Change : Concepts, Methods and Technologies.**
  Varun Grover, William J. Kettinger / Hardcover / Published 1995

  Abstract: "A refereed volume about the evolution of Business Process Reengineering (BPR), a means to restructure aging bureaucratized processes to achieve the strategic objectives of increased efficiency, reduced costs, improved quality, and greater customer satisfaction. The 25 contributed chapters represent both North American and European viewpoints, private and public sector perspectives, academic, consultant and managerial frames of reference, and material is presented using case studies, empirical studies, conceptual frameworks, and tutorials." Annotation c. by Book News, Inc., Portland, Or.

- **The Change Management Handbook : A Road Map to Corporate Transformation. Lance A. Berger, et al / Hardcover / Published 1993**

  Abstract: "A practical, action-oriented guide for change agents and managers, showing how to develop the type of flexible organization that achieves long-term success. It lists specific actions to be taken by senior business managers, the people they assign to implement change policies on the line, and the professional advisors they enlist to assist and monitor the change processes. A change map is provided that assembles and integrates all the pieces needed to ensure that an organization remains effective and flexible." Annotation c. Book News, Inc. Portland, Or.

- **Battling the Barriers to Success : 50 Ways to Keep Your Workplace Improvement Initiative on Target.**
  Joan P. Klubnik, Marlene Roschelle / Hardcover / Published 1996

  Abstract: "Designed to be a quick reference to identify and categorize the issues and problems administrators and employees face in workplace improvement efforts." Annotation c. by Book News, Inc., Portland, Or.

Source of Abstracts: WWW search, no endorsement is intended.

- **Seamless Government : A Practical Guide to Re-Engineering in the Public Sector (The Jossey-Bass Public Administration).
  Russell M. Linden / Hardcover / Published 1994**

   Abstract: From the table of Contents— "2. The Evolution of Work in Public and Private Bureaucracies; 3. A New Approach to Work: Re-Engineering and the Seamless Organization; 7. Overcoming Public Sector Constraints; 8. Aligning Systems to Support Seamless Work; 9. Re-Engineering Lessons from Two Agencies…"

- **Our Emperors Have No Clothes : Incredibly Stupid Things Corporate Executives Have Done While Reengineering, Restructuring, Downsizing, Tqming, Team-Building […] Alan Weiss / Hardcover / Published 1995**

   Abstract: "Weiss has visited over 3,000 organizations in the course of his consulting business: he gives numerous examples of decisions and management problems at the highest levels, including a set of steps which outline how organizations can assure they are well-run, intelligent operations. Use these steps to self-assess any corporation and work towards renewal." Midwest Book Review

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APPENDIX B: ACTIVITY BASED COSTING (ABC)

While Functional Analysis (FA), discussed in Appendix A, seeks to define business functions and sub-functions to improve the day-to-day processes of work, ABC seeks to define "activities" within sub-functions to manage day-to-day accounting of those processes. In many cases, the break-down of business processes into sub-functions using FA, leads to those sub-functions being the same as the "activities" identified using ABC.

ABC focuses on the accurate and complete identification of costs of products and services of an organization. It identifies how resources are used, not merely what those resources are. ABC ties performance metrics to the cost of achieving that performance.

ABC is defined as a "methodology that measures the cost and performance of resources, activities, and cost objects." It provides decision makers with accurate information on what existing processes actually cost. ABC provides a management tool for fact-based decision analysis.

ABC brings into an organization's accounting process the ability to identify system strengths and weaknesses throughout the organization. It incorporates value analysis of business activities and therefore applies to business functions, business areas, and whole organizations.

A key difference between FA and ABC is that FA may stand alone and be performed as a fast, easy to understand "study" in discrete moments in time and hence does not require the information infrastructure overhaul typically associated with ABC. On the other hand, once an activity based costing practice is in place in an organization, its benefits are significant and long-lasting.

ABC is being implemented in many government operations. The IMAP process discussed in Appendix C currently being implemented within the Navy is one example.

Attachment 1 to this appendix provides a selected bibliography for further reading on the subject, if desired.

> **The lowest element of a work process under ABC is an <u>activity</u>.**

APPENDIX B, ATTACHMENT 1: ACTIVITY BASED COSTING— SELECTED BIBLIOGRAPHY

- **Activity-Based Cost Management Making It Work : A Manager's Guide to Implementing and Sustaining an Effective ABC System. Gary Cokins / Hardcover / Published 1996**

    Abstract: "What good are the facts and figures of managerial accounting if the people who need them can't use them? More and more organizations are realizing that activity based costing is a superior method for both identifying improvement opportunities and measuring the realized benefits of performance initiatives. […] ABC offers a superior product and service costing technique with substantially more realistic cost assignments and much greater accuracy. […] It can even be used for performance measurements. ABC represents a significant change in corporate systems and can be challenging to implement. [This book] will walk you through the process so you can overcome barriers and successfully implement ABC."

- **Implementing Activity-Based Management in Daily Operations (Nam/Wiley Series in Manufacturing). John A. Miller / Hardcover / Published 1995**

    Abstract: "This applications-oriented guide offers a step-by-step approach to the revolutionary and popular accounting technique of Activity-Based Costing (ABC). By implementing this system, managers can track expenses and make more profitable business decisions. Describes connections between total quality management, business process reengineering and ABC. Features numerous examples illustrating the benefits of this system in cost management."

- **Activity-Based Costing for Small and Mid-Sized Businesses; An Implementation Guide. Douglas Hicks / Paperback / Published 1997**

    Abstract: "Provides a much-needed alternative to the "big guys" approach to activity-based costing (ABC). Divided into 3 sections, it begins by addressing some of the general issues regarding ABC at small and mid-sized companies, featuring key concepts needed to implement ABC. Part 2 outlines the steps necessary to establish an activity-based system including how to develop an effective cost flow pattern, the tools used in this procedure, a process for planning a cost model and an outline for gathering the data required to drive it. Finally it explains how the activity-based cost accumulation model, developed in the previous section, can be used to improve a company's decision-making process and demonstrates how a business can create cost estimates and evaluate pricing strategies for multi-year programs."

Source of Abstracts: WWW search, no endorsement is intended.

APPENDIX C: INSTALLATION MANAGEMENT ACCOUNTING PROJECT

The Installation Management Accounting Project (IMAP), jointly chartered by the Assistant Secretary of the Navy (Financial Management and Comptroller) and the Deputy Chief of Naval Operations for Logistics, deployed a systematic way of capturing and reporting base operating costs within the Standard Accounting and Reporting System-Field Level (STARS-FL).

Elements of both FA and ABC can be found in the (IMAP). The IMAP is a good approximation of activity based costing using the existing cost accounting infrastructure as it is being implemented at each installation.

One key element of the IMAP valuable for business unit analysis is its use of the Installation Core Business Model (ICBM). This Core Business Model proposes a structured definition of Base Operating Support (BOS) functions (not necessarily the organizational structure) typical in any Navy installation.

The overarching benefit of using the IMAP in the business unit analysis process is that it breaks down all BOS cost account codes (CACs) in the existing accounting system into functional areas. This greatly simplifies the task of identifying costs (or "resources") against sub-functions. In effect the CACs become the sub-functions under IMAP.

> **The lowest element of a work process under IMAP is a <u>Cost Account Code (CAC)</u>.**

IMAP does not yet implement a distribution of military manpower costs to the various functions within the model. Instead, it identifies "manpower" as a distinct function in itself. Likewise, it does not allocate maintenance and repair and other facility costs to end user sub-functions (e.g., utility cost for the Child Development Center). This guide introduces estimating techniques that may be used to allocate and distribute these costs to sub-functions on the installation.

Attachment 1 to this appendix contains the 23 May 97 memorandum and package deploying the IMAP initiative. This package contains more detailed information on the IMAP.

Assistant Secretary of the Navy (Financial Management and Comptroller)

Memorandum, 23 May 97,

Subject: Installation Management Accounting Project

APPENDIX D: PERFORMANCE BENCHMARKS—SELECTED BIBLIOGRAPHY

- **The American Productivity & Quality Center**
  http://www.apqc.org
  1-800-776-9676

  "The American Productivity & Quality Center is in the business of improving your organization through education, training, benchmarking services, action research, networking opportunities, publications, and other media. We are primarily a member-based organization, but most of our products and services are available to nonmembers."

- **Benchmarking for Best Practices in the Public Sector : Achieving Performance Breakthroughs in Federal, State, and Local Agencies.**
  Patricia Keehley (Editor), et al / Hardcover / Published 1996

  Abstract: "[This book] is a unique, practical guide that shows public officials and administrators at all levels of government how to identify best practices and implement them in their organizations. The authors go beyond abstract concepts to bring benchmarking to life with real cases from federal, state, and local governments. They show how benchmarking methods have been adapted to the unique needs of the public sector and describe the tangible benefits gained by public agencies that have applied these techniques. Offering step-by-step advice along with checklists, flowcharts, sample forms, **a resource directory,** and other tools to help managers take action quickly, the authors demonstrate what benchmarking is and how it differs in the public sector, six criteria for selecting a program or process to be benchmarked, ways to generate support and ideas for a benchmarking project, how to select and work with a benchmarking partner, and how to plan a strategy for using the project's findings."

Source of Abstracts: WWW search, no endorsement is intended.