STRATEGIC SOURCING SUPPORT OFFICE

STRATEGIC SOURCING: A BROADER APPROACH

A GUIDE TO CONDUCTING FUNCTIONALITY ASSESSMENTS

JUNE 2000

FORWARD

30 June 2000

We are the Greatest Navy in the World and we are going to get even better.

In today's Navy we are faced with many challenges: declining budgets, a continued high tempo of operations, and a need to make large investments in modernization and recapitalization. In order to meet all these challenges, our Navy must continue to streamline using the best business practices available. The best ideas come from those who understand and perform their everyday mission to support the Fleet. Individuals working together as a team form the true backbone of change. A clear vision and willingness to apply the best business practices are fundamental to taking the first step toward implementing innovative initiatives to improve infrastructure efficiency and effectiveness.

For many years the Navy focused on the use of OMB Circular A-76 to conduct competitions with private industry on commercial functions. It was believed that competition would lead to the selection of the lowest cost provider and therefore increase the return on investment of services provided by the infrastructure. There has been a realization that this yielded sub-optimal results since few of our efforts were easily broken into discrete business units. The preface to the Circular acknowledges the need to understand a business unit at its core and to conduct preliminary efforts to reengineer and reinvent the process prior to conducting competition. The use of A-76 provides only a tangential benefit to those functions that are inherently governmental and core to the Navy's infrastructure. The Navy has chosen to broaden its review and has introduced the Strategic Sourcing initiative. Strategic Sourcing is both the A-76 process and a new concept called Functionality Assessment.

This guide outlines the process called Functionality Assessment and is a significant milestone in the management of the Navy's shore infrastructure.

Functionality Assessment is a six phase process that will result in redesigning business processes to achieve improvements in performance functions. Success is predicated on applying the approach that is identified in this guide. This process is based on private industry's Business Process Reengineering initiative. This handbook is a guide and as activities begin Functionality Assessments, it may be necessary to tailor the detailed steps. This is not unexpected and supports the precept that those who operate a business practice are in the best position to reengineer it. However, all six phases are to be followed in order to obtain maximum benefit from the use of Functionality Assessment.

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As you begin the use of Functionality Assessments, understand that this is something new. In order to maintain acceptance of Functionality Assessment as a viable process for achieving savings and improving effectiveness, documentation of the process and outcome is essential. It is important for you to know that you are not out there alone and we welcome your questions, comments and suggestions. The Strategic Sourcing Support Office (3SO) will work with you in Strategic Sourcing and in particular the use of Functionality Assessment. Our mission is to provide policy, advice and assistance as the Navy embarks on this journey that holds great promise for the future. I encourage you to provide feedback to assist us in keeping this guide current and useful. Please give us your comments via the 3SO website, http://help.n4.hq.navy.mil or call 1-877-711-4324.

V. Z. FROMAN
Rear Admiral, U.S. Navy
Director, Shore Installation
Management Division

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INTRODUCTION

The Strategic Sourcing Process is a significant expansion of the Navy's infrastructure cost reduction initiative. The initiative was previously focused only on "Competitive Sourcing" or the application of the traditional A-76 public-private competition. While the processes used in A-76 competition remain critical to the success of the Navy's infrastructure cost reduction program, they are amply covered in other guidance. This guide will describe the overall Strategic Sourcing concept and then concentrate on Functionality Assessment: an effort to restructure or reengineer existing activities that are exempt from the A-76 process.

This guide is written to provide a basic framework to be used at the Navy Major Claimant and Installation Command level to assist in implementing the Strategic Sourcing process.

A. Department of Defense Perspective

The Strategic Sourcing Program is intended to maximize effectiveness, efficiencies and savings throughout the Department of Defense and provide an approach for DoD Components to use to meet their competitive sourcing goals. It provides a broader approach than the traditional OMB Circular A-76 processes by extending the opportunities to achieve efficiencies to areas that are exempt from the A-76 competitive processes. This Program should not be interpreted as avoidance or replacement of A-76 and its focus upon fair competitions to achieve both cost efficiency and the infusion of best business practices. A-76 competition is, and will continue to be, a dominant factor in the Department's plan to do business more effectively and efficiently. Strategic Sourcing is consistent with the reinvention process described in the OMB Circular A-76 Revised Supplemental Handbook that states:

"The reinvention of government begins by focusing on core mission competencies and service requirements. Thus, the reinvention process must consider a wide range of options, including: the consolidation, restructuring or reengineering of activities, privatization options, make or buy decisions, the adoption of better business management practices, the development of joint ventures with the private sector, asset sales, the possible devolution of activities to state and local governments and the termination of obsolete services or programs. In the context of this larger reinvention effort the scope of Circular A-76 is limited to the conversion of recurring commercial activities to or from in-house, contract or ISSA (Inter-Service Support Agreement) performance."

The Strategic Sourcing approach incorporates existing DoD manpower management processes that provide for a complete functional or organizational assessment of functions and activities that are both commercial and inherently governmental to achieve program objectives with the optimum balance between program performance and costs. The goal is to determine whether processes can be eliminated, improved, or streamlined. In those instances when improvements can be made within the existing framework, then those changes will be made. The value of this approach is that an assessment of every function or organization is made—regardless of whether the function or activity is com-

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mercial or inherently governmental. This approach cuts across all functions and organizations, permitting the Navy to take a complete look at how it does business and to proactively achieve savings in all its functions and activities rather than to focus only on commercial activities. Strategic Sourcing will rely on a broad range of manpower management techniques to achieve savings rather than relying solely on A-76 competition. This allows Navy Claimants to consider a wide range of options and combinations of these options, including: eliminating obsolete practices; consolidating functions or activities; reengineering and restructuring organizations, functions or activities; adopting best business practices; privatizing functions or activities; etc.—along with continued and extensive application of the A-76 competitive process.

Strategic Sourcing does not eliminate any statutory, regulatory, or policy requirements, including 10 U.S.C. § 2461, "Commercial or industrial type functions: required studies and reports before conversion to contractor performance"; 10 U.S.C. § 2462 "Contracting for certain supplies and services required when cost is lower"; the Federal Activities Inventory Reform Act of 1998 (P.L. 105.270); OMB Circular A-76 and the Revised Supplemental Handbook on *Performance of Commercial Activities*; DoD Directive 4100.15, *Commercial Activities Program* and DoD Instruction 4100.33, *Commercial Activities Program Procedures*. Strategic Sourcing is an evolving process that may eventually lead to the future competition of functions or activities initially considered exempt from competition. Many organizations contain a mix of functions or activities that are commercial and inherently governmental. These organizations may be staffed by a "mix" of manpower: civil servants, uniformed military, Non-Appropriated Fund employees and contractors. This staffing mix may be an impediment to some of the options available for reengineering the organization. By realigning manpower or workload, functions or activities could be eliminated or restructured for competition. Strategic Sourcing could also eliminate the fencing of whole functions or activities from competition, leading to better segregation of these functions or activities in order to maximize competition; it is not intended to integrate functions or activities to such a degree as to fence them from competition completely. For those functions or activities that are inherently governmental or cannot be severed for competition, Strategic Sourcing provides an alternate approach to optimize performance and savings.

The key step in the Strategic Sourcing Program is to properly define the whole function, activity or organization in order to optimize or improve the level of performance or service at a reduced cost. This process is continual, as indicated in the attached flow chart (see Figure 1), and can result in various outcomes depending on how functions or organizations are defined.

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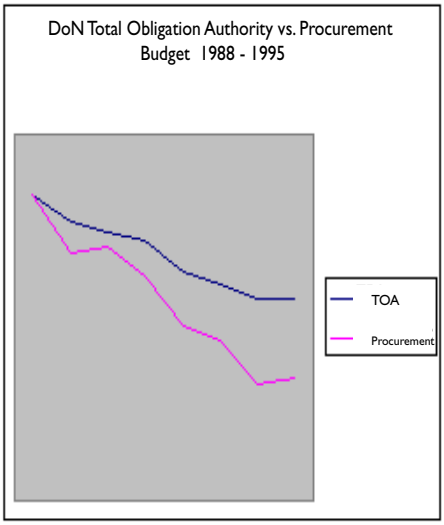
B. Strategic Sourcing Criteria

Strategic Sourcing provides an approach that DoD has approved[1] for use by the Navy to meet the savings goals, which have been assumed in the budget for Competitive Sourcing, both in terms of dollars and civilian positions. These assumed savings total over five billion dollars across the Future Years Defense Plan (FY00-FY05). These funds have already been reallocated to fund weapon systems modernization. This assumed savings in infrastructure cost is the compelling reason behind the Navy's aggressive program. As can be seen in the figure, infrastructure cost reduction has not kept pace with the decline in procurement dollars committed to recapitalizing the Navy.



DoD has approved the Navy's Strategic Sourcing program with the following specific conditions:

- Strategic Sourcing must be a management approach tailored to the Navy that has complete, functional or organizational assessment with buy-in from leaders at all levels and requires continued Senior Executive Service (SES) and Flag Officer oversight.
- A Strategic Sourcing Master Plan is required and must include the following data for the budget fiscal year: command, function, activity, unit identification code, location, as-is condition (current FTEs and cost), analysis start date, implementation start and completion dates, and a description of the initiative. This Plan is presented to Deputy Undersecretary of Defense for Installations (DUSD(I)) for approval and must distinguish between A-76 initiatives (i.e., cost comparisons and direct conversions) and other Strategic Sourcing initiatives. It must also include a plan to fund consolidation or reengineering initiatives.

1 USD (A&T), "Interim DoD Policy on Strategic and Competitive Sourcing"

- The Navy approach to Strategic Sourcing must be auditable and distinguish A-76 savings from non-A-76 Strategic Sourcing savings. The Navy Master Plan must be trackable to the Program Objectives Memorandum (POM) and Budget Estimate Submissions (BES). The Navy will be subjected to a rigorous audit by DUSD(I) during the execution of the Plan during the Budget Review Process to validate program execution. The savings identified in a DoD Component's Plan of Action must parallel the Component's POM and BES submissions.
- The Navy Strategic Sourcing Program must continue to demonstrate the Department's focus on competitive sourcing (i.e., A-76 cost comparisons, direct conversions to contract).
- The Navy must comply with the appropriate notifications required by statute, e.g., 10 USC § 2461 as well all pertinent statutory, authorization and appropriation acts, regulatory, and policy requirements.

C. Strategic Sourcing Decision Process

1. General Description

The Strategic Sourcing Process covers all aspects of Strategic Sourcing. Many of the procedures outlined in this process have been covered in OMB, DoD, and Navy directives and instructions. Therefore, this guide will dwell on the Functionality Assessment that is encapsulated in the dark blocks in Figure 1.

This decision process should be applied continuously throughout the organization and study. For example, an organization would be nominated for "Functionality Assessment", a Non-A76 Strategic Sourcing initiative, because initially the organization, as a whole, cannot be separated into exempt and Commercial Activities. As smaller, individual business units are identified in the course of the Functionality Assessment, these units should be analyzed using the methodology of the decision process to see if the Navy might obtain the best economic solution by exploring the various avenues of conversion to the private sector, along with the continuing effort to reengineer the government organization.

2. Key Steps of the Decision Process

Identify and Review Entire Function or Organization. A strategic overview of a business unit or units is undertaken to begin the analysis. These units should be chosen to maximize potential for return. The Smart Base program's Installation Core Business Model, activity-based costing, benchmarking or empirical analysis can be used to help identify and select the business units for review. This decision, at the top of the process diagram (lightly shaded blocks), begins the process. In this phase, and throughout the process, the organization should focus on it's primary mission and ensure all subsequent analysis maintains this focus.

Determine the Need. Continually changing external requirements and tech-

nology may cause certain business units to become unnecessary. These units must be eliminated and their resources can be applied to required program savings.

Private Sector? Here, in the middle of the process (white blocks), we ask the question "Can the Navy achieve savings by converting the organization or portions of the organization to performance by the private sector?" These conversions are desirable and stem from the basic premise put forward in OMB Circular A-76 that it should be the general policy of the Government to rely on the private sector and the competitive enterprise system for those things that are not inherently governmental in nature. Because the competitive system enhances quality, economy and productivity, the organization should compare the cost of contracting and the cost of in-house performance to determine who will do the work. This aspect of the decision process will be continuously applied throughout the Strategic Sourcing process as smaller business units are examined to determine if the Navy would profit from contracting for these services. If it is appropriate to examine private sector performance, OPNAVINST 4860.7C and the process guide "Succeeding at Competition" are the appropriate references.

Functionality Assessment. The process-based reengineering methodology, which the Navy has termed Functionality Assessment (dark blocks), is the focus of this guide. This process-based reengineering aims to produce dramatic improvement through radical change. This approach is utilized only if the other aspects of the Strategic Sourcing Decision Process are not viable alternatives.

STRATEGIC SOURCING DECISION PROCESS

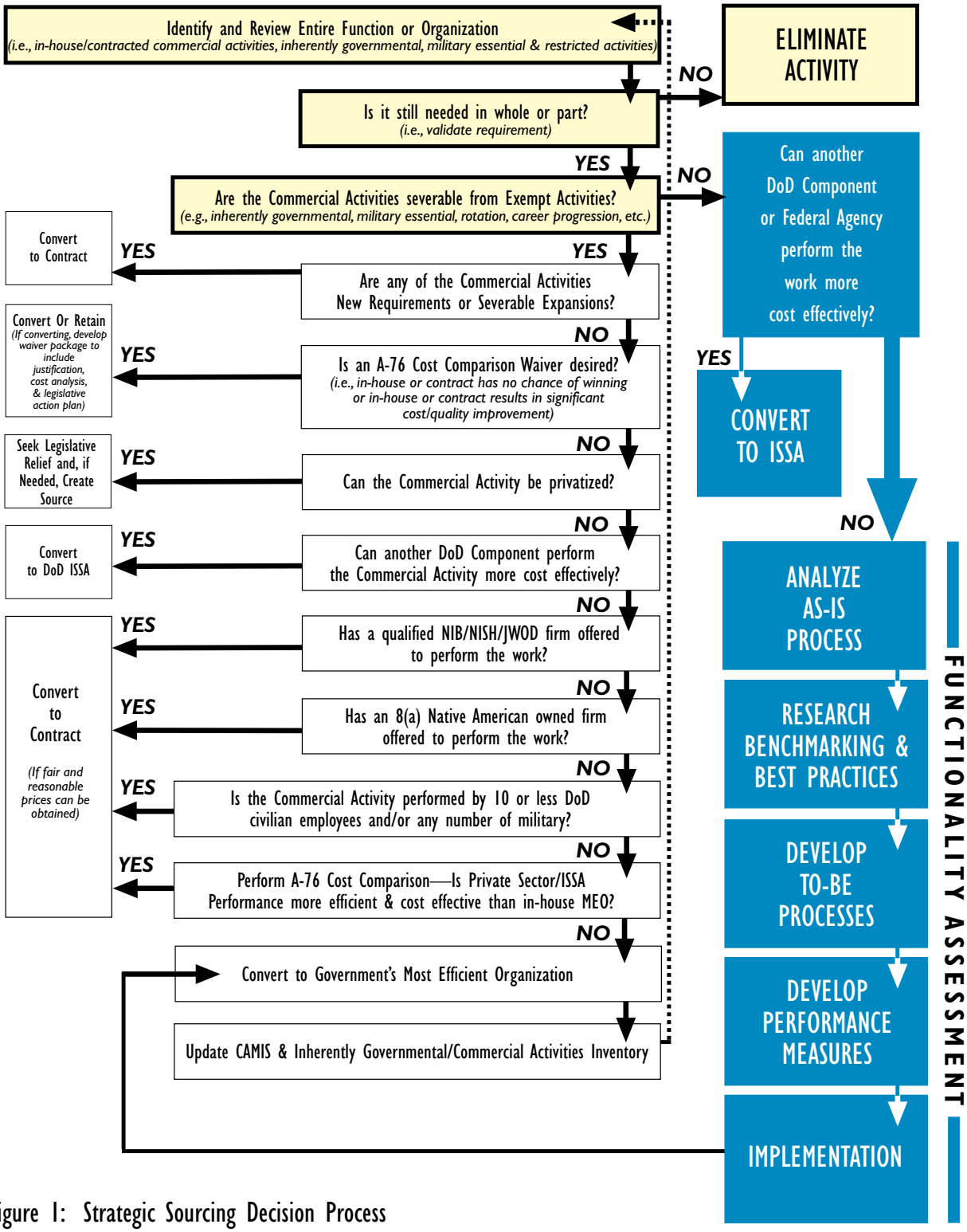


Figure 1: Strategic Sourcing Decision Process

Note: Chart is for illustrative purposes only.

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CHAPTER 1

WHAT IS A FUNCTIONALITY ASSESSMENT?

Functionality Assessment is the term the Navy uses to identify the process of significant, dramatic changes in existing business units in order to achieve its goal of appreciably reducing infrastructure costs. Functionality Assessments are initiatives that have been specifically identified in the POM and Budget submissions and are tracked by OPNAV N4 through a Strategic Sourcing database. These efforts go far beyond the implementation of good day-to-day management practices to affect the types of change worthy of this level of special attention.

As seen in the decision process (Figure 1), Functionality Assessment is not an alternative to A-76 competition for areas where A-76 can be applied. Rather, Functionality Assessment is a technique employed when the A-76 process and other efforts, such as direct conversion to contract performance, are not practical or have restrictions, such as at a depot maintenance facility.

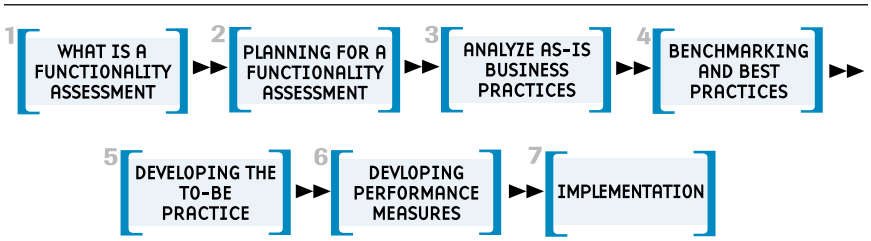
Methodology Introduction

When we perform a Functionality Assessment, we attempt to rebuild the existing organization into one that is customer-focused in its external relations and process-focused and team-oriented in its internal relations. An organization structured in this way can look at the processes that are performed across functions and make them more efficient. To be effective the Functionality Assessment must evaluate ALL positions in the process: civil servants, uniformed military members, Non-Appropriated Fund employees and private contractors.

Functionality Assessment can be thought of as applying reengineering and benchmarking methodologies, which ends with conversion to the Government's Most Efficient Organization. In the remaining chapters of this guide, we will provide the reader with suggested techniques and tools to aid in developing each of the steps identified in performing the Functionality Assessment. Functionality Assessment is an *art,* not a *science*. To be effective, overlaying the functionality assessment with a Change Management process is essential. Techniques should be applied as they fit the situation and the change agents, i.e., those responsible for change, should feel free to be innovative in developing new techniques. At the end of the process, a significant benefit will be a shared vision, giving rise to tremendous leverage in carrying out the organization's mission.

To help guide the reader through the Functionality Assessment Process, Figure 2 shows the roadmap that will be followed in the remaining Guide.

Figure 2: Functionality Assessment Methodology Overview



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CHAPTER 2

PLANNING FOR FUNCTIONALITY ASSESSMENT

The affected installation(s) will build a team of personnel to conduct the Assessment. This team should be comprised of a cross-functional team having the requisite subject matter expertise to deal with all the issues related to the Functionality Assessment being performed. Selecting and training the team are critical beginning steps in performing the Functionality Assessment.

It is useful to think of your team structure in three levels: stakeholders, reengineering core team, and extended team.

The stakeholders are key leaders ultimately accountable for the success of the project. Their role is to provide high-level guidance to the team, help remove barriers, and provide funding. The reengineering core team is the group responsible for the design and implementation of the solution. This team may include consultants who are brought in to assist the government team. The extended team includes other people in the organization contributing to the project on an as-needed basis. The extended-team members include subject matter experts and representatives from other organizations that may be impacted by the reengineering design.

A. Forming the Functionality Assessment Team

The well-rounded team includes a mix of people and skills; individuals who intimately understand the current process, individuals who actively use the process and work closely with "customers," technical experts, individuals completely objective toward the process and outcome, and "customers" of the process and suppliers.

The Functionality Assessment Team needs to be sized to the project. Larger teams require additional facilitation and can be more difficult to manage. Small teams, on the other hand, can have difficulty completing the reengineering activities quickly and effectively.

Functionality Assessment roles can include the following players:

Commander, Commanding Officer

- Senior Management
- Remain informed of the progress of the Functionality Assessment and its impact on their functions
- Support the team's effort to the extent required

Functionality Assessment Team Leader

- Accountable for the project outcome
- Leads decision making on team selection, methodology selection, planning, interaction with higher management, budget management, personnel issues and other leadership activities associated with the project

- Ensures the team has the necessary expertise, bringing in consultants to augment the team when necessary. For example, good use can probably be made of consultants during the Benchmarking Process as there are a large number of companies with Benchmarking experience. On the other hand, use of consultants during the As-Is Mapping should be for facilitation and documentation only because the Functionality Assessment Team would have more information on the organization's processes than an outside consultant would.

Project Manager

- Responsible for the project schedule and milestone tracking.
- Manages all sub-team activities, monitors progress, and identifies issues that may jeopardize the schedule. This role may be carried out by the team leader.

Facilitators

- Facilitate team meetings. Facilitators are not team members. Rather, they are objective to the work, and have accountability to bring order and focus to meetings and discussions. It is best if they are versed in team dynamics and team building, and can coach the team on effective team behavior. The facilitator should also have knowledge of the BPR process. The team leader can fill this role if he or she has skills in these areas.

Team Members

- Responsible for the reengineering design. They should have adequate time to devote to the reengineering project.

Advisory roles can include the following:

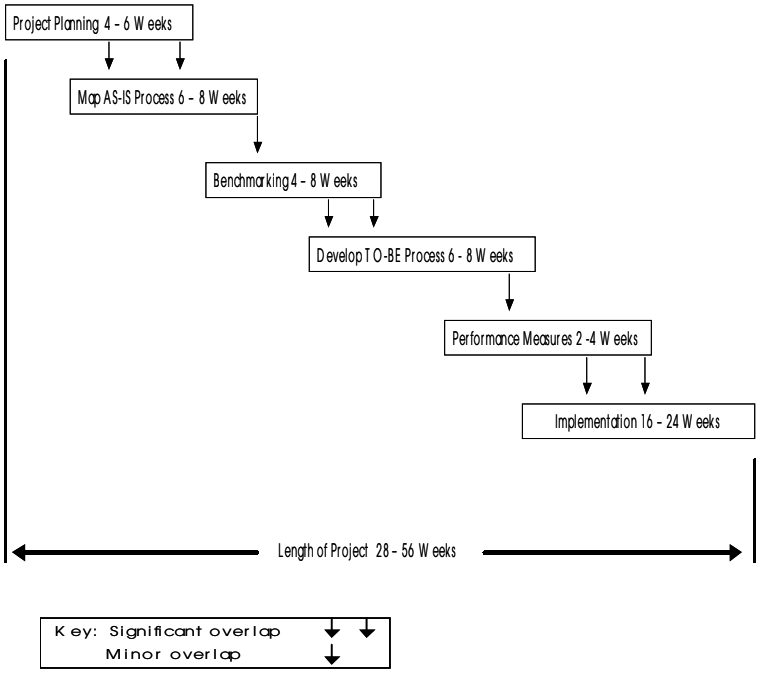
- Comptroller
- Human Resources Officer
- Legal Counsel
- Union Representatives
- Customers
- Strategic Sourcing Support Office (3SO)

As the organization proceeds into Functionality Assessment, there will be analyses of the entire organization, studies to determine what the future state of the organization will be, changes in the way people will be organized and will function in the future state, and then a transition from the "As Is" to the "To Be." This will all be accompanied by major changes, which will need to be managed to ensure a successful implementation of the change strategy. This is called Change Management.

CHAPTER 2

PLANNING FOR FUNCTIONALITY ASSESSMENT

The time frame for completing a functionality assessment can vary greatly, depending on the size and complexity of the organization under study, and the resources brought to bear. Commitment from all levels involved, particularly senior management, is essential to timely completion of the study and successful implementation of the To-Be processes. As can be seen from the timeline shown below, there is variability in each phase of the project, and significant overlaps occur. Of particular note is that advance planning for implementation should occur as early as possible. The complexities of Planning, Programming, and Budget Systems (PPBS), contracting regulations, and personnel management requirements dictate that changes in these areas are anticipated early in the process and advance planning initiated prior to the implementation phase.



Assumptions:

1. Timeline is variable based upon a) size and complexity of program, b) size and time commitment of project team, and c) resources and skill sets available.
2. Government personnel, from the organization under study, would perform the project management, data gathering, and analysis.
3. Management is committed to prompt completion of the study and to bringing about change.
4. Due to Federal personnel requirements, any separations or downsizing of military or civilian staff could significantly lengthen the implementation process.

Figure 3

B. Change Management

A General Definition

Change Management is the methodology that integrates change and the ability to adapt into the organization. It is an organized, systematic application of the knowledge, tools, and resources of change that provides organizations with a key process to achieve their basic business strategy. Change Management is a common and recurring theme throughout the entire Functionality Assessment Process.

Organizations manage change to predict the issues and problems in each stage in order to accelerate the change and minimize the pain associated with it.

Most changes in an organization emphasize *what* must be changed (for example, introduction of new business processes, improved responsiveness to customer requests, reliability of product performance) but give less attention to *how* those changes are to be successfully introduced.

However, any significant change requires substantial alterations to individuals' daily operations. Unless careful planning and monitoring manage these changes, it is very likely that there will be a failure to achieve a satisfactory return on the investment in change.

Major change initiatives such as reengineering *can* fail. The main reasons for this failure are:

- Failure to focus on primary mission
- A fuzzy, poorly-defined definition of the future state
- Failure to integrate all major change initiatives into a master plan
- Lack of a structured approach to address the human issues surrounding implementation of the change
- Lack of top-management support for the change
- Failure to obtain customer support for the changes
- Lack of resources

Elements of successful change:

- Commit to making change management a key competency and part of the culture
- Understand that the change drivers cannot be ignored
- Clearly define the future state (To Be) that will result from the change

- Build a systematic change-management methodology to implement your change.
- Integrate that methodology into the heart of the change.

The depth and breadth of this document does not permit a discussion of Change Management in great detail; however, The Change Management Toolkit (a part of the Business Performance Series jointly developed by ProSci and LaMarsh and Associates) is a comprehensive treatment of Change Management and is an excellent reference. Appendix C contains additional references to Change Management publications.

C. Developing a Vision

A vision statement is an important element of the change management process. It creates a mental picture or image of the future state of an organization. It expresses the values that support the vision and a set of well-defined goals that measure progress toward attainment of the vision. A vision statement can be one sentence in length or one paragraph. It should provide management with a clear sense of direction for implementing change, establish performance expectations, and create a sense of ownership for everyone who is participating in the process of bringing about positive change. The vision statement has to be strong -and clear- enough to overcome the inevitable inertia, shifting priorities, or changes in leadership that are part of the reengineering experience.

For small-scale projects involving a single function, the vision statement should answer the question, "what will this process or operation look like and do once we change?" For large-scale projects involving multiple functions and processes, the vision statement should answer these types of questions, with specificity:

- How does the organization plan to compete or become competitive?
- What are the critical success factors facing this division or office?
- Where does the organization see itself in terms of growth, change, new and better services?
- What are the strategies for each of its core divisions, functions and units?
- How is value going to be delivered to the customers and stakeholders?
- What is the organization's strategic direction for the next 5 to 10 years?

A powerful vision statement is one that shows a clear understanding of customer needs, is tangible to all the stakeholders in an organization, incorporates strategic, operational and technological advances, can be measured, and can change if benchmarking results or competitive forces dictate. The vision should define the future state of the organization and be supported by a continuous improvement philosophy.

D. Impact of Information Technology

Many reengineering projects will have an impact on information technology. The team must remember, however, that Information Technology is only a means to an end; IT should never drive changes without a clear business case for change. Unless an organization defines specifically where it wants to go and what it wants to achieve (Chapter 2 – Planning for Functionality Assessment), the infusion of technology will do little to improve performance or help achieve critical goals like cost reduction. In successful reengineering projects, the strategic business and information technology system plans are always linked to satisfying explicit, high-priority customer needs. This emphasis on fulfilling customer needs helps an organization understand the sources, nature, and priority of the demands on its resources.

When analyzing Information Technology customers, they can be broken down into two groups: outsiders with whom the organization interacts and serves (external customers) and people within the organization (internal customers). The needs of both groups will be different and must be identified and assessed in order to develop an effective business plan and strategic information plan. This examination should be a part of Analyze As-Is Processes (Chapter 3).

Leading organizations do not spend scarce resources on unproductive or "gold-plated" information technology. Consequently, they make sure that they get adequate return on their investments in technology. They expect meaningful bottom-line improvements in the outcomes of key business processes that are critical to reducing operational costs, meeting mission goals, and satisfying their customers (Chapter 5 – Developing To-Be processes).

To determine the effectiveness of Information Technology, they carefully measure the performance of their processes, including the contribution of technology to the processes (Chapter 6 - Developing Performance Measures). Part of performance measurement involves identifying the key business processes that produce deliverables to the customers. By focusing on these processes, an organization can direct its attention and resources to areas that are most likely to yield dramatic improvements in outcomes meaningful to customers, rather than on low value, internally-focused activities.

The team should incorporate all of the costs of introducing new Information Technology into the new organization into the decision making process for implementation. (Chapter 7 – Implementation) These costs include hardware, software, support staff and training for users. A costly, custom developed software package that requires upgrading all users' workstations, a new IT support team and extensive retraining of the users may not prove to be cost effective unless it produces significant benefits. Once the team understands the improvements possible from new technology and the costs associated with it, an informed implementation decision can be made.

E. Example

The subsequent chapters of this guide each contain an example section that follows one organization through its functionality assessment process. Prior to beginning this endeavor, the organization (in this example a major claimant in the Navy) realized that conducting a Functionality Assessment requires planning, commitment and communication. The following points summarize the organization's planning process.

· **Creating A Functionality Assessment Team**. To respond to an environment of reduced funding and increased attention to providing quality services, a Navy claimant formed a team to review the efficiency and effectiveness of its current processes. This team consisted of positions, military and civilian, dedicated to this reengineering effort. Although the actual members of the team may vary throughout the duration of the assessment, it is important to dedicate positions and resources to maintain momentum and demonstrate commitment to change.

· **Developing the Vision.** Prior to the first meeting, each member was asked to think about their vision of the organization in general and their division in particular. During the first meeting, the team shared these visions. Through discussion and team building exercises, the team reached consensus on one vision. This vision provided an end state or a picture of where the organization wanted to be in 2 to 5 years.

· **Creating a Change Management Plan.** Changing the way one does business, in both public- and private- sector organizations, is extremely difficult. To address the concerns of staff, the most valuable asset in any organization, and mitigate the risk of failure, the team developed a change management plan. This plan addressed the following components:

- Leadership commitment and buy-in;
- Training and resource requirements for implementation;
- Constant communication throughout all stages of the project; and,
- Performance measure development and sustainment.

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CHAPTER 3

ANALYZE AS-IS BUSINESS PROCESSES

The business processes, organizational units and supporting systems that drive an organization may have been designed long ago for purposes that no longer exist. Analyzing the organization's existing infrastructure, staffing and its complicated, interrelated problems is the foundation of a functional assessment. Analyzing As-Is business processes is also an important stage of "discovery and documentation" that will create the baseline for future change.

The purpose of analyzing As-Is business processes is to provide an accurate and realistic snapshot of current capabilities. A solid understanding of facts and root causes of problems being experienced by the organization is critical to a successful Functionality Assessment. At minimum, the analysis should describe:

- the current organizational structure,
- high level process descriptions and critical task definitions,
- findings regarding key business processes within the organization,
- observations on staffing and workloads,
- financial data: budget and expenses, and
- an assessment of current systems, outcomes and overall performance.

The tasks that will be performed and deliverables that will result from this phase of the Functionality Assessment are:

MAJOR TASKS	DELIVERABLES
· Identify customers, products and services · Document current business processes · Perform process/activity analysis · Identify process redesign opportunities	· Business process flowcharts and characteristics · Business process analysis · Technology assessment · Redesign opportunities · Immediate improvement opportunities—"Quick Hits"

What is a Business Process?

It is a set of logically related tasks performed to achieve a desired business outcome. Processes often have internal and external customers and they cross organizational boundaries. Examples include purchasing, receiving, processing time and attendance data to produce payroll, processing and responding to customer complaints, developing budgets, and maintaining a general ledger.

CHAPTER 3

ANALYZE AS-IS BUSINESS PROCESSES

A. Major Tasks Descriptions

The Functionality Assessment team will begin this phase by familiarizing themselves with the steps and choosing the analysis tools they believe will provide the appropriate data and analysis for the area under study. Training may be required if the team has never been involved in a process improvement or reengineering effort. Consultants can be used to assist with the process but should not be relied upon to provide the data regarding the function.

This phase is the most labor intensive of the Functionality Assessment. The team may need to involve other subject matter experts during this phase. It is important for the team to limit themselves to a few analytical tools focused on their desired outcome, which in a Functionality Assessment is primarily budget reductions. Many teams have found themselves in what is known as "analysis paralysis:" they spend so much time analyzing the As-Is stage that they never reach the To-Be or the implementation phases. Depending on the size of the function being studied, this phase should take from 6-8 weeks.

Task 1: Identify Customers, Products and Services

Why does this function exist? The first step in assessing a function is to ask a question: "Why does this function exist?" The answer should result in identifying the function's customers, products and services. This should be compared to the mission statement or organizational description of the function to determine agreement, or to identify possible issues regarding organizational expectations of the function.

This initial step is important to provide context and focus for the remaining tasks. While documenting the business processes that produce or deliver the identified products and services, look for activities within the function that are not involved in the processes, as these may be candidates for elimination or for transfer to another function.

Choose Processes to Study. In the second part of this task, the team should carefully define which processes will be included in the study by examining the products, services and customers. The processes selected for study should meet several criteria. They should:

- be critical to the organization's success
- impact its customers
- have a low degree of automation
- be lacking in performance
- cost the most and/or involve the largest number of FTE's

Cross-functional processes should be selected where appropriate.

Literature on successful reengineering projects often recommends limiting the effort to 5-7 processes. A larger number than that can be excessive and may cause the overall study to lose perspective and momentum.

ANALYZE AS-IS BUSINESS PROCESSES

Tools for Task 1

An expanded description of many of the Analytical Tools is provided in Appendix B.

TOOL	DESCRIPTION
Interview Guides	These are a series of questions to use and areas of interest to cover in an interview. The purpose is to ensure that the team is organized and consistent in its approach to gathering information from individuals.
Customer Surveys	These are a short form or quick method of gathering information from customers about their expectations and experiences with the area under study. Customers can be internal and/or external.
Organization Charts	These are visual depictions of the current organization, its budgeted and actual staffing levels, divisions or units, and management levels. These may not exist in a current form and may have to be developed by the team.

Task 2: Document Current Processes

Gather Data. To begin examining the current business processes, capture the following data regarding each process through a series of interviews with stakeholders, line personnel, supervisors and customers.

- Begin/end points
- Types of input
- Types of output
- Who are customers?
- Who supplies the input?
- What triggers the input?
- Departments/people involved
- What sub-functions and activities make up the process?
- Management/cross-functional transactions
- Technology used
- Governing guidance/regulation
- Reports and forms used/produced
- Materials used
- Equipment/systems used
- Special training/certifications required

FLOWCHART PROCESS

Flowchart Process. During or immediately after the interviews, create graphical process maps or flowcharts of each business process including flowcharts of sub-processes as required. The flowcharts will help depict the activities currently performed during each process. Flowcharting software or IDEF modeling are tools that are often used for this purpose. Flowcharts should be validated with key personnel.

Solicit and Record Improvement Ideas. Ask personnel involved in the process questions such as: ·Why is it done that way? · What can be done better? · What one thing would make your job easier?

ANALYZE AS-IS BUSINESS PROCESSES

Tools for Task 2

TOOL	DESCRIPTION
Interview Guides	These are used to gather basic data and information from individuals in a Functional Assessment.
Process Summary Sheets	These record key activities for a particular unit. These, in turn, allow data gathering and analysis of "drivers" for different activities, seasonal or sporadic activities, and the relationships between activities and units in delivering a service.
High-level Process Descriptions	These brief narrative descriptions identify and differentiate ke processes.
Flowcharts	These graphically depict material and information flow including inputs, actions, decision points, process(es) and outcomes.
IDEF Modeling	This documents the resources and time consumed for sequential approvals in a process. It identifies individual cycle times, and costs and risks associated with each level of approval. It is used when process times appear to be extended due to redundant approvals or cumbersome decision making.
Decomposition Diagrams	These will graphically break down an activity or process in sequence to its lowest level so that cycle times, approval levels, decision points and outcomes can be depicted.

Task 3: Perform Process/ Activity Analysis

The purpose of this task is to analyze the processes and their related activities to identify the following opportunities for improvement:

- High cost activities
- Resource consumers
- Bottlenecks
- Non-value added activities/steps
- Redundancies
- Duplicate data entry

After gathering data and flowcharts for each process, review documents to ensure a thorough understanding of the As-Is process. This analysis should examine the following areas:

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CHAPTER 3

ANALYZE AS-IS BUSINESS PROCESSES

Process Flow

- Why does this process exist?
- How does this process contribute to the mission/vision?
- What drives this process?
- What is the goal of this process?
- Is the process more complex than it needs to be?
- What are the strengths/weaknesses of the process?
- What is the current cost of the process?
- What is the process and cycle time for the process?
- How many FTE's are involved with process?
- Are there controls/procedures in place for the process?
- Are there any constraints imposed upon this process?
- Is data entered more than once in the process?
- How are surges in workload handled?
- How are hours worked and outcomes accounted for?

Customer Requirements

- Are customers' needs being met?
- Can customers do without this process?
- Would they pay for this process?
- Is a quality product produced?
- Is response time an issue?

Activity Analysis

- Where in the business process is the activity performed?
- Is it redundant?
- Who performs this activity?
- Why is it performed?
- What drives this activity?
- What resources (costs) are consumed during this activity?
- Is it value-added?
- Does it create paperwork?
- Can it be combined or eliminated?

ANALYZE AS-IS BUSINESS PROCESSES

Organizational Analysis

- Which activities are carried out by each unit in the organization?
- Are the right people carrying out this process?
- Are they doing it effectively?
- Have staffing levels been stable or changed—and if so, why?
- Are the activities performed in multiple locations?
- Is there a long approval cycle?
- Are there multiple approval requests?
- Are there unnecessary organizational levels?
- How many management layers exist?
- What is the span of control in the organization?
- How does the organization know throughout the year whether or not it has succeeded or failed in its mission?
- With which other organizations does the unit/function under study interface?

Systems Analysis

- List and describe the information systems utilized by the unit under study.
- Depict in graphic form the interrelationships between systems.
- What is the source of information or input to the systems and how is the input accomplished?
- What information is generated by the systems and how do people manipulate the output?
- How many people, across which functions in the organization, use each system?

The answers to these questions—and others that will be raised as a result of the analysis—will define the current, As-Is organization, business capabilities and processes.

CHAPTER 3

ANALYZE AS-IS BUSINESS PROCESSES

Methods to Accomplish Analysis of As-Is Processes

Process analysis comes down to this: an understanding of the inputs (task times, resources and demand) and outputs (cost, throughput, cycle time and bottlenecks). The Functional Analysis team has an ever-growing menu of analytical and statistical tools to choose from. There is no single set of tools that fits every project. Some methods, such as activity lists, interviews, and value-added activity analyses, are basic data gathering tools. Others, including risk analysis and IDEF modeling, are more sophisticated, technically complex methods.

The right combination of analytical tools depends on the size and nature of the organization under study, the skillsets of the team members, the period of performance for the study, and the resources available to the team. For example, a project involving 3,000 FTE's and eighteen units at a Naval shipyard will differ substantially from one involving 400 personnel in three functional areas in an administrative setting. The amount of time available to complete the study, and the size/experience of the project team, are key factors in determining which methods to use. Some tools require more labor hours or computing power or a more scientific approach than others.

When determining which tools to use, the team should remember that the goal is to understand the As-Is environment well enough to uncover the root causes of the current problems so they can be avoided in the new To-Be design. The intent is not to research every known or possible problem, but to get a solid understanding of how things work *now* and how they might work *better*.

After this stage, the team will have a good understanding of the As-Is environment and a collection of ideas about potential process improvement opportunities. The Functionality Assessment should now undertake a walk-through of each process with major stakeholders to ensure that each process is well understood and mid-course adjustments can be made before proceeding. Some of the areas of investigation or information to be confirmed include:

- procedures used within a process to accomplish the work
- documentation used to control or support process activities
- techniques, tools, equipment & support services used within the process
- location of work centers related to location of stakeholders
- means and quality of communication within the process
- quality and accessibility of records & data needed to support the process
- process time measures such as cycle time per unit of output or transaction, wait time, the ratio of direct labor hours to total hours, quality-rework time, percent of time allocated to non-value-added activities, response time from service request to service delivery, and/or method of setting work priority

ANALYZE AS-IS BUSINESS PROCESSES

Tools for Task 3

	TOOL	DESCRIPTION
PROCESS FLOW / ACTIVITY ANALY	**Activity List**	This records key activities for a particular unit. This, in turn, allows data gathering and analysis of "drivers" for different activities, seasonal or sporadic activities, and the relationships between activities and units in delivering a service.
	Activity-Based Cost Analysis (ABC)	This analysis assigns costs to products or services based on the resource-consuming activities required to produce the product or to deliver the service. ABC analysis, for example, can help an environmental detachment answer the question: "How much does it cost us to remove asbestos from a site?" ABC is based on the notion that several activities, while not readily apparent, all directly affect the cost of the product or service. This is in contrast to traditional government accounting which allocates cost to services based on direct labor. ABC also captures costs at the department level, not the difference between products within a department.
	Approval Cycle Analysis	Documenting the resources and time consumed for sequential approvals in a process identifies individual cycle times, and costs and risks associated with each level of approval. It is used when process times appear to be extended due to redundant approvals or cumbersome decision making.
	Cause and Effect Diagram	Illustrating the effect of an operating problem and its possible causes helps organize and define the detailed interrelationships of activities within a process.
	Cycle Time Reduction Chart	This will identify the elapsed time for each activity within a process in order to focus efforts on reducing the overall time frame. It is used when the team needs to compress the time to perform a process, when bottlenecks appear to reduce the throughput, or when several activities are required to perform a process.
	Fragmentation Analysis	This documents the degree to which effort applied toward an activity is dispersed within an organization or department. A matrix might display six activities in the first column and the number of FTE's performing each activity—across four organizational units—in columns two through five.
	Histogram	This is used to measure the frequency of occurrence for an event. It might be used to show the number of service contracts, for example, that were consummated 180 days or more after the evaluation committee completed its work.
	Pareto Chart	This helps determine priorities as data is grouped into categories. Also referred to as a bar chart, it might be used to show how a small number of problems are responsible for a high percentage of total defects or costs. The vertical axis might illustrate number of occurrences and the horizontal axis might plot type(s) of problems.
	Value-Added Activity Analysis	This determines the relative value of activities to the end customer and the internal organization. This is useful when there seem to be a large number of activities performed that do not appear to add value, and when there are obsolete tasks associated with a process. Non-value-added activities tend to be tasks such as queuing, reworking, reviewing, reverifying, inspecting, manual processing when automated methods exist, performing capacity planning in out-years, analyzing another's analysis, logging the movement of paper or goods within a unit, and "rubber stamping" signatures.
	Risk Analysis	This sophisticated, statistical projection of the probability of equaling or exceeding a particular performance level weighs both the accuracy and importance of input information. It requires the use of an automated tool and an understanding of probability and statistics.
	Run Chart	This type of chart shows data over time to identify fluctuations and trends. Also called a scatter diagram, the vertical axis might show number of environmentally contaminated sites that are remediated & the horizontal axis might plot the quarters of the past five fiscal years.
CUSTOMER REQUIREMENT ANALYSIS	**Customer or Employee Surveys**	These determine how satisfied an organization's customers and employees are. These two measures are interrelated & affect the financial health & operating well-being of any organization.
ORGANIZATIONAL ANALYSIS TOOLS	**Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis**	This valuable tool helps to find the best match between environmental trends (opportunities and threats) and internal capabilities (strengths and weaknesses). Results are usually depicted in a four-celled table as shown in Appendix B.
	Organizational Chart	Budgeted and actual staffing levels are depicted in this kind of chart in order to evaluate the structural efficiency of an organization, its layers of management, and the ratio of vacant to filled positions.
	Matrix of Supervisory Ratios, Middle Management Span of Control	This matrix will analyze reporting relationships, span of control & cost to manage each division or department.

ANALYZE AS-IS BUSINESS PROCESSES

Task 4: Identify Process Redesign Opportunities

At this stage, the team will have a thorough analysis of each of the processes and can identify improvement opportunities. For each process, create a list of opportunities for improvement. Some possible opportunities for improvement and potential solutions are listed below.

OPPORTUNITIES	POTENTIAL SOLUTIONS
Duplication	Eliminate Activity
Fragmentation	Combine Activities
Misplaced Work	Transfer Activities
Complexity	Simplify Flow & Methods
Bottlenecks	Change Methods/Add Resources
Review/Approval	Self Inspection
Rework	Eliminate Causes
Move	Combine Steps/Move Personnel
Wait/Delay	Change Flow/Balance Loads
Setup	Change Methods

Having shared and reviewed the process diagrams, measures and data, and results of the analysis with the stakeholders, the team is ready to turn its attention to other agencies and organizations in a process known as benchmarking. This stage of the analysis is covered in Chapter 4.

B. Insights

A series of insights from experienced practitioners is provided to assist the Functional Assessment team in its work. This brief collection presents the benefits of lessons learned, stumbling blocks and practical advice.

- Some types of programs or activities are especially difficult to measure. If a program is difficult to measure internally, chances are it will also be challenging to benchmark. The project team should realize this and tailor its efforts and expectations accordingly. Examples of difficult programs to measure include:

(a) Research or analytical staffs because outcomes cannot always be quantified, knowledge gained is not always of immediate value, and results are more serendipitous than predictable.

(b) Policy advisors because it is difficult to calculate the quality or value of the advice, or control the level of effort, for knowledge workers.

- Similarly, some measures are more difficult to gather data for than others. Some of the difficulties include:

(a) For qualitative measures of outcome, timetables or dates of achievement may be sporadic; results may not be immediately evident and could require formal program evaluation to determine the benefits; and when the outcome is for a cross-agency program, assigning relative contributions to individual agencies is a complex undertaking.

(b) For quantifiable measures of output, equal-appearing outputs are not always equal (e.g., the time and cost to overhaul one jet engine may be very different from another jet engine).

(c) Many efficiency and effectiveness measures depend on agencies having cost accounting systems and the capability to allocate and cumulate costs on a unit basis.

(d) For impact measures, a large number of other variables or factors contribute to or affect the impact which can be difficult to separate out.

- Thorough understanding of all aspects of the current process will reduce the need in the future to question existing methods.
- Flowcharting the current process is crucial to understanding it.
- The ability to dissect value-added activity and non-value-added activity within a process is a key element of the analysis.
- Linking process activities to an ABC (Activity Based Costing) model can provide significant benefits in measuring cost and identifying fragmentation or duplication.

C. Example

A major claimant in the Navy formed a Functionality Assessment Team (FA team) to reengineer its Acquisition Management function. Acquisition Management consumes resources of approximately 6,300 FTE (72% civilian, 21% contractors, 2% military enlisted and 6% military officers) and $525M.

To map the "As-Is" process of Acquisition Management, the FA team first identified key customers, products and services. Although there are several *tasks* that Acquisition Management performs, the team concluded that there are only four *processes* that govern the work: 1) define system requirements, 2) develop acquisition strategy, 3) source selection, and 4) contractor management and oversight.

ANALYZE AS-IS BUSINESS PROCESSES

Prior to breaking down each of the above processes, the FA team developed an activity list. This list identified 10 core activities that supported acquisition management. The FA team then partnered with a consulting firm to conduct an activity-based cost analysis. It was determined that the majority of FTEs and costs fell under those activities associated with contractor management and oversight (31% of acquisition management FTEs and 33% of all acquisition management costs).

Given the potential cost savings, the FA team decided to concentrate its resources on "decomposing" the *contractor management and oversight process*. The FA team convened a work group of stakeholder employees to validate the core activities associated with this process and drill down even further to identify sub-processes. The team graphically depicted the results using flowcharting software. The resulting flowchart provides the foundation for future analysis (e.g., identifying non-value added activities/steps, eliminating redundancies and reducing rework). Figure 3 (directly following this section) provides an example of this decomposition process. Five sub-processes are identified under *contractor management and oversight*. One of the five sub-processes, *assess system performance design*, is even further dissected into its component parts.

Finally, the FA team identified "quick hit" reengineering opportunities. Quick hit opportunities tend to be those that can be implemented at relatively little cost and in a reasonably fast time frame. Successful quick hit implementations are important to gain buy-in for future reengineering opportunities as well as show immediate progress. In this case, the FA team pinpointed quick hits that promoted the goal of streamlining and reducing resources involved in the *contractor management and oversight process*. For example, the team recommended reemphasizing the Procurement Initiation Document/Request for Proposals (PID/RFP) process to ensure it is well understood and requirements are adequately documented up front. Implementation of this initiative will result in fewer resources devoted to correcting proposal deficiencies.

ANALYZE AS-IS BUSINESS PROCESSES

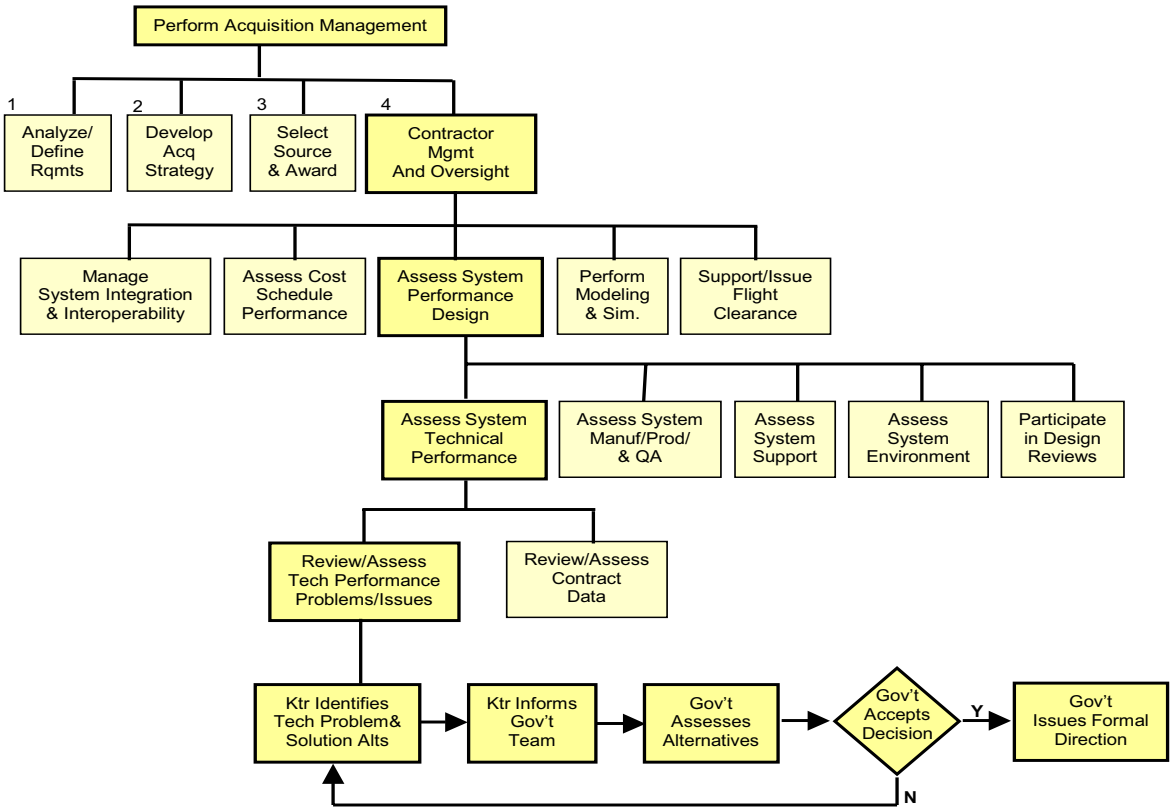

Figure 4

CHAPTER 1: WHAT IS A FUNCTIONALITY ASSESSMENT?
CHAPTER 2: PLANNING FOR FUNCTIONALITY ASSESSMENT
CHAPTER 3: ANALYZE AS-IS BUSINESS PRACTICES
CHAPTER 4: BENCHMARKING AND BEST PRACTICES
A. Major Task Descriptions
B. Insights
C. Example
CHAPTER 5: DEVELOPING THE TO-BE PRACTICE
CHAPTER 6: DEVELOPING PERFORMANCE MEASURES
CHAPTER 7: IMPLEMENTATION

CHAPTER 4

BENCHMARKING AND BEST PRACTICES

Benchmarking is the process of improving performance by continuously identifying, understanding and adapting outstanding practices, procedures and processes found inside and outside the organization. Outstanding examples from other organizations are called best practices. Not only does benchmarking enable one to identify and achieve best practices, but it can assist in finding ways to exceed them. Benchmarking provides objectively developed information that assists decision makers in analyzing where they stand in relation to other organizations that are best in their class. When the Functionality Assessment team identifies activities in which performance is below the benchmark, they have found areas on which to concentrate efforts while reengineering the processes.

MAJOR TASKS	DELIVERABLES
· Select processes to analyze · Develop benchmarking partners · Collect best practice data · Analyze best practice data	· Prioritized list of target processes · A team of partners who agree to participate in the benchmarking exercise · Metrics of industry best practices · Performance metrics for process improvement · Process ideas from partners' best practices

A Major Task Descriptions

The Functionality Assessment team must thoroughly understand the results of the As-Is Process Analysis (see Chapter 3) to determine where to focus their benchmarking efforts. Following this assessment, the team selects organizations to benchmark that are achieving noteworthy results in the processes under analysis. These organizations become partners in the benchmarking effort. If consultants are part of the team, benchmarking can be an effective area for them to concentrate on because they may have a broader sphere of contacts to use for finding appropriate partners, and more experience in benchmarking in the public sector and private industry.

Task 1: Selecting Processes to Analyze

With a firm understanding of the organization's processes, the team then builds upon the baseline activity model that accurately describes how processes are currently performed. The As-Is model includes performance measures such as processing or cycle time, cost per unit and quality level. These measures become the centerpiece of the benchmarking project because they help guide the selection of benchmarking partners and are the key to developing the data-gathering tools. The team selects which process(es) will be benchmarked based upon which ones are most critical to the organization's overall success, have the most significant performance issues or problems, and involve the largest share of costs or FTE's in the organization.

BENCHMARKING AND BEST PRACTICES

One approach that can be used in deciding which processes to benchmark is the Strengths/Weaknesses/Opportunity/Threat (SWOT) analysis. A SWOT analysis can identify processes to use as the basis of a benchmarking analysis by looking at:

- How can we use the organization's *strengths* to take advantage of the *opportunities* we have identified?
- How can we use these *strengths* to overcome the *threats* we have identified?
- What do we have to do to overcome the identified *weaknesses* in order to take advantage of the *opportunities*?
- How will we minimize our *weaknesses* to overcome the identified *threats*?

Task 2: Developing Benchmarking Partners

The three types of benchmarking partners are internal, competitive and functional. Understanding how each type of benchmarking relates to the organization being studied is important in order to determine how to find and select appropriate partners.

Internal benchmarking involves comparing similar kinds of functions within an organization. In large entities like the Navy, the capacity exists to compare practices among similar organizations or across branches of the military. Invariably, the team will find that some operations do things differently, even within the same organization. This method will normally be the easiest way to find a benchmark; however, it will also normally result in the most conservative comparison because it leads to discovering fewer breakthrough innovations.

Competitive benchmarking allows comparison of one's organization to others in the same industry or environment. Although the Navy does not directly compete with the private sector it can learn from those in the private sector who perform the same types of functions. For example, the Navy has personnel who provide health care, financial management, accounting services and maintenance services. Although not directly in competition with the private sector, the Navy has private sector counterparts who, if benchmarked, could provide useful comparative information and perhaps referrals to other best in class organizations.

Functional benchmarking focuses on entities outside of one's practice area and looks specifically at the desired benchmark function. For example, Xerox Corporation, a producer of office products, benchmarked L.L. Bean when it wanted to compare service of its customers' orders. Xerox picked L.L. Bean to benchmark because this catalog retail store was a leader in delivering products to customers. By choosing the *function* of filling customer's orders, Xerox did not have to limit itself to the office products industry, but could look at all industries. By choosing L.L. Bean, Xerox was focusing on the specific function

which Xerox believed they needed to improve by benchmarking a company whose reputation for delivering goods to customers' orders was exceptional. Xerox found L.L. Bean was using better practices and by benchmarking, Xerox was able to improve their practices by applying many of the best practices of L.L. Bean.

Research on partners to benchmark should be objective and thorough. Without adequate research, the benchmarking team may end up brainstorming on best practices they are already familiar with or interviewing an organization whose performance is itself marginal. Consequently, the team will come up empty-handed, without proven methods and innovative approaches to apply to the organization undergoing a Functional Assessment.

Task 3: Data Collection

Benchmarking data can be collected in a variety of ways and there is no one right way to go about this process. First, the benchmarking partners must agree upon the ground rules under which the information will be shared. In other words, the benchmarking partners must establish an open and trusting relationship. The team cannot expect a partner to cooperate with a vague or poorly organized request for process information. The information being sought and its intended use must be clearly explained and cooperation with the other organization must be fostered. To simply state, "We're getting information to improve our processes" is not enough. "We're gathering information on best practices to improve the shipping of materials between our depots" is more appropriate entrée.

The partners must agree to share information equally, to treat benchmarking information with the appropriate degree of confidentiality, and to use the information only for the purposes which were presented to the partner. The issue of sharing Navy information with the private sector should be thoroughly understood before proceeding. The team must commit to using the partner's time efficiently by being adequately prepared for all data-gathering efforts. The team must also be willing to reciprocate the information being gathered—even if it means revealing or describing poor practices and unacceptable performance by the organization under study. Finally, the team should share the conclusions of their benchmarking effort with the partner to allow the partner to second check the team's conclusions.

The data may simply be metrics of the process such as cycle time, accuracy levels, on-time percentages and institutional control level; or it may involve detailed descriptions of process, variables and outcomes. Cost is *not* typically an appropriate benchmark as it is a product of many of the more appropriate benchmarks. Additionally, due to significant differences in accounting systems, comparing costs usually will not result in a meaningful analysis. The data can also be a description of the activities and flow that the partner uses in the process (his best practices) if the team feels that this information will be helpful. This requires the development of performance data that are aligned with agencies' strategic goals. These metrics are an excellent starting point for benchmarks.

Tools for Task 3

TOOL	DESCRIPTION
Surveys	Surveys can be a useful tool to gather a uniform set of data and information from several organizations. Developing a survey instrument in advance and conducting telephone interviews is an efficient and effective way of gathering initial benchmark data. Follow up may be required with additional questions, expansions of answers, or requests for material that was discussed during the telephone survey. Surveys are useful as a beginning step in the benchmarking process.
Interviews	One way to get a full picture of another organization's processes with a detailed explanation is through face-to-face. In addition, the team member can often arrange to see how an operation is run, whether it is a production facility, depot, or call center. Seeing a process will most definitely create a broader picture and lead to a better analysis than an interview alone; hence, a more complete benchmark. If personal interviews are not feasible, telephone interviews can be conducted.
Focus Groups	Gathering groups of people who have a common interest or area of expertise is a good way to gather, analyze and explore ideas. Participants with similar experiences can exchange ideas more easily, which in turn can lead to a more productive session.
Research	Libraries, trade magazines, and the Internet provide a vast resource of material on virtually every entity of government and companies, including information and contacts for their programs and services. Benchmarking data can be compiled from a wide variety of entities, and their functions can be assessed quickly through this type of research.

Task 4: Analyze Benchmarking Data

Once data has been collected on practices elsewhere and methods used to accomplish desired outcomes, the team should analyze the data and compare it to current performance levels of the organization under study. The data-gathering process is often iterative. The team may discover that a benchmarking partner uses different, more appropriate metrics, or it may come across internal processes so different from their own organization that it is necessary to rework the data-gathering plan, eliminate some of the potential benchmarking partners, or go back for more information to clarify what was obtained in the initial data gathering.

BENCHMARKING AND BEST PRACTICES

Tools for Task 4

The following tools can be used to assist in analyzing benchmark data:

TOOL	DESCRIPTION
Process Flow Maps	In simple processes with a limited number of variables, simply recording the benchmarked data along with the current organization data for each activity in the process will highlight the activities where To-Be reengineering efforts should focus.
Histograms	For processes where more detailed data has been collected or where data has been gathered from multiple sources, plotting the data by activity versus the metric in a histogram provides a more visual focus of effort.
Pareto Chart	To help set priorities among a number of problems or a number of factors, a Pareto Chart arranges data graphically in descending order of frequency.

The Functionality Assessment team has now developed a list of process activities to be reengineered, and using the analysis tools from chapter 3 and the benchmarking process, has determined which will have the greatest impact on the performance of the organization if reengineered. This information becomes the starting point for developing the To-Be Process, which is delineated in Chapter 5.

Benchmarking best practices is the process of seeking and studying the best internal and external practices that produce superior performance. The benchmarking process allows people to understand where their organization is and where their organization can be, and then provides a view of how to achieve the organization's To-Be state.

B. Insights

A series of insights from experienced practitioners is provided to assist the Functionality Assessment team in its work. This brief collection presents the benefits of lessons learned, stumbling blocks and practical advice.

- Benchmarking and investigating best practices is a time-consuming process, but it can produce high yield results. The schedule must be developed with the scope of the project in mind. The team must observe disciplined time management to keep the project on schedule.
- Benchmarking is more effective as a continuous process. While the organization can improve its processes from a snapshot comparison, long-term improvement is more likely if benchmarks are regularly revisited.
- Lack of trust is a major hurdle in best practice benchmarking. The success of benchmarking lies in sharing information. Without true knowledge sharing there will most definitely be failure.
- Institutional jargon often interferes with communication in benchmarking. Employ universal terms whenever possible and rely on feedback and verification to ensure that the team's analysis was accurate.

C. Example

The FA team assigned to Acquisition Management developed the "As-Is" model for the contractor management and oversight process. This model included information on resources (labor and expenses), cycle times for various steps in the process and preliminary performance measures. Benchmarking and best practice identification are critical next steps in the Functionality Assessment process.

The FA team utilized several techniques to gather and analyze benchmarking and best practice information. These techniques, methodologies and results are summarized in the points, below:

- ***Conducting Site Visits and Interviews***
  The FA team selected ten companies and projects that were involved in the procurement of large and/or complex systems. These companies and projects included, but were not limited to, Bell Helicopter, Boeing, and Bechtel. Although these companies and programs did not manufacture or produce the same product, the FA team focused on gathering useful comparative information on the acquisition process in general.

  The team then conducted site visits and interviews to gather information. From those meetings, the FA team took away several common themes, including:

  - People: Each company or project office visited believed that the people that are implementing the processes are key to their success.
  - Oversight: Every organization performed some oversight. The risk of not performing oversight must be weighed against the cost of doing it.
  - Cycle time reduction: All companies and projects emphasized the importance of reducing cycle time.
  - Well defined processes and requirements: Processes and requirements need to be understood in the beginning to avoid rework and unnecessary changes.

- ***Employee Surveys***
  The FA team developed an Acquisition Management Process survey. This survey requested employee input on the current processes. Approximately 10% of the employees returned the confidential questionnaire. The survey results provided the FA team with valuable input and potential opportunities of improvement from employees performing the day-to-day operations of the acquisition management process.

- ***Use of Current Reports and Studies***
  The FA team recognized the value in utilizing published benchmarking studies and reports to supplement their research efforts. In this case, the team referenced both a GAO Report on acquisition management as well as an OSD benchmarking study evaluating the application of acquisition reform initiatives.

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CHAPTER 5

DEVELOPING THE TO-BE PROCESSES

This stage is the heart of reengineering: current processes are going to be redesigned to create a blueprint for change. It is the most creative and challenging stage of a Functionality Assessment. The team should be aggressive and imaginative in its approach to solving problems. Members should "think out of the box" by looking for solutions both inside and outside of the current organization. The challenges are to start with a clean sheet of paper, review the vision statement, think about what the reengineered process should look like or do, and "aim high," that is, develop the optimum solutions. The team should then assess and quantify the impacts of proposed changes, evaluating different options against one another. The key is to work both quickly and effectively so that momentum and interest are not lost. This phase of the assessment also involves brainstorming sessions or facilitated workshops to develop the proposed process redesign.

The table below summarizes the major tasks involved in this phase of the Functionality Assessment, and the deliverables which the project team will produce. Each task is then described along with analytical tools that can be used to accomplish the goals.

MAJOR TASKS	DELIVERABLES
• Review business strategy and vision • Develop and analyze alternative process designs • Assess and quantify impacts • Develop process performance measures • Identify new process recommendations • Communicate anticipated changes to the Organization	• Reengineered processes • Calculated improvements and impacts • Model or blueprint of new processes ("What") • Implementation Plan ("How") • Changes communicated to organization

A. Major Task Descriptions

Developing a To-Be Model involves creating a blueprint of the structure, processes and resources the organization needs in order to achieve its objectives. The To-Be model represents a long-term vision of a leaner, more cost-effective and businesslike organization. Private industry has used reengineering techniques and systems-oriented thinking skills for decades to examine, question, analyze, rethink and improve their business practices. In a Commercial Activities study or A-76, this would be the Most Efficient Organization (MEO) stage. Developing a To-Be Process incorporates the desires of the organization (its visioning and strategic priorities), its current state (the As-Is model), and trends and emerging realities (benchmarking and best practices).

CHAPTER 5

DEVELOPING THE TO-BE PROCESSES

Task 1: Review Business Strategy and Vision

Start by reviewing the business strategy and vision developed during the planning phase (Chapter 2). The organization's vision is the fundamental driver of reengineering because it provides a mechanism to deliver value to customers, employees and the overall organization. Additionally, it provides strategic direction for the next 5 to 10 years, and provides management with a direction and goals for implementing change. The desired end result—the To-Be state—should be consistent with the vision. Key questions to be answered are (a) are the strategic goals and vision of the organization still right given what we know now? and (b) how much change is needed to reach the vision objective? In other words, the team will determine whether the desired end result:

- is consistent with the vision,
- moves the program or organization into the future,
- addresses customer needs and expectations,
- is measurable, and
- can be implemented.

In reviewing the business strategy and vision that were developed earlier, the team will decide whether or not the organization can realistically get there from here. If the vision statement was too ambitious or ambiguous, it may need to be redefined through discussions with stakeholders. If the business strategy and vision are still valid, then the team will now decide which business processes need to be reengineered—not all of them do—and focus their efforts on developing alternative process designs. The processes with the greatest potential gains and highest likelihood of successful reengineering should be examined first.

Task 2: Develop and Analyze Alternative Process Designs

(a) Brainstorming: Conventional or Electronic Forums

The first step in developing alternatives is to gather ideas. Brainstorming is an effective technique for collecting and analyzing alternatives to the status quo. Its success is based on the concept that a group of people working together will come up with a larger number of ideas—and better ideas—than one or two individuals. A brainstorming session can generate continuous ideas and feedback through interactive thinking and idea sharing. Creativity and originality are hallmarks of a successful brainstorming session.

Who should participate in a brainstorming session? For a Functionality Assessment, between 10 and 30 participants representing the stakeholders and various constituencies are recommended. Some combination of the following groups should be invited: (a) customers—both internal and external, (b) process members (employees/managers of the area under study), (c) functional experts, (d) technical experts, and (e) process suppliers (those who provide input or direction to the area under study).

DEVELOPING THE TO-BE PROCESSES

Certain conditions enhance a group's creative climate. While each participant will not possess all of these attributes or behaviors, interplaying these and using an experienced facilitator will help ensure good brainstorming sessions. Participants should be encouraged to: listen carefully, have spirited and lively discussions, take risks in their thinking, exhibit friendliness toward one another and the interactive process, accept deviant ideas, foster a sense of trust and respect among participants, and offer ideas willingly.

Brainstorming sessions should be used to review process problems, root causes and possible solutions. They are an excellent venue for redesigning work elements, workflow, controls and procedures, inputs and outputs. Brainstorming can be accomplished by gathering stakeholders around a large conference table or in a classroom-type setting with a facilitator using a flipchart to record and discuss ideas. It can also occur in a technology-supported environment with the use of group decision support (GDS) software. With GDS, participants respond to a facilitator quickly and anonymously through personal computers in a fast-paced, interactive group setting. GDS electronically captures and posts ideas that are generated, ratings and rankings, survey responses, and comments and suggestions quickly in an intense but informal atmosphere. Whichever method the team uses, the following ground rules are necessary to make the session productive:

GROUND RULES FOR BRAINSTORMING SESSIONS

- Everyone should participate, electronically or orally
- The goal of each session should be understood in advance
- No idea should be evaluated or criticized when it is offered; record it first and react to it later
- Each participant should generate as many ideas as possible
- Participants should be allowed to "play" with ambiguities or uncertainties individually or as a group
- Original, "out of the box" thinking should be encouraged

(b) Questions to Ask During the To-Be Process Development

A series of questions will be asked during the To-Be process design. The team should look at each business process as if the team members own that business and have the latitude to make it more efficient, successful, profitable, and innovative. The team should focus on two areas: (a) what do we need to do differently and (b) what if we did it this way. Questions that can help focus the team's attention and accelerate discussion of process redesign ideas are provided here.

- Which activities can be eliminated, simplified or consolidated?
- Should new activities be created?
- Should the sequence of activities be rearranged or modified?
- Can non-value-added activities be removed?
- What resources does the unit need to perform work without delays or hindrances that are currently being experienced?
- How can employees be incentivized to perform in new ways and to higher standards?
- Can any common mechanisms support multiple activities?
- How can the process be redesigned to serve the customer better, more cheaply or faster?
- Should any of the controls that are currently in place (rules, regulations, policies, etc.) be simplified?
- What standards or criteria will be used to measure outcomes?
- What level of accountability do we want for individuals and for the organization?
- Are new or different skills and knowledge required to perform the work more efficiently?
- Which communications, computer and technology solutions would enable the work to be done more efficiently?
- How should the organization be structured to support peak performance of the operation?

(c) Reengineering Principles and Guidelines

Over the past several decades, practitioners from a number of disciplines have developed guidelines and principles to help business process reengineering teams successfully manage the redesign process. Industrial engineers, operations research analysts, organizational psychologists, human resource managers, technology experts and others have developed a set of principles focused on transforming business processes, culture, values and beliefs. The team should follow these reengineering principles:

REENGINEERING PRINCIPLES

- Organize work around outcomes, not tasks
- Innovate to meet business objectives better
- Eliminate non-value-added activities
- Provide work groups with direct access to customers
- Partnership, participation, and buy-in are critical to successful teamwork
- Train, equip, inform and empower employees to do their jobs well
- Encourage and reward teamwork through cross-functional and cross-organizational communication
- Build in accountability and feedback channels
- Focus on every dimension of the business: process, technology & organization (culture)

It is sometimes difficult for stakeholders to let go of the status quo—the belief in the systems that they have operated under for years. This requires mind-expanding approaches to get the team to think in new ways. Some of the problems that can be encountered during this stage are:

- Separating *what needs to be done* from *who does it*. A distinction has to be made between the process of doing work and the organization or unit that currently performs it.

- Letting go of task orientation and focusing on customers, products and services. Big bureaucracies sometimes find it difficult to define their work in terms of products, services and customers. This orientation is also relatively new to government entities.

- Expecting technology to solve a business operation problem. Business practices, organizational infrastructure and belief systems often play a far more important role in causing and maintaining poor performance than technology solutions.

- Expecting employees to embrace and reinforce the new vision or values without aligning these changes with the organization's culture, power and individual belief systems. Managers must define expectations in behavior and values, and propagate the new culture in what they say and do.

Task 3: Assess and Quantify Impacts

The brainstorming sessions, questions to be answered, and guidelines above will yield several ideas for process redesign. Several things need to be sorted out at this stage of the Functional Assessment. Often, for example, there will be competing ideas for how to redesign a particular process. The optimum solution for each process needs to be identified from the options that have surfaced, based on an evaluation of what will work best and yield the greatest benefits. Several modeling and diagramming techniques can be used to examine ideas more closely or weigh one idea against another. Tools that will assist the team as they move through the redesign are described below and illustrated in Appendix B. These methods allow the team to examine the feasibility and benefits of a proposed redesign before committing to a large-scale implementation across the agency or department.

TOOL	DESCRIPTION
Flowchart Diagram	This method graphically depicts the To-Be Process or sequence of steps. It can be created using manual methods or with flowcharting software (which is readily available).
Matrix of Strengths and Weaknesses	This matrix lists and evaluates the advantages and disadvantages of multiple approaches to redesigning a particular activity.
Proof of Concept	This method refines the estimate of expected benefits and determines whether the redesign performs as expected. It can be conducted through simulation or pilot test.
Simulation	This is an artificial execution of the proposed redesign using manual methods (e.g., a walk-through) or computerized methods (simulation software).
Pilot Test	This is an actual live demonstration before or in parallel with implementation planning that allows mid-course correction before full-scale implementation.

As the final part of this task, a series of calculations should be performed to quantify the expected results of the proposed changes on the performance of the program or process, and then written up in a statement of benefits. This analysis should include changes in customer satisfaction, throughput analyses, impact on employment levels, impact on quality, internal rate of return, net

present value, payback, and other financial measures which express the operating and financial impact of changes being proposed. The statement of benefits should include quantitative and qualitative benefits expected based on the business operation redesign. It will contain the measures, measurement data, an analysis of the "before" and "after" data, and recommendations for further enhancement. This information forms the basis for a Business Case Analysis.

Task 4: Develop Process Performance Measures

Improvements in the business process should be visible and measurable. They should also show progress toward the goals contained in the vision statement and business strategy. Therefore, a set of measures—benchmarks—has to be developed that describes how the process is performed and the quality of its outputs. Benchmarks can be helpful to heighten performance criteria and ensure that measurements clearly support what is important to the customer. Measurements should be easy to understand, meaningful, and able to be assessed over time. A data collection process also has to be created to gather performance and quality information accurately and quickly.

Examples of the types of measures that should be created are frequency, number, and timeliness of transactions completed; number and type of customer inquiries and complaints; costs; number of FTEs required to produce the desired outcomes; response time or cycle time; and quality measures. Identifying preliminary performance targets is the first step toward building a comprehensive performance management program. This is described in more detail in Chapter 6, Developing Performance Measures.

Task 5: Identify New Process Recommendations

At this point, the process redesigns have been mapped, benefits quantified, and preliminary performance targets set. The team should revisit each process redesign and determine:

(a) whether it truly represents radical and lasting change,

(b) whether risks have been adequately addressed and outcomes defined,

(c) when the first benefits are likely to be seen and what they will be,

(d) what the implications are for culture change (managing expectations, business policies and practices, reward and incentive systems, changes in the organizational structure), and

(e) what will happen if the changes are not implemented.

The team should describe process redesigns in a series of explicit recommendations with visual diagrams showing the "before" and "after" processes, impacts and outcomes. The team must also decide what should be done in what sequence to implement the proposed process redesigns and what interrelationships or dependencies will change as a result. Most reengineering teams find that they have to refine and adjust changes in process redesign as overlaps

or inconsistencies are revealed. There is no single formula for translating proposed changes into an action plan, but foundation building and communications planning are usually needed before getting approval of the full-scale implementation. Setting the stage for communicating the To-Be Processes is the final stage in the design.

Task 6: Communicate Anticipated Changes to Organization

Several forms of communication may be required to communicate and obtain approval for the proposed redesign. In order to inform, "sell," and reinforce the proposed changes to the organization, the team may recommend a variety of approaches including print, conference presentation, electronic mail, bulletin board, payroll insert and slide presentation. The To-Be Process should first be communicated in a text document or electronic slide show for presentation to key stakeholders. This document or slide show should contain a summary of the recommended changes, detailed process description (before and after reengineering), flowcharts, estimated savings and benefits, preliminary performance targets, and proposed implementation timeframes.

Tools that help communicate proposed process model changes are described below and examples are provided in Appendix B.

TOOL	HOW CAN IT BE USED AT THIS STAGE
Matrix Diagrams	These describe the relationship between two sets of information, such as the business processes and units within an organization.
Decomposition Diagram	This identifies a hierarchy of information and ensures a common understanding of what is being analyzed. Business processes can be decomposed into several levels of process detail.
Dependency Diagram	This defines the relationship of items from any selected level of decomposition and shows work sequence dependencies.
Data Flow Diagram	To expand on the dependency diagram, this diagram is used to define information that is transformed by business processes.

An important part of communicating the proposed redesign is the implementation plan, which requires a carefully thought-out strategy. It should fit the organization's needs and capabilities and create as little disruption as possible. It has to answer questions, manage expectations and provide a realistic roadmap for the organization going forward. It must include a detailed activity plan that clearly specifies tasks, deliverables, roles, accountability, timetables and costs. The implementation plan should describe team structure and roles, the purpose and scope of each phase of implementation, objectives and measurable accomplishments for each phase, risk factors, resource requirements and

costs, overall benefits and outcomes anticipated, and the proposed timeline and schedule. The implementation plan should also clearly describe proposed changes to business processes, information, the organization itself and technology. It should describe the underlying infrastructure components such as management strategy, measurement system and rewards/incentives. Finally, it should describe the values needed to support the redesign—culture change, utilization of power, and belief systems—and how those can be aligned with the business objectives. This is explained in more detail in Chapter 7.

B. Insights

A series of insights from experienced practitioners is provided to assist the Functionality Assessment team in its work. This brief collection presents the benefits of lessons learned, stumbling blocks and practical advice.

• **Customers matter most!** Without customers, the organization has no reason to exist. Successful redesign incorporates the needs and wants of customers; therefore, what matters to them should matter to the team. Focus the reengineering effort on what customers believe is broken. In other words, design new processes from the outside in. Start with the customer and work backward.

• **Design the whole—that is, lay the foundation before the parts.** The process model is the whole picture: the activities, systems and organizational elements that underlie the service being delivered or product being produced. Get the model right before losing focus or diverting the team's attention to lesser concerns.

• **Functionality Assessment is not a quick fix**. It is often a last resort for programs or organizations that have suffered years of complacency and neglect. A Functionality Assessment is fraught with obstacles and resistance, particularly because it represents radical change—not incremental, gradual change. It is a "scrap and rebuild" mentality rather than an improvement of existing ways of doing business. Hence, it requires that people let go of old, comfortable, reliable ways. It requires education, communication, patience, creativity and vision.

• **Continuous improvement principles should be incorporated into the implementation plan.** Otherwise, when the team disbands, the improvement process can break down. If business units or process managers have no point of information, guidance or responsible person to turn to, the notion that solving problems is someone else's responsibility will be reinforced. To counter this, the implementation plan should incorporate the idea that every manager, unit and employee is responsible for continuous improvement. Training may need to be provided or a separate quality/process improvement office established to ensure continued productivity and operational success. Some of the principles of continuous improvement are:

(a) Ongoing exchange and information sharing is everyone's responsibility.

(b) Improvement is desirable and is everyone's responsibility.

(c) Quality is driven by individuals, not organizations.

(d) Work processes should provide details or feedback that allow action before a problem turns into a crisis. In order for this principle to work, everyone must pay attention to details.

(e) Employees need the skills to identify and analyze problems when they do arise.

C. Example

The nine FA team members convened to brainstorm the "To-Be" process. A facilitator asked each member to create their "vision" of the future acquisition management process based on "As-Is" research and benchmarking data. Each concept was written on a flip chart. The group then agreed that four main processes provided the foundation for acquisition management: 1) establish program teams, 2) develop and refine the program, 3) execute the development phase of the program, 4) support operational testing of the product, and 5) execute the production phase of the program.

Subsequently, the team developed seven initiatives to support the goal of reducing contractor management and oversight, an important priority identified during the "As-Is" analysis. These initiatives are as follows:

- *Early contractor involvement* to influence the cost, schedule, and performance of program requirements.

- *Critical process identification* to shift the focus away from an oversight role to project management and risk reduction.

- *Establishment of Electronic Data Interchange* to facilitate information sharing.

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- *Up-front agreement between the sponsor, user and program office* to document expectations and objectives.

- *Creation of expert teams* to refine performance specifications and mitigate risk.

- *Partnering with the Contractor* in the development of the contract (when applicable) and specifications.

- *Risk based program staffing/management* to assess all aspects of program risk throughout the life of the project.

A **cost/benefit analysis** was conducted to quantify and substantiate the above recommendations. The team subtracted the total cost of implementing the initiatives (labor, information technology and training investments) from the estimated gross savings to arrive at a net savings of $77M over a period of five years.

Incorporating the seven initiatives, the team documented key activities for each step in the new process. For example, under "establish design teams," the following activities were identified: conduct initial review of need, perform initial scoping, obtain resources, and *involve contractor.*

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CHAPTER 6

DEVELOPING PERFORMANCE MEASURES

Establishing performance measures is an ongoing and dynamic process. Measures help an organization define accomplishments and detect actual or potential problems. Ideally, the measures should show the relationship between internal capabilities and external expectations. When a large gap exists between how a process is actually performed and what is expected of it, then radical change such as reengineering or outsourcing may be required. Performance measures can also aid in using tools such as Activity-Based Costing: they can help define and measure unit costs, such as the cost per participant for training, or the cost per mile of road surface maintained.

Performance measures can include "hard" (quantitative) data and "soft" (qualitative) measures. *Quantitative* measures include financial and/or operating data such as orders processed per employee hour, accuracy of forecasts, on-time delivery rate, cost per unit, and document processing cycle time. *Qualitative* measures may not be easily measured but are critical factors in the viability of an organization. They include measures of capacity, customer satisfaction, and paper processes such as the number and location of bottlenecks, demand fluctuation, customer perception of quality, number of days to resolve a complaint or process a request, and the number of steps or hurdles faced by customers.

Process improvements that are expected as a result of a Functionality Assessment should be visible and measurable. They should also gauge progress toward the goals contained in the vision statement and business strategy. The team may already have developed preliminary performance measures as a result of its benchmarking/best practices work or while drafting the implementation plan. This chapter focuses on how to define performance measures and create a data collection process that ensure gathering timely and accurate performance data which is meaningful to the organization and its customers.

The table below summarizes the major tasks involved in this phase of the assessment, and the deliverables which the team will produce. Each task is then described in more detail.

MAJOR TASKS	DELIVERABLES
· Review benchmarking data · Develop a set of performance measures · Develop a data collection process · Compare measures to business strategy or vision	· Identify appropriate, proven measures · Develop critical measures of operating and financial success · Ensure that performance data can be gathered accurately, reliably and frequently · Ensure that measures match goals and vision

CHAPTER 6

DEVELOPING PERFORMANCE MEASURES

A. Major Task Descriptions

The Performance Measurement Plan is a key component of the overall business process improvement strategy because it: (a) communicates the organization's expectations of itself and its actual performance over time, (b) reveals whether or not the proposed changes are accomplishing the organization's goals, and (c) can be used to determine whether or not value is being delivered to the customers, employees and managers. The Performance Measurement Plan can be used to appraise quality, customer service, technological capacity, overall responsiveness, price or cost, and productivity.

Task 1: Review Benchmarking Data

In Chapter 4, the team learned how to conduct a benchmarking analysis and how to compare the performance and best practices of other organizations with the Navy unit under study. A review of the benchmarking and best practices data should provide the team with a set of measures to be considered when developing a Performance Measurement Plan. Benchmarking data can reveal areas of opportunity that were not addressed in the process redesign, and can also help rule out extraneous performance measures.

Task 2: Develop a Set of Performance Measures

Several criteria should be considered when the team develops performance measures. Experts in measurement theory recommend selecting a combination of measures that:

- reflect the accomplishments of the organization and not just the behaviors or activities,
- are under the control of the organization, that is, they are achievable,
- reflect optimal performance of the whole organization,
- can be quantified and monitored over time,
- exhibit validity, in other words, accurately reflect the desired characteristic, and
- exhibit reliability, that is, they are consistent and stable across time.

One of the fundamental principles of reengineering is to get as close as possible to the customer to ensure that the right products and services are delivered and monitored. Information can be gathered on quantity and quality from both internal and external sources. The measurements should support what is important to the customer, be easy to understand, and be meaningful to those whose performance is being evaluated.

DEVELOPING PERFORMANCE MEASURES

Some of the questions that can be used to help the team decide which aspects of performance to measure are:

(a) Are our customers pleased with the services we deliver as a result of this business process?

(b) If our customers are dissatisfied, what are the specific causes?

(c) What parts of the process represent opportunities for improvement?

(d) Should we raise our standards, and if so, to what level?

Although production or blue-collar type operations in government are viewed as easier to measure, the principles apply to white-collar or "knowledge workers" as well because the need to articulate performance expectations and measure results is universal. Every organization needs to know how well it is meeting its goals; therefore, performance targets can be established for virtually any government program or process. The table below shows an example of internal and external measures of performance at a Navy computer lab/classroom facility, and incorporates quality and quantity measures.

MEASURE	QUANTITY	QUALITY
Customer Service (external measure)	% of Navy employees completing Microsoft Office 2000 course	% of Navy employees rating program and instructor "excellent" or "very good"
	% of Navy employees attending course by job category	% of Navy employees rated as "much improved" in job performance relating to course
Process (internal measure)	% of computer lab rooms booked by month	% of instructors rating operations support as "excellent" or "very good"
	% of student registrations processed same day	% of student registrations processed that were incomplete or inaccurate

DEVELOPING PERFORMANCE MEASURES

Four types of measurement—again, both internal and external—are suggested:

Process is defined as the flow of work, methods used and technology provided. Process assessments are indicators of the degree of control an organization has over its internal operations. These measure the way things get done, and the processes and sub-processes used to complete the work.

Effectiveness is defined as the relationship between strategy and work activity. These types of assessments indicate whether an organization is meeting its output/outcome goals, whether it is succeeding.

Efficiency is defined as the measure of how well an organization is using its resources. Organizations that suffer from fragmentation, excessive management layers, and inappropriate grouping of functions, for example, may not be succeeding.

Motivation is defined as the degree to which employees demonstrate commitment to the business objectives of the organization. Motivation can be measured by looking at employee absenteeism and turnover rates, level of autonomy, teamwork, training and communication.

Sample measures for white-collar productivity or "knowledge workers" include:

- costs to manage a process or operation,
- frequency and volume of completed transactions,
- number of FTEs required to produce process outcomes,
- average throughput time to process cases or contracts or files,
- percent of written work products without errors,
- percent of project deadlines met, and
- number of customer complaints and responses.

The team should discuss and refine the proposed measures with stakeholders before finalizing them. As emphasized above, each measurement should support what is important to the customer, be easy to understand, and be meaningful to those whose performance is being measured or evaluated.

DEVELOPING PERFORMANCE MEASURES

Task 3: Develop a Data Collection Process

The most exotic or well-crafted performance measure will fail miserably if data cannot be collected to report against it in an accurately and timely manner. The data collected also has to be actionable so the reviewer can correct or improve the process before serious damage occurs. Data should not be collected monthly, for example, on a process that occurs daily. Manual data collection, such as self-reporting or handwritten logs, is not reliable because it is subject to errors and omission. Written customer surveys that are voluntary are not as reliable or timely, for example, as well-structured, two-minute telephone surveys, or inspectors posing as customers and interacting with employees.

The Data Collection Process should reveal accomplishments and problems since the last measurement period and recognize organizational units and process teams for their accomplishments. This means that it should be used to explore factors that have contributed to both negative results or positive outcomes, and it should be used to identify systemic causes that can contribute to negative measurements. Performance measures should:

- compare the *actual results* of process redesign implementation with the *projected impacts*,
- show periodic performance against a predefined set of criteria,
- include an assessment of the extent to which reengineering closed the gaps identified in the vision setting and strategic planning,
- communicate the results of the reengineering effort to the organization,
- identify additional processes or areas of improvement,
- identify new areas for performance measurement, and
- develop a mechanism to measure and support continuous improvement.

The Data Collection Process should be reviewed first with those who will be responsible for gathering and analyzing the data and those whose work is being reported. After the team has confirmed the availability and utility of the data to be collected, it should finalize the Data Collection Process and incorporate it into the Implementation Plan.

Task 4: Compare Measures to Business Strategy and Vision

The business strategy and vision that were developed in the Planning phase (Chapter 2) are an important starting point in developing a Performance Measurement Plan. The vision represents a clear understanding of customer needs, defines the future state of the organization, and establishes opportunities for performance improvement. It determines how value is going to be delivered to the customer, employees, and the overall organization, and suggests some critical success factors.

DEVELOPING PERFORMANCE MEASURES

The Performance Measurement Plan should be aligned with the values of the organization as represented in the vision statement. If the vision statement for a unit concentrates on franchising its services to 1/3 of the Naval bases in the Northeastern region of the US this year, the performance measure should capture the ratio of franchise agreements in that region, not the dollar value of the franchise services. If the vision statement focuses on "repairing base vehicles within 24 hours of their arrival at the maintenance shop," then the performance measure should evaluate the percentage of repairs that are actually completed within that time frame, not the mechanics' utilization rate and cross-training.

When performance measures are developed, they should always be compared to the vision statement to make sure the two are aligned.

B. Insights

A series of insights from experienced practitioners is provided to assist the Functionality Assessment team in its work. This brief collection presents the benefits of lessons learned, stumbling blocks and practical advice.

- Benchmarking is the basis for measurement of performance. It identifies the changes needed for an organization to meet or exceed best practices.
- The design of a process determines its performance limitations.
- What gets measured gets done.
- Michael Hammer, in *Beyond Reengineering*, provides four examples of business processes in need of reengineering:

(a) Aetna Life & Casualty averaged 28 days to process homeowner's insurance applications. Only 26 minutes of that process represented real, productive work.

(b) Chrysler overhead in the procurement department was such that internal purchasing requests, even for small office supplies under $10, incurred expenses of $300 in reviews, sign-offs and approvals.

(c) Texas Instrument's Semi-Conductor Group averaged 180 days (6 months) to fill an order for an integrated circuit while a competitor could do the same in 30 days.

(d) Pepsi learned that 44% of retailer invoices it prepared contained errors leading to considerable reconciliation costs and customer quarreling.

Now that the process redesign has been documented and approved, and a Performance Measurement Plan has been developed, the team is ready to move into the Implementation stage, which is usually the longest and most challenging phase of a reengineering project. Chapter 7 covers the planning and implementation activities in detail.

C. Example

The FA team convened a working session to refine initial performance measures and suggest new ones based on information gathered during the "As-Is", benchmark, and "To-Be" analyses.

The first step was to develop a performance measurement template. For Each suggested performance measure, the FA team provided the following information:

- Measure title
- Measure owner
- Type of measure
- What is measured
- How is it measured
- Where is it measured
- Who collect data
- How data is collected
- When data is collected
- Frequency of collections
- Who validates data
- How data is validated
- Who needs the performance measure
- Why is it measured
- How will the measure be used
- Who analyzes data
- How are the results reported
- Frequency of reporting
- Desired target
- Desired trend

After completion of the exercise, the FA team determined and chose those performance measures that would provide a better indication of overall strategy achievement. The team kept in mind the need to have short term, intermediate and long term indicators. Examples of the final results are provided in the sections on the next two pages. The FA team attempted to establish both quantitative and qualitative measures for each initiative.

DEVELOPING PERFORMANCE MEASURES

Leading Indicators

Initiative	Quantity	Quality
Partnering Process	# of workshops conducted on the process	% of participants giving the workshops a positive rating
Critical Process ID and Assessment	# of web site hits	% of users rating site as "excellent" or "very good"
Risk Assessment	# of training participants	% of participants giving the workshops a positive rating
Expert Teams	# of requests for expert team use	% of customers viewing the process as "excellent" or "very good"
Sponsor/Warfighter Agreement	# of agreements developed	% of process user satisfied with the agreements
Early Contractor Involvement	# of training participants	% of participants giving the workshops a positive rating
ECP Streamlining and Mod Install Analysis	# of programs using mod install cost model	% reduction in cycle time of new process vs. historical program averages

Intermediate Process Measures

Measure	Quantity	Quality
System performance	# of Government to contractor program changes (letters, mods, etc.)	Reduction in cycle time (days) for CDRL disposition
Formal design reviews	# of Requests for Action (RFA)	Reduction in cycle time (days) for RFA disposition
Configuration changes	# of changes listed by reason (operational growth, spec compliance, etc.)	% of changes receiving first pass approval

High-level Process Measures

Measure	Quantity	Quality
Effectiveness	# of baseline breaches	Defect rate for fielded systems
Efficiency	# of acquisition personnel as a % of total acquisition costs	% of successful milestone decision obtained on-time

All of the above measures (leading indicators, intermediate, and high-level) are linked to the overall strategy to improve the efficiency and effectiveness of the *contractor management and oversight process*. Finally, performance measures are successful indicators only if the team establishes a baseline. In this case, the FA team determined the baseline and assigned responsibility for sustaining the measures during the performance measurement template exercise

CHAPTER 1: WHAT IS A FUNCTIONALITY ASSESSMENT?
CHAPTER 2: PLANNING FOR FUNCTIONALITY ASSESSMENT
CHAPTER 3: ANALYZE AS-IS BUSINESS PRACTICES
CHAPTER 4: BENCHMARKING AND BEST PRACTICES
CHAPTER 5: DEVELOPING THE TO-BE PROCESSES
CHAPTER 6: DEVELOPING PERFORMANCE MEASURES
CHAPTER 7: IMPLEMENTATION
A. Major Task Descriptions
B. Insights
C. Example

CHAPTER 7

IMPLEMENTATION

At this point, the team will undertake the last three activities of the Functional Assessment: (a) developing an implementation plan, (b) obtaining management approval, and (c) implementing the redesign. The first step is to begin developing a realistic action plan for implementation. Without a carefully thought-out strategy, the redesigned operation will not materialize. The implementation plan should fit the needs and capabilities of the organization and create as little disruption as possible. The plan has to answer questions, manage expectations, and provide a detailed roadmap for the organization going forward. It will include an activity plan with specific tasks, deliverables, roles and responsibilities, timetables and costs. It will describe the structure of the Implementation team—which may be different than the Functionality Assessment team—the scope of each phase of implementation, objectives and measurable benefits. The implementation plan will account for the key factors of managing in the Navy system: the PPBS process that drives the operating budget, the reassignment process of military manpower and all aspects of the civil service system. Finally, the implementation plan will also incorporate the culture change needed to align the proposed changes with the infrastructure—affected employees, managers, business units and the organization as a whole. Developing the plan should take two to four weeks depending on the complexity of the project and size of the team.

The second step is to obtain management approval to proceed. The objective is to get the commitment, funding and resources to begin implementation. Ideally, the groundwork will have been laid with informal briefings and strategic selling along the way. The next step is to develop a strategy for obtaining management approval. Formally receiving approval is usually tied to convincing and effective presentations to top managers/executives of the organization. The presenter needs to have a working knowledge of the facts and figures and a stage presence, as well. The outcome of formal presentations should be approval to proceed with the project as defined in the Implementation Plan. If the team has progressed to this point, it should celebrate its success: it has created and successfully 'sold' a radically redesigned plan for business operation.

The third step is clearly the hardest. The team now has to transition the business operation from its current state to the reengineered, radically improved environment. This step often takes as long as all the previous phases of the Functionality Assessment. Material is developed, people are trained, policies and practices are changed, new systems and methods are developed, and organizations are restructured. At the same time, obstacles appear, resistance is felt, actions are promised but may not be taken, issues and problems surface, patience is lost, politics arise, and setbacks occur. This chapter will help the team survive the challenges of managing change.

The table below summarizes the major tasks involved in this phase of the assessment and the deliverables, which the team will produce. Tools that can be used to accomplish each task are also described.

CHAPTER 7

IMPLEMENTATION

MAJOR TASKS	DELIVERABLES
· Conduct implementation planning and drafting sessions · Develop strategy for and obtain management approval · Hold kick-off meetings · Monitor and meet with implementation teams · Celebrate success	· Action plan for implementation · Management approval · Initiate implementation · Monitor progress, resolve issues, institute continuous improvement · Reward and model positive behaviors, keep priorities focused and executive commitment

A. Major Task Descriptions

An implementation team and budget have to be identified. Depending on the scope of the project, separate teams may need to be identified for each process being reengineered. A methodology should be decided on before they begin and the right set of skills should be in place across the team-members. For continuity and institutional knowledge, it may be useful to carry over at least one person from the original Functionality Assessment team to the implementation team. Employee representatives from each area being impacted should also be included on the teams. A steering committee and overall project manager should have oversight of the Implementation team(s). Other critical team members include: Human Relations, Budget/Comptroller and union representation.

Once the teams are assembled, the level of involvement should be decided for each team member and any training needs should be met. Clear responsibilities should be assigned for development of the Implementation Plan and actual implementation of process changes. Team members should be held accountable for successful and timely completion of specific tasks. Their progress in the overall effort and that of the project manager should be incorporated in performance appraisal plans.

Task 1: Conduct Implementation Planning and Drafting Sessions

Planning sessions involving the team, stakeholders from the affected areas and functional experts or advisors should occur regularly. A group of 8 to 10 people is optimal for this activity. The implementation planning sessions are used to anticipate and define funding needs, obtain approvals for new organization structures and position descriptions/classifications, document new processes and methods, and integrate them into existing systems. Preparing for these sessions requires the team to develop an agenda, determine expected attendees and outcomes, and make logistical arrangements.

With good planning and coordination, disruption to operations and personnel can be minimized. Throughout the implementation, employees and managers will have to be coached through the changes and may require new skills/knowledge. Information technology systems may need to be enhanced or procured, installed and tested. Customers may have to be informed of material changes that affect them.

CHAPTER 7

IMPLEMENTATION

Several aspects of Navy structure require special attention in the implementation planning task. First is the PPBS process. Significant investments in facilities or equipment to improve processes will require long lead-time planning; these initiatives must be introduced into the process as soon as possible. The proposed project must compete with other initiatives in the Military Construction and Other Procurement Appropriations; however, the detailed planning conducted in the Functionality Assessment process should provide sufficient justification for the investment. Other improvements financed from the Navy Working Capital Fund or from Operations and Maintenance funds will require less advance planning. These budget changes will require close liaison between budget personnel at the activity, major claimant and resource sponsor.

If the implementation plan involves changes in military manpower, such as a proposed substitution of civil servants or contract personnel for military members, long lead planning is again required. First, the team must determine if elimination of these billets would have an unacceptable impact on sea/shore rotation of the ratings involved. If the billets cannot be eliminated, the team can explore creating new billets for the military within the organization of the major claimant. All of these efforts must be approved by the resource sponsor who is providing the military manpower. Once changes are approved they must be implemented in the budget cycle.

Changes to the civil service workforce present another challenge. Changes in the grade structure of the workforce will require writing new position descriptions and staffing the new organization from the existing organization. Reductions in civilian personnel should be planned with Human Resources to utilize all of the available tools such as separation incentives and early retirement before resorting to a Reduction in Force (RIF). These incentives will require funds to execute that will need to be budgeted. Potential Navy Reductions in Force for the upcoming fiscal year are announced to Congress in September. If the team determines that a RIF may be required, it should be projected into the next annual RIF notification to preclude delaying necessary reductions until the next planning cycle.

Developing the implementation plan requires defining the project in phases. A phase is a group of related tasks that represent a distinct stage of a project. Each phase should include tasks that assess achievement, measure benefits, conduct detailed planning for the next phase, and obtain necessary funding. Within each phase, implementation activities should be grouped into categories such as Implementation Team Maintenance, Communications, Change Management, Education and Training, and Technology Enhancement. The principles of continuous improvement should be built into the Implementation Plan, as described in Chapter 5, Developing To-Be Processes.

The team has to decide what is logical, cost effective, viable and politically acceptable, and how to sequence the activities. Large projects generally require a phased approach, starting with a common foundation such as new language, policy and changes in practice. This can be followed with business practice

changes that cross all the affected organizational units. A final phase might involve business practice changes in individual areas. Technology solutions and other procurement-dependent support may have long lead times that affect the sequence of other planned changes.

Clear and convincing implementation plans are not developed in a single draft. The team will need to refine and rework the plan several times until a consensus is reached. While a smaller group of people (8 to 10 people) works well for drafting, a larger, broader-based group of people (20+) may be best for viewing and critiquing the plan in its near-final state. Finally, a fresh, uninvolved set of eyes should review the document for the inevitable human errors that can result from a team 'owning' and working a document so intensively.

The project manager and business executives (Navy management) should consult frequently on policy questions, alternative scenarios and other issues that arise while the Implementation Plan is being drafted. The steering committee and line managers should buy-in before the plan is presented to upper management.

TOOL	DESCRIPTION
Facilitated Workshop	Brainstorming sessions can be used to discuss and sort all of the activities that need to be included in the Implementation Plan.
Project Management Software	Commercially available software, such as Microsoft Project, can simplify what would otherwise be an onerous task of developing a detailed project plan.

Task 2: Develop Strategy for and Obtain Management Approval

Informal briefings and close contact between the Functionality Assessment team and Navy management throughout the project should have prepared executives and top managers for what they will hear and see in the formal presentations. The strategy for obtaining management approval of the Implementation Plan should consist of ensuring that:

- key stakeholders are aware and supportive of the plan and have had opportunity to be involved in decision-making,
- presentations have been made up the chain of command, and externally if appropriate, to key customers and other groups that are in a position to stop the project,
- the presenter is credible and capable of selling the plan and answering any questions that arise, and
- timing and sequence of presentations is correct.

IMPLEMENTATION

Task 3: Hold Kick-Off Meeting(s)

Once approval has been received to implement the new process model, a kick-off meeting should be held to roll out the project and obtain organizational buy-in. Top management should convene the meeting to convey a sense of commitment and importance. The project manager should present the process that was used and the implementation plan that resulted from that effort. He or she should sell the plan, explain key events, timeframes and organizational impacts, define next steps, and answer questions, along with Navy management.

After the roll-out meeting(s), a series of communications should be launched describing the project, naming the implementation team members, describing any training that will be offered on new processes, and explaining how employees and/or customers can get continuous information about the project and ways that they can get involved.

Task 4: Monitor and Meet with Implementation Teams

The team will be engaged in bursts of activity throughout the life cycle of the Implementation. Key activities will involve revising process work flows, changing lines of communication, altering work methods and process standards, changing data inputs and outputs, revising measurement systems, adjusting organizational structure, conducting training, and tracking the status of the project.

The project manager will have overall responsibility for the project, which involves:

- using a project management software tool
- following up daily on pending issues and task completion
- conducting weekly progress meetings to foster communication among team-members, provide a forum to share ideas and frustrations, and discuss unresolved or emerging issues
- using formal status reporting to support implementation
- measuring and monitoring operational performance
- keeping the momentum going after the first process change
- evaluating performance of team members
- adding new personnel to the team as needed
- keeping the steering committee informed

Task 5: Celebrate Successes

Immediate improvement opportunities exist in most organizations, so-called 'low lying fruit' that can bring about immediate benefits. If the team has incorporated a series of immediate opportunities into the project plan, these should be implemented quickly and the results celebrated. Examples of low-lying fruit include:

- eliminating nonessential overtime
- taking discounts on given purchases
- reducing obsolete inventories
- revising policies that cause non-value added activities
- obtaining competitive bids on sole source purchases
- aggressively monitoring and administering service contracts
- eliminating redundant handling or processing steps

Other successes associated with process redesigns should also be acknowledged and rewarded by top managers, team members and colleagues. Recognition alone can help reward and model positive behaviors in an organization. It can also help employees keep focused on priorities, keep the momentum going, and demonstrate continued interest commitment on the part of top management/agency executives. A personal phone call to the employee or team, a congratulatory e-mail, business-appropriate 'thank you' card, written mention in a monthly newsletter, or a drop-in visit to the work site are all ways to acknowledge appreciation and celebrate the project's success.

B. Insights

A series of insights from experienced practitioners is provided to assist the team in its work. This collection of questions and answers presents the benefits of lessons learned, stumbling blocks, and practical advice.

• **What is 'management commitment' in the context of a reengineering project?** Recognition that 'business as usual' is no longer acceptable. Demonstrating the ability to lead and manage change. Acceptance of the fact that results will not occur overnight, but change-related problems will.

• **What are the key reasons for reengineering failure?** Lack of executive commitment and leadership. Lack of employee involvement. Lack of communication. Lack of a structured, disciplined methodology. Perfectionism or impatience on the part of the team.

• **How does the expression 'people do not buy until they own' apply?** An axiom in the business of selling also applies to business process reengineering. People have to understand the details, be part of the solution, make hard tradeoffs, run interference, and challenge one another if they are going to buy into a radical, potentially painful redesign. Stakeholders have to be part of the project team, part of the revitalization process, not part of the problem.

• **When does the reengineering project end?** Never—it quietly transitions to a state of continuous improvement! Closure can be brought to the Implementation Team's activities, but line organizations have to continue to improve the reengineered environment. Transition to a continuous improvement state happens when work is intrinsically rewarding to those who perform it and culture change has occurred. When employees are given the power to compare and improve performance, the culture has been transformed into a learning organization.

• **How do you incentivize employees to practice continuous improvement?** Employees and their managers have to be convinced that it is in their best interest to embrace change. Organizational barriers to change have to be overcome. Management has to reinforce teamwork, cooperation and change messages constantly.

C. Example

The last three activities of the Functionality Assessment are: 1) developing an implementation plan, 2) obtaining management approval, and 3) implementing the redesign.

The acquisition management FA team spent considerable time developing the implementation plan for the new organization. The first step involved an intense staffing review. During this review, the team, in coordination with Human Resources, accomplished the following:

- Determined the number of military staff required to perform the new activities;
- Rewrote the position descriptions of the civil service workforce to conform with the new process;
- Assessed the need for separation incentives, early retirement, and a potential Reductions in Force (RIF) plan;
- Evaluated the role of contract staff in the new organization.

Once the staffing levels were established, the team outlined a two-year implementation plan using Microsoft Project software. This plan contained four phases of activities and tasks to be performed. Within each phase, the implementation activities were categorized as follows:

- *Implementation Team Maintenance*—Implementation team members were identified and assigned to specific tasks and activities.
- *Change Management*—A change management plan was developed during the initial planning phase of this project. The FA team decided to refine this plan and incorporate it into implementation.

IMPLEMENTATION

- *Communications*—The communication plan consisted of a series of roll-out meetings to all staff involved in the process. A point of contact was also established for staff that had additional questions and concerns during the implementation phase.

- *Education and Training Initiatives*—The new "To-Be" initiatives required a significant change in business operations (e.g., partnering process, expert teams). Training programs were developed to provide the staff with tools necessary to adapt to the new environment.

The FA team developed a presentation for key stakeholders and management. They took this presentation "on the road" to gain buy-in and approval to proceed. After revisions were made and changes agreed upon, the team was prepared to implement the new initiatives.

A sample implementation plan, generated in Microsoft Project, is provided on the next page. This plan includes specific tasks, timeframes for completing these tasks, and milestones (e.g., briefs, key deliverables). It is important to note that this plan represents the project and its interdependencies from inception (development of the ABC model) to roll-out of the "To-Be" processes.

Sample Implementation Plan

ID	Task Name
1	Process Brief to Senior Steering Group
2	SSG Decision Meeting on Proposed New Process
3	New Process Implementation Team Stand Up
6	Distribute New ABC Dictionary: Collect Baseline Data
8	Draft/Approve Policy on Expert Teams
9	Stand Up Risk Expert Team
14	Develop Standard Risk Management Model
15	Develop Risk Management Training Package
16	Train IPTs on Risk Management/Use of Model
17	Perform Risk Assessments
18	Make Staffing Recommendations based on Risk Assessments
20	Establish Partnering Agreement Policy
23	Draft Partnering Agreements
25	Establish Sponsor/User/Program Manager Agreement Policy
28	Draft Sponsor/User/Program Manager Agreements
30	Establish Policy on Critical Process
31	Identify Core Processes
32	Identify those Core Processes which are Critical to Acq Process
34	Assess Industry Capability against Critical Processes
37	Develop "To Be" Process Training Package
38	Teach "To Be" Process to Employees
45	Level IPTs based on ABC Data/Risk Team Recommendations
47	Acquire COTS IT Solutions (Document Handler, Rqmnts Trace, Cost E
48	Develop Skills Database (basic capability and Wizard)

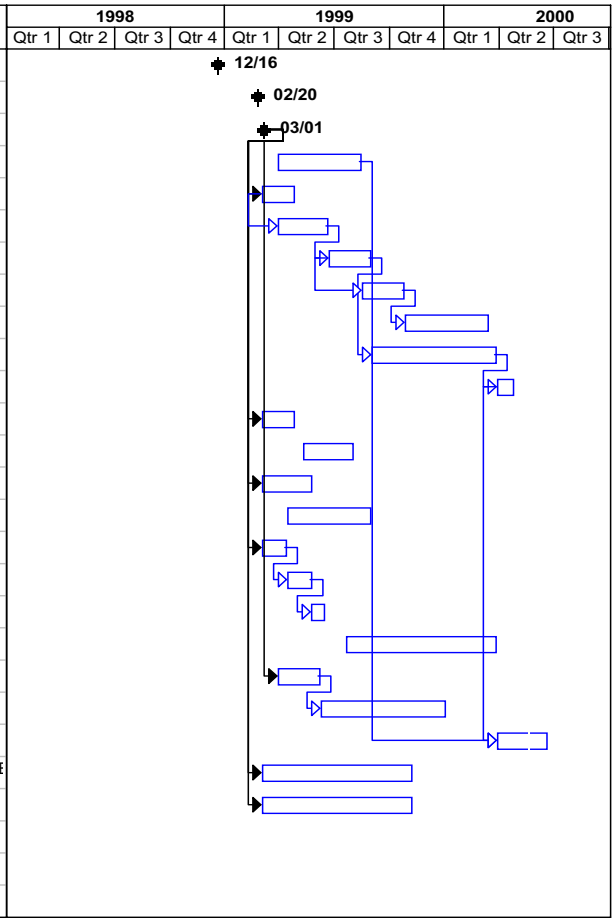


Figure 5

APPENDIX A

DEFINITIONS OF TERMS AND ACRONYMS

A-76 vs. Non A-76

Identifies which activities fall under the guidelines published in OMB Circular A-76 for cost comparison, versus activities that are evaluated for strategic sourcing using other comparison tools. A-76 studies are not performed on activities that are Inherently Governmental or exempt.

Activity Based Costing

Activity based costing (ABC) is a technique that allows us to determine the costs of producing our primary products and services.

Activity Modeling

Activity modeling is a technique that assists us in understanding how a business process really works. We use activity modeling to describe how things are (called "As–Is" modeling), and also how we want them to be, based on our redesign criteria (called "To–Be" modeling).

As-Is

A model of the structure, processes, and resources of the organization in its current form.

Benchmarking

The continuous process of measuring products, services, and practices against those organizations known as leaders in the field.

Best Business Practices

Practices or methods that are regarded as the most efficient, most responsive, and resulting in the highest customer satisfaction in a particular business segment or procedure. Best business practices are typically identified through the process of benchmarking.

Best Practice Analysis

A study of the methods used for achieving the “best practice”, as identified through benchmarking.

Budget Estimate Submission (BES)

An estimate of budget requirements submitted by major claimants to the Comptroller of the Navy for each fiscal year.

Business Unit

An organized group of employers responsible for their performance and results.

Change Management

A systematic approach to the process of change within an organization, emphasizing the application of the knowledge, tools and resources of change to provide a methodology for the organization to achieve their strategic goals.

Commercial Activities

Recurring processes resulting in a product or service that is, or could be, obtained from a private sector source.

Cost Benefit Analysis

A decision making tool that involves breaking down a process into its elements, calculating the cost and benefit associated with each element, and then comparing the sum of the costs with the sum of the benefits.

Data Modeling

Data modeling is a technique for accurately describing exactly what information you need to perform each and every activity that makes up the business process you perform.

APPENDIX A

DEFINITIONS OF TERMS AND ACRONYMS

Economic Analysis

A cost comparison methodology used for making decisions. Economic analysis gives us the capability to determine the costs and benefits associated with alternative investment opportunities, taking into account the life cycle characteristics of each investment. Economic analysis also presents the decision data in equally valued dollars (taking the time value of money into consideration), as well as the risks associated with making decisions about future conditions and performance.

FTE (Full Time Equivalent)

A composite of man-hours that equates to one full time employee. This is currently set at 1776 hours per year.

Function

The common product or service produced by a business unit.

Functional Economic Analysis (FEA)

An FEA and the traditional economic analysis (EA) are similar. Both evaluate the economic feasibility of a project using classic economic analysis techniques. The primary difference between them is scope. An EA usually covers a single initiative or information system while an FEA has a broader scope, usually covering duties assigned to a group of organizations or individuals that work together to produce a common product or service.

Functionality Assessment

The identification of significant, dramatic changes in existing business units in order to achieve the goal of appreciably reducing infrastructure costs.

Implementation

Putting into practice all of the business processes and organizational design that comes from the development of the "To-Be" vision.

Inherently Governmental

An inherently governmental activity is one that is so intimately related to the public interest as to mandate its performance by Federal employees.

Integrated Definition (IDEF) Activity Modeling

A combination of graphic and narrative symbols and rules designed to capture processes and structure of information in an organization. An IDEF model of an organization is used for understanding the "As-Is" business processes.

ISSA (Inter-Service Support Agreement)

An agreement that delineates the performance of a commercial activity when the provider is another agency of the government.

Matrix Analysis

Any of a variety of methods for comparing alternatives by using a matrix. Usually refers to a 2X2 matrix, comparing Core Competency vs. Required Capability.

Matrix Charts

Graphical representations of the relationships that exist between two or more sets of factors, used for matrix analysis.

APPENDIX A

DEFINITIONS OF TERMS AND ACRONYMS

MEO (Government's Most Efficient Organization)

The Government's in-house organization to perform a commercial activity. It is the basis for all Government costs used for comparison, and is the product of the Management Plan and the Performance Work Statement in A-76 studies.

Modeling and Simulation Tools

Commercially available software packages that aid in preparing the "As-Is" model of the organization using a variety of analysis methods.

Navy Plan of Action

A Navy-wide plan that provides an auditable means to track A-76 and non A-76 Strategic Sourcing savings from all activities. This plan will be used at the DoD level to ensure that the Navy stays on track to meet its mandatory cost savings.

Organization

In the context of this guide, an organization is the enterprise as a whole, a distinct from a business unit.

Performance Measure

A method of determining the goals of the "To-Be" organization using the outcome-output-input-impact framework. For more information, see appendix C.

Performance Work Statement (PWS)

A statement of the technical, functional and performance characteristics of the work to be performed. Identifies essential functions to be performed, determines performance factors, including the location of the work, the units of work, the quantity of work units, and the quality and timeliness of the work units.

Pivot Position Analysis

Method of analyzing future positions to determine which provides the most flexibility and maneuverability to lead to alternative futures.

Planning, Programming, and Budget Systems (PPBS)

A multi-year planning methodology used by the Department of Defense (DoD) to determine budget levels.

Project Planning Activities

A methodology that involves breaking a large project into smaller distinct units, then developing a timeline for the accomplishment of those units, assigning specific responsibility for accomplishment, and providing checkpoints to assess progress.

Program Objective Memorandum (POM)

An annual submission to the resource sponsor that defines each activity's functions and the funds necessary to achieve them for the fiscal year.

Reengineering

The examination and modification of a system to reconstitute it in a new form and the subsequent implementation of the new form.

Root Cause Analysis

Analysis intended to uncover the fundamental reason behind performance shortcomings.

APPENDIX A

DEFINITIONS OF TERMS AND ACRONYMS

Strategic/Business Planning

Strategic planning provides a set of business goals and defined requirements that are expressed in terms of customer needs all within the context of mission, vision, values and beliefs. Business planning provides a set of business objectives with appropriate performance measurements, and a detailed, complete list of required output, product and service features that will meet customer needs as defined in the strategic plan.

Strategic Sourcing

A reinvention of government processes involving consolidation, restructuring, or reengineering of activities; privatization options; make or buy decisions; the adoption of better business management practices; the development of joint ventures with the private sector; asset sales; the devolution of activities to state or local government; or the termination of obsolete services or programs.

Strategic Sourcing Master Plan

A plan generated by each major claimant identifying strategic sourcing initiatives for the budget fiscal year.

Strengths Weakness Opportunities Threat (SWOT) Analysis

An analysis that helps find the best match between environmental trends (opportunities and threats) and internal capabilities (strengths and weaknesses).

Technology Forecasting

Anticipating advances in technology and applying those advances to the "To-Be" model of the organization.

To Be

A model of the structure, processes, and resources of the organization as you want it to be in order to achieve your objectives. The model describes the future organization and its mission.

ANALYTICAL TOOLS

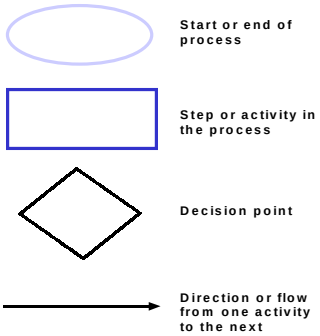
Process Flow Diagram (Flow Chart)

Purpose:

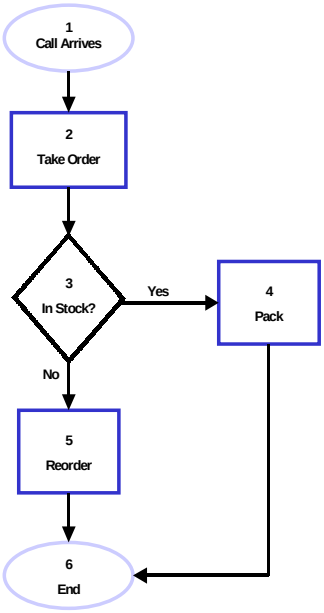
The Process Flow Diagram is a series of pictures, symbols or text coupled with lines, arrows on lines showing direction of flow of internal processes. It enables modeling of processes, problems, opportunities, and decision points and develops a common understanding of a process by those involved.

Guidelines:

Using the standard symbols shown below, map the process from the beginning to the end. Processes can be represented in varying levels of detail. There are many other standard symbols that represent varying levels of detail in the process. Shown below are the basics.



Any of the available commercial software packages, such as Visio™ or SmartDraw™, can be used to quickly map the process.



APPENDIX B

ANALYTICAL TOOLS

Cause and Effect Diagram (also: Fishbone, Ishikawa Diagram)

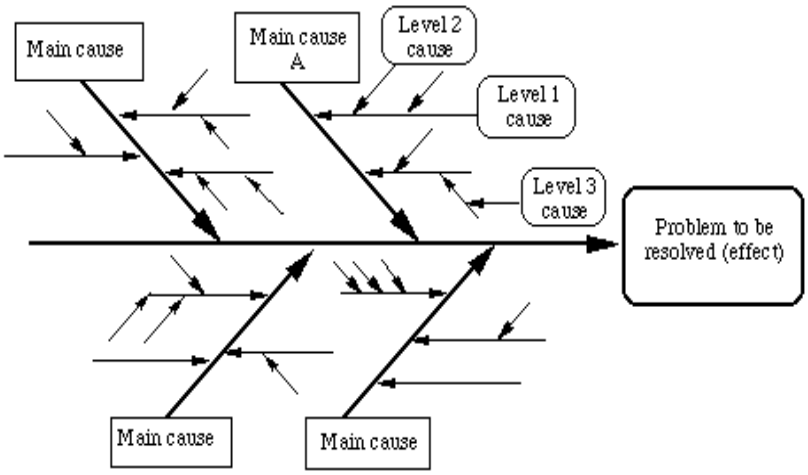
Purpose:

The cause-and-effect diagram is a method for analyzing process dispersion. The diagram's purpose is to relate causes and effects. Helps determine the problem to be resolved, opportunity to be grasped, and result to be achieved.

Guidelines:

Excellent for capturing team brainstorming output and for filling in from the 'wide picture'. Helps organize and relate factors, providing a sequential view. Deals with time direction but not quantity. Can become very complex. Can be difficult to identify or demonstrate interrelationships.

Example:



SWOT (Strengths, Weaknesses, Opportunities, Threats)

Purpose:

A SWOT analysis helps find the best match between environmental trends (opportunities and threats) and internal capabilities.

Guidelines:

A **strength** is a resource or capacity the organization can use effectively to achieve its objectives.

A **weakness** is a limitation, fault, or defect in the organization that will keep it from achieving its objectives.

An **opportunity** is any favorable situation in the organization's environment. It is usually a trend or change of some kind or an overlooked need that increases demand for a product or service and permits the firm to enhance its position by supplying it.

A **threat** is any unfavorable situation in the organization's environment that is potentially damaging to its strategy. The threat may be a barrier, a constraint, or anything external that might cause problems, damage or injury.

ANALYTICAL TOOLS

In general, an effective strategy is one that takes advantage of the organization's opportunities by employing its strengths and wards off threats by avoiding them or by correcting or compensating for weaknesses.

The first part of any SWOT analysis is to collect a set of key facts about the organization and its environment. This will include facts about the organization's markets, competition, financial resources, facilities, employees, inventories, marketing and distribution system, R&D, management, environmental setting (e.g. Technological, political, social, and economic trends), history and reputation.

The second part of a SWOT analysis is to evaluate data to determine whether they constitute strengths, weaknesses, opportunities or threats for the organization. This may be done independently by the individuals in a group, results being compared afterwards. It is important to note that any given fact may give rise to more than one evaluation, and so to ask - " How may this fact be considered as an opportunity as well as a threat?"; "How may this apparent strength turn out to be a weakness?"; "How does this weakness really represent a strength?" The answers to these and similar questions may give managers new insights into choosing appropriate strategies.

Example:

External Environment	Strengths	Weaknesses
Threats	Confront	Avoid
Opportunities	Exploit	Search

Internal Environment

Pareto Chart

Purpose:

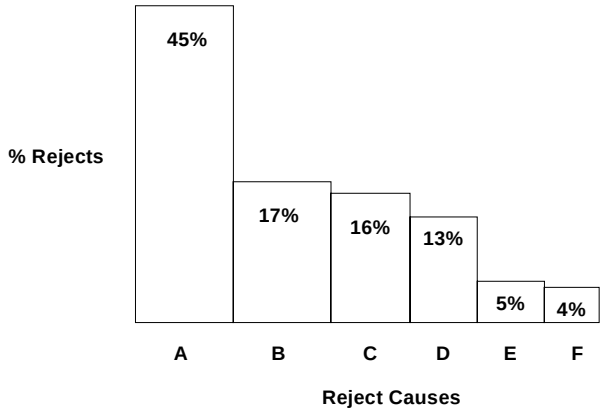
The Pareto chart is useful in determining priorities as data is grouped into categories.

Guidelines:

The Pareto principle suggests that most effects come from relatively few causes. In quantitative terms: 80% of the problems come from 20% of the causes (machines, raw materials, operators etc.); 80% of the wealth is owned by 20% of the people etc. Therefore effort aimed at the right 20% can solve 80% of the problems. Double (back to back) Pareto charts can be used to compare 'before and after' situations. Its general use is to decide where to apply initial effort for maximum effect. (See example on following page).

ANALYTICAL TOOLS

Example:



Histogram or Bar Graph

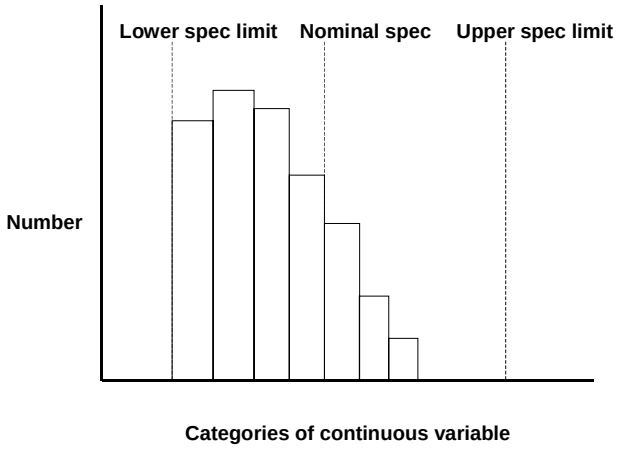
Purpose:

A Histogram is a graphic summary of variation in a set of data. It enables us to see patterns that are difficult to see in a simple table of numbers. Can be analyzed to draw conclusions about the data set.

Guidelines:

A histogram is a graph in which the continuous variable is clustered into categories and the value of each cluster is plotted to give a series of bars as above. The example below reveals the skewed distribution of a set of product measurements that remain nevertheless within specified limits. Without using some form of graphic this kind of problem can be difficult to analyze, recognize or identify.

Example:



APPENDIX B

ANALYTICAL TOOLS

Run Chart

Purpose

To monitor a process by determining whether or not the long range average is changing.

Guidelines

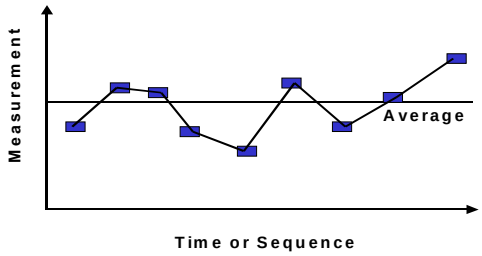
1. Points are plotted on the graph in the order that they became available. It is common to graph the results of a process such as number of activities, errors, or productivity as they vary over time. (Hint: Focus only on what is important, ie. the vital changes, not every variance is important.)

2. Look for meaningful trends or shifts in the average. We expect to see equal numbers of points on either side of the average, but it becomes relevant if significantly more points lie on one side of the average. An example would be if 10 points "run" on one side of the average, then a statistically unusual event has occurred and the average has changed.

3. Changes that follow trends should be investigated to identify the cause of the change. If the change is favorable then the cause should become a permanent part of the system/process. However, if the change is unfavorable, then the cause should be eliminated.

4. An increase or decrease of at least six points with no reversals would not happen randomly and thus needs to be investigated.

Example:



Activity Driver Analysis

Purpose:

Determines the root cause (driver) of why an activity is performed and identifies the driver of an activity, its resource consumption (cost), to aid in determining if an activity should be reduced or eliminated.

This analysis should be applied when the root cause of activities is unclear and needs to be understood, when costs need to be reduced in an organization in a controllable manner, or when the driver of activities are understood and a calculated cost reduction is necessary.

ANALYTICAL TOOLS

Guidelines:

- Identify the activities to be analyzed
- Identify the costs associated with these activities
- Determine the root causes of each activity (ex. orders, products, shipments)
- Assemble data on the causes (ex. order history, shipment history)
- Extrapolate the relationship between the activity and its drivers
- Determine the possibility of reducing or eliminating the activity driver and therefore the activity
- Determine the activity dollar reduction

Example:

In this example, 3=strong relationship to 0=no relationship

Activity	Wrong Shipment	Over/Under Shipment	Customer Service Error	Quality Concerns	Inventory Status	Totals
Restock Parts	3	3	2	1	0	9
Make Multiple Shipments	1	1	1	2	2	7
Verify Customer Service Order	2	1	3	1	0	7
Apply Customer Credit	3	0	3	2	0	8
Check Stock	1	1	2	1	3	8
Expedite Shipment	1	1	2	1	3	8
Re-Inspect Product	2	1	1	2	0	6
Totals	13	8	14	10	6	51

Fragmentation/Concentration Analysis

Purpose:

Fragmentation analysis defines the degree to which effort applied toward an activity is dispersed within an organization or department. Concentration analysis defines the degree to which effort applied toward an activity is performed by a small group of people.

Fragmentation/concentration analysis should be applied when there appears to be a redundancy of effort being made, when productivity enhancements are desired across or within departments, when a large amount of effort is expended controlling or coordinating groups of people, or when a lack of accountability produces unacceptable quality or service.

ANALYTICAL TOOLS

Guidelines:

- Identify the resource groups to be analyzed
- Define activity performed by these groups
- Survey each individual on the amount of effort (time) expended on each activity
- Identify the amount by percent of a Full Time Equivalent (FTE)
- Summarize the effort expended on each activity by the total FTE and the number of individuals contributing to the activity

Example:

Activities	# FTE'S Reporting	Total FTE	Concentration Percent
Call on Customer	118	38	38%
Ship Orders	57	9	16%
Provide Administrative Support	121	18	15%
Perform Credit Checks	77	9	12%
Develop New Products	87	10	11%
Perform Accounts Receivable	51	4	7%

Cycle Time Reduction Chart

Purpose:

Identifies the elapsed time for each activity within a process, to focus efforts on reducing the process's overall time.

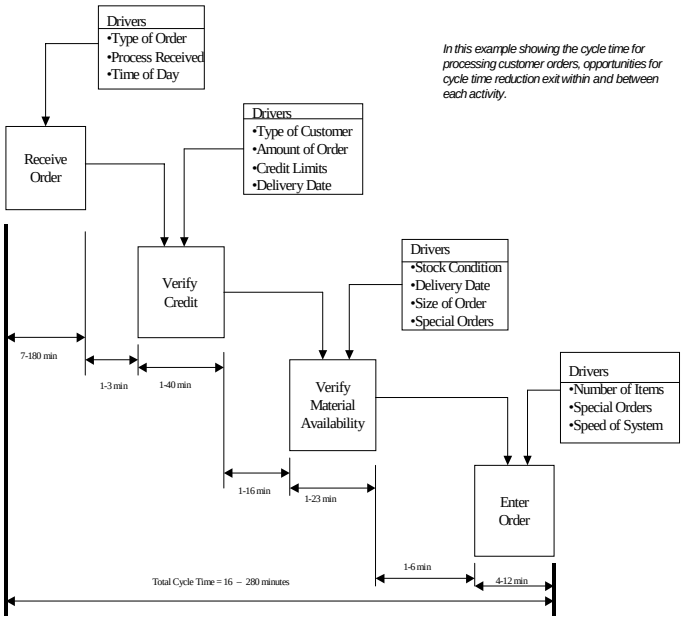
Cycle time reduction should be used when it is necessary to compress the time to perform a process, when bottlenecks appear to reduce the throughput of a process, or when many activities are required to perform a process.

Guidelines:

- Identify the process to be analyzed
- Identify the activities required to perform the process
- List the drivers for each activity
- Determine the time required to perform each activity (min and max)
- Summarize the activity times to calculate the overall process time
- Analyze the time model to determine time reduction opportunities

ANALYTICAL TOOLS

Example:



Approval Cycle Analysis

Purpose:

Creates an understanding of the documentation and resources consumed for approvals required in a process and identifies the cycle times, costs and risks associated with approvals.

Approval cycle analysis should be used when process cycle times appear to be extended due to required approvals or cumbersome decision making in the process, when high costs associated with a process are due to approvals to comply with quality standards, or when the risks and benefits of approvals in a process need to be weighed.

Guidelines:

- Identify the process to be analyzed
- Create a process flow defining all the activities that are performed in the process highlighting the approval, review, signature or decision making activities
- Assimilate the paperwork, procedures and signatures required
- Identify the frequency of acceptance of each approval
- Identify the risks and benefits associated with each approval activity
- Analyze the bottlenecks and rivers of each approval process
- Eliminate those approvals that increase time, documentation, or resource consumption without substantial benefits

See example on following page.

ANALYTICAL TOOLS

Example:

Activities	Paperwork	Reviews/ Approvals	Dollar Threshold	Cycle Time	Mgmt Level Reviews	Accept Frequency
Prelim Request Approval	YES	3R,4A	$5,000	9 DAYS	2	32%
Final Request Approval	YES	4R,6A	$10,000	22 DAYS	3	26%
Budget Figures Approval	YES	4R,6A	$10,000	12 DAYS	2	22%
Workplan Approval	YES	2R,3A	N/A	6 DAYS	2	22%
Obtain Funding Check	YES	3A	$10,000	1 DAY	2	12%
Obtain Check Signatures	YES	5A	N/A	7 DAYS	3	12%

Risk Analysis

Purpose:

Risk analysis, sometimes called Monte Carlo simulation, is a statistical projection of the probability of equaling or exceeding various levels of performance. It weighs both the accuracy and importance of input information. As it is a rather sophisticated statistical analysis, an automated tool must be used, and an understanding of probability and statistics is absolutely essential. The tool will allow the analyst to assign a probability distribution (relationship) for each variable which is expected to behave probabilistically. Such probability distributions are determined on the type of variable behavior as well as the estimated ranges of uncertainty as hypothesized or measured by historic data. The tool will run the model (usually a spreadsheet) hundreds of times. Each time the calculations will be performed by drawing random numbers for each of the assigned variables in accordance with the specified probability distribution and uncertainty range.

Guidelines:

Risk analysis should be performed when the performance of a redesigned process must be assessed based on the uncertainty related with specific variables. Risk analysis simulates the kind of uncertainty of real life which is thought measurable over a range. Applications would be when the financial analysis for implementing a redesigned process must be risk-adjusted to account for related risks (declining cost of technology, increasing cost of labor, etc.), or when management desires a sophisticated assessment of process design alternatives and investment strategies.

APPENDIX B

ANALYTICAL TOOLS

Available tools:

Many commercial software tools are available to conduct risk analysis, including:

- SCRAM 99™
- @RISK™
- Crystal Ball™

Integrated Definition Language (IDEF)

IDEF includes Decomposition Diagrams, Dependency Diagrams, and Data Flow Diagrams.

Purpose:

IDEF is a tool to document, analyze, and design processes as well as communicate and implement business process improvement (BPI) and Business Process Reengineering (BPR) projects. IDEF was developed from Structured Analysis and Design Technique (SADT). Originally developed in 1972 by Douglas T. Ross of SofTech, SADT is a sophisticated and complex methodology. This description is only a basic introduction to the technique. A complete discussion of IDEF or SADT is beyond the scope of this guide, and readers desiring more information are encouraged to conduct additional research or to contact a qualified consultant.

SADT was evolved into the Integrated Definition Language (IDEF) by the USAF ICAM (Integrated Computer-Aided Manufacturing) program intended to bootstrap the American aerospace industry into the factory of the future technology. It is a structured methodology which follows the principle of gradual exposition to detail through diagrammatic decomposition of the work elements (processes/functions/activities/tasks/operations) and their interfaces. The need for process improvement and reengineering as well as the emergence of automated (computerized) tools have proliferated the use of IDEF in industry. As of 1992, IDEF also became a DoD standard.

Guidelines:

IDEF should be used when the level of reengineering complexity is high and when there is a need to understand and analyze the AS-IS process or to build the TO-BE process.

IDEF principle advantage is that it can simplify and standardize the documentation and modeling of complex processes. Concepts designed to enhance communication include the following:

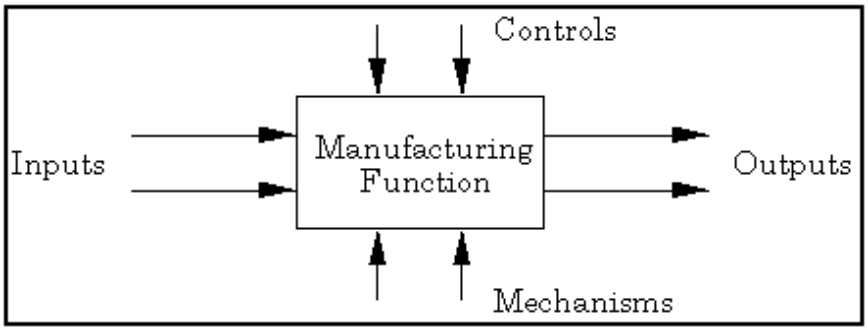
ANALYTICAL TOOLS

- Diagrams based on simple box and arrow graphics.
- English text labels to describe boxes and arrows and glossary and text to define the precise meanings of diagram elements.
- The gradual exposition of detail featuring a hierarchical structure, with the major functions at the top and with successive levels of sub-functions revealing well-bounded detail breakout.
- A "node chart" that provides a quick index for locating details within the hierarchic structure of diagrams.
- The limitation of detail to no more than six sub-functions on each successive function.

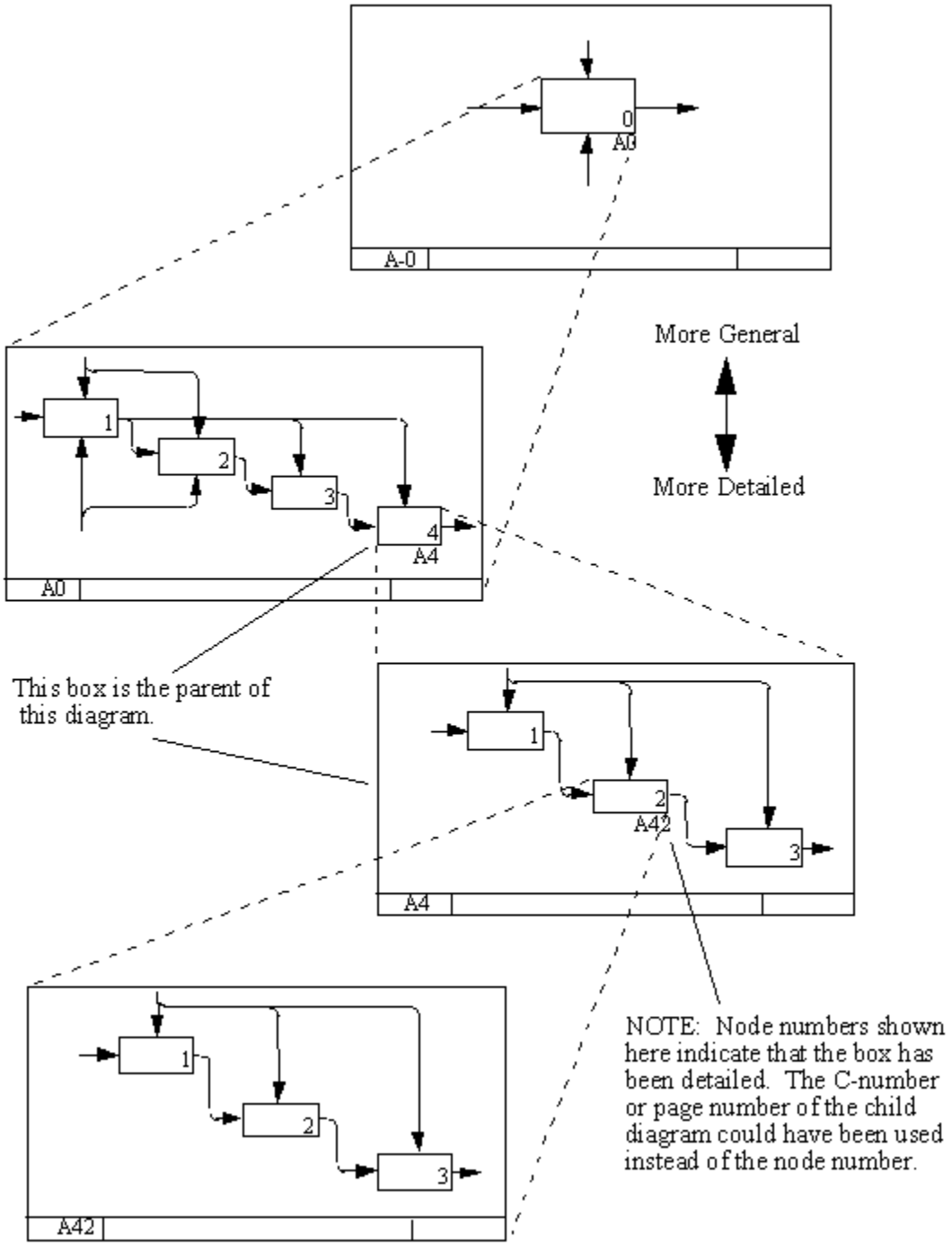
Example:

The following two diagrams illustrate how a process can be modeled by developing functions boxes and then expanding into progressively more detailed diagrams. These diagrams are based on the IDEF0 activity modeling technique, although there are many other forms of IDEF.

IDEF Function Box and Interface Arrows



ANALYTICAL TOOLS



IDEF0 MODEL STRUCTURE

APPENDIX B

ANALYTICAL TOOLS

Activity Based Costing

Purpose:

A form of cost accounting that focuses on the costs of performing specific functions (processes, activities, tasks, etc.), rather than on the costs of organizational units. Activity-based costing generates more accurate cost and performance information related to specific products and services than is available to managers through traditional cost accounting approaches.

Guidelines:

ABC examines all of an organization's activities to help determine the true costs of providing services and to support data-driven recommendations for process redesign and productivity increases. The steps in the ABC process include:

- identifying the activities and processes performed in an organization
- determining the cost of the person-hours devoted to them
- determining which activities add value for customers
- redesigning core processes to eliminate non-value added steps and reduce costs.
- establishing performance measures related to the organization's products or services.

Activity List/Activity Drivers

Purpose:

An activity list records key activities for an event. This in turn allows data gathering and analysis of 'drivers' for different activities, seasonal or sporadic activities, and the relationships between activities and units in the delivery of service.

Guidelines:

All activities that make up a process should be considered. In particular, activities that have little or no added value should be analyzed to determine their drivers.

Activity drivers are forces or factors internal or external to an organization that cause effort to be expended. Examples or drivers include:

- Decision
- Transaction
- Policy
- Operational procedure or plan
- Outside Influence
- Results of other business processes
- System
- Performance measurement
- Quality problem
- Other activities
- Long standing practices

Example provided on following page.

ANALYTICAL TOOLS

Example:

Activity	Driver
Expediting, replanning, production downtime and overtime	Production schedule changes
Collecting and reporting of financial or quality information	Regulation or policy
Handling customers' complaints and reconciliation	Accounting or computer errors
Generating standard reports not used any more	Past Practice
Redesigning, time delays, long design cycle	Unclear or inaccurate specifications
Chasing paperwork	Approval levels or fragmentatation

Value Added Activity Analysis

Purpose:

Value added activity analysis helps determine the relative value of activities to the end-customer and the internal organization. This is used when there appear to be a large number of activities performed that do not appear to add value, and when there are obsolete tasks associated with a process.

Guidelines:

A value-added activity is one that:
- Contributes to customer satisfaction/value/worthiness
- Cannot be eliminated without reducing the responsiveness or quality of output required by a customer or organization

A non-value-added activity is one that:
- Does not contribute to customer satisfaction/value/worthiness
- Can be redesigned, reduced, or eliminated without reducing the quality or responsiveness of the output required by a customer or organization

Example:

Typical non-value-added activities include:
- Queuing
- Reworking
- Reviewing
- Reverifying
- Inspecting
- Manual processes when automated methods exist
- Performing capacity planning in the out years
- Analyzing another's analysis
- Logging the movement of paper or goods within a unit
- 'Rubber stamping' signatures

APPENDIX C

REFERENCES AND RESOURCES

Beyond Reengineering, by Michael Hammer, Harper Business, paperback, 1997

Benchmarking: A Tool for Continuous Improvement, by CJ McNair, and Kathleen Leibfried, John Wiley & Sons, paperback, 1992

Business Reengineering: The Survival Guide, by Dorine Andrews and Susan Stalick, Prentice Hall, hardback, 1994

ProSci Reengineering Series by ProSci and LaMarsh and Associates, Learning Center Publications, 1999

Office of Management and Budget, Circular No. A-76, Performance of Commercial Activities, 1999

Office of Management and Budget, Circular No. A-76, Revised Supplemental Handbook, Performance for Commercial Activities, 1996

OPNAVINST 4860.7C, Subj: Commercial Activities (CA) Program Manual, dtd 7 June 1999

The Electronic College of Process Innovation, http://www.dtic.mil/c3i/bprcd/
See "Libraries" for bibliographies on:

- Activity Based Costing
- Benchmarking
- Change Management
- Implementation
- Leadership & Management
- Organizational Design
- Performance Measurement
- Process Modeling & Analysis
- Reengineering & BPR
- Teams and Teamwork

Selecting and Managing a Team on line 2 http://www.acq-ref.navy.mil/ipthome.html

APPENDIX D

FUNCTIONALITY ASSESSMENT DATABASE

The Navy tracks Functionality Assessments at the headquarters level at the Strategic Sourcing Support Office. Information on each assessment is entered at the Major Claimant level. The Functionality Assessment Database is run on the same web-based system as the Commercial Activities Management Information System (CAMIS) with the same access requirements. The information required in each data field is listed below.

Phase I – Initiation

Phase I - Initiation

Assessment Title — The title that describes the activity (or activities) under Functionality Assessment (for instance, "Shipyard Services," "Research and Development Group"). Use a clear title, not acronyms or function codes for that data element.

Primary Installation — The name of the primary or lead installation(s) in the assessment.

Functionality Assessment Number — The number assigned by the Navy Component to uniquely identify a Functionality Assessment. The first character of the cost comparison number is "N" signifying the Navy, The second letter is "F" signifying Functionality Assessment. The next 4 characters are the year the Functionality Assessment was initiated. The next 4 characters are a unique 4 digit code assigned by the system.

Initiation Date — The date that the Functionality Assessment is entered into the FA database. This is the official FA start date.

Last Updated — "As of" date of the last change to the record. This field is entered automatically.

Updated By — The name of the person who was logged into the system and updated this record.

Command — The Navy Major Claimant who has responsibility for this Functionality Assessment.

Status — This code identifies the status of the Functionality Assessment.

In progress - Assessment is in progress.

Broken out - The package has been divided into two or more separate studies. Exclude this Functionality Assessment's record from future updates.

Complete - Decision has been reached

Canceled - Exclude the record from future updates.

FUNCTIONALITY ASSESSMENT DATABASE

Consolidated - The Functionality Assessment has been consolidated with one or more other Functionality Assessments into a single package. Exclude from future updates the records for the Functionality Assessments that have been consolidated.

UIC — This code is the Unit Identification Code(s) of the installation(s) where the Functionality Assessment is taking place. Separated by commas.

Description of Processes Undergoing Assessment — Two line description to provide insight into the extent of processes being assessed.

Function(s) — The major function category(ies) - one letter designators (G, T, etc) listed in Appendix J of OPNAVINST 4860.7C that describe the type of activity undergoing Functionality Assessment. Separated by commas.

State(s) — The two-character numeric code for the State(s) where the installation(s) is located. Separated by commas.

Congressional District(s) — Number and state of the CDs where the installation is located entered as AL-01. If representatives are elected "at large," enter "-01" as the numerical portion of that data element; for a delegate or resident commissioner (i.e., representatives of the District of Columbia or Puerto Rico, respectively), enter "-98."

Initial Civilian Personnel — The number of DoD employees allocated to the Functionality Assessment when the Navy initiates the Functionality Assessment. This number is the figure identified in the correspondence announcing the start of a Functionality Assessment. The number gives a preliminary estimate of the size of the activity.

Initial Military Personnel — The number of military members allocated to the Functionality Assessment when the Navy initiates the Functionality Assessment. This number is the figure identified in the correspondence announcing the start of a Functionality Assessment. The number gives a preliminary estimate of the size of the activity.

Initial NAF Personnel — The number of Navy NAF employees allocated to the Functionality Assessment when the Navy initiates the Functionality Assessment. This number is the figure identified in the correspondence announcing the start of a Functionality Assessment. The number gives a preliminary estimate of the size of the activity.

Comments — This text field should be used to describe aspects of the Functionality Assessment that do not fit into the other fields or if other fields require amplification. Where applicable, precede each comment with the data element being referenced. Comments should be dated.

FUNCTIONALITY ASSESSMENT DATABASE

Phase 2 "As-Is" Organization

Phase 2 - "As-Is" Organization

"As-Is" Civilian Personnel — This is the number of civilian DoD employees involved in the processes that are mapped in the "As-Is" phase of the analysis. This number is a more refined definition of the size of the activity than was available at the "Initial" phase.

"As-Is" Military Personnel — This is the number of uniformed Navy personnel involved in the processes that are mapped in the "As-Is" phase of the analysis. This number is a more refined definition of the size of the activity than was available at the "Initial" phase.

"As-Is" NAF Personnel — This is the number of Navy NAF employees involved in the processes that are mapped in the "As-Is" phase of the analysis. This number is a more refined definition of the size of the activity than was available at the "Initial" phase.

"As-Is" Cost ($000) — This is the total cost of the As-Is processes being analyzed. The methodology used to compute this cost should be consistent with the methods used to develop the POM and budget estimate savings attributed to this effort. These costs should be auditable. Cost is recorded in thousands of dollars, rounded to the nearest thousand.

"As-Is" Assessment Completion Date — The date that the team completes the "As-Is" Assessment of the processes.

Comments — This text field should be used to describe aspects of the Functionality Assessment that do not fit into the other fields or if other fields require amplification. Where applicable, precede each comment with the data element being referenced. Comments should be dated.

Phase 3 - "To-Be" Organization/Implementation

Phase 3 - "To-Be" Organization/Implementation

"To-Be" Civilian Personnel — This is the number of civilian DoD employees involved in the processes as they have been redesigned in the "To-Be" phase of the analysis. This number is the basis for the size of the future organization and is projected 5 years into the future to account for known changes in workload and budget.

"To-Be" Military Personnel — This is the number of uniformed Navy personnel involved in the processes as they have been redesigned in the "To-Be" phase of the analysis. This number is the basis for the size of the future organization and is projected 5 years into the future to account for known changes in workload and budget.

FUNCTIONALITY ASSESSMENT DATABASE

"To-Be" NAF Personnel — This is the number of Navy NAF employees involved in the processes as they have been redesigned in the "To-Be" phase of the analysis. This number is the basis for the size of the future organization and is projected 5 years into the future to account for known changes in workload and budget.

"To-Be" Assessment Completion Date — The date that the team completes the "To-Be" Assessment of the processes.

Permanent Employees Reassigned to Equivalent Positions — The number of permanent employees who were reassigned to positions of equivalent grade during implementation.

Permanent Employees Changed to Lower Positions — The number of permanent employees who were reassigned to lower grade positions during implementation.

Employees Taking Early Retirement — The number of employees who took early retirement during implementation.

Employees Taking Normal Retirement — The number of employees who took normal retirement during implementation.

Permanent Employees Separated — The number of permanent employees who were separated from Federal during implementation.

Temporary Employees Separated — The number of temporary employees who were separated from Federal employment during implementation.

Employees Entitled to Severance Pay — The estimated number of employees entitled to severance pay on their separation from Federal employment during implementation.

Total Amount of Severance Entitlements ($000) — The total estimated amount of severance to be paid to all employees, in thousands of dollars, rounded to the nearest thousand, during implementation.

Staff-Hours Expended — Enter the estimated number of in-house staff-hours expended by the installation staff in conducting the Functionality Assessment. Those staff-hours shall include direct and indirect time expended by staff.

FUNCTIONALITY ASSESSMENT DATABASE

Cost Of Staff Hours ($000) — Enter the total cost of the Staff Hours Expended, in thousands of dollars, rounded to the nearest thousand.

Non Labor Costs ($000) — Enter the total cost of the non-labor items (e.g., travel, reproduction costs, etc) associated with the assessment. Cost is recorded in thousands of dollars, rounded to the nearest thousand.

Other Consultant Costs — Enter the cost of consultant assistance for conducting the assessment, if any. This should include only those costs born by the activity or Major Claimant. Consultants furnished by Navy Headquarters are accounted for separately. Cost is recorded in thousands of dollars, rounded to the nearest thousand.

Estimated Cost of Conducting the Functionality Assessment ($000) — This field is automatically calculated from "Cost of Staff Hours", "Non-Labor Costs" and "Other Consultant Costs". Cost is recorded in thousands of dollars, rounded to the nearest thousand.

"As-Is" Cost ($000) — This is the total cost of the As Is processes being analyzed. The methodology used to compute this cost should be consistent with the methods used to develop the POM and budget estimate savings attributed to this effort. These costs should be auditable. Cost is recorded in thousands of dollars, rounded to the nearest thousand.

"To-Be" Cost ($000) — The total annual cost of functions after the Functionality Assessment and reorganization. The methodology used to compute this cost should be consistent with the methods used to develop the "As-Is" Cost. In thousands of dollars, rounded to the nearest thousand.

Estimated Annual Dollar Savings ($000) — This figure is calculated by subtracting the "To-Be" Cost from the "As-Is" Cost , in thousands of dollars, rounded to the nearest thousand. This calculation is done automatically.

Comments — This text field should be used to describe aspects of the Functionality Assessment that do not fit into the other fields or if other fields require amplification. Where applicable, precede each comment with the data element being referenced. Comments should be dated.

Phase 4 — Performance

Phase 4 - Performance

Actual Civilian Personnel — This is the number of civilian DoD employees involved in the processes during the previous year of performance.

Actual Military Personnel — This is the number of uniformed Navy personnel involved in the processes during the previous year of performance. This number is entered after each of the first five years of performance.

Actual NAF Personnel — This is the actual number of Navy NAF employees involved in the processes during the previous year of performance. This number is entered after each of the first five years of performance.

Actual Cost ($000) — The actual cost of the new organization. The methodology used to compute this cost should be consistent with the methods used to develop the "As-Is" and "To-Be" Costs. This number is entered after each of the first five years of performance in thousands of dollars, rounded to the nearest thousand. This number is entered after each of the first five years of performance.

Performance Status — Indicates which performance period the new organization is in. Records periods one through five.

Post Implementation Performance Review Date — Date the Major Claimant or Headquarters conducted a review of the new organization to validate performance data. This field is blank unless a performance review is conducted.

Comments — This text field should be used to describe aspects of the Functionality Assessment that do not fit into the other fields or if other fields require amplification. Where applicable, precede each comment with the data element being referenced. Comments should be dated.