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By

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THE GOVERNMENT PERFORMANCE AND RESULTS ACT AND THE DEPARTMENT OF DEFENSE: A VIEW FROM THE BOTTOM

A Dissertation APPROVED FOR THE
DEPARTMENT OF POLITICAL SCIENCE

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Abstract

THE GOVERNMENT PERFORMANCE AND RESULTS ACT AND THE DEPARTMENT OF DEFENSE: A VIEW FROM THE BOTTOM

Traditionally, research in the area of reform efforts aimed at improving performance in the federal government has focused more on the top levels of government, i.e., budget interaction of the president and the Office of Management and Budget (OMB), top agency officials, and congressional budgeters. As a result, findings have been less than promising.

At least five government-wide reform initiatives have been attempted since the end of World War II. The latest is the Government Performance and Results Act (GPRA) passed into law in 1993. A review of literature on government budgeting contends that previous initiatives failed to achieve their stated objectives primarily because they did not alter the inherently political nature of decision-making in the federal budget process. Less than five years later and despite efforts to overcome many of the weaknesses of previous initiatives, critics of the GPRA began to sound a familiar theme—the GPRA was failing because it had not fundamentally altered the politics of the federal budget process.

If you look for changes only at the top levels of government, the critics are not wrong—the GPRA has achieved no more success in altering the politics associated with federal budgeting than its predecessors. There is, however, another perspective from which to evaluate government reform—from inside an agency at the bottom of the bureaucratic pyramid, *i.e.*, the managerial and operating levels of the Executive Branch agencies.

This research began with a single question: *How does our evaluation of reform change when viewed from inside an agency?* To answer the question, I conducted a case study of 12 reform initiatives at the Oklahoma City Air Logistics Center and the Air Force Materiel Command from 1995 until 2003. After the GPRA was signed, agencies focused on improving their internal processes used to identify and assess future needs and the accuracy of their future budget requests. Therefore, if evaluators look for changes in how the president works with OMB or the politics practiced by congressional budgeters, no major effects are likely to be found and the reform effort will be labeled a failure. But, based on the findings of this research, if you evaluate the reform initiative based on changes in the day-to-day activities of an agency at the operational levels, it is probable that you will find far more success than failure.

The guiding framework for this research was seven factors generally accepted as critical to the success or failure of reform initiatives: 1) impetus; 2) focus; 3) decision-making; 4) key actors; 5) accountability; 6) knowledge and information; and 7) time. The twelve reform initiatives included in the case study were evaluated according to these factors.

I found all of the factors did influence the implementation of the twelve selected initiatives to some degree. Only one factor, however, was significantly important to every initiative—*focus.* Correctly identifying what is expected to change is not only important to reform success in and of itself but it also impacts the other factors. I concluded that the objectives for changes in the internal operations of the Executive Branch agencies outlined in the GPRA are being achieved in the Department of Defense (DoD). I also found that these changes may be influencing, albeit indirectly, final budgetary decision-making by providing more accurate information to top-level decision-makers in the federal budget process.

Preface

Budgeting, at any level, is a process of making choices. Budgeting choices also reflect changing priorities. The longstanding threat of terrorist acts being perpetrated against the mainland United States became a reality on 11 September 2001. The events of that day transformed the world's security environment in profound ways that will take time to be fully understood. However, in the short term, the events of 11 September 2001 have served to concentrate and focus the attention of everyone, from the President of the United States down to the man on the street, on the defense needs and strategies of the United States and its allies.

There is no doubt that the events of 11 September 2001 have resulted in significant changes to United States' spending priorities. Yet, some aspects of governance have not changed. Much of the research for this paper was completed prior to the terrorist attacks and the ensuing, and continuing, War on Terrorism. Therefore, I have tried to make sure that I corrected any areas that are no longer valid. However, I found that, while priorities have certainly changed, the process whereby the wartime requirements are identified, budgeted for and procured has not undergone any dramatic metamorphosis as a result of 11 September 2001. Despite shortened timelines, the Department of Defense (DoD) continues to plan, program and distribute resources to best meet the demands of its ongoing mission in the order of current US priorities.

Even though the current state of the world has not driven major changes to the DoD's budget process, change is happening every day. In fact, Secretary of Defense, Donald Rumsfeld, declared "war" on the bureaucracy on 10 September 2001. It is that war that has had the most profound effect on organizational changes in the DoD. The roadmap for this war lays not in the battle plans for the war against terrorism but in the

statutory framework carefully crafted by a Congress guided by the wisdom and lessons of history. The dramatic changes directed by Secretary Rumsfeld were founded upon the congressional direction reflected in the Government Performance and Results Act (GPRA) of 1993. Changes to the levels of accountability, development and acquisition of new weapon systems and even the Civil Service personnel system were all initiated in the name of improving the effectiveness and efficiency of the DoD. But rather than replace the DoD's Planning, Programming and Budgeting System (PPBS) long used for resource management, Secretary Rumsfeld recently directed the expansion of the PPBS to include the execution phase of DoD appropriations…a move supported by a Congress concerned about expenditures not clearly traceable to their original budget. This change is effective with the President's budget submission for the fiscal year 2005 and is but one more example of how perpetual change is an ongoing fact of life for the DoD.

Chapter 1

Government Reform – A Great American Tradition

Change is inevitable--except from a vending machine!
Author Unknown

Introduction

Organizational change has been a popular subject in the worlds of business, government and academia since the days of America's founding. After all, were not the Founding Fathers seeking change to the organizational structure of the American Colonies into *free and independent states*? Was not this change at least partially driven by Great Britain's interference with and unreasonable taxation on American trade, *i.e.*, American business? And has not generation after generation of academics sought to understand the intentions of the Founding Fathers through endless analysis of every documented word they uttered? Clearly, reforming government—local, state and national—is as much a part of every-day American political life as *Mom and apple pie*!

Throughout the twentieth century, the words and concepts associated with organizational change have become a part of boardroom, classroom and Capitol Hill lexicon, largely via the popular media. Everyday, we hear of organizations—private and public—that are *downsizing, rightsizing, re-engineering*, or *re-inventing* themselves. For some, it is a matter of survival. For others, while still at the top of their game, organizational change is the means to retain their competitive edge (Hammer and Champy, 1993). For government organizations, these goals traditionally have translated into retaining or expanding their share of the federal budget pie!

Academia has contributed a significant number of theories and models to serve as guides for organizations seeking the path to *successful* change. These theories and models

are then used to measure the success or failure of organizations' attempts to change. Among the favorite topics for academic review and analysis are government-wide efforts to achieve lasting reform,*i.e.,* major changes in the way federal agencies operate.

Improving effectiveness, efficiency, economy and accountability in the federal government are not new concepts in the political or administrative arenas of government - neither are these new themes in the academic community. Bookshelves, public and private, overflow with reports, articles, journals and books dedicated to analyzing, criticizing and even occasionally commending efforts to reform the federal government.

Literature Review

As I said, the academic world has produced massive amounts of very laudable literature on the subject of reform. Some could be called *optimistic* because no matter how many times a new reform is proposed, they tend to focus on the positive possibilities. I fall into this first category…but I am not alone. According to John M. Kamensky (1996), with the reinventing government movement and other similar reforms of the 1990s, unlike previous reorganization efforts, the focus is on "changing the internal culture of government agencies by changing the incentives employees face in doing their work, rather than investing the administration's political capital in restructuring the missions and organization of the government" (p. 248). If the reform effort is targeted on the managerial and operating levels of Executive Branch agencies, then that is where we should look to evaluate the reform.

Others, such as David Mayhew, take a more narrow and neutral approach to look at what is most likely to generate government-wide reform initiatives. In his classic work on divided government (1991) Mayhew contends, "…efforts to alter the power,

capability, or political coloration of governmental institutions, through laws or constitutional amendments that reform structure, are normal events in the American system. They have occurred during both unified and divided times"(p. 87). Mayhew contends that reform initiatives are just as likely to emerge regardless of whether the executive and legislative branches of government are controlled by one political party or two. He further finds that reform initiatives passed by Congress during both periods were mostly very important pieces of legislation. So it would seem that neither quantity nor quality of reform initiatives is effected by which party wins the elections.

One view of the reform efforts of the 1990s suggest, "…the National Performance Review and other reinvention efforts extend to elements that are new, to issues not addressed significantly by earlier governmental reforms" (Brudney, Hebert and Wright 1999, p. 21) Others, however, see these same reform efforts as merely repetitions of previous governmental reforms that come and go in some semblance of a pattern.

In his book, *The Tides of Reform: Making Government Work 1945-1995* (1997), Paul C. Light likens efforts to reform government to the tides of the oceans. According to Light, the comparison of reform initiatives to the tides applies to all levels of government. However, his primary focus in this book is the national government. Light argues that regardless of each new generation's claim of new and improved ideas for reforming government, "…there is truly nothing new under the sun when it comes to making government work. Human beings have been reforming government ever since they invented government" (p.2). Light goes on to explain that there are four basic philosophies for reforming government and rather than something new, these same four philosophies simply come and go and come again like the tides of the ocean. But rather

than being governed by the moon, the tides of reform are driven by the fact that neither the President nor Congress can ever decide whether they trust the government or it's employees at any given time. Therefore, as the President and Congress change, a new reform philosophy frequently moves into dominance as well.

The four basic philosophies of reform identified by Light are: 1) scientific management, 2) war on waste, 3) watchful eye, and 4) liberation management. Each has its own goal, vision of government and institutional champion. Scientific management and liberation management both share a view of government and its employees as trustworthy guardians of the public good and usually are championed by the occupant of the Oval Office. Each, however, has its own distinct goal. Scientific management holds that first and foremost, government must be efficient. On the other hand, liberation management's primary focus is on performance.

The remaining tides, war on waste and watchful eye, share only a common view of government and its employees. Both see government and its employees as the infamous self-serving, unresponsive and inefficient bureaucracy with little or no regard for how taxpayer dollars are spent that is frequently depicted in the popular media. Beyond this, war on waste and watchful eye diverge quite dramatically. War on waste is generally championed by the Senate and seeks economy in all government endeavors while watchful eye is the favored child of the House of Representatives and seeks fairness above all else.

For his research, Light built a list of the top 141 federal management reform initiatives that emerged during the fifty years covered by his book. He then compared each of the initiatives against a common set of measures built around four questions:

1) When did each initiative pass?
2) Was there any legislative controversy?
3) How was each one implemented?
4) What were the actual impacts?

From the four questions, Light coded the 141 initiatives "…into 37 variables broadly measuring: 1) time of passage, 2) legislative history, 3) reform philosophy, 4) change strategy, 5) size and scale of initiative, 6) implementation approach, and 7) impacts" (p.11). According to Light, the final set of measures that deal with impact are "…simultaneously the most important and most frustrating for this analysis" because "the general consensus among politicians and scholars alike is" that none of the initiatives did much to really improve the way government works (p.12)!

Light argues that there are four primary problems with allowing the tides of reform to continue unabated as they have since the founding of our nation. First, unlike the tides of the oceans that often erode the coastline, the tides of management reform are more likely to add to the administrative state than to reduce even "…paperwork, rules or administrative thickening" (p. 217). Second, Light found that more and more reform initiatives are "…increasingly concerned with *comprehensive*, government-wide effects" that tend to increase both political and economic costs and make the impacts more difficult to evaluate. It is also much easier to allow failure or terminate a smaller, more targeted reform initiative (p. 219). A third problem with allowing the tides of reform to go on without interference is that the four tides are, generally speaking, incompatible. What one builds up another will come along and tear down next year or after the next election. The impacts of one tide often contradict another, relegating the management of

government to a lifetime of uncontrolled flux (p. 221). The fourth and final problem that Light identifies is that the ebb and flow of the tides seem to be accelerating. The result is less time between the last reform initiative and the appearance of the next (p. 223).

Light contends, "The more government is reformed, the more Congress and the president thinks it needs furthering reforming" (p. 5). He concludes that allowing the tides of reform to simply go on rolling in and out without any effort to control their impacts on the administrative coastline puts the government in danger of drowning in a sea of good intentions designed to make it simply work better.

To reduce the damage of reform efforts—past, present and future—Light recommends three broad approaches from which to start:

1) Build up *tidal barriers* to haphazard reform initiatives by strengthening institutional memory in Congress, the White House and the Executive Branch agencies;

2) Alter the climate for reform and work to restore public trust by renewing the focus on civic life and more active participation in governance by all citizens; and

3) Alter the gravitational pulls of reform by encouraging more experimentation in management reforms and building more credible performance baselines for measuring impacts of reform initiatives (pp. 223-224).

All three of Light's recommendations hold great promise for actually improving the way government works. However, it is his last recommendation regarding the gravitational pulls of reform that is most applicable to my own research.

Light acknowledges the difficulty in developing effective performance measures that will accurately reflect the true accomplishments of a government as large and complex as the American national government. According to Light, "…getting government to make the commitment to performance-based accountability has been

anything but easy." It is, however, "…clearly possible" (pp. 232-233). For Light, the passage of the Government Performance and Results Act (GPRA) of 1993 was the first step of Congress toward *true commitment to performance-based accountability*.

While the GPRA is not without problems and drawbacks, Light contends, "Although the statute is best seen as an expression of liberation management, it holds significant promise for sorting through all four tides"…to actually "…use performance measures as a way to hold programs accountable for achieving results" (p. 233). I believe this goal of the GPRA is best seen from inside an agency where the actual work of government is accomplished.

Another work that emphasizes the value of looking at reform implementation from the inside is *Implementation: The Oakland Project, Third Edition Expanded* (1984) by Jeffrey L. Pressman and Aaron Wildavsky. In the new *Preface to the Third Edition: Implementation and Evaluation as Learning*, Pressman and Wildavsky contend, "Implementation and evaluation are the opposite sides of the same coin, implementation providing the experience that evaluation interrogates and evaluation providing the intelligence to make sense out of what is happening" (p. *xv*). Pressman and Wildavsky sought to show the difficulties associated with the implementation of large-scale federal projects by evaluating the Economic Development Administration's effort in the mid-1960s to implement a program intended to help solve the problems of unemployment and racial unrest in Oakland, California.

Pressman and Wildavsky focused on identifying administrative, economic and political lessons to be learned from the Oakland Project. Their work traces the implementation of the Oakland Project at multiple levels. Starting with a view from the

top, Pressman and Wildavsky clearly show that sufficient money was authorized and appropriated by Congress. They further show that the Economic Development Administration approved projects and committed funds in a manner timely enough to ensure success. So why did the project fail to achieve its noble objectives?

According to Pressman and Wildavsky, the Oakland Project failed to accomplish its strategic goals because "…the *technical details* of implementation proved to be more difficult and more time-consuming" than anyone at any level of government "…ever dreamed possible" (p. 6). Had Pressman and Wildavsky ended their research with only the view from the top, they would have never seen the evidence at the operational level that actually demonstrated the difficulties with implementation that contributed to less than zealous accomplishments. It is this lesson learned regarding the importance of evaluating policy success or failure from the appropriate level that I have sought to incorporate into my own research.

In 1995, Donald F. Kettl and John J. DiIulio, Jr. compiled the fourth volume in a Brookings Institute series on efforts to reform the world of public management. The objective was to take a detailed look at the successes and failures of the National Performance Review (NPR) during its first year of implementation. At the end of its first year, the NPR report, entitled *From Red Tape to Results: Creating a Government That Works Better and Costs Less*, contained 384 recommendations for improving the performance of federal agencies. The recommendations covered numerous topics from budgeting practices and information technologies to personnel procedures to procurement regulations (NPR, 1993).

Initially, the NPR report received both positive and critical reviews. However, within two months after the report's release the negative reviews far outnumbered the positive ones (DiIulio, p. 4). In spite of the shortcomings of the NPR, Donald Kettl (1995) believed its primary objective, building *a government that works better and costs less*, was still achievable. According to Kettl, the most promising source of glue to hold the reinvention movement together and, thus, build lasting reform is

> *…the reorganization of the Office of Management and Budget (OMB) launched in March 1994 under the banner of OMB 2000 and the Government Performance and Results Act (GPRA), passed in 1993, which seeks to link budget inputs with performance outcomes* (p. 60).

Like Light, Kettl holds that efforts to reform the American national government have gone on since the founding of the Republic. According to Kettl, the call to reinvent government was nothing more than the latest skirmish in

> *…the ageless battle between Hamiltonians and Madisonians over the proper role of executive power in American democracy, and the eternal debate within administrative theory over how to balance central control over policy with decentralized power to fit policy to particular problems* (p. 63).

Unlike Light, however, Kettl finds that there are "several things" that are "clearly different" about the reform efforts driven by the GPRA.

Kettl first points to the GPRA's base in law, calling it "…the first reform launched by law instead of by executive order or administrative action." Because it is a law, Kettl contends that both Congress and the Executive Branch are more likely to continue support. Second, Kettl suggests that the GPRA is different from previous reforms because it provides for learning opportunities by starting with limited pilot programs before moving to government-wide implementation. Third, Kettl contends that the early evidence shows the GPRA has "broader and more enthusiastic support

throughout the bureaucracy" than previous reform efforts. Finally, Kettl argues that the GPRA is different because it "…speaks with unusual clarity to problems that citizens want to have solved" (p. 63). And what citizens want solved is the perceived inability of government to show that they are, in fact, achieving results.

Kettl stresses the importance of evaluating reform at the appropriate level because for any reform to achieve lasting success, "…the managers who most determine government's results" are the ones who must be motivated. According to Kettl,

> *Middle managers play a critical role in the reinvention effort. They occupy the key positions throughout government that determine how well programs work. They are the project managers, branch chiefs, and section heads who shape programs and the behavior of their subordinates* (p. 28).

Overall, Kettl found that the GPRA held "…considerable promise for linking the big politics of reducing the size of government and the little politics of improving its performance" (p. 63). Others, however, find nothing new or positive about the reforms of the 1990s or historical reform efforts. According to Daniel W. Williams, "Public administration experiences periodic reform movements that exhibit the enthusiasm of a tent revival, but the success of the Soviet economy" (2000, p. 522)

This is certainly not a complete review of the literature on organizational change or government reform. However, I believe it accurately reflects the full spectrum of opinions regarding government-wide reform efforts. Throughout the remainder of this paper, there will be references to other literature that also provided direction, focus and challenges throughout this entire research effort.

Evaluating Reform

According to the Government Accounting Office (GAO), at least four government-wide initiatives have been attempted since the end of World War II: 1) The Hoover Commissions; 2) Planning-Programming-Budgeting System (PPBS); 3) Management By Objectives (MBO) and 4) Zero-Base Budgeting (ZBB). Literature on government budgeting contends that each of these initiatives failed to achieve their objectives primarily because they did not fundamentally alter the inherent political nature of decision-making in the federal budget process (GAO/AIMD-97-46; Schick, 1995 and 1973; Gosling, 1992; Wildavsky, 1992). Each of these will be discussed in detail in Chapter 3.

Government reform in the early 1990s, however, had a new look. Rather than initiatives emanating solely from the Oval Office, the latest efforts to improve government performance claim the *force of law*. As former Vice President Al Gore was announcing plans to *reinvent government*, Congress had already begun erecting a statutory framework aimed at improving the effectiveness, efficiency, economy and accountability of all federal programs. The centerpiece of that framework is the Government Performance and Results Act (GPRA) of 1993 (GAO/T-GGD-97-43).

Conventional wisdom suggests improved strategic planning and performance-based budgeting are critical means to enhancing government performance. Traditionally, however, research in this arena has focused more on the top levels of government, *i.e*., budget interaction of the president and the Office of Management and Budget (OMB), top agency officials, and congressional budgeters. Findings from this perspective have been less than promising (Joyce, 2003). It was not long after passage

that criticisms of the GPRA began to sound a familiar theme---the GPRA had not fundamentally altered top-level decision-making in the federal budget process (Radin, 1998). But, have reform efforts such as the Hoover Commission, the PPBS, MBO, ZBB and, now, the GPRA really failed to improve government performance? Or, have we simply studied and analyzed their implementation from the wrong perspective?

The criticism generally directed at these initiatives reflects a very traditional view of decision-making in the federal government and an equally traditional academic approach to judging reform initiatives---from the top down. From this perspective, the GPRA has achieved no more success in altering the inherent political nature of government budgeting than its predecessors. However, the problem may not be the GPRA or its predecessors. The problem may be the traditional perspective and approach to measuring the success or failure of government-wide reform.

The traditional, top-down perspective generally leads to the conclusion that most government-wide reform efforts have failed because they did not take the politics out of budgetary decision- making (Joyce, 2003). Implementation of government-wide reform, however, simply cannot be fully understood, studied or evaluated strictly from the top down. The perspective does not provide a totally complete explanation of reform because it fails to:

- Correctly identify key players;
- Clearly define what government agencies currently do and what is expected to change;
- Adequately develop appropriate and accurate measures of success; and
- Recognize the opportunities for use of performance information at other levels of budget development.

By studying reform initiatives at lower levels but from inside the agency, the focus is on the people that must actually implement change—the managers and operators described by Kettl. This focus facilitates a more accurate understanding of what government agencies actually do and how the doing of it is related to attaining goals and objectives.

A view from inside an agency also more clearly demonstrates how long-term change is attained and institutionalized within government agencies. This is especially evident when we look at how the overall impression and evaluation of the GPRA's success changed dramatically over time. Many in Washington and in academia declared the GPRA dead in March 2000 (Laurent, March 16, 2000), much as Allen Schick described the alleged demise of the PPBS as a *Death in Bureaucracy* in 1973. By 2001, however, the GPRA had become a key facilitator of the *President's Management Agenda* (PMA) initiated by George W. Bush shortly after he took office.

Research Problem

The primary question addressed by this dissertation is: How does our evaluation of reform efforts differ when viewed from inside an agency? In general, this research focused on government-wide reform efforts from inside a working agency. When evaluated at the managerial and operating levels of an agency, some reform efforts are found to have achieved more success than previously reported. The proof of this will be demonstrated in a case study focusing on the implementation of the Government Performance and Results Act (GPRA) in the Air Force Materiel Command (AFMC) of the Department of Defense (DoD) conducted specifically for this research.

Scope of Study

While all agencies, with few exceptions, are subject to the directives of the GPRA, this research is limited to only one – the Department of Defense (DoD). This

study also is not a complete analysis of reform initiatives in the Department of Defense. That is an unachievable task within the confines of one research project. Rather, the scope of this research is limited to a long-term case study of changes within one of the DoD's managerial agencies, the Air Force Materiel Command, and one of that command's operating levels, the Propulsion Management Division located in the Oklahoma City Air Logistics Center.

A long-term case study of Air Force managerial and operating levels as a means to address changes in the DoD is appropriate for several reasons. The Air Force Materiel Command, headquartered at Wright-Patterson Air Force Base outside of Dayton, Ohio, is the DoD agency responsible for equipping the Air Force *warfighter*. The mission of the Air Force Materiel Command is

> *To develop, acquire, and sustain aerospace power needed to defend the United States and its interests...today and tomorrow.*

With annual budget authority on the order of $35 billion, the Air Force Materiel Command employs approximately 90,000 people (military and civilian) and is responsible for the operation of a $45 billion physical plant at 22 major installations located in ten states. Through the integrated management of research, development, test, acquisition and support, the Air Force Materiel Command advances and uses technology to acquire and sustain superior systems in partnership with their customers and suppliers. They perform continuous product and process improvement throughout the lifecycle of Air Force systems. As an integral part of the Air Force war-fighting team, the Air Force Materiel Command contributes to combat superiority, readiness and sustainability (Barzelay and Thompson, 2003).

Among the most demanding responsibilities for the Air Force Materiel Command is the operation of a world-wide supply system for acquiring and maintaining spare parts needed to sustain all Air Force weapon systems. Those systems range from the 1970s vintage AWACS E-3A to the new C-17 transport and the aging B-52s to the state-of-the-art F-117 and B-2 *stealth* aircraft. Spare parts are the repair parts and components, including kits, assemblies, and subassemblies (both repairable and non-repairable) required for the maintenance of weapon systems. Repairable items are those that are returned to the supply system to be repaired when they are no longer in working condition. Non-repairable items are called consumables, which means they are consumed in use or cannot be repaired economically (GAO-03-18).

Because of rapid technological changes and funding constraints, acquiring and maintaining spare parts has become an increasingly important issue in discussions of the key measure of Air Force effectiveness as directed by the DoD—combat readiness. According to former Director of Logistics for the Air Force Materiel Command, Brigadier General Stanley A. Sieg, readiness had been dropping since 1992. As the Air Force downsized, funding for spares was cut. It took a long time to get into that low state of readiness and there was certainly no quick fix for the problem (Livingston, 1999).

One of the operating levels experiencing great difficulty in the acquisition and maintenance of spare parts is the Propulsion Directorate at the Oklahoma City Air Logistics Center. Traditionally, engines are frequently the most costly and complex part of weapon system sustainment. According to the Director of Propulsion at the Oklahoma City Air Logistics Center, the largest share of the Center's annual budget and resources (human and monetary) are allocated to the sustainment of engines assigned to Oklahoma

City. As a result of the Base Realignment and Closure Commission's (BRAC) 1995 decision to close the Propulsion Directorate at San Antonio, Texas and transfer the workload to Oklahoma City, the Propulsion Directorate's average share of approximately 80 percent of the budget and other resources is not expected to decline in the foreseeable future. Therefore, the effectiveness, efficiency, economy and accountability the Propulsion Directorate's Management Division achieves is significant to the success of the Air Force Materiel Command, the Air Force and the DoD in achieving the desired outcome of improved combat readiness. After all, without engines even the state-of-the-art B-2 Bomber is nothing more than a static display!

While improved combat readiness was not expected to be achieved overnight, it is the basic outcome at which reforms within the DoD as a whole are directed. The Air Force translates the DoD's goal to achieving better support for the warfighter. Numerous initiatives focused on acquisition, logistics and financial reform have been implemented within the Air Force Materiel Command to improve support to the warfighter. Since 1993, several of these initiatives also were intended to facilitate compliance with the letter and intent of the GPRA and other components of Congress' statutory reform framework such as the Chief Financial Officers Act (Hale, 1999) and the Federal Acquisition Streamlining Act of 1994 (Beck, et al. 1997).

A second reason for studying Air Force management and operations to learn about the DoD is their shared history. The call for the establishment of a single defense structure to serve as an *umbrella* for management and budget purposes originated with early air power theorists such as Italian, Giulio Douhet and American, Billy Mitchell, as a necessary partner to the establishment of a separate and independent Air Force. In 1947,

when both the Air Force and DoD finally were established, a primary goal was to bring greater coordination to the management and budget allocations of the very independent and competitive military services. While the military services remain quite independent-minded, their fortunes are becoming increasingly connected as a result of numerous initiatives directly related to the GPRA and reinvention agendas. Of the four major services, the Air Force appears to be the most adamant and vocal opponent of many efforts associated with consolidation and interservicing.

Finally, I served as a civilian employee of the Air Force Material Command assigned to the Propulsion Management Division at the Oklahoma City Air Logistics Center from 1982 until 2000. After 1993, I was involved in numerous initiatives associated with the GPRA. My positions provided me the opportunity to actually participate in the initiatives and gave me access to pertinent data and other participants necessary to complete this research. In June 2000, I began a two-year assignment on a Career Broadening position in the Combat Support Division of the Air Staff at Headquarters-Air Force, the Pentagon. My assigned duties were that of a Budget and Appropriation Manager. This position provided additional data access and resource availability. Serving on the Air Staff afforded me the opportunity to better see the *big picture*—meeting the needs of the total Air Force rather than a single command. It also allowed me to see how changes directed at and accomplished by the operating and managerial levels actually worked their way back up the chain to become the heart and soul of the Air Force budget submission to Congress.

I returned to the Oklahoma City Air Logistics Center in October 2002 and was assigned to a new directorate, the Acquisition Center of Excellence (ACE). There are

Acquisition Centers of Excellence at all operational Air Force facilities. The Acquisition Centers of Excellence are intended to further advance acquisition reform and operate under the authority of the Under Secretary of the Air Force for Acquisition and Logistics. This new position has given me the chance to see and work with the results of acquisition reform initiatives begun during my previous tour at the Oklahoma City Air Logistics Center. My career path has provided many unique opportunities to participate in activities that also have supported my academic research.

Contents

The objective of this dissertation is to determine how our evaluation of reform efforts differs when viewed from inside an agency. Chapter 2 is the description of the methodology employed in this research. Chapter 3 provides an historical background for government-wide reform by summarizing the four previous initiatives attempted since WWII: 1) The Hoover Commissions; 2) Planning-Programming and Budgeting System; 3) Management by Objective; and 4) Zero-Base Budgeting.

An overview of the GPRA is the subject of Chapter 4. The goal of this chapter is primarily to show how Congress applied lessons learned from the four previous initiatives to enhance the GPRA's chances for successful implementation and the achievement of lasting, fundamental reform. Excerpts from the GPRA are provided as reference in Appendix A.

The objective of Chapter 5 is essentially two-fold. First, the intent is to more completely explain why a case study of the DoD is valuable and appropriate. The second objective is to present an overview of the PPBS as the means DoD uses to manage its resources and project budget requirements. It is noted in this chapter that, while the

attempt to impose the PPBS on all government agencies in 1965 failed, the PPBS has been and remains the mainstay of the DoD budget process since 1961. However, there is no executive order or Congressional mandate requiring its continued use. Therefore, understanding how the PPBS operates not only is important because DoD's budget documentation and justification that go to Congress come from the PPBS, it also is a major reform effort that has been institutionalized in the DoD without the benefit of law or executive order.

Chapter 6 is devoted to the actual case study and includes a summary of the findings associated with each initiative. Chapter 7 is the concluding chapter. This chapter will include summaries of the findings for each of the critical factors used to evaluate the multiple initiatives as well as survey and interview results. I will speculate on the future of the GPRA in the Air Force, the DoD and as a *tool* to assist the President and Congress in the very complex and political federal budgetary process.

Importance of the Research

Looking at reform efforts from inside a working agency provides a more accurate assessment of the success or failure of the GPRA. This perspective also enhances our understanding of how large organizations actually achieve and maintain major, long-term changes in the way they do business. It is my hope that this case study will encourage others to take a closer look from inside an agency at reform initiatives at the managerial and operational levels of the organization before declaring the reform efforts a success or failure. After all, neither the DoD nor any other Executive Branch agency is a vending machine—therefore change is inevitable!

Chapter 2

Methodology

There are many different ways to study government-wide reform —experiments, surveys, archival analysis, histories or case studies. All methods have strengths and weaknesses. From the beginning, I intended to do a long-term case study because I believe true and lasting reform takes time to accomplish. However, I did this knowing that many social scientists frequently view case studies as a weak method of academic research. Therefore, a brief discussion of the case study as a method for academic research seems appropriate.

Case Study As A Method For Research

According to Graham Allison (1983), accumulating extensive case evidence on public managers is an appropriate means for developing the knowledge base of public management. Robert K. Yin (2003), a recognized advocate of case study research, suggests one reason why case studies frequently are used for thesis and dissertation research is because "…the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events" (p. 2). Others, however, consider case studies of limited academic value.

The typical view of the case study is that it is only useful during the preliminary, explanatory stages of research strategy but not appropriate for describing some phenomena or testing hypotheses. Yin (2003) argues that case studies are valuable explanatory tools but that they also can be successfully designed to describe some phenomena and then test applicable propositions. While he acknowledges the distinctions are often blurred, Yin (2003) also contends that the three types of case

studies (explanatory, exploratory, and descriptive) are not mutually exclusive. Elements of each may be found in a single case study.

Recognizing that there are other research strategies, such as experiments, surveys, archival analysis and history, Yin (2003) suggests that the case study method is most useful when three conditions exist:

1. In answer to "How" and "Why" questions;
2. When the investigator has little control; and
3. Focus is on Contemporary Phenomenon with real-life context.

The other research strategies are also appropriate for addressing at least one of these conditions. However, Yin contends that "…there are large overlaps among them…" and the goal always should be to use the strategy that is most informative (p. 5).

Despite its popularity with some actively involved in social science research, the case study approach also has an abundance of critics. The predominant criticisms of case study as a research method are:

1. Lack of rigor;
2. Insufficient precision;
3. Lack of objectivity;
4. Provides very little basis for scientific generalizations; and
5. They take too long, result in massive amounts of data and extraordinarily lengthy narratives (Yin, 2003).

The criticism that case studies frequently lack scientific rigor generally is overcome by addressing each of the other concerns.

First, following systematic procedures and maintaining complete and accurate records of all data collected and analytical processes used can enhance research precision.

Second, maintaining an objective position throughout the research process is critical. One way of helping to ensure that you do not succumb to the potential for researcher bias is by simply being aware of the tendency for bias views to influence the direction of the research. Remaining academically objective was a particular challenge for me because I was an active part of my research subject from the beginning. Therefore, the potential for researcher bias inherent in this study is acknowledged. I believe, however, the use of multiple sources and types of data sufficiently mitigate this concern.

Third, rather than trying to generalize to populations or a universe, concentrate on generalizing to theoretical propositions. Limiting this research to one managerial agency and one of its operating components could limit the generalization of the study. However, I believe this limitation is mitigated by two related facts: 1) Multiple tasks that generate many types of data fall within the responsibility of the Air Force Materiel Command and the Propulsion Directorate at the Oklahoma City Air Logistics Center and 2) There is the potential for numerous theoretical propositions to be derived from this case study and ultimately applied to other future academic research.

Finally, case studies do not have to take a long time or produce unreadable documents. The time a case study takes is determined primarily by the subject matter and research question. I spent approximately nine years compiling information on what may be best described as *mini-case studies* in order to complete the overall case study that was focused on evaluating major reform initiatives over time. The length of time required also impacts the ultimate length of the academic document produced. However, as Yin points out, it is not necessary to follow traditional writing schemes that have previously resulted in extremely long manuscripts. Rather, Yin (2003) suggests researchers should

explore alternative ways of writing the final report that will reduce or may even eliminate the lengthy narratives altogether.

While they may have some unique characteristics and challenges, case studies are still "…an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, p.13). As such, the same four tests commonly used to establish the quality of any type of empirical social science research are also applicable to case study research. Because these same tests are relevant in judging the quality of research designs for all social science methods, they have been summarized in many textbooks:

1. ***Construct Validity:*** Establishing correct operational measures for the concepts being studied;

2. ***Internal Validity:*** (For explanatory or causal studies only) Establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships;

3. ***External Validity:*** Establishing the domain to which a study's findings can be generalized; and

4. ***Reliability:*** Demonstrating that the operations of a study, such as the data collection procedures, can be replicated and will yield the same results.

Construct validity can be particularly problematic for case studies. One way of addressing this problem is to use multiple sources of data. Pattern-matching and explanation-building are two tactics for enhancing the internal validity of case study research. External validity can become a major obstacle for the case study researcher. To avoid the problem, case study research should focus on analytical rather than statistical generalization. Very simply, instead of trying to generalize to a sample or some universe, the case study researcher should seek to generalize a set of results derived from the case study to some broad theory. Finally, to meet the standards of the reliability

test, researchers who choose to conduct case studies must diligently and accurately document all procedures and should also maintain a detailed record of all data collected and analyzed during the course of the research. The remainder of this chapter will discuss how my research was designed and conducted to meet these standards.

Research Design

While always focused on doing a case study, the study was never intended to be or is it a complete review of reform throughout the DoD. Therefore, my goal in conducting this research was to develop a detailed description of reform efforts within a limited area of the DoD as a means of assessing and evaluating certain conventional wisdom on government-wide reform. It is my hope that this case study will assist in analyzing other cases on agencies' efforts to comply with government-wide reform directives…past, present and future.

I began this research in 1995 and intended to complete it in 1999 with the submission of the program budget required by the GPRA. Ultimately, however, I did not actually complete the data gathering until 2003. Among the reasons for the extension was that Congress postponed the deadline for the program budget to fiscal year 2000. In addition, I took the Career Broadening assignment to the Air Staff and I thought this opportunity would provide additional information and experiences pertinent to my research. Finally, when I learned I would be reassigned to the Acquisition Center of Excellence upon my return to Oklahoma City, I simply could not resist the opportunity to see how acquisition reform initiatives I worked on in my previous assignment had turned out. I have included those findings in my final report, as well.

The primary question addressed by this dissertation is: How does our evaluation of reform efforts differ when viewed from inside an agency? Initially, I intended to track the various metrics used by the Propulsion Directorate, the Air Force Materiel Command and the Air Force designed to gauge their support to the warfighter and measure the changes overtime that could be clearly attributed to the GPRA reform effort. I then planned to compare these findings to those of more conventional analyses to identify any differences. However, very early on I learned that I could not accurately evaluate the impact of reform by looking at metrics alone.

When looking for impacts at the managerial and operating levels inside an agency, I had to look at much more. In particular, how the managers and operators actually perceive the reform is critical to whether or not it becomes institutionalized. Therefore, I decided to utilize a type of research Richard Fenno once called "soaking and poking." Officially referred to as *participant observation*, I started listening to more discussions and asking more questions instead of simply tracking changes in the metrics. In the beginning, I did not know what specific activities I would observe and participate in for my research. I read GAO reports to learn what areas of DoD's business performance held the most interest for Congress. I then selected those areas also addressed by the GPRA and in which I was most likely to be involved during the upcoming years.

An overall area of great interest to Congress is the DoD budget process. Therefore, since the submission of a program budget is a key component of the GPRA, this study includes a review of the DoD's resource management system, the Program-

Planning and Budgeting System (PPBS) and the changes within the Air Force to improve it's budget preparation and approval process.

Beyond the budget process, a key concern for Congress, DoD and the Air Force is combat readiness. I looked for areas most likely to have a significant impact on Air Force readiness. The first area selected was developing clear and concise mission statements upon which strategic plans would be built and applicable metrics identified. Next, I looked at issues related to inventory management such as requirements development and the accuracy of submitted budgets as compared to the requirements. Finally, I included activities related to acquisition reform.

In conducting this research, I reviewed theories of change and government-wide reform from academia and organizational change experiences from corporate and defense organizations. I sought out reports on government and commercial organizations that have undergone successful and sometimes not-so-successful change to learn what made them successful as well as how they learned from their less successful efforts. In a few cases, I was able to follow up the documentary research with personal interviews and more informal discussions with actual participants in the change initiatives. From these initial efforts I identified factors that are generally important to reform success.

There are numerous factors believed to contribute to the success or failure of reform efforts. Seven such factors, however, appear to enjoy fairly widespread consensus: impetus,focus, decision -making, key actors, accountability, level at which knowledge and information is concentrated, and time for implementation. By using these seven factors to guide my research, I hoped to learn just how much of an impact the GPRA was having on the Propulsion Directorate at the Oklahoma City Air Logistics

Center. The first step was to define the seven factors and identify their relationship to reform success or failure.

Critical Factors

The first critical factor is ***impetus***…or who is driving the reform train. Any one of the three branches of our government—the Congress, the Executive or the Court—can direct government-wide reform. However, which branch actually directs that changes be made may significantly impact the likelihood of successful implementation because statutes generally have more staying power than executive orders.

As was sadly demonstrated during the lengthy battle over school desegregation, the Supreme Court has no enforcement capacity (Mazmanian and Sabatier, 1983). While the Executive Branch has a constitutional obligation to execute the laws, it also has the capacity to enforce its own executive directives. However, the limited tenure of all presidential administrations seriously restricts long-term implementation plans for reform. The President and the Executive Branch political appointees who fill the top-level agency positions are really only temporary government employees (Jones, 1994; p. 101). While the President may serve for up to eight years, the average political appointee's tenure is generally much less. In the DoD, for example, two years or less is a political appointee's average tenure (Beck, Brokaw, and Kelmar, 1997). Therefore, it is relatively easy for career civil servants to simply shuffle papers and give lip service to reform efforts directed by executive order while waiting for the next administration.

In Congress, all are required to stand for periodic re-election. However, the reform directives issued by Congress do not necessarily, nor easily go away after the next election because these directives have the force of law. Certainly, laws can be changed

but it is conceivable that agencies take a more serious approach to directives from those who control the budget pie!

The originating entity for reform does not change with the perspective. It is, however, a critical factor to the ultimate success or failure of any reform initiative. Although how the reform was originally directed does not change, the influence it has on a different set of key actors does.

The second contributing factor is ***focus***…or what is expected to change. Focus is defined in a variety of ways. But whether one calls it a *target* (Pressman and Wildavsky, 1973), *the target group* (Mazmanian and Sabatier, 1983), *desired performance* (Ripley and Franklin, 1986) or simply a *preferred outcome*, correctly identifying the focus is essential to successful reform and mandatory to accurate evaluation of that reform. As previously discussed, the five major government-wide reform efforts initiated since WWII, including the GPRA, have been academically declared "failures" because they did not fundamentally alter the inherent political nature of decision-making in the federal budget process (Joyce, 2003; Radin, 1997 and 1998; GAO/AIMD-97-46; Schick, 1995 and 1971; Gosling, 1992; and Wildavsky, 1992). However, the focus of these initiatives was not external, *i.e.*, congressional behavior, but rather internal in which the objective was to change or improve how the Executive Branch agencies conduct day-to-day government operations. The results of this research show that before it can be decided whether or not change has been successfully implemented, we must be certain of what the policymakers intended to change.

Once the focus is identified, the next critical factor is ***decision-making***…or how change is expected to be implemented. Charles Lindblom's theory of incrementalism in

the policy process has long been a staple in the study of public administration. Most typically applied to studies of the federal budgetary process (Schick, 1995; Wildavsky, 1992; and Gosling, 1992), Lindblom's theory essentially contends that limited, incremental changes yield the most desirable policies because they allow for inherent limitations on rationality and compromise among competing interests. While Lindblom does not preclude the possibility of major policy change, he does warn of the potential for inefficiency and failure in the implementation of drastic changes. President Johnson's failed attempt to impose the DoD's PPBS on all federal agencies within six months lends significant credence to Lindblom's warning. President Nixon's equally shortsighted efforts to impose MBO and President Carter's failed attempt to implement ZBB in single budget cycles further enhance Lindblom's arguments.

There is, however, another view of the value of incrementalism in the policy process. Using the Vietnam War as an example, Michael Hayes contends, "From observation, it is plain that incrementalism cannot always be relied upon to yield good public policy" (1992). Recognizing the inherent danger in using words such as "always" or "never" in matters involving politicians or bureaucrats, there may be another alternative. Perhaps incrementalism, while it may not always guarantee *good* public policy, is also not the true antithesis for major change Lindblom suggests. Rather, incremental decision-making, when guided by a well-defined strategic plan, seems to be the most viable means to achieving the major changes sought by government-wide reform efforts such as the GPRA (Zall, 1997; Nolan, Goodstein, and Pfeiffer, 1993; and Kirst and Jung, 1982).

Now that we have the *what* and the *how*, it is time to look at the ***who***…who are the *key actors* in successful reform implementation? Obviously, who the key actors are depends on what is expected to change and how change is expected to be accomplished. This relationship is woefully overlooked by the traditional top-level view of reform. The traditional perspective tends to focus on the President, Congress and the identity, beliefs and decisions of the top-level officials of an agency. While leadership certainly is critical to successful reform, effecting lasting change requires the support and compliance of those who actually perform the day-to-day tasks of government operations (Beck, et al, 1997; Hersey, Blanchard and Johnson, 1996; Rainey, 1991; Wilson, 1989; and Mazmanian and Sabatier, 1983). Therefore, to accurately evaluate reform efforts such as the GPRA, it is imperative that we look at the managerial and operating level to determine if change has, in fact, occurred and how has the change affected performance.

The fifth factor of importance to successful reform is ***accountability***…or who is minding the store. The primary focus of much of the conventional literature is on the potential for disparity between the policy objectives driving congressional decision-making and the actual outcomes of the executed policy. Often this potential is studied in terms of congressional control versus agency discretion and flexibility (GAO/T-AIMD-99-188; Peters, 1993; Pressman and Wildavsky, 1984; and Woll, 1963). However, while agency discretion and flexibility are key components of the GPRA, the degree of control exercised by Congress is not a simple measure of reform success or failure.

While the words were written long before the GPRA, Archibald (1970) clearly recognized the importance of evaluating implementation efforts at lower levels of government to achieve a more realistic view:

> *I am not merely saying that an alternative when implemented may not produce the consequences expected. Rather I am saying that the policy alternative actually executed is quite likely to have undergone radical revisions at the hands of the operating levels. And since a policy is no better than its implementation, this suggests that analysts need to pay attention to the feasibility of a policy alternative at operating levels (p. 86).*

The GPRA, like its predecessors, seeks to improve effectiveness, efficiency, economy and accountability in actual governance. Since the founding of our government, bureaucrats at all levels have insisted that they must be able to exercise their professional judgment in day-to-day operations if performance is to improve. Therefore, one critical measure for reform initiatives is whether or not managers and operators are allowed to and actually use their professional judgment to make significant changes in their day-to-day activities to improve performance. When viewed from inside an agency, it may also be seen that better accountability is not incompatible with enhanced bureaucratic discretion and flexibility.

The sixth factor is the level at which ***knowledge*** and ***information*** is believed to be concentrated. The traditional perspective assumes knowledge and information is greatest and most concentrated at the top of a hierarchical bureaucracy (Carnevale and Hummel, 1996). While this may be true, the knowledge and information at the top is very broad and lacks sufficient detail necessary to the development of appropriate measures for evaluating reform efforts. Other important measures of reform initiatives' success or failure lie in an agencies' ability to clearly define their mission; define and develop strategic plans; identify applicable measures of performance with established targets and goals; and, finally, to accurately relate those measures to both budget proposals and actual spending decisions. Defining an agency's mission and strategic goals are the purview of the upper level executives. However, each level of management within an

agency must define their mission and their short-, mid- and long-term goals in accordance with the agency's overall mission and strategic goals. In addition, identifying applicable measures of performance with established targets and goals and accurately reflecting those measures in both budget proposals and actual spending decisions occur at much lower levels than agency directors. Turning a plan into successful action requires not the broad knowledge at the top of the hierarchy, but the detailed and experiential knowledge found at the managerial and operating levels. Therefore, it is the concentration of knowledge and information at the lower levels and top-level recognition of that fact that are most critical to reform success.

The seventh and final factor is ***time***…specifically, the time allowed by policymakers for implementation of reform initiatives. The time policymakers allow for implementation is critical to the ultimate success of reform initiatives seeking major change. Viewing reform initiatives at the managerial and operating levels of an agency more accurately demonstrates the actual time needed for successful implementation.

Implementation of any large-scale reform, such as the GPRA, within the federal government is no easy task. It is unlikely that it can be accomplished in a short period of time, especially not a single budget cycle (Schick, 1995; Osborne and Gaebler, 1992; Ripley and Franklin, 1986; Nakamura and Smallwood, 1980; Salamon, 1979 and Pressman and Wildavsky, 1973). However, government reform initiatives are often viewed as short-lived endeavors. A primary reason for this is the notorious short attention spans of many politicians (March and Olsen, 1983). Although I will show that the lifetime of some previous reform initiatives is actually longer than frequently

depicted, the longevity of the GPRA is noteworthy in and of itself. It, thus, provides an excellent opportunity to evaluate reform over a longer period of time.

These, then, are the seven factors I used to structure my research and interview questions. Once I had identified the factors I wanted to track and defined them, I created files for each and began collecting data.

Data Collection

In addition to the review of archival materials already discussed, the data collection methods for this research include personal participation, direct observation, semi-structured discussions and structured interviews. From 1995 to 2002, I participated in or observed more than two hundred meetings and briefings that focused on reform initiatives related to the GPRA. I requested and was granted permission by my supervision to use information garnered from these meetings and briefings in my academic research. There were, however, some restrictions. The most important restriction was also the most obvious… I could not use any information that was in any way classified or proprietary. Secondly, I could not ask questions during a meeting or briefing that were intended to gain additional information strictly for my academic research. I could, however, contact participants at a later time for follow-up questions.

The third restriction involves attributing statements to meeting participants or a briefer by name. The DoD has a strict non-attribution policy that is applicable to the working environment and professional military educational settings (See Appendix B). Therefore, unless explicit permission was granted or statements were included in publicly available published material, only professional titles are used in reference to any direct quotations. Finally, the Air Force was not willing to pay my salary for me to conduct my

research while on duty. In my professional role, I generally take extensive notes and then transcribe them into a more coherent and detailed form when I return to my desk. During non-duty hours, I transcribed any notes I intended to use in my academic pursuits a second time in a format organized to support my research.

Over the years, I actually spoke with 167 individuals to gain information for my research. A total of 98 interviews were conducted. Some were formal and some were more informal and came about because an opportunity unexpectedly presented itself. These interviews included individual operators such as program managers, item managers, equipment specialists, logistics management specialist, contracting officers and budget specialists. Also included were managers at all levels from first and second level supervisors and division chiefs at the Oklahoma City Air Logistics Center to one-, two-, and three-star generals and members of the Senior Executive Service at the Pentagon. Some reflected a very positive view of the changes brought about by the GPRA. Others were more skeptical and a few were quite pessimistic about the success of any attempt to reform the DoD. All, however, provided valuable insight into how reform initiatives evolve inside an agency, sometimes become a permanent part of the agency's activities and sometimes fail to survive even the initial implementation efforts.

The range of attitudes, experience and expertise is wide in an organization as large as the Air Force and the DoD, and organizational change is, for many, a very emotional issue. In many cases, my findings are best reflected in the actual words of the people to whom I talked. All 167 individuals spoke openly and freely, however, all but two also insisted on remaining anonymous. Again, I agreed to adhere to the DoD's non-attribution policy (See Appendix B). However, I believe I have provided sufficient

information to give readers the best feel for what people are thinking and to illustrate the wide range and depth of feelings for organizational change under the GPRA.

The seven critical factors provided the initial outline for all interviews and discussions. I always included questions that would address all seven factors I selected to track. However, in some cases, interviewees and discussion groups tended to focus only on the questions most related to their field of expertise and they were not willing to venture an opinion even with a guarantee of anonymity. Others were more than willing to express an opinion…often in great detail!

Finally, I employed two surveys to learn more about how people feel about reform in general as well how they feel about changes ongoing in their own organizations. The first survey was not original. It was the Air Force Organizational Climate Surveys conducted in 1997. Every Air Force Chief of Staff since 1997 has directed the Air Force Manpower and Innovation Agency to conduct a climate assessment survey every two years. The purpose of the survey is to provide actionable feedback for leadership to use in improving their units. The survey "taps the pulse" of the Air Force by soliciting feedback from those that make it work, including all Air Force members, Appropriated and Non-Appropriated Fund civilians, and Air National Guard.

I was able to obtain the specific results for the Propulsion Management Division at the Oklahoma City Air Logistics Center from the 1997 survey. Therefore, for a comparative analysis, I decided to conduct a limited version of the survey specifically for this research in the fall of 2001. Although I included other sections, my primary focus was on *Core Values* and *Unit Flexibility.* I wanted to see if the survey would reflect any significant changes in how employees of the Propulsion Management Division at the

Oklahoma City Air Logistics Center viewed the levels of accountability and flexibility as they related to their daily job responsibilities (See Appendix C for Survey Instrument).

I obtained permission to distribute the surveys to the item managers and equipment specialists in the Propulsion Management Division at the Oklahoma City Air Logistics Center. I distributed 200 surveys with stamped, self-addressed envelopes included so the surveys could be returned conveniently and anonymously. I was assigned to the Air Staff at the Pentagon in Washington D.C. at that time and maintained a personal post office box at the Pentagon post office. I distributed the surveys on 1 August 2001 and asked that they be returned by 30 September 2001 to the Pentagon post office address. Sadly, September 11, 2001 occurred between those two dates. By the end of September I had received only thirty-seven responses. I decided to extend the return period to 30 November 2001. I sent a notice to all the employees that received the original surveys advising them of the extension. By 4 November 2001, I had received a total of eighty-one completed surveys.

On 5 November 2001, the Defense Protective Service notified me that my personal mailbox had tested positive for anthrax. The entire post office was closed and most of the mail coming into it was later sent to Ohio to be radiated. Unfortunately, my mail was confiscated and all mail without a return address was destroyed after it was tested for anthrax contamination. The survey participants had been specifically directed not to put a return address on the envelope. I do not know how many surveys might have actually been returned but destroyed.

I include the above explanation because I decided to go ahead and look at the results of the eighty-one surveys I received even though the sample number is much

smaller than I planned to use. I acknowledge that the information gained from the analysis of these surveys could be quite skewed. However, I did find the results somewhat interesting and informative and worthy of being included.

Chapter 3

The Road to GPRA

Previous Initiatives

America and the structure by which she is governed are products of an experimental, evolutionary journey that began more than two hundred and twenty-five years ago. Some experiments were more successful than others. Some sought to significantly alter the framework put in place by the Founding Fathers while others merely attempted to improve the performance of the federal structure by employing established business practices. The Government Performance and Results Act of 1993 (GPRA) is not the first effort, nor is it likely to be the last, whose stated objectives include improving effectiveness, efficiency, economy and accountability in the federal government. To improve the GPRA's chances for successful government-wide implementation, the crafters of the GPRA utilized several important lessons learned from previous initiatives. Therefore, to truly understand the GPRA, it is necessary first to look at the road traveled to get there.

According to the Government Accounting Office (GAO), at least four government-wide efforts aimed at improving the performance of the federal structure have been initiated since the end of World War II: 1) The Hoover Commissions; 2) Planning-Programming-Budgeting System (PPBS); 3) Management By Objectives (MBO) and 4) Zero-Base Budgeting (ZBB). Literature on government budgeting contends that each of these initiatives failed to achieve their objectives primarily because they did not fundamentally alter the inherent political nature of decision-making in the federal budget process (GAO/AIMD-97-46; Schick, 1995 and 1973; Gosling, 1992;

Wildavsky, 1992). However, fundamental changes in the budget interaction of the president and the Office of Management and Budget (OMB), top agency officials, and congressional budgeters were not the goal of these initiatives. Rather, the objectives focused on behaviors within the Executive Branch agencies. When the federal budget process is viewed from inside an agency, it becomes more evident that these initiatives have left a lasting legacy not readily identifiable from the more conventional view. Consequently, it is important to understand the environment in which these initiatives came about; the principles on which they were based; the stated goals and objectives; and the methods of implementation.

The Hoover Commissions

In 1945, America celebrated a victorious conclusion to WWII, enjoyed a strong and prosperous economy but mourned the death of her President, Franklin D. Roosevelt. Harry Truman came to the Oval Office committed to preserving the *soul* of FDR's legacy but not necessarily the war-inflated bureaucratic structure supporting it. Although Truman clearly recognized and respected FDR's qualities as a leader, he never thought his former boss was a particularly good manager. Truman believed his first responsibility as President after the end of WWII was to achieve an orderly re-conversion of the American economy from a wartime to a peacetime basis while avoiding a recession or a return to depression that frequently follows major conflicts (Moe, 1982).

Believing reorganization of the Executive Branch to be the necessary means to achieving his desired ends, President Truman requested, and Congress approved, the Reorganization Act of 1945 (59 Stat. 613). Truman strongly believed governmental "reorganization was peculiarly a presidential responsibility of a continuing nature" (Moe, 1982; p. 23). Therefore, under the grant of authority contained in the 1945 Act, Truman

submitted six separate reorganization plans and saw four of them approved by Congress. However, some, most notably Republican critics, viewed Truman's efforts as a piecemeal approach not likely to achieve the significant reforms needed.

In 1946, the Republicans gained control of both the House and the Senate. Shortly after the elections, Republican Congressman Clarence Brown introduced a bill in the House and Senator Henry Cabot Lodge introduced an identical bill in the Senate to establish a commission for the expressed purpose of reorganizing the Executive Branch of the government. The final bill had a smooth, rather uneventful journey through Congress (Moe, 1982). In early 1947, with few serious questions and little opposition, Congress established by statute (61 Stat. 246, July 7, 1947) a Commission on Organization of the Executive Branch of Government. It soon became more popularly known by the name of its chairman, former President Herbert Hoover.

When Congress established a second study commission (67 Stat. 184, July 10, 1953) with the same official name and also chaired by Herbert Hoover, the commissions became known simply as the First Hoover Commission (1947-1949) and the Second Hoover Commission (1953-1955). The name, however, was not the only characteristic shared by the two commissions. Both were unusual in that while they were congressionally mandated, they also enjoyed presidential support and cooperation. An important feature of both Hoover Commissions was their comprehensive and, generally, bipartisan nature. In the case of the First Hoover Commission, an absolute bipartisan makeup of six Republicans and six Democrats was required by statute. Although no such strict requirement was contained in the statutory language establishing the Second Hoover Commission, general bipartisan consensus was still achieved.

Both commissions also strongly reflected the philosophical beliefs of their chairman, Mr. Hoover, regarding the proper role of the President in the administrative structure of the American national government. According to Ronald Moe (1982), "…both Commissions sought to reduce the role of the Federal Government in the life of the Nation, reorganize Federal agencies to produce greater *economy and efficiency* in its operations, and generally strengthen the President and departmental secretaries as administrative managers of the Executive Branch" (p. 1) – a very succinct and accurate statement of Mr. Hoover's own personal views. To this end, the First Hoover Commission focused primarily on reorganizing the structure of the Executive Branch agencies and expanding the managerial authority of the President. The Second Hoover Commission was more concerned with the functions performed by the Executive Branch and the rewriting of associated policies.

The First Hoover Commission held its initial meeting at the White House on 29 September 1947. According to its congressional direction, the Commission was to submit its report within ten days after the 81st Congress convened in January 1949 and disband within the following ninety days. To meet this schedule, the First Hoover Commission established twenty-four separate *task forces* as the basic work units and adopted a comprehensive work schedule. By September 1948, the Commission was generally meeting on a weekly basis for two or three days at a time (Moe, 1982).

The stated objectives of the First Hoover Commission were:

- Create a more orderly grouping of the functions of Government into major departments and agencies under the President.
- Establish a clear line of control from the President to those department and agency heads and from them to their subordinates with correlative responsibility from these officials to the President, cutting through the barriers that, in many cases, have made bureaus and agencies partially independent of the Chief Executive.

- Permit the operating departments and agencies to administer for themselves a larger share of the routine administrative services, under strict supervision and in conformity with high standards (*General Management of the Executive Branch*, 1949; pp. 7-8).

While the influence of the 1937 Brownlow Committee report is clearly evident in the stated objectives, the First Hoover Commission declared that both legitimacy and historical precedence for their actions were firmly anchored in the words and intentions of the Founding Fathers to promote a *vigorous executive* (Moe, 1982). Hoover strongly believed that the Federal Government could operate in a more economical and efficient manner. However, Hoover equally was committed to the belief that this outcome was only possible if the responsibility for making policy and setting standards was firmly in the hands of the President and the departmental secretaries. It was these two beliefs that formed the basic doctrine for both Commissions. Also, enhancing and expanding the *institutional presidency* through the concentration of greater power and authority not only for the President but also for departmental secretaries and agency chiefs was among the most significant and enduring accomplishments of the First Hoover Commission (Moe, 1982)…a legacy that remains with us today.

Although the members acknowledged the broad grant of authority intended by the statute, the First Hoover Commission did not believe its mandate extended to the writing of policy. By the time the Second Hoover Commission was created, however, the statutory language clearly provided the Commission the authority to rewrite any applicable policy or write new policy when needed (Moe, 1982). According to the enabling legislation for the Second Hoover Commission,

> *The most important difference between this bill and the Hoover Commission statute (1949) is found in the declaration-of-policy section. These paragraphs are intended to make certain that this Commission has full power to look into*

> *the activities of the Federal Government from the standpoint of policy and to inquire, 'Should the Government be performing this activity or service, and if so to what extent?' This commission must ask questions of this nature which the original Hoover Commission did not ask* (Establishment of Commission on Organization of the Executive Branch of the Government, p. 4).

Clearly, the underlying philosophy that guided Congress and Mr. Hoover in the establishment and activities of the Second Hoover Commission was a belief that Government had simply grown too large. Ironically, although reducing the size of government is among the cornerstones of conservative wisdom, the Second Hoover Commission never enjoyed the same level of support from Republican President Dwight Eisenhower that Democrat, Harry Truman had given the First Hoover Commission. This may be one reason for the different perceptions of the Commissions' overall success (Moe, 1982).

For the most part, the First Hoover Commission is viewed as the more successful of the two. The First Hoover Commission never submitted a single, consolidated final report to Congress. Rather, the twenty-four Task Forces completed nineteen individual reports that were submitted to Congress over a three-month period with the final report reaching Congress in May 1949 (Moe, 1982). Contained in these nineteen reports were more than two hundred and seventy separate recommendations aimed at reorganizing the Executive Branch to achieve greater effectiveness and efficiency. Of these, it has been estimated that as many as one hundred and ninety-six recommendations were actually implemented to some significant degree (GAO-97-46, p. 30).

For the purposes here, the most important of the recommendations viewed as successfully implemented was the call for a *performance-based budget* for the Federal Government. The Commission defined *performance budgeting* as a process where

> *…attention is centered on the function or activity—on the accomplishment of the purpose—instead of on lists of employees or authorizations of purchases…this method of budgeting concentrates congressional action and executive direction on the scope and magnitude of the different Federal activities. It places both accomplishment and cost in a clear light before the Congress and the public* (GAO-97-46, p. 31).

The Executive Branch acted immediately to implement the Commission's recommendation for a performance-based budget with the submission of the President's Budget for fiscal year 1951. Prior to 1951, less than forty-five percent of all budget accounts included in the annual budget submission contained information on obligations by activities. However, after the 1951 budget, all budget requests contained sections that provided –

- Listings of all programs or activities imbedded within a budget account;
- Separated operating and capital expenses; and
- Established breakouts for grants and other fixed charges.

Also, unlike previous budgets, the budget submitted in 1951 also contained narrative statements regarding the program and performance for each account and summary information on employment levels (GAO-97-46, p. 31).

Surprisingly, Congress acted with equal speed and fervor in passing two laws intended to require performance budgets from all Federal agencies. The first of these was the National Security Act Amendments of 1949 (63 Stat. 578, August 10, 1949). Section 403 of this Act required

> *The budget estimate of the Department of Defense shall be prepared, presented, and justified, where practicable so as to account for, and report, the cost of performance of readily identifiable functional activities, with segregation of operating and capital programs…*(GAO-97-46, p. 32).

Although actual presentation formats have continually evolved over the last fifty years, this requirement remains in effect for the DoD even today.

The second law passed by Congress in response to the Hoover Commission's recommendations was the Budget and Accounting Procedures Act of 1950 (BAPA, 64 Stat. 832, September 12, 1950). This law was intended to impose requirements similar to those already required of the DoD on all federal agencies. However, following a lengthy debate on the floor of Congress, the BAPA contained no language specifically requiring a performance-based budget submission from other agencies. Arguing that the term performance budget was unnecessary for legal enforcement of the new law, BAPA simply states in part:

> *The Budget shall set forth in such form and detail as the President may determine—(a) functions and activities of the Government...*

Despite the less than specific language, Congress believed it had fully implemented the Hoover Commission's recommendation for a government-wide performance budget with the enactment of BAPA. Although BAPA does not specifically call for a performance budget, it institutionalized the requirement for all agencies to provide sub-account level information to the Congress via the *obligations by activities* section. While this section is now called *program activities*, the requirement laid out in BAPA remains in force today (GAO-97-46, pp. 32-33).

Like its predecessor, the Second Hoover Commission utilized nineteen task forces to produce twenty individual reports on assigned research topics that were ultimately submitted to Congress over a period of several months. However, unlike the First Hoover Commission, the Second Hoover Commission also submitted a summary *Final Report*, as well. Overall, the reports contained three hundred and fourteen separate recommendations. According to a report by the Citizens' Committee charged with monitoring the implementation process, more than two hundred of the recommendations

had been fully or partially implemented by 1958. However, none of the major budget and accounting recommendations was implemented. This may account for much of the criticism levied at both Hoover Commissions in literature on government budgeting (Moe, 1982).

Both Hoover Commissions left their indelible mark on the structure of the Federal Government. In addition, the concept of study commissions to address difficult issues, *i.e.*, the Base Realignment and Closure Committee (BRAC)), continues to be highly touted today in both the halls of Congress and the Executive Branch agencies.

The Planning-Programming and Budgeting System (PPBS)

The Planning-Programming and Budgeting System as it pertains to the Department of Defense will be discussed in detail in subsequent sections. This section will focus only on the attempt to impose the PPBS on all government agencies.

President Lyndon B. Johnson's approach to government-wide implementation of the PPBS in 1965 was distinctively different than the approach previously taken by DoD. The DoD utilized several hundred analysts and more than ten years of contractor-assisted development to implement the PPBS. In contrast, President Johnson directed that government-wide implementation of the PPBS be accomplished in less than six months.

On 12 October 1965, less than two months after Johnson's formal announcement, the Bureau of the Budget (BOB) issued Bulletin 66-3 to provide agencies guidance and instructions for the government-wide implementation of the PPBS. Bulletin 66-3 directed twenty-two executive departments and seventeen smaller agencies to designate an official responsible for implementing their PPBS system and report the selection to BOB within ten days. Bulletin 66-3 further directed the agencies to:

- Make tentative decisions on their broad program categories within twenty days;
- Forward instructions, procedures or regulations regarding their PPBS implementation to the BOB within two months; and
- Deliver a final Program Structure, approved by the agency director, to the BOB by 1 February 1966 (GAO/AIMD-97-46, p. 36.

Through the use of Program and Financial Plans (PFP), Program Memoranda (PM) and Special Studies, agencies were to provide data on program structures "to illustrate how they would achieve national needs, showing costs and effectiveness of alternative objectives, program types, and level of operations," including any "assumptions and uncertainties on the cost and criteria used to support agency recommendations and estimates" (GAO/AIMD-97-46, p. 37).

In addition to the unrealistic implementation time frame, Bulletin 66-3 created an additional obstacle to government-wide success for the PPBS by specifically separating the PPBS from the President's annual budget submission to Congress:

> *The introduction of the Planning, Programming and Budgetary system will not, by itself, require any changes in the form in which budget appropriation requests are sent to Congress. Further, this Bulletin is not to be interpreted to set forth changes in the format of annual budget submissions to the Budget Bureau.*

BOB later tried to address the separation between the PPBS process and the President's budget when it issued a second BOB Bulletin (No. 68-2) in July 1967 directing agencies to provide *crosswalks* between their PPBS and appropriation structures. This *two-track system*, however, only added to the already overwhelming implementation burden of the PPBS caused by lack of training and expertise due to unreasonable time frames.

BOB issued subsequent guidance calling for agencies to integrate their PPBS and appropriation structures, but each new directive merely served to further confuse agencies and complicate an already complex budget process. Government-wide implementation of

the PPBS seems to have been doomed to failure from the beginning by a lack of preparation and foresight on the part of its very proponents.

Was the PPBS truly new and revolutionary? Could the PPBS result in rational decisions? From the beginning, reactions to the PPBS varied. Many predicted the PPBS would displace performance budgeting in government in an effort to determine how funds should be allocated among competing programs based on priorities (Henry, 1992). Allen Schick (1966), however, contends there were actually three reactions to Johnson's directive. The first group was comprised of individuals who clearly shared Johnson's high expectations. This group heralded the PPBS as a "revolutionary development in the history of government management." As Henry (1992) also suggests, they saw the PPBS as markedly different from anything previously used in government decision-making.

Others, however, were not as impressed with the PPBS or its potential for accomplishing revolutionary changes. Schick calls this group "*old-timers*" because they viewed the PPBS as nothing more than "…a revival of the performance budgeting venture of the early 1950s." They simply did not see that the PPBS was substantially different. For the *old-timers*, the PPBS was simply a new way to package techniques and give new, distinctive names to activities already in use.

The third response to the PPBS described by Schick seems to be the one he, himself, shared. In that interpretation, the PPBS was seen as offering "…a radical change in the central function of budgeting" while remaining "anchored to half a century of tradition and evolution." In 1966, Schick called the PPBS, "the first budget system *designed* to accommodate the multiple functions of budgeting." He also contended the "success story" of the PPBS in the DoD had undoubtedly "pushed ahead by several

years" the implementation of the PPBS throughout the federal government. Schick concluded that the PPBS would lead to future budget decisions "influenced by explicit statements of objectives and by formal weighing of the costs and benefits of alternatives." This, in fact, is exactly what the PPBS was designed to accomplish.

As often is the case, however, a new administration brought new opinions and a new round of reorganization for the Executive Branch. In the late 1960s, Defense Secretary Melvin Laird (appointed by President Nixon) was seen by many as trying to "dismantle" the Pentagon's "well-controlled and highly centralized PPB system." Laird tried to gain support for what he called "participatory budgeting" by stressing that it would allow the admirals and generals "to participate more fully in budget formation" than did the PPBS. Ultimately, Laird's efforts failed because the PPBS was already well institutionalized in the DoD (Henry, 1992).

During this same time period, President Richard Nixon reorganized the Executive Office of the President to include a domestic council that would focus on policy and planning. In addition, in 1970, Nixon replaced the Bureau of the Budget with the new Office of Management and Budget (OMB). The OMB was to focus on management and effectiveness. Again, according to Henry (1992), this division of responsibilities between the Domestic Council and the OMB created "additional layers of authority between budgeters and policymakers" and demoted "the function of the budget examiner"(p. 205).

OMB wasted very little time in directly attacking the PPBS. On 21 June 1971, OMB issued the following memorandum:

> *Agencies are no longer required to submit with their budget submissions the multi-year program and financing plans, program memoranda and special analytical studies or the schedules that reconcile information classified according to their program and appropriation structures.*

Allen Schick (1973) declared the OMB memorandum a "death notice" for the PPBS in the federal government. Despite the great expectations that had accompanied the introduction of the PPBS less than ten years before, Schick contends the OMB *death notice* rendered the PPBS an *unthing*.

According to Schick (1973), the PPBS failed because it did not impact budget decisions in "civilian departments" as it had in the DoD. Schick credits the success of the PPBS in the DoD to organizational changes made in the DoD in the 1950s, the suitability of systems analysis for major procurement decisions and, perhaps most importantly, the leadership and determination of then-Secretary of Defense Robert McNamara to develop a system specifically designed to meet the needs of the DoD. Schick concludes, these conditions were "weak or absent" in the civilian departments. Therefore, the PPBS failed to penetrate their budget processes and decisions.

Guy Peters (1993) seems to take a similar stance in his analysis of the failure of the PPBS in the federal government. Peters contends, "PPBS was a dagger pointed toward the central role of the agency in policy-making in the federal government, and as such it could not really have been expected to succeed, except perhaps in organizations such as the Department of Defense"(p. 137). Like Schick, Peters points to a strong leader (McNamara) committed to the concept of program budgeting as a primary reason for the success of the PPBS in the DoD. Other federal agencies did not have this same strong, committed leadership when directed to implement the PPBS.

Peters also suggests the nature of the DoD's mission contributed to its success with the PPBS because the system "produced extremely nebulous results that could only be tested against simulations or scenario-building exercises"(p. 137). Finally, Peters

includes the DoD's limited number of "potent political enemies" as another reason for the success of the PPBS in that agency. Overall, Peters concludes, for other agencies with greater political opposition and real clients demanding real services, PPBS was "doomed to failure from the beginning"(p. 137).

Henry, Schick and Peters all contend it was factors and circumstances unique to the DoD that account for the success of the PPBS in that agency. Henry (1992) suggests, “PPBS often seems to be used most effectively in organizations centered around hard technology, such as the Department of Defense, which, in fact, has never discontinued the PPB systems introduced by McNamara"(p. 204). Henry bases his argument on the relative ease and accuracy of measuring costs and benefits of new aircraft or other weapon systems as opposed to measuring costs and benefits of the variety of services provided by agencies such as the Department of Health and Human Services.

James J. Gosling, in his book, *Budgetary Politics in American Governments* (1992), contends, "Except for the continuation of selective special analyses, PPBS as a ubiquitous structure in federal budgeting was allowed a quiet death"(p. 33). According to Gosling, while the PPBS was not really new in its "use of policy analysis to evaluate alternative solutions to public problems. What was new was the attempt to incorporate analysis systematically into the fabric of budgeting through program budgeting--to make analysis an inherent part of budget developments and review"(p. 32).

Gosling's conclusions regarding the demise of the PPBS in the federal government seem to reflect the general opinions of the academic community. The most common reasons given for the failure of the PPBS include:

- Programs and objectives are difficult to define in terms that are both logical and useful to budget participants.

- Because of its complexity, budget participants never really understood nor learned how to do program budgeting.
- Program budgeting was resented by lower- and middle-level management and Congress because they viewed it as a means of promoting "top-down decision-making" and enhancing the influence of the President in the budgetary process.
- Budget participants never became comfortable with the PPBS because they preferred the more "traditional" line-item method of developing and reviewing budgets.

Although this review is limited, there seems to be little disagreement among the academic community regarding the complete failure of the PPBS in federal agencies other than the DoD. There is, however, another slightly different opinion of the PPBS that must be addressed…for the works of Aaron Wildavsky frequently are cited and referenced in all the literature pertaining to the PPBS, especially its demise. In his book, *The Politics of the Budgetary Process, Fourth Edition* (1984), Wildavsky contended he was unable "to find a single example of successful implementation of PPBS"(p. 195) …including the DoD! In contrast to the other academicians reviewed, Wildavsky contended the PPBS did not succeed in the DoD because it made no significant changes in DoD's budgetary decisions and had no major impact on the agency's final budget.

Wildavsky carries his argument even further and suggests PPBS could not have succeeded because it never actually existed in the DoD or anywhere else. Wildavsky bases his argument on the contention that no one, not even program budget practitioners, was able to adequately define programs or assess their costs. His final argument actually may be the most extreme. According to Wildavsky, the PPBS could not result in rational decision-making because the PPBS, itself, is irrational! He further contended that the PPBS cannot improve the allocation of resources; it cannot produce better analyses

because of limited human and/or mechanical capacities; and, finally it is not cost effective. Wildavsky concluded, “the PPBS only produces costly rationales for inevitable failures"(p. 200).

A final view of the attempt to implement the PPBS throughout the Federal Government is that of Alice M. Rivlin. In her book, *Systematic Thinking for Social Action* (1971), Rivlin describes the PPBS as “simply a commonsense approach to decision-making" in which organizational objectives are clearly defined; definite methods are established to account for money spent and outputs achieved; alternatives are evaluated and analyzed; and, finally, systematic procedures are established to ensure relevant information is available when it is time for decisions to be made.

The PPBS President Johnson imposed on federal agencies in 1965 was designed to achieve precisely the objectives Rivlin describes. For it is not the technical terminology nor the complex analytical processes that provide the foundation for the PPBS. Rather, the PPBS represents a belief that a relationship can and should exist between planning and budgeting with programming providing the bridge. Unfortunately, instead of imposing the concept of the PPBS, Johnson attempted to install across all agencies a system specifically designed for the DoD. Add to that Johnson’s unrealistic expectation that the PPBS could be learned and installed in all agencies in only six months and the failure of the PPBS to become part of the institutional fabric of government budgeting could have been accurately predicted long before the OMB issued its *death notice* in 1971.

Management By Objective

Management by Objective (MBO) first was introduced in the private sector in the mid-1950s (Drucker, 1954). Although the definitions associated with MBO shift to some degree with each iteration, a basic definition is "a process whereby organizational goals and objectives are set through the participation of organizational members in terms of results expected" (Jun, 1976, p. 3). In other words, MBO essentially is a decentralized approach to management that seeks to establish specific but broad objectives, measure the progress of particular programs and then evaluate the contributions of those programs to achieving the established objectives. More important, perhaps, is what MBO does **not** do—it does not look for alternative approaches to meeting the stated objectives. Therefore, MBO will not tell decision-makers if there is more than one effective solution.

MBO first was implemented in the federal government in April 1973 during the last Nixon administration. President Nixon's support of MBO was ironic because of MBO's emphasis on decentralization and President Nixon and his advisors basically were distrustful of anyone or any program not rigidly controlled by the White House. In a memorandum issued to twenty-one federal agencies that constituted approximately ninety-five percent of the budget and federal employees, President Nixon declared:

> *I am now asking each department and agency head to seek a sharper focus on the results which various activities under his or her direction are aimed at achieving…This conscious emphasis on setting goals and then achieving results will substantially enhance federal program performance (GAO/AIMD 97-46, p. 42).*

To ensure adequate White House control of an initiative bent on decentralizing the federal government, responsibility for implementing and monitoring the progress of MBO was firmly established in the recently created Office of Management and Budget

(OMB). Thirty new *management associate* positions were created within OMB to *assist* other departments with their MBO implementation efforts.

The management associates provided "day-to-day assistance to the departments in preparing objectives, tracking progress, working closely with OMB budget examiners, and providing technical assistance to agency staff and OMB top management to help implement the initiative" (GAO/AIMD-97-46, p. 43). An additional responsibility of the management associates was to ensure the agencies' objectives did not stray from nor conflict with administration goals and objectives.

OMB's implementation plan called for agencies to identify ten to fifteen of their most important objectives to be achieved within a year but without additional resources. These would be known as *Presidential Objectives*. Depending on the agency, proposals were to be submitted within two to eight weeks after the official announcement in April 1973. After proposals were approved, the agency staff was to meet, face-to-face, with OMB approximately every two months to discuss agencies' progress toward achieving their objectives. In the first year, no direct connection between the budget process and MBO was established. In February 1974, however, OMB directed agencies to base their 1976 budget requests on their presidential and agency objectives. Despite a formal link to the budget process, MBO's implementation was soon overshadowed by the collapse of the Nixon administration in August 1974. Although a newly appointed President Gerald Ford enthusiastically endorsed agencies' 1975 *Presidential Objectives*, no further presidential objectives were ever requested under MBO.

MBO, as implemented, was quite attractive to most federal agencies because its perceived flexibility offered relief from the alleged inflexibility of the PPBS. MBO also

was quite popular with lower levels of government. However, although MBO continued to be used by many state and local governments well into the 1980s, MBO as a formal initiative in the federal government died quietly in 1976. MBO's short life clearly was the result of its initial separation from the formal budget process and problems encountered in identifying and measuring objectives. Not so clear, however, is the effect the resignation of President Nixon had on its overall implementation. But, as we shall see in later chapters, to some extent the basic concepts of MBO live on in the federal government, today.

Zero-Base Budgeting

Zero-Base Budgeting (ZBB) came to Washington in 1977 with the inauguration of a new president, Jimmy Carter. As Governor of Georgia, Carter had introduced ZBB to the public sector as a means of improving both the effectiveness and efficiency of Georgia's state government. During his tenure as Governor, Carter allegedly used ZBB to reduce agency budget requests and force some major reallocations of resources that included the total elimination of some programs (Phyrr, 1977). However, ZBB did not stand alone in Georgia. Rather, ZBB was used in conjunction with *sunset laws* to achieve its objectives. *Sunset laws* provide

> *…that, unless the legislature specifically acts otherwise, public programs or agencies are disbanded after a set period of time…Programs and agencies are reviewed periodically by the legislature under this threat of termination, with the idea that over lapping jurisdictions and inefficient programs can be eliminated or possibly reworked* (Henry, 1992, p. 207).

In February 1977, President Carter issued a memorandum "mandating the use of zero-base budgeting for all fiscal year 1979 agency budget requests" (GAO/AIMD-97-46, p. 46). While President Carter could direct agencies and departments to use ZBB to formulate the Executive Branch budget, he could not mandate *sunset laws*, ZBB's

Georgia partner. Only Congress can issue such a mandate. And, although Congress did conduct hearings on proposals calling for *sunset laws*, no such legislation was ever passed. Therefore, on 19 April 1977, when OMB issued Bulletin 77-9 as the final guidance for the implementation of a new budget formulation process, ZBB was expected to replace the existing process as a stand-alone initiative.

Theoretically, under ZBB, all programs that require funding still must compete for that funding but they start from an equal base – *zero* – rather than from any previous funding level. ZBB requires the preparation of packages called *decision units* as the basis for all budget requests. These packages were to present thorough evaluations of all proposed funding program activities including the level of funding needed to achieve stated program goals and objectives as well as alternatives based on varying levels of funding. Unlike previous implementation plans for the PPBS and MBO, OMB did not establish a special staff to facilitate the implementation of ZBB. Rather, federal managers and existing budgeters were expected to implement this new budget formulation process in their normal course of business.

The lack of a specialized staff was not the only impediment to ZBB implementation. OMB also did not provide specific structural guidelines. Top agency officials and program managers were expected to establish objectives as "explicit statements of intended output, clearly related to the basic need for which the program or organization exists" and to identify "measures of effectiveness, efficiency, and workload for each *decision unit*" (GAO/AIMD-97-46, p. 48). However, because OMB did not specify a basis for the *decision units*, some agencies used their account structures while others focused on their program activities. Many of the alternatives presented were based

on nothing more than arbitrary percentages of their current funding. Some agencies also opted to consolidate decision units at high organizational levels. All of these factors made accurate measurement difficult and frequently impossible.

In addition to the technical difficulties associated with ZBB, agency officials complained that they were not given sufficient time to appropriately implement ZBB and the additional paperwork required created an overwhelming burden on agency personnel. But, despite the complaints and obstacles, ZBB was successfully implemented in the sense that the required documentation in the appropriate format was submitted by the agencies – and on time! There is, however, no evidence that the extensive *decision packages* submitted to OMB had any subsequent impact on Congressional actions.

As a formal budget process initiative, ZBB did not survive the change of presidential administrations in 1980. In August 1981, OMB quietly rescinded its circular A-115 that required federal agencies to maintain a ZBB system. Some of the budget process requirements introduced by ZBB, however, did survive – at least for a period of time. Agencies continued to identify and prioritize *decision units* until 1986. Until 1994, OMB continued to require agencies to submit budget requests reflecting three levels of funding and consolidated priorities (GAO/AIMD-97-46).

There were no more formal government-wide reform initiatives specifically aimed at improving government performance after ZBB until the 1990s. But, as discussed in the next chapter, many of the concepts associated with and the lessons learned from the Hoover Commissions, the Planning-Programming and Budgeting System, Management by Objectives and Zero-Base Budgeting did survive and continue to influence the federal budget process in the twenty-first century.

Chapter 4

Overview of the GPRA

Government reform in the early 1990s had a new look. Rather than initiatives emanating solely from the Oval Office, the latest efforts to improve government performance claim the*force of law* . For as former-Vice President Al Gore was announcing plans to *reinvent government*, Congress already had begun erecting a statutory framework aimed at improving the effectiveness, efficiency, economy and accountability of all federal programs. The centerpiece of that framework is the Government Performance and Results Act (GPRA) of 1993 (GAO/GGD-97-109 and GAO/T-GGD-97-43).

At a very basic level, performance based budgeting simply is the linking of plans and performance to resource distribution. This is the heart of the GPRA. The GPRA seeks more accurate, reliable and consistent information in a user-friendly format to assist the President and Congress in making appropriate budgetary decisions (GAO/GGD-97-109 and GAO/T-GGD-97-43). It is important to note here, however, that the stated goals of the GPRA do not include fundamentally altering Congressional behavior or political processes. So what does the GPRA actually say?

What It Says

The overall objective of the GPRA, as stated at the beginning of *Public Law 103-62: Government Performance and Results Act of 1993,* is:

> *To provide for the establishment of strategic planning and performance measurement in the Federal Government, and for other purposes.*

Congress justified a need for the GPRA based on three formal findings:

> *(1) Waste and inefficiency in Federal programs undermine the confidence of the American people in the Government and*

> *reduces the Federal Government's ability to address adequately vital public needs;*
>
> *(2) Federal managers are seriously disadvantaged in their efforts to improve program efficiency and effectiveness, because of insufficient articulation of program goals and inadequate information on program performance; and*
>
> *(3) Congressional policymaking, spending decisions and program oversight are seriously handicapped by insufficient attention to program performance and results* (Public Law 103-62).

These findings reflected the widespread belief in the 1990s that the federal government needed to be run in a more businesslike manner. As private companies are held accountable by their shareholders, the federal government is accountable to taxpayers. As budget deficits ballooned as never before, taxpayers began demanding that their tax dollars be managed and spent more responsibly. But more stringent fiscal responsibility was not the only demand. The tax paying public was also demanding that the federal government improve services while lowering total costs---and do so with fewer employees.

Over the years, the GAO, acting on behalf of Congress, had conducted countless studies of federal agencies' fiscal management and mission performance. Their findings were frequently the same—"federal agencies often fail to appropriately manage their finances, identify clearly what they intend to accomplish, or get the job done effectively and with a minimum of waste" (GAO/GGD-96-118; p. 1).

Congress already had passed legislation to begin addressing issues associated with federal agencies' financial management. Now the GPRA would focus on efforts aimed at improving agencies' mission identification, strategic planning, performance measures and relating those measures to proposed and actual expenditures. This clearly is

stated in the six purposes set forth by Congress in the law. Congress wrote*: The purposes of this Act are to –*

> *(1) improve the confidence of the American people in the capability of the Federal Government, by systematically holding Federal agencies accountable for achieving program results;*
>
> *(2) initiate program performance reform with a series of pilot projects in setting program goals, measuring program performance against those goals, and reporting publicly on their progress;*
>
> *(3) improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction;*
>
> *(4) help Federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality;*
>
> *(5) improve congressional decision making by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of Federal programs and spending; and*
>
> *(6) improve internal management of the Federal Government* (Public Law 103-62, 1993).

History Guides the Way

To improve the GPRA's chances for success, Congress drew on many of the lessons learned from previous government-wide reform initiatives. The GPRA's crafters considered factors that influenced both the success and failure of previous initiatives to formulate the concepts and provisions of the GPRA, a time schedule and plan for implementation and even supporting legislation. From the lessons of history, the crafters of the GPRA clearly recognized that:

- a law has both strength and longevity that executive orders lack;
- lasting reform requires ongoing collaboration and cooperation between the Executive Branch and the Congress;
- no one piece of legislation alone can improve the performance of government;
- institutionalized reform takes more than one or two budget cycles;

- test cases facilitate learning and long-term success.

- budgetary reforms should be incorporated into the existing process;
- alternative solutions and funding levels must be required not merely suggested; and
- not all important measures are quantitative

Perhaps one of the most critical historical lessons reflected in the GPRA is the simple fact that it is law. Both Congress and the Executive Branch knew that if government-wide reform was to succeed in the 1990s, it had to have not only the force of law behind it but the longevity of the law, as well. Interest in government-wide implementation of the PPBS, MBO and ZBB quickly faded into history as the presidential administration changed. Because these initiatives were founded in executive orders, it made it relatively easy for disgruntled career bureaucrats to simply shuffle a few more papers until the next election. The Hoover Commissions, however, are considered more successful. Because they had the support of both the White House and the Congress, many of the Commissions' recommendations did, in fact, become law and remain institutionalized in our government today. But even the second Hoover Commission failed to achieve some of its objectives because President Eisenhower did not lend the same support to managerial reform as had President Truman.

Just knowing, however, that government-wide reform needed a statutory framework did not mean the construction of one would be easy. In our system of separated powers, even short-term cooperation and collaboration between the executive and legislative branches of government can be a challenge. Constructing and maintaining an ongoing, long-term partnership focused on reform would be a formidable task. The

reason is simple — the two branches approach reform from two very different perspectives and harbor often competing expectations.

When it comes to reform, especially possible budgetary reform, the legislative branch tends to focus on its role as overseer of the public's purse. In their oversight role, Congress and its staff stress "near-term program performance, consistency over time in information presentations, and accountability" (GAO/AIMD-97-46; p. 3). This often leads Congress to expect not only *more bang for the buck* but relatively immediate results, as well. Officials in the Executive Branch agencies, on the other hand, are more concerned with "long-term goals, adaptability to changing needs, and flexibility in execution" (GAO/AIMD-97-46; p. 3).

Previous reform initiatives failed to even consider these inherent differences in the perspectives of the two branches of our government. Consequently, past attempts at reform made no provisions for reconciling or overcoming conflicting approaches. Reminiscent of the task force approach utilized by both Hoover Commissions, the GPRA seeks to overcome this obstacle by **requiring** frequent, regular and formal consultations among **all** affected stakeholders. To further enhance its chances for success, the GPRA calls for collaboration to begin in the earliest possible stage – when strategic plans are developed and formalized.

Strategic planning had long been considered the exclusive purview of executive agency officials without direct Congressional involvement. The GPRA, however, recognized the need for a basic understanding of program goals by all stakeholders if resources are to be successfully linked to results. Therefore, under the GPRA, not only must final strategic plans be submitted to the Congress for review and approval,

legislative staffers actively participate in the formulation and development of strategic goals and objectives.

The next lesson of history exerting a strong influence on government-wide reform efforts in the 1990s was the knowledge that true and lasting reform required resolution of numerous complex issues...issues so complex that they could not be adequately addressed in any one, single piece of legislation. Therefore, while the GPRA is the centerpiece of the statutory reform efforts of the 1990s, it was not the first nor the only law passed whose goal was change in the way the federal government conducted its daily business.

The first rung on the statutory ladder to government-wide reform was the Chief Financial Officer Act (CFO) of 1990. The focus of the CFO Act was to subject federal agencies to the same financial scrutiny and accountability long required of state and local governments and private business concerns (GAO/GGD-96-118; p. 1). A key feature of the CFO Act was to establish chief financial officer positions in twenty-four major agencies and departments that account for approximately ninety-eight percent of the federal government's gross budget authority. A multiyear implementation plan called for annual reports on the financial status of government agencies. Congress further expanded the scope of federal financial reform in 1994, when it added the Government Management Reform Act (GMRA) to the statutory reform framework. Under the GMRA, for the first time, federal agencies would be required to produce independently auditable financial statements that would account for capital assets, liabilities and inventories (GAO/GGD-96-118; p. 7).

The focus on financial management reform was soon joined by a look at how government acquired its assets, liabilities and inventories. In the 1980s, numerous

governmental studies and short-term commissions made recommendations to improve the acquisition process and systems used to procure goods and services for government agencies (Beck, Brokaw and Kelmar, 1997; p. 2-4). Largely due to a lack of good financial information and tracking capability, the results fell far short of expectations. Present day acquisition reform began with the creation of the Acquisition Law Advisory Panel (Section 800 Panel), mandated by the fiscal year 1991 National Defense Authorization Act. Practitioners with actual experience in the government acquisition system and a vested interest in the outcome of the panel's work were selected to sit on the Section 800 Panel. At the same time and inspired by world events such as the end of the Cold War and the victory in Desert Storm, the American public began clamoring for a *peace dividend* from downsizing and re-engineering the U.S. military establishment. In addition to the opportunity to improve the government acquisition process, the Section 800 Panel also provided Congress a vehicle for responding to public demands. Congress ultimately directed the panel to actually rewrite statutory code, the Federal Acquisition Regulation (FAR), based on the panel's findings. The panel's findings, submitted to Congress in January of 1993, became the foundation for the Federal Acquisition Streamlining Act (FASA) of 1994 (Beck, *et al*, 1997; p. 2-2).

The Federal Acquisition Reform Act (FARA) soon followed the Federal Acquisition Streamlining Act. New reform initiatives emanating from these acts of Congress opened the door to government use of the best acquisition practices already achieving measurable success in the private sector. It was envisioned that use of these best practices would improve the acquisition process and help ensure that new systems, especially expensive military and space systems, are acquired in the most efficient,

effective, and economical manner possible (GAO/IAP-97-1). The Federal Acquisition Streamlining Act and Federal Acquisition Reform Act would also facilitate government-wide implementation of the GPRA by giving agencies a new means for improving performance and results.

In 1996, Congress passed more legislation to again facilitate the mandates of the GPRA. The Information Technology Management Reform Act of 1996 calls for agencies to review and evaluate the way they gather, maintain and utilize massive amounts of information. The information technology (IT) world has undergone dramatic change, as computers small enough to fit in the palm of the human hand have become a part of every day American life. For government agencies to improve their performance, they must take full advantage of modern IT capabilities. The Information Technology Management Reform Act forces agencies to look for new solutions to acquiring and maintaining information by requiring agencies to "set goals, measure performance, and report on progress in improving the efficiency and effectiveness of operations through the use of information technology" (GAO/GGD-96-118; p. 1). Very simply, massive independent computers with multiple unique, legacy systems no longer meet the needs of the federal government nor the expectations of the Congress or American taxpayer.

From the experiences of history, the crafters of the GPRA drew on two more important lessons. First, lasting reform cannot be achieved in one or two budget cycles. Second, even when your objective is government-wide reform, the federal government is simply too large and diverse to implement a *one-size-fits-all reform* in every agency at the same time. Test cases or pilot studies offer reformers the opportunity to test theories and new processes in a more manageable environment. Incremental implementation also

provides the opportunity for feedback; multiple vector checks and course corrections while reform modifications are still practical and economically feasible. These are both lessons reflected in the GPRA's time schedule and planned incremental implementation.

Unlike previous reform initiatives that called for immediate implementation in the current budget cycle, the GPRA directs a "multiyear, iterative implementation process" (GAO/AIMD-97-46; p. 19). The period of time the Congress mandated for the implementation of the GPRA was seven years from the initial pilot projects until the first government-wide performance reports were due to Congress as a required part of the agencies' annual budget submission for 1998 (Public Law 103-62). During the seven years, the OMB was to select a variety of organizations within the major agencies and departments to implement pilot projects for strategic and performance planning and identification and development of appropriate outcome measures. This protracted implementation schedule also gave other organizations, not participating in the pilot projects, adequate time to formulate their own plans for complying with the directives of the GPRA – the law!

Included in the GPRA's incremental implementation approach was a mandate for at least five agencies to conduct two-year pilot projects of alternative approaches to performance budgeting. The performance budget pilots were scheduled to begin in fiscal year 1998 to allow agencies time to collect performance data and to gain experience in preparing strategic and performance planning. In fiscal year 1999, the second year of these pilot projects, the selected agencies were required to include performance-based budget presentations with their President's Budget submission to the Congress. The OMB was then required to evaluate the results of the performance-based budget pilots

and submit their findings, including an assessment of the need for further legislation requiring performance budgets, to the President and the Congress not later than 31 March 2001 (Public Law 103-62).

Two additional key features of the GPRA that reflect the lessons of history are that it **allows** for qualitative measures of performance and it **requires** alternative solutions and funding levels be included in performance documentation. Previous initiatives called almost exclusively for quantitative measures of performance. When agencies found it difficult or impossible to define desired outcomes in quantitative terms, they resorted to simple output, process or workload measures that could not be adequately related to program goals and objectives. Recognizing the difficulty of measuring outcomes in strictly quantitative terms, the GPRA calls for a range of measures that may incorporate simple output, process and workload measures but must also include, even if qualitative in form, measures that address desired outcomes (GAO/AIMD-97-46).

Previous initiatives, most notably ZBB, suggest agencies consider alternative solutions to meeting program objectives. The GPRA, however, not only requires that alternative solutions and funding levels be considered, but it also requires that these alternatives be included in agencies' performance plans and submitted to the President and the Congress (Public Law 103-62). This information is intended to greatly enhance the ability of decision makers to more clearly evaluate the impacts of requests for budgetary increases or proposed budget cuts.

Finally, the GPRA recognizes that institutionalized reform can only be successfully implemented as a part of the existing budget process. Chaos does not

facilitate reform. Previous initiatives attempted to supplant or add to the existing process, thereby frequently fostering chaos via overwhelming workloads. The crafters of the GPRA realized that "the process of budgeting is inherently an exercise in political choice" in which scarce resources must be carefully allocated among competing needs and priorities (GAO/AIMD-97-46). However, the crafters of the GPRA also believed that performance information can and should be one of the factors decision makers have at their disposal when making critical choices. Very simply, the crafters of the GPRA sought to make more accurate, reliable and consistent information in a more user-friendly format available to assist all decision makers – including those at the lower levels of government agencies – in making appropriate budgetary choices.

Expectations of a Law

With the purposes of the GPRA clearly stated, Congress then articulated what federal agencies were expected to deliver in order to comply with the intent of Congress:

> *No later than September 30, 1997, the head of each agency shall submit to the Director of the Office of Management and Budget and to the Congress a strategic plan for program activities* (Public Law 103-62).

Congress went on to stipulate that agencies' strategic plans must include six components:

- *Concise mission statement;*
- *Agency-wide, long-term goals and objectives for all major functions and operations;*
- *Approaches (or strategies) for and the various resources needed to achieve the goals and objectives;*
- *A relationship between the long-term goals and objectives and the annual performance goals;*
- *An identification of key factors, external to the agency and beyond its control, that could significantly affect the achievement of the strategic goals; and*

- *A description of the program evaluations used to establish or revise strategic goals and a schedule for future program evaluations.*

In addition to strategic plans, beginning with fiscal year 1999, the GPRA also requires federal agencies to prepare and submit annual performance plans covering program activities set out in the agencies' budgets. The six basic requirements established by the GPRA call for these performance plans to:

- *establish performance goals to define levels of performance to be achieved;*
- *express those goals in an objective, quantifiable, and measurable form;*
- *briefly describe the operational processes, skills and technology, and the human capital, information, or other resources required to meet the goals;*
- *establish performance measures for assessing the progress toward or achievement of the goals;*
- *provide a basis for comparing actual program results with the established goals; and*
- *describe the means to be used to verify and validate measured values.*

Agency discretion and flexibility are key components of the GPRA. Recognizing this, the GPRA specifically provides a means for enhancing and expanding agencies' discretion and flexibility:

> *Beginning with fiscal year 1999, the performance plans required under section 1115 may include proposals to waive administrative procedural requirements and controls, including specifications of personnel staffing levels, limitations on compensation or remuneration, and prohibitions or restrictions on funding transfers among budget object classification 20 and sub classifications 11, 12, 31, and 32 of each annual budget submitted under section 1105, in return for specific individual or organization accountability to achieve a performance goal.* (Public Law 103-62)

In an effort to preclude misunderstandings, the GPRA clearly defines critical terms, such as *outcome measure, output measure, etc*. The GPRA also calls for a series of *pilot projects* to test each of its main provisions before government-wide implementation is attempted. These pilot projects, however, do have limited time spans. Finally, the GPRA

lays out a plan and time schedule for full-scale implementation. These features of the GPRA can be reviewed in more detail through excerpts from the actual Results Act contained in Appendix A.

The structure of the GPRA suggests that the key determinants of effectiveness, efficiency, economy, and accountability are within the entities tasked with executing government programs—the Executive Branch agencies. Therefore, the important measures of the GPRA's success or failure lie in agencies' abilities to comply with the intent of Congress as outlined in the GPRA.

Chapter 5

The Department of Defense and Organizational Change

Ultimately, the overall objective of the GPRA, like its predecessors, is *change*—change that results in improved government performance. However, this is not a word generally used in a positive context regarding the propensity or willingness of any bureaucratic organization to effect change. It especially is not a word frequently associated with the bureaucracy known as the Department of Defense (DoD). In reality, however, ongoing change is one of the few certainties in the day-to-day activities at the managerial and operating levels of the DoD (Beck, Brokaw, Kelmar, 1997). This is but one reason why the DoD is an appropriate agency for evaluating the implementation of the GPRA. Other reasons include its common activities, foundation in reform, size, budget, annual spending and purchasing authority, and its more than forty years of experience in using the Planning-Programming and Budgeting System (PPBS) for resource management.

Differences and Commonalities

The mission of the DoD is to support and defend the Constitution of the United States; to provide for the common defense of the nation, its citizens, and its allies; and to protect and advance U.S. interests around the world. Based on this mission statement, conventional academic discussions often make a distinction between the DoD and *civilian* agencies. As the largest single department in the federal government and because of its unique role in providing national security, the DoD does engage in many activities not found in other Executive Branch agencies. However, from an administrative and managerial view, there are no activities engaged in by other agencies that also are not accomplished within the DoD (GAO/NSIAD-98-188R). This includes identifying

missions, strategic planning, measuring performance, evaluating programs and budgeting—all target areas for improvement under the GPRA.

At the managerial and operating levels the commonalities become even more evident. Every month the DoD cuts 5 million paychecks, accomplishes 920,000 contract or purchase actions, fits troops with 50,000 pairs of boots and serves 3.4 million meals. On any given day the DoD buys enough fuel to drive a car around the world 13,000 times, maintains 12,000 miles of waterways, operates twenty four percent of America's hydropower capacity, manages 225 schools and provides day care for 200,000 children. In fact, the DoD is the world's largest employer-sponsored day care provider and has been recognized by the White House as a model for other agencies and private business concerns to follow (Introduction to the Department of Defense, 7 May 2001). As you can see, a great deal of time, training and resources are required to ensure the DoD always is ready to accomplish its primary mission of defending the nation. What also should be apparent is that the administrative activities in the DoD are much the same as those in other federal agencies or large corporations.

Born of Reform

The administrative and managerial structure of the United States' military did not simply appear overnight. Rather it has evolved over more than two hundred years. In reality, with the exception of the Air Force, the American military services actually are older than the nation. The Army lays claim to be the oldest but was soon followed the Navy and Marine Corps. The cabinet-level War Department was formed in 1789 after the ratification of the new Constitution. Nine years later, the Navy formed its own department to manage Naval and Marine Corps affairs while the Army remained under the War Department. This organizational structure of the American military remained

basically the same until the end of World War II. Experiences during that conflict proved that unified control of the military at the national and major command levels was critical to national defense.

In 1947, as a part of the National Security Act, Congress established a civilian Secretary of Defense with cabinet rank; created a new overreaching department called the National Military Establishment; created a new service, the Air Force, with its own department; and converted the War Department to the Department of the Army. Congress also placed all the services under the direct control of the Secretary of Defense. To further consolidate authority, a 1949 amendment to the Act established the agency as an executive department, renamed it the Department of Defense and withdrew cabinet level status for the three service secretaries. For more than fifty years, now, this organizational structure has remained essentially intact.

Size...or Its Hard to Ignore a Thousand Pound Gorilla

The DoD is the nation's largest employer, with approximately 1.4 million men and women on active duty, 672,000 civilians and another 1.28 million volunteers serving in the Guard and Reserve. The DoD is comprised of the Army, Navy, Air Force, Marine Corps, Office of the Secretary of Defense, the Joint Chiefs of Staff and 24 defense agencies such as the Defense Logistics Agency and the Defense Information Agency. DoD employees are found at approximately 600 fixed facilities and more than 40,000 properties located in more than 130 countries. Whether on land or at sea, no other company can match the size of the DoD (Introduction to the Department of Defense, 7 May 2001; GAO/NSIAD-97-219R and DoD Directive 5100.1, 1987).

Since its peak in 1985, the DoD budget as a percentage of the federal budget as a whole was in decline until 2002. However, at more than $250 billion, the DoD budget

remained the largest single component of discretionary budget authority annually appropriated by Congress (GAO/NSIAD-97-219R). In addition to annual procurement expenditures of approximately $40-$60 billion (GAO/NSIAD-98-188R), the DoD also leads all other agencies as a contractor for goods and services from the private sector (Light, May 1999). If initiatives driven by the GPRA improve the effectiveness, efficiency and economy of expenditures this size and, thus, ensure the resources necessary to accomplish DoD's critical missions, the GPRA can legitimately claim some significant degree of success.

Resource Management in the DoD

When the National Security Act of 1947 created the DoD, a primary goal was to bring greater coordination to the management of the very independent and competitive military services. In some measure, due to the size of the new department, this goal remained largely elusive until the introduction of the Planning-Programming and Budgeting System (PPBS) in 1960 under the guidance of then Secretary of Defense, Robert S. McNamara. McNamara recognized the particular importance of resource management for an agency the size of the DoD if it was to accomplish its mission effectively, efficiently and economically while ensuring appropriate accountability.

Prior to 1961, budget preparation in the DoD hardly reflected a coordinated or rational allocation of resources. Lawrence Korb (1977) describes a DoD approach to budgeting in those years that was fraught with weaknesses, both in substance and process. These included:

- Little or no relationship between budget decisions and planning;
- Duplicated services among the independent military departments;
- Independent military departments' insistence on their fair share regardless

of the effectiveness of their programs or the security needs of the nation;

- A budget process primarily focused only on next year's budget with little concern for the impact current decisions could have on future years;
- Little data or formal analysis was available for the Secretary of Defense to use when faced with making choices among competing services or proposals.

Overall, before 1961, DoD's budget essentially was an uncoordinated compilation of independent budget proposals from competing military departments. These proposals reflected only the individual interests of each military department. The Office of the Secretary of Defense (OSD) provided little guidance. OSD also lacked the information and ability needed to review these proposals in regard to overall defense needs.

When Robert McNamara was appointed Secretary of Defense in 1961, he intended to be less of a figurehead and to actually exercise managerial control of the DoD. McNamara saw the budget process as a means of achieving the coordinated management and rational policy-making he sought to build in the DoD. To accomplish these goals, McNamara introduced the Planning, Programming and Budgeting System (PPBS) into the DoD (Joint DoD/GAO Working Group, 1984). The PPBS was designed to institutionalize the planning and budgeting functions and to develop a third function, programming, as a bridge linking planning to budgeting (Air Force Institute of Technology, June 1992).

The PPBS, as implemented by McNamara, was actually developed in the 1950s by operations researchers and economists working under the direction of Charles Hitch at the Rand Corporation under contract to the Air Force (Dunn, 1994). This non-governmental team was looking for rational, analytically founded answers to traditional, politically inspired budget questions. Specifically, Hitch and associates sought to determine "…how the country could *purchase* national security in the most efficient

manner--how much of the national wealth should be devoted to defense, how the funds allocated to defense should be distributed among the different military functions, and how to assure the most effective use of these funds" (Greenberger, Crenson and Crissey, 1976, p. 32).

Under the PPBS, the budget process for DoD was divided into three phases. The planning phase was designed to provide an integrated multi-year overview of defense needs to guide the development of programs in the second phase, programming. In this second phase, programs were to be evaluated and selected on the basis of achieving near-term (0-2 years), mid-term (3-10years) and long-term (10-20 years) military goals and objectives of national security policy. In the third phase, budgeting, DoD's budget requests were originally divided into ten (10) major force programs (MPF) for the purposes of funding (Joint DoD/GAO Working Group, 1984). Major force programs are mission area divisions of the DoD program and budget. Major force programs cross Service lines and each Service contains a portion of those major force programs relating to its mission. The number of major force programs has fluctuated over the years and now stands at eleven (11) (Headquarters, USAF Planning, Programming, and Budgeting Basic Course Student Study Guide, April 2001).

How the PPBS actually operates will be discussed later. This abbreviated description of the design of the PPBS is intended to show McNamara's determination to coordinate and rationalize decision-making and, thus, overcome the weaknesses of earlier approaches to budgeting in the DoD. The key concepts of the PPBS for McNamara were its planning orientation, multi-year focus and its identification of objectives in terms of programs that cut across individual military departmental boundaries.

The PPBS: Forty Years and Counting[1]

Opinions in the academic community may vary regarding the survival of the PPBS in the DoD. However, those in the DoD are most likely to compare the alleged demise of the PPBS in Defense to the infamous premature report on the death of Mark Twain--"greatly exaggerated!" The fact is, for more than forty years, the PPBS has been and is the DoD's resource management system and the mainstay of its budget process.

Just as many opinions have been expressed regarding its demise, there are numerous reasons for the success of the PPBS in the DoD, as well. Several of these already have been mentioned. The PPBS has survived and evolved through multiple administrations of both political parties for precisely the reasons given for its initial success in the DoD by Peters, Henry, and Schick. Furthermore, although her work was directed at social agencies, Alice Rivlin captured the essence for the success of the PPBS in the DoD. The reasons for the success and survival of the PPBS in the DoD include:

1) **As a result of Robert McNamara's strong commitment to the principles of program budgeting and his determination to control and coordinate the DoD, the PPBS was well institutionalized early on.**

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[1] A variety of government pamphlets and training manuals contain information on the PPBS. To avoid using repetitive sources, unless otherwise noted, the information in this section represents a compilation drawn from the following government documents: *The Department of Defense's Planning, Programming and Budgeting System* prepared by The Joint DoD/GAO Working Group on PPBS, September 1984; Air Force Pamphlet (AFP)-172-4, *The Air Force Budget Process* prepared by the Department of the Air Force, October 1984; Textbook for *Provisioning Management* LOG260-0 prepared by the School of Systems and Logistics, Air Force Institute of Technology(AFIT), May 1991; *Introduction to Acquisition Management* prepared by Captain Terry Adler for AFIT, September 1991; *Acquisition Planning and Analysis System 200*, Volume I "Planning the Program" prepared by the School of Systems and Logistics, AFIT, April 1992; *Principles of Acquisition Management* prepared by the School of Systems and Logistics, AFIT, June 1992; *The Planning, Programming, and Budgeting System (PPBS) & The Air Force Corporate Structure (AFCS) Primer*, 10th Edition, January 1999; and *Headquarters, USAF Planning, Programming, and Budgeting Basic Course Student Study Guide*, April 2001. While the PPBS operates throughout the DoD, I have greater access to Air Force documentation. Therefore, these documents make-up the primary source for descriptions of the PPBS in the DoD, today. While there may be some differences in terms and formats, the concepts and procedures inherent to the PPBS are the same for all the military departments.

The DoD is not the ideal Weberian bureaucracy it often is purported to be. However, the concept of obedience to orders from above is well entrenched. In addition, civilian control of the military has been a fundamental principle of this nation since the ratification of the U.S. Constitution more than two hundred years ago. Therefore, when Secretary of Defense Robert McNamara, a civilian, directed the military departments to develop programs consistent with DoD's mission and subsequent objectives, to analyze alternatives in accordance with those objectives and to prepare budgets that accurately reflect the costs of attaining the objectives, it was generally accomplished.

That is not to say that there was not and is not a certain degree of *grumbling* regarding the preparation of the extensive and complex documents. However, once the services understood the PPBS was not a passing fad, but a system McNamara was committed to developing and one that would better serve their interests, the independent military departments began to develop and improve the analytical skills necessary to support their programs. To further enhance the analytical component necessary to assess alternatives and review programs proposed by the individual military departments, McNamara created the Office of Systems Analysis (OSA). The OSA was staffed with civilian analysts who assessed programs and budget requests independent of the military services. The establishment of the OSA further enhanced the rapid institutionalization of the PPBS in the DoD.

2) DoD's mission is an ambiguous one in which simulations and scenario-building exercises often are the only means of evaluation and analysis.

The mission of the DoD is, as is the mission of most government agencies, quite ambiguous. Essentially, the DoD's mission is to direct the operations of the nation's

armed forces to ensure the security of the United States and to support the nation's policies and interests around the world. America's worldwide interests and commitments are vast and varied. However, they are also the basis for determining the threats that may challenge those same interests and commitments. For this reason, much of what the DoD does revolves around planning, training and preparing to meet a vast array of uncertain, but possible, challenges.

Although it is by no means easy or conducive to achieving consensus, defining the potential threats to U.S. security interests is the starting point for all defense planning and subsequent events in the PPBS. The DoD often is criticized for planning to fight the "last war." In reality, the DoD plans to face the next challenge to U.S. interests based on what we learned in previous conflicts and modified by the current environment. No one can know for certain what will happen in the future. Therefore, simulations and scenario-building exercises are often the only means for assessing DoD readiness capabilities.

The PPBS is uniquely designed to analytically assess the results of these simulations and exercises. While the PPBS cannot make value judgments, it can accurately assess and identify any gap between current capabilities and those needed to accomplish near-, mid- and long-term objectives. In this manner, the PPBS ensures that budgetary decisions and the allocation of resources for national defense are more directly related to the mission and goals of the DoD.

3) While there is much discussion regarding the cost of national defense, there are no "potent political enemies" advocating the dissolution of the DoD.

After the fall of the Soviet Union and the collapse of its empire in Eastern Europe, but before 11 September 2001, discussions regarding reductions in DoD spending could

be heard from the beaches of the West Coast to the diners of the Midwest to the halls of Congress in Washington, D.C. Prior to 11 September 2001, the majority seemed to support "downsizing" to some degree. However, no one suggested the armed forces be totally eliminated. In many ways, the DoD is much like an insurance policy--something the nation needs but hopes it does not have to use. There are a wide variety of opinions regarding just how much the nation should pay for that insurance coverage. However, the price American taxpayers and Congress seem willing to pay has increased significantly since 11 September 2001.

4) The costs and benefits of "hard technologies" often are easier to measure than those of social policies.

In general, the ease with which costs and benefits of specific programs can be accurately determined actually depends on how the programs are defined. As Wildavsky (1984) said, "Programs are not made in heaven. They must be manufactured by men"(p. 187). Wildavsky further argues that no one can accurately define what a program should be or instruct agencies in how to identify their programs. It may well be true that an outsider cannot instruct an agency in exactly how to define programs. However, the DoD defined its own programs in terms applicable to its own mission.

Essentially, the DoD uses general descriptions of its outputs to define its programs. These descriptions are very broad because the original designers of the PPBS realized that detailed, specific descriptions would result in a cumbersome structure difficult to comprehend and would also undermine efforts to unify the military departments and other DoD agencies. Currently, the major force programs used in the PPBS for DoD are:

1) Strategic Forces
2) General Purpose Forces
3) Command, Control, Communication, Intelligence and Space
4) Airlift and Sealift
5) Guard and Reserve Forces
6) Research and Development
7) Central Supply and Maintenance
8) Training, Medical, and Other General Personnel Activities
9) Administration and Associated Activities
10) Support of Other Nations
11) Special Operation Forces

The major force programs are nothing more than simple aggregations of their individual building blocks or program elements. However, they are specific enough to be meaningful while remaining general enough to describe activities in which all elements of the DoD are involved. For example, the term "Strategic Forces" refers to intercontinental weapons delivery capability. The program elements identify specific capabilities such as the Air Force's long-range bombers and intercontinental missiles and the Navy's sea-based missile systems. Determining the costs and benefits of the Strategic Forces Program then becomes a matter of accurately identifying the costs and benefits of each program element. This task is accomplished via an extensive database called the Future Year Defense Program (FYDP). The Future Year Defense Program maintains information on force levels, personnel and costs for all DoD approved programs.

5) Success in defense depends on clearly defined objectives and thorough evaluation and analysis of alternatives.

The Future Year Defense Program is the central database created to provide the programmatic and multi-year focus of the PPBS, the heart and soul of McNamara's system. The Future Year Defense Program makes it possible for the DoD to clearly define its objectives and thoroughly evaluate and analyze alternatives to achieve those objectives. The Future Year Defense Program is the official DoD database that summarizes resources or Total Obligation Authority (TOA), personnel and forces associated, by fiscal year, with DoD programs, as approved by the Secretary or Deputy Secretary of Defense. The Future Year Defense Program consists of data relating to program forces, personnel and costs over a specific period of time. The Future Year Defense Program accurately projects costs and personnel for six years into the future. This data is termed "priced" because it identifies quantities in terms of input necessary to produce specific outputs. Due to the longer time frame often necessary to develop and acquire new systems, the Future Year Defense Program contains force projections for nine years into the future. The information on forces identifies specific weapon systems by type, model and specific organizations such as brigades and wings.

Prior to 11 September 2001, the Future Year Defense Program was regularly updated three times a year during the budget events associated with the PPBS Cycle: in May to reflect the Program Objective Memorandum (POM), in September to reflect the Budget Estimate Submission (BES), and in January to reflect the President’s Budget (PB). As a result of 11 September 2001, the Program Objective Memorandum for FY2003 had to be adjusted to meet the new threat. Therefore, the Program Objective Memorandum and Budget Estimate Submission are now worked together and submitted in September. The President’s Budget continues to be finalized in January. After each

update to the Future Year Defense Program, the changes made become the departure point or baseline for developing the Air Force program for the next budget event. The Future Year Defense Program's structure allows decision makers to rearrange program elements in order to develop alternatives. The Future Year Defense Program further makes it possible to analyze "trade-offs" by comparing various "mixes" of forces within any major force program. The Future Year Defense Program retains historical data on all DoD programs since the establishment of the PPBS in 1961.

6) DoD's budget is complex and requires a system specifically designed to accommodate the multiple functions of its budgeting process as well as the ever-changing environment in which the DoD must accomplish its mission.

Finally, the Future Year Defense Program is a computerized and comprehensive data management process specifically designed to accommodate the multiple functions of the DoD's budgeting process in an ever-changing environment. Not only does the Future Year Defense Program retain information on processes and outputs, it converts this information into the input terms specifically required for budget proposals. In designing the PPBS, for the DoD, McNamara and company recognized their inability to totally alter the way Congress appropriates money. While DoD planners focus on outputs to achieve objectives, Congressional appropriations are made in terms of inputs. Therefore, to be successful, the PPBS must be able to define inputs necessary to achieve specific outputs.

In 1950, the number of Congressional appropriations was reduced from more than 2000 to approximately 375, with each appropriation now covering a broader range of items and services to be purchased with government funds. The DoD regularly receives approximately 85 appropriations that fall into the following five general categories:

1) Military Personnel
2) Operations and Maintenance
3) Procurement
4) Military Construction
5) Research, Development, Test and Evaluation

Each of these general areas actually represents multiple appropriations. For example, the Air Force alone receives three appropriations covered under the general heading of "Operations and Maintenance": 1) One for day-to-day operations of the active duty component; 2) a separate appropriation for the operation of the Air National Guard; and 3) a third appropriation for the operation of the Air Force Reserve.

The actual processes whereby outputs are converted to inputs useful for Congressional budget decisions and reviews are necessarily extensive and complex. In brief, Congress uses the major force programs to aggregate dollars and identify areas of spending. Appropriated funds are then laid into DoD accounts in accordance with appropriation codes. Appropriation codes are categories by which Congress funds the DoD budget request. There are twenty-two such codes that generally are referred to as *colors* of money, each with a specific intended use. Table 5.1 shows Air Force appropriation codes and their individual life spans:

Table 5.1 **Colors of Money**

CODE	APPROPRIATION	LIFE SPAN
3010	Aircraft Procurement	3 Years
3020	Missile Procurement	3Years
3080	Other Procurement	3 Years
3300	Military Construction	5 Years
3400	Operations & Maintenance	1 Year
3401	Operations & Maintenance	2 Years
3500	Military Personnel	1 Year

3501	Military Personnel	2 Years
3600	Research, Development, Test & Evaluation (RDT&E)	2 Years
3700	AF Reserve Personnel	1 Year
3701	AF Reserve Personnel	2 Years
3730	AF Reserve Military Construction	5 Years
3740	AF Reserve Operations & Maintenance	1 Year
3741	AF Reserve Operations & Maintenance	2 Years
3830	Air National Guard Military Construction	5 Years
3840	Operations & Maintenance Air National Guard	1 Year
3841	Operations & Maintenance Air National Guard	2 Years
3850	Military Personnel Air National Guard	1 Year
3851	Military Personnel Air National Guard	2 Years
7040	Family Housing Construction	5 Years
7045	Family Housing Operations Fund	1 Year
4930	Defense Working Capital Fund (DWCF)	1 Year

Appropriations expire if not obligated within the required time frame. Using program element codes (PE's), the basic building blocks used by the DoD to update the Future Year Defense Program and the Force and Financial Plan, the appropriations are then distributed among the major force programs. There are over 600 program element codes within the Air Force, each of which identifies the resources needed to support a specific program. Each program element can have multiple appropriation codes embedded with resources attached. In this manner, the appropriation inputs used by Congress are converted to the program outputs needed by DoD.

Overall, these reasons seem to represent the commonsense approach to budgeting suggested by Alice Rivlin more than thirty years ago. However, one final reason for the success of the PPBS in the DoD has been alluded to throughout this discussion but not directly addressed. The PPBS has been and is successful in the DoD because it is not a single best way of planning, programming or budgeting. Rather, it is a dynamic process that has been in an almost constant state of evolution since its inception in 1961. There is no reason to believe that this evolution will cease anytime soon as the DoD and the individual services continuously strive to improve the PPBS.

The ABCs of the PPBS

Over the years, the PPBS has successfully served Presidents and Secretaries of Defense whose management philosophies and styles favored centralized control and direction as well as those who preferred a more decentralized approach. However, its basic components and concept---three phases, program and budget guidance to the services from the Secretary of Defense, review of the service programs and budget proposals by the Office of the Secretary of Defense, and the use of quantitative analysis to choose among competing programs—have remained. A brief review of the purposes, sources and relationships among the three phases of the PPBS will demonstrate its flexibility, adaptability and its continuing importance in the DoD. The purpose of the *Planning Phase* is to reflect the wishes of the President, the Secretary of Defense and the National Security Council. The two documents produced during this phase are the National Military Strategy Document and the Defense Planning Guidance.

The National Military Strategy Document contains advice from the Joint Chiefs of Staff (JCS) to the Secretary of Defense on military strategy and force levels to satisfy

national security objectives. Specifically, the National Military Strategy Document includes an appraisal of the threats to U.S. interests, recommendations for some national military objectives and some advice on the type of force levels needed to achieve those of objectives. The sources used to develop the National Military Strategy Document are the Chairman's guidance, the Joint Chiefs of Staff long-range forecast of world events, the long-range planning of individual services and the Commanders in-Chief of the Unified and Specified Commands (CINCs), current and projected U.S. worldwide obligations, and intelligence estimates of long-range threats and shortfalls in current capabilities.

The Defense Planning Guidance is the main link between planning and programming and the key document of the planning phase. It provides broad planning guidance to military departments and defense agencies for developing their individual program proposals. The Defense Planning Guidance contains the Secretary of Defense's policy, strategy, resource planning, fiscal guidance and an approximate overall budget for each service. The sources of the Defense Planning Guidance are policy statements made by the President, Congressional directions, Defense Planning Guidance and Program Decision Memorandums and the President's budget proposals from previous years, projections from the Future Year Defense Program and inputs from individual services and the Joint Chiefs of Staff. The National Military Strategy Document also provides input to the Defense Planning Guidance. The Defense Planning Guidance is usually published in October and marks the end of the planning phase.

The second phase of the PPBS is the *Programming Phase*. There are essentially four purposes to be accomplished during this phase:

1) To structure the proper number of forces and their support to achieve the objectives established in the Defense Planning Guidance.

2) To turn the planners' ideas into specific numbers of forces, munitions, training, spare parts and other support needs.

3) To describe these forces in terms which can be put into specific programs.

4) To estimate the cost of these programs.

The documents produced during this phase include the Program Objective Memorandum (POM), the Chairman's Program Assessment (CPA), Issue Papers and Program Decision Memorandum (PDM).

The Program Objective Memorandum is the first document produced during the *Programming Phase*. The Program Objective Memorandum, derived from the Defense Planning Guidance, represents the individual services' response to the direction provided in the Defense Planning Guidance. It lists the forces by mission and identifies all the resources needed to build and support a force or weapon system. In the next chapter, I will show how the Program Objective Memorandum is actually initiated from the bottom up—starting at the lowest levels of the Air Force structure.

The Chairman's Program Assessment is the risk assessment of the services' composite Program Objective Memorandums prepared by the Chairman of the Joint Chiefs of Staff (CJCS). It is derived from the Program Objective Memorandum and gives the Secretary of Defense and his staff the opinion of the Chairman of the Joint Chiefs of Staff regarding the capabilities and balance of forces contained in all the Program Objective Memorandums.

Issue Papers represent counterproposals or alternatives to the programs identified in the services' Program Objective Memorandums. While they are initially derived from the individual services' Program Objective Memorandums, alternative proposals can also

be raised by the Office of the Secretary of Defense, Joint Chiefs of Staff, Commanders-in-Chief and Office of Management and Budget staffers.

The Program Decision Memorandum is the Secretary of Defense's approval of the services' Program Objective Memorandums as modified during the issues process. It is derived from the Program Objective Memorandums and issues. The Program Decision Memorandum is usually published in August and marks the end of the *Programming Phase*. However, it is also the baseline for the *Budgeting Phase*.

The third phase in the PPBS is the *Budgeting Phase*. The purposes of this phase are three-fold:

1) To reprise and update the approved programs from the previous Programming Phase.

2) Accurately establish final program costs before submitting the budget for approval.

3) Check the approved programs to see if they are, in fact, executable, *i.e.*, have enough money to do the job.

The *Budgeting Phase* includes only two primary documents: The Budget Estimate Submission (BES) and the Program Budget Decisions (PBDs). The Budget Estimate Submission is the first document of the *Budgeting Phase* and represents the services' estimate of the cost of the approved programs. It is derived from the Program Objective Memorandum and Program Decision Memorandum. The Program Budget Decisions represent the Secretary of Defense's or his Deputies' decision/approval of the service budgets as modified by the major budget issues process. It is derived from the Budget Estimate Submission and major budget issues process. The Program Budget Decisions approve the final service budget that will be incorporated into the President's Budget

Proposal. The submission of the President's Budget to Congress signals the end of the *Budgeting Phase*.

While this review of the PPBS in the DoD and its operation today is necessarily limited, it is sufficient to demonstrate that the PPBS is alive and well in the DoD--the agency it originally was designed to serve. The question is now what becomes of the recommendations generated through the PPBS process and how do they support the GPRA. For the answer, we turn our attention to the Congressional arena where the PPBS has demonstrated its greatest degrees of flexibility, adaptability and influence.

Congress and the PPBS: Do They Pay Attention?

While there is ample evidence that the DoD continues to use the basic PPBS designed and implemented by Robert McNamara, if Congress does not use the information the PPBS provides to determine DoD's final budget, then it is nothing more than an expensive and complex means of killing trees! The fact is, however, while the PPBS does produce massive volumes of paperwork, the program recommendations, analyses of alternatives and the Future Year Defense Program are used extensively by Congress to formulate DoD's final budget.

Many argue that the fragmented nature of our political system and the very organizational structure of Congress with its tangled and overlapping system of committees and even more numerous subcommittees simply are not compatible with the processes of the PPBS (Schick, 1973; Wildavsky, 1984; Heineman, Bluhm, Peterson and Kearny, 1990; Gosling, 1992 and Peters, 1993). However, McNamara recognized the potential limitations the structure and nature of Congress could impose on any budgeting process. He also recognized that it was unlikely any single individual could change

congressional processes as quickly or as dramatically as he had changed the budgetary process in the DoD. Therefore, McNamara essentially designed the PPBS to work within the organizational structure of Congress, as it existed in 1961. However, over the years, congressional review of DoD's budget has changed in many important ways. Many of these changes are the result of influence exerted by the PPBS. At the same time, the PPBS has continually evolved, often in ways suggested and/or mandated by congressional activities (Joint DoD/GAO Working Group, 1984).

Because Congress is a collegial organization rather than a hierarchical one, changes usually are accomplished more slowly as they must represent a consensus. However, dramatic changes are possible. The Budget and Impoundment Act of 1974 constituted a dramatic change in the way Congress considers budget proposals. As a result of this Act, Congress must now address the fiscal consequences of its actions. The evaluation and analysis of alternatives that comprise a major concept of the PPBS and the Future Year Defense Program's capability of converting outputs into inputs are uniquely suited to help Congress evaluate DoD's budget requests. As a result, Congress now generally reviews DoD's budget requests in output terms while authorizations and appropriations continue to be enacted in terms of inputs (The Planning, Programming, and Budgeting System (PPBS) & The Air Force Corporate Structure (AFCS) Primer, 10th Edition, January 1999 and Headquarters, USAF Planning, Programming, and Budgeting Basic Course Student Study Guide, April 2001).

James J. Gosling (1992), among others, has contended, “Within Congress, Appropriations Committee members, accustomed to line-item budgeting, never became comfortable with program budgeting, retaining their desire for organizationally related

numbers”(p. 33). What Gosling and others have failed to recognize is that the PPBS does provide Congressmen the line-item numbers they are comfortable using. For in the PPBS, the program elements or "building blocks of the Major Force Programs" are line items Congressmen can comprehend, discuss and debate. While there are many examples of Congressional debates over program elements, one in particular stands out—largely because it was well-covered by the media.

In February 1995, Congress directed the DoD to conduct a study of the purchase of 20 additional B-2 Stealth Bombers (a program element of the Strategic Forces Program) in terms of program requirements and cost effectiveness. Under Secretary of Defense for Acquisition and Technology, Paul Kaminski, said the study would address several options "…in the context of (conducting) two major regional conflict scenarios--a Southwest Asia and a Korean scenario." The options to be considered were:

1) Keeping the bomber forces at the present levels of 20 B-2s, 95 B-1Bs and 66 B-52Hs through the year 2014.

2) Doubling the B-2 force to 40 and dropping the B-1B, while keeping the B-52Hs, during the same time period.

3) Doubling the B-2s and keeping the same number of B-1Bs and B-52Hs through 2014.

It also should be noted that Northrop-Grumman Corporation, the designer and manufacturer of the B-2 was proposing to sell the 20 additional B-2s to the Air Force for approximately one-half the cost of the original 20 aircraft. Congress appropriated $4.5 million to conduct the study but also directed the DoD to complete this first part of the study not later than 15 April 1995 (*Tinker Take Off*, 17 February 1995).

The PPBS structure and processes in the DoD made it possible to complete this congressionally mandated study by the required date. According to the Military

Newswire Service edition of 4 May 1995, the study recommended that the Pentagon not buy more than the 20 B-2 Bombers then on order. The Newswire Service further reported, "the study found additional quantities of guided munitions and planned conventional-mission upgrades to the B-1B bomber were shown to be more cost effective than buying 20 additional B-2s."

While the PPBS clearly determined that the purchase of additional B-2s was not the most cost effective option nor did it provide the best support for overall program requirements, the DoD also knew that Congress responds to factors other than logical analysis. After a lengthy and highly publicized debate, Congress ultimately appropriated $493 million in the fiscal year 1996 defense budget ostensibly to secure the procurement of twenty additional B-2 stealth bombers. However, although Congress appropriated the funds in the legislation that became public law 1 December 1995, the *Congressional Quarterly* (February 10, 1996) later reported, "The White House announced February 8 [1996] that the $493 million Congress added to the fiscal 1996 budget for B-2 stealth bombers will not be used to lay the groundwork for buying additional aircraft."

Congress had the benefit of publicly demonstrating their support for maintaining the jobs in Northrop-Grumman's California district. At the same time, Congress also ensured that the $493 million would, in fact, be used where it would be most effective and efficient—for the procurement of additional *smart* weapons. Congress was able to do this because they appropriated the funds simply as part of the Air Force's numerous appropriations without including specific language directing a limited use of the funds. In this way, Congress frequently meets the expectations of some constituents while actually serving the preferences of the American taxpayer by making spending decisions

on the basis of efficiency and effectiveness. This example demonstrates the importance of considering congressional concerns and priorities in the early programming and budgeting phases of the PPBS (Joint DoD/GAO Working Group, 1984).

Perhaps the best evidence to support the influence of the PPBS on congressional decision-making is the Joint DoD/GAO Working Group on the PPBS, 1984, already frequently cited in this paper. The GAO, a watchdog agency that monitors the Executive Branch for the Congress, undertook the cooperative study of the PPBS with the DoD "…to develop descriptions of PPBS and its phases and to identify potential improvements" and to, hopefully, "…contribute to the interchange of financial management ideas and concepts throughout the federal government."

The joint study ultimately identified nine areas where potentials for improvement in the DoD's PPBS structure exist. None of the recommendations involved the dismantling of McNamara's PPBS structure and most of the weaknesses identified in 1983 have since been addressed and improved. One of the most notable changes to come out of this study involves the time frame Congress felt was needed to allow the PPBS to operate most effectively.

The PPBS is very complex and is not particularly well suited to annual budgeting. Because of its success and importance in the DoD, Congress directed in its 1985 DoD Authorization Act that the DoD portion of the President's Budget would thereafter be submitted on a biennial basis. An actual DoD budget request is therefore submitted only in January of the odd-numbered years. The even-year DoD portion of the President's Budget requests only necessary adjustments to the second year of the DoD submission made the previous year (AFIT, April 1992). An example of this is the recent discussions

by Senate and House Conference Committees regarding the supplemental appropriation for FY2002 to cover the DoD's expenses related to the ongoing *war on terrorism*. DoD's readiness accounts for FY2002 are already depleted and funds have been transferred from personnel and training accounts to continue covering the day-to-day expenses for the war. Ironically, the DoD has never had a separate appropriation for the expenses related to actual war fighting. In the aftermath of 11 September 2001, a new demand will now be placed on the PPBS. Beginning with FY2003, the PPBS now forecasts requirements for a separate fund to support ongoing and future real-world conflicts.

The primary objective of this chapter has been to demonstrate the appropriateness of studying the DoD as a means to understanding government-wide organizational change. A secondary objective has been to provide an overview of the DoD's resource management system, the PPBS. There are clearly a variety of opinions in the academic community regarding the success and survival of the PPBS in the DoD but there are no doubts within the DoD or in Congress regarding the existence or usefulness of the PPBS in the DoD. It is not, however, exactly the same system implemented by Robert McNamara. For it continues to evolve to meet the needs of the changing environment in which budget decisions are made.

Over the last forty years, it has even acquired a new name in the DoD. As a result of the changes mandated by Congress in the DoD Authorization Act of 1985, the PPBS is now actually the *Biennial Planning, Programming and Budgeting System* or BPPBS. The change in name, however, does not significantly alter the concepts or the familiar three phases of the coordinated and controlled decision-making process envisioned by McNamara. The DoD's PPBS continues to be an extensively developed and flexible

resource allocation system that supports its decision-making. Few, if any, other federal agencies have done as much to systematically set goals and objectives, establish needed fiscal resources, and review the results of their activities as has the DoD. In the next chapter, I will show how the Air Force uses the PPBS to meet the demands for change called for by the GPRA.

Chapter 6

Implementing the GPRA

When the Air Force set out to implement the Government Performance and Results Act (GPRA), a new organizational structure for the Air Staff soon initiated the process of change at the managerial and operational levels. It is at this working level that change must be institutionalized to succeed in meeting new demands. How the new structure at the top led to changes at the bottom that ultimately worked their way back to the top is the subject of this chapter.

Leading the Way - Air Force Corporate Structure

As discussed in the previous chapter, the objective of the DoD's Planning-Programming and Budgeting System (PPBS) is to obtain the necessary resources, manpower, facilities, weapon systems and operating funds necessary to overcome the threats against the United States and its interests. The PPBS includes an analysis of the threat, establishment of program requirements to fulfill the strategy, the programming and the commitment of resources. But, for the PPBS to assist the DoD in achieving its objectives, it must be implemented. Because of differences in primary missions and operational environments, each service and DoD agency develop their own organizational structure and strategy for implementation of the PPBS.

In response to the demands of the GPRA and the other reform initiatives of the 1990s such as the Chief Financial Officers Act (1990) and the Acquisition Streamlining Act (1994), the Air Force reorganized its headquarters to more nearly reflect the structure of private corporations. Prior to the reform initiatives of the 1990s, the actual path programs traveled for inclusion in the final Air Force budget were less structured and more program unique. Beginning in 1995, the means through which the Air Force

implements the PPBS became known as the Air Force Corporate Structure (AFCS)[2]. Only military or DoD civilian personnel assigned to the Air Staff or Office of the Secretary of the Air Force may serve as members of the corporate structure. Prohibiting contract employees from membership in the AFCS ensures that the federal government's best interest remains the focus of all Air Force decision-making.

Table 6.1 summarizes the findings regarding the seven critical factors and the implementation of the Air Force Corporate Structure. A detailed accounted of the case study will follow.

Table 6.1 **Air Force Corporate Structure Case Summary**

- **Link to the GPRA:** Strategic Plans, Performance Plans and Program Budget.
- **Impetus:** The Air Staff decision to reorganize was driven by the Congressional mandates associated with the GPRA. However, the working managers and operators were most concerned with obeying Air Staff directions rather than the fact that the GPRA is a law.
- **Focus:** All actions involved in reorganizing the Air Force budget process were directed at internal day-to-day operations.
- **Decision Making:** Incremental decision-making was critical to the successful implementation of and the attendant transition to the Air Force Corporate Structure. Problems were addressed as they arose and adjustments made without throwing the entire Air Force budget process into chaos.
- **Key Actors:** The Integrated Product Teams, made up of managers and operators, were clearly the most critical players in the successful transformation of the Air Force budget process
- **Accountability:** Enhancing accountability was an important objective of the implementation of the Air Force Corporate Structure. The Air Staff also stated that they had sufficient discretion and flexibility under existing laws to make the changes without making special requests to Congress.
- **Knowledge & Information:** The type of knowledge and information necessary to make the Air Force Corporate Structure work resided in the managers and operators that made up the Integrated Product Teams. Their knowledge of the programs, the

[2] The following description of the Air Force Corporate Structure and how it operates is drawn from *The Planning, Programming and Budgeting System (PPBS) & The Air Force Corporate Structure (AFCS) Primer*, 10th Edition, Jan 1999.

funds required to manage the programs and the budget development process at the operational level were critical to successful implementation and unmatched anywhere else in the Air Force.

- **Time:** The time allowed under the GPRA for government-wide implementation was critical to the success of the reorganization because it took more than three years for the full transition of the Air Force budget process.
- **Results of Change**: Improved linkage among planning, programming and budgeting.

The AFCS with its attendant resource allocation process is used as the basic instrument in all the PPBS phases. Through the resource allocation process, planners, programmers and budgeters work together to produce the quality, integrated information necessary for AFCS review. The AFCS is based on three underpinning philosophies:

- Air Force resources should be allocated according to the Air Force strategic plan;
- The Secretary and Chief of Staff of the Air Force make all final decisions as to how to allocate all Air Force resources; and
- The AFCS should provide a seamless garment between the PPBS phases.

The foundation of the AFCS is 70 Integrated Product Teams (IPTs) made up of Program Element Monitors (PEMs) and other functional representatives associated with a particular weapon system or mission support service. The Integrated Product Teams comprise the multifunctional working-level infrastructure and information network that supports the AFCS as well as the functional staff, the Air Force Reserves and the Air National Guard. There is an Integrated Product Team for every major program in the Air Force but there can be only one Integrated Product Team per program. The ultimate goals of the Integrated Product Teams are to:

1) Provide a multifunctional cross-staff perspective on all key Air Force programs;

2) Cut across organizational barriers to improve the corporate decision-making process; and

3) Enhance responsiveness to program issues, provide information and support corporate decision-making through interaction with 14 Mission and Mission Support Panels.

The Panels are the Air Force centers of expertise for their areas and the first level of corporate deliberation in the Air Force Corporate Structure. The Panels are aligned according to the major mission and mission support areas that directly support the *Air Force Core Competencies*. The five *Mission Panels* are:

1) Air Superiority

2) Global Attack

3) Global Mobility

4) Space Superiority

5) Information Superiority

There are nine *Mission Support Panels*:

1) Research, Development, Test and Evaluation

2) Logistics

3) Battle Labs

4) Special Access Required

5) National Foreign Intelligence Program

6) Installation Support

7) Competitive Sourcing and Privatization

8) Communication/Information

9) Personnel/Training

Panels consist of core members who are expected to attend all meetings and advisory members who participate as required according to the issues being discussed.

Panel members are drawn from all the functional organizations, the Air Force Reserves and the Air National Guard based on both *Panel Chair* recommendations and functional inputs. The Panel Chairs are Air Force colonels or civilian equivalents appointed by the appropriate Deputy Chief of Staff or Assistant Secretary. The panels must be the *Honest Brokers* for the Air Force and

- Assess the guidance from the Office of the Secretary of Defense (OSD) and the Joint Staff for fiscal do-ability;
- Recommend changes to OSD and Joint program guidance;
- Develop Air Force Annual Planning and Programming Guidance (APPG);
- Scrub all programs and program elements;
- Assess programs and program elements against the integrated priority lists;
- Identify potential disconnects and initiatives;
- Validate, adjust if necessary, and recommend Major Command, Direct Reporting Unit and Forward Operating Activity program adjustments;
- Provide options for consideration of issues;
- Manage zero-based-transfers within the portfolio;
- Balance programs and program elements within the portfolio;
- Advocate for core competency but use *corporate hat* to ensure final recommendation best meets the needs of the Air Force;
- Provide coordinated, comprehensive and balanced recommendations;
- Provide selective expertise and assessment capability;
- Ensure rationalization, standardization, and interoperability requirements and capabilities are addressed;
- Interface and integrate with other panels; and
- Review issues, plans, forces, programs and technical proposals and make recommendations to the next level within the Air Force Corporate Structure.

Above the panels, the Air Force Corporate Structure (AFCS) is made up of three levels: 1) the Air Force Group; 2) the Air Force Board; and 3) the Air Force Council. The members of each level are independent of the others.

The Air Force Group is the entry point to bring proposals and issues into the AFCS. The Air Force Group is the first level of the corporate structure that integrates Air Force mission areas into a balanced Air Force program. It provides senior-level (colonel and civilian equivalent) review of resource allocation proposals as well as other issues requiring corporate decision-making and is chaired by a one-star brigadier general. Specifically, the Air Force Group meets at the discretion of the Chair to:

- Review program options for compliance with Air Force Annual Planning and Programming Guidance;
- Validate cost, schedule and completeness of program options;
- Develop new options as needed; entertain new initiatives to meet core competencies or requirements; and
- Receive briefings as necessary to make informed decisions on specific Air Force programs.

After the Air Force Group completes its review of issues submitted by the Panels and Integrated Product Teams, it provides them with feedback and guidance on their activities. The Air Force Group Chair presents the integrated Air Force program to the Air Force Board for further review and refinement of significant or critical issues.

The Air Force Board provides flag-level (2-star and civilian equivalent) review of decisions submitted by the Air Force Group. The Air Force Board core and non-core membership includes General Officers (one-and two-star) or Senior Executive Service level members from a wide breadth of functional disciplines. The Air Force Board Chair is a two-star from the operational Air Staff except when the issue concerns the budget.

For budget formulation matters, a representative from the Secretary of the Air Force's Office of Financial Management chairs the Air Force Board. The Air Force Board directs the focus of the Air Force Group in resolving issues and refines the integrated program developed by the Air Force Group for submission to the Air Force Council.

The Air Force Council provides Deputy Chief of Staff, Assistant Secretariat-level and selected Directorate-level cross-functional review of resource allocation and other significant issues. The Air Force Council Chair is the four-star Air Force Vice Chief of Staff. The Air Force Council reviews and evaluates programs and issues, guides corporate processes, coordinates functional interests, and tasks the other members of the Air Force Corporate Structure. It is the final Air Force Corporate Structure body that makes recommendations to the Chief of Staff of the Air Force, the Secretary of the Air Force and the Secretary of Defense.

The programs approved by the Air Force Group, the Air Force Board and the Air Force Council are the basis of the Air Force budget requests submitted to the Office of the Secretary of Defense (OSD) and, ultimately, to the Office of Management and Budget for inclusion in the President's budget request to Congress. Although final approval comes at a very high level, the programs that make their way through the Air Force Corporate Structure begin much further down in the Air Force organization. The requirements, the first step in developing the budget, begin at the operational level of the Air Force. In response to the Air Staff reorganization, each major command, forward operating activity and direct reporting unit had to overhaul their own organizations to better work within the new Air Force Corporate Structure and to comply with the directives of the GPRA..

Letter of the GPRA - Setting the Standard

The letter of the GPRA refers to what the law specifically demands. First, the GPRA calls for strategic plans. Remember that Public Law 103-62 stipulated that agencies' strategic plans must include six critical components:

- *Concise mission statement;*
- *Agency-wide, long-term goals and objectives for all major functions and operations;*
- *Approaches (or strategies) and the various resources needed to achieve the goals and objectives;*
- *A relationship between the long-term goals and objectives and the annual performance goals;*
- *An identification of key factors, external to the agency and beyond its control, that could significantly affect the achievement of the strategic goals; and*
- *A description of the program evaluations used to establish or revise strategic goals and a schedule for future program evaluations.*

In addition to strategic plans, the GPRA also requires federal agencies to prepare and submit annual performance plans covering program activities set out in the agencies' budgets. As discussed in Chapter 3, the six basic requirements established by the GPRA call for these performance plans to:

- *establish performance goals to define levels of performance to be achieved;*
- *express those goals in an objective, quantifiable, and measurable form;*
- *briefly describe the operational processes, skills and technology, and the human capital, information, or other resources required to meet the goals;*
- *establish performance measures for assessing the progress toward or achievement of the goals;*
- *provide a basis for comparing actual program results with th established goals; and*
- *describe the means to be used to verify and validate measured values.*

In accordance with the time frame set out in the GPRA, the Government Accounting Office (GAO) reviewed the DoD's mission statement, strategic goals and stated objectives in 1997. In brief, the GAO found that the DoD had met the requirements of the GPRA in providing a "concise mission statement" that adequately explains the existence of the agency and what it does (GAO/NSIAD-97-219R). The DoD submitted the following statement:

> *The mission of the Department of Defense is to support and defend the Constitution of the United States, to provide for the common defense of the United States, its citizens and its allies, and to protect and advance U.S. interests around the world.*

The GAO also found the DoD's goals and objectives that cover its major functions and operations to be acceptably outcome oriented. The DoD uses these same goals and objectives as the basis for their GPRA-required performance plans. The DoD identified six major goals and objectives:

1) Harness the unmatched capabilities of the U.S. Armed Forces to

   --shape the international security environment in favorable ways by promoting regional stability, preventing crises and reducing threats, and deterring adversaries on a day-to-day basis;

   --respond to the full spectrum of crises from deterrence to smaller-scale contingency operations to major theater war-when it is in the U.S. interests to do so and maintain the capability to deter and, if necessary, defeat large-scale, cross-border aggression in two distant theaters in overlapping time frames, preferably in concert with regional allies; and

   --prepare now to meet the challenges of an uncertain future by transforming U.S. combat capabilities and support structures to be able to shape and respond effectively well into the 21st century.

2) Recruit and retain well-qualified military personnel and provide them with an equal opportunity and a high quality of life.

3) Support friends and allies by sustaining and adapting security alliances, enhancing coalition war-fighting, and forging military relationships that protect and advance U.S. security interests.

4) Pursue a focused modernization effort that maintains U.S. qualitative superiority in key war-fighting capabilities, exploits the Revolution in Military Affairs, and supports the joint operational concepts delineated in Joint Vision 2010.

5) Maintain the U.S. edge in combat readiness while seeking efficiencies and improved operating procedures.

6) Fundamentally reengineer the DoD and achieve a 21st century infrastructure by reducing costs and eliminating unnecessary expenditures while maintaining required military capabilities across all DoD mission areas. Employ modern management tools and exploit the Revolution in Business Affairs.

The mission statements, goals, objectives, and day-to-day activities of managerial and operating levels of the Air Force are derived from those of the DoD. The measures employed by the GAO to evaluate the DoD's mission statement, goals and objectives for compliance with the GPRA are:

- Conciseness
- Measurability (GPRA does allow for qualitative measures)
- Utilization by stakeholders and decision-makers

In June 1998, the GAO completed its requested review of the DoD's annual performance plan for fiscal year 1999 submitted to Congress in February 1998. To accomplish their review, the GAO collapsed the six stated requirements of the GPRA into three critical questions:

- To what extent does the agency's performance plan provide a clear picture of intended performance across the agency?
- How well does the agency's performance plan discuss the strategies and resources the agency will use to achieve its performance goals?
- To what extent does the agency's performance plan provide confidence that its performance information will be credible?

These are the criteria against which I evaluated the mission statements, selected goals and objectives of the Air Force Materiel Command and the Propulsion Directorate at the Oklahoma City Air Logistics Center.

Quality Air Force Assessment

In the spring of 1996, the Air Force Materiel Command implemented an initiative to develop precise, outcome focused mission statements, identify accurate and meaningful measures of performance for a variety of logistics-related areas and to formulate plans for improvement. Directed by then-Commander of the Air Force Materiel Command, General Henry Viccellio, Jr., the Quality Air Force Assessment (QAFA) became the new guide Inspectors General would use to evaluate the performance of the Air Force depots, better known as the Air Logistics Centers. Table 6.2 provides a summary of the findings for each of the seven critical factors and a detailed account of the actual implementation follows.

Table 6.2 **Quality Air Force Assessment Summary**

- **Link to the GPRA:** Emphasis on Outcomes
- **Impetus:** The working managers and operators responded to the directives emanating from the Air Force Materiel Command.
- **Focus:** The intent of the Quality Air Force Assessment was to improve the internal day-to-day operations of the Air Force Materiel Command and provide outcome-based measures to better assess the Command's internal performance.
- **Decision Making:** General Viccellio and the Air Force Materiel Command Staff reviewed several alternatives before deciding on the Quality Air Force Assessment as the preferred method for evaluating performance within the Command. Once the selection was made, the new metrics were identified and the initial assessment completed within a year. Therefore, I found the decision-making process more rational than incremental.
- **Key Actors:** The managers and operators were critical to the implementation of the Quality Air Force Assessment because they were tasked to identify and develop metrics that would more accurately measure their performance.
- **Accountability:** Enhancing accountability was not an important objective of the Quality Air Force Assessment. Neither was there a trade-off between accountability and flexibility.
- **Knowledge & Information:** Managers and operators have the most knowledge of how the actual work of the Air Force Materiel Command is accomplished. Since the

goal was to develop more accurate measures of outcomes, this knowledge was critical to the success of the Quality Air Force Assessment.

- **Time:** The metrics were actually identified by the end of the first year. However, it took another 3 years before changes implemented as a result of the new metrics began to be visible. Therefore, an evaluation of the Quality Air Force Assessment at the end of the first budget cycle would not have revealed the success that could be seen 3-5 years later.
- **Results of Change**: Outcome-focused metrics that provided a more accurate and realistic assessment of the performance within the Command.

The objectives of the Quality Air Force Assessment were to establish quality outcome-focused performance measures applicable to all Air Logistics Centers to ensure standardization of performance ratings and to facilitate compliance with the GPRA and reinvention agendas. To this end, General Viccellio developed five questions upon which to build the Quality Air Force Assessment:

- How are you doing?
- How do you know how you are doing?
- Are you improving?
- How do you know you are improving?
- What are your "Best Practices"?

From these five questions, representatives from each of the Air Logistics Centers' operating branches identified *Mission Essential Areas* applicable to the overall mission of the Air Force Materiel Command. From the identified Mission Essential Areas, the Air Force Materiel Command began its implementation of the GPRA with a new organizational structure designed to better work within the new Air Force Corporate Structure. The Air Force Materiel Command refined the multiple Mission Essential

Areas by ultimately dividing the Command's functions and responsibilities into 8 M*ission Areas*:

1) Information Services
2) Product Support
3) Depot Maintenance
4) Supply Management
5) Science and Technology
6) Installations and Supports
7) Information Management
8) Test and Evaluation

These mission areas cross facility and functional lines and each has developed its own mission statement and strategic objectives from which key performance measures are drawn. Within each Mission Essential Area, the five questions were used to gather information on specific processes and organizational objectives applicable to specific directorates within the Air Logistics Centers. Responsibility for developing the actual performance measures was assigned to the appropriate working branch. The activities of the Propulsion Directorate at the Oklahoma City Air Logistics Center fall primarily into the *Depot Maintenance* and *Supply Management* Mission Areas. Therefore, as a working branch-level Requirements Control Officer (RCO), it was the performance measures for these two mission areas that I worked to develop.

Developing performance measures requires that one first fully understand what the various jobs are actually expected to accomplish. I very quickly learned that it was not as simple a task as I thought. One would think I only needed to look at the position descriptions that the federal personnel system is quite famous for. However, the only position descriptions that are mostly accurate are those of the wage grade employees. This is because the American Federation of Government Employees (AFGE) Union

scrutinizes the wage grade position descriptions during the process of negotiating the wage grade salaries. For those of us that work in the administrative areas of the federal government and have our salaries determined by Congress, we know that our position descriptions very seldom reflect the work that we actually do.

The next option was to ask the employees in the various career fields what were their actual duties. That also turned out to be much more challenging than I expected. It seems that when I asked one hundred people with the same position description to tell me about their daily activities, I got at least ninety-nine different answers!

Ultimately, representatives from each of the Air Logistics Centers and the Air Force Materiel Command Headquarters participated in numerous work groups over a year's time to describe each mission area and their responsibilities. But before the first set of performance measures were ready for review, the Air Force Materiel Command got a new commander…and a new challenge!

You Want Us To Be WHAT–Cost as a Variable in theAir Force Materiel Command

One of the challenges all military organizations must face is the three-year rotation rule for officers, especially General Officers. Three years actually is a short period of time to effect any major change in a large organization…unless you come in with a plan and a road map! And that is exactly what General George T. Babbitt did! The Quality Air Force Assessment still was being implemented when General Viccellio retired in the spring of 1997. In May 1997, General George T. Babbitt pinned on a fourth star and assumed command of the Air Force Materiel Command.

Unlike some new commanders who take a few weeks or months to get to know their new organization, General Babbitt had spent the time waiting for his Senate

confirmation to familiarize himself with the Air Force Material Command, its strengths and weaknesses. Babbitt was very familiar with his predecessor's efforts to build a culture focused on performance and he determined he would leave General Viccellio's structure to improve performance in place with only a few minor name changes. This, he believed would allow him to pursue other objectives just as important as improving performance. After all, the GPRA also directed improved financial performance. Therefore, General Babbitt began to formulate a plan to commit his time and authority to correcting the command's longest-term problem—inefficiency! Table 6.3 summarizes General Babbitt's efforts to make managing cost as important a part of the Command's operations as managing performance. A more detailed account of how General Babbitt institutionalized the relationship between cost and performance follows the summary.

Table 6.3 Cost as a Variable in the Air Force Materiel Command Summary

- **Link to the GPRA:** Improved Effectiveness **AND** Efficiency
- **Impetus:** General Babbitt was clearly the force directing the efficiency initiative.
- **Focus:** General Babbitt was singularly focused on institutionalizing the relationship between cost and performance by improving the accuracy of the Command's budget, stopping the losses in the working capital funds, and ensuring that there would be no more *must pay* bills in the year of execution from his Command. All of these objectives were part of the internal operations of the Air Force Materiel Command.
- **Decision Making:** The implementation of efforts to improve efficiency was incremental but on a strict and a very short time-line. The fact that there was a definite implementation schedule made the incremental decision-making less important to the success of the overall initiative.
- **Key Actor:** Without a doubt, General Babbitt was the most important player throughout this initiative.
- **Accountability:** Enhancing accountability was an important objective of the plan to manage costs within the Air Force Materiel Command but it was not a critical factor.
- **Knowledge & Information:** General Babbitt had the business education and experience to set the Command on a new path to becoming more efficient. He put forth the effort to educate not only his own staff but also the managers at the Air Logistics Centers. General Babbitt firmly believed that if the managers understood

costs they could manage costs. Because he realized that most of the Command did not have the knowledge or education required to manage costs, he allowed for a learning curve but a very short one.

- **Time:** Time was important to General Babbitt's agenda but not critical. The first unit cost target was in place at the end of the first year. By the time the Fiscal Year 2000 Program Objective Memorandum was submitted to the Air Staff, the Command's budget represented a $2.7 billion reduction in the total obligation authority requested.
- **Results of Change**: Institutionalized relationship between cost and performance.

During his research, one of the most important facts General Babbitt learned about his new command was that the operational Air Force and the power centers in Washington, D.C. felt that the Air Force Materiel Command worked reasonably well. However, all also agreed that no matter how well they worked, the Air Force Materiel Command simply cost way too much! Therefore, at the change of command ceremony, General Babbitt announced that the Command's mission would now include being efficient as well as effective! The entire audience seemed to gasp all at once (Barzelay and Thompson, 2003)!

Following his retirement in 2000, General Babbitt recalled the Air Force Materiel Command's predicament when he assumed command:

> *After the Clinton administration's bottom-up defense review, the military were told that we could have more modernization or more readiness or more infrastructure, but we had to make the trades among them. If that was the question, the answer was easy. Nobody likes infrastructure. So the answer was, "Let's go kill the infrastructure." Well, a lot of AFMC* [Air Force Material Command] *is infrastructure.*[3]

[3] The interview with General Babbitt was conducted by Michael Barzelay, London School of Economics and Political Science and Fred Thompson, Atkinson Graduate School of Management Willamette University in August 2001 with a follow-up interview revised and updated in March 2002. The transcript of the entire interview was made available on the web-site for the Air Force Materiel Command and excerpts were later reprinted in a case study prepared by Barzelay and Thompson for the IBM Center for The Business of Government in August 2003. All direct quotations are from the original transcript except the ones taken from the briefings I personally attended.

A second problem for the Air Force Materiel Command was that every year, when it came time to execute the annual Air Force budget, their working capital funds became *must pay bills* in the current year. They had to be paid because the Command had spent hundreds of millions of dollars more to operate its centralized supply and maintenance activities the year before than had been planned for in the budget. Because the working capital funds do not receive direct appropriations, the excess expenditures were legal. However, the ongoing lack of efficiency left the Air Force Materiel Command vulnerable to large and arbitrary budget cuts that could lead to ultimate mission failure. Again, General Babbitt clearly defined the problem:

> *There were significant financial losses in the two major working capital funds—supply and maintenance. In my earlier tour at the Pentagon, I had seen the chief and the secretary anguish over these huge financial losses. They were especially frustrated because nobody could explain them. It was a terrible situation and clearly an indication that nobody was really managing financial performance …I had to stop losing money in the two working capital funds. If I couldn't fix that problem, the rest was just talk…My aim was to get people to understand costs. You can't make progress if you don't understand what it costs. I figured that if they understood what caused costs, they could explain them. If they could explain them, they could manage them.*

General Babbitt tackled the "problem" and the long-lived culture of the Air Force Materiel Command head on. Because he thought a major reorganization of the entire command would divert attention from his plan to make it efficient as well as effective, Babbitt decided to stick with the organizational structure put in place by General Viccellio that was designed to focus on improving performance. He reasoned that if it were suitable for improving performance, a few minor changes would make it just as suitable for managing costs. First, Babbitt changed the name *mission area*s as identified under General Viccellio's Quality Air Force Assessment to *business areas*. He then

separated supply and maintenance into separate business areas because they operated different working capital funds. Next, because the command did not have anything that an accounting professional or business executive would recognize as a management control structure, General Babbitt expanded the roles of senior members of his staff to make them responsible for specific business areas. He called these individuals *Chief Operating Officers*. Because the entire command was not reorganized, the chief operating officers did not have line authority over the organizations that would actually perform their business' delivery function. However, General Babbitt consistently made it clear that they were responsible and accountable directly to him for the efficiency and effectiveness of their assigned business areas (Barzelay and Thompson, 2003).

General Babbitt spent the summer of 1997 teaching his philosophy to his headquarters staff and traveling around to all the command's installations to explain the new mission to the actual workforce. In a very unusual move, General Babbitt wrote up all of his own briefing charts to ensure his message to commanders and managers was clear and consistent:

> *You are cost managers, not budget managers—your job is to deliver products and services that meet performance standards and lower unit-cost targets through continuous process improvement…your job is not to acquire bigger budgets and spend it all…for products and services that meet performance [quality] standards, your job is to drive down the unit cost; for products and services that do not meet performance standards, your job is to improve performance [quality] without increasing cost.*

The first time I heard these words was in the summer of 1997 at the base theater at the Oklahoma City Air Logistics Center. I am certain I had the very same look of shock and increasing panic on my face as did the other 599 people in that auditorium. As an item manager, I had never had to worry about managing cost…I only had to be sure I

asked for more budget authority in every given year than I had asked for the previous year. Then, in the year of execution, I simply made sure I spent every last cent before the end of the fiscal year. Everyone knew that the military never looked at cost…it was considered unpatriotic!

During the 2001 interview with Barzelay and Thompson, General Babbitt recalled some of the early confrontations over cost management:

> *I initially felt that this approach was easy to understand, but hard to implement. Later I realized that I had underestimated the difficulty of getting people to focus on managing costs. It is an emotional issue. They just know in their heart that it is not the right thing for a military person to do, and they resist it much more than I do.*

Not only was it an emotional issue for the workforce but it was also an accounting concept totally unfamiliar to the headquarters staff of the Air Force Materiel Command as well as most of the managers in the field. General Babbitt was well aware of the education that was needed across the command. Therefore, he handed out hundreds of copies of a quick-study primer on the subject of cost entitled *Accounting for Dummies*. Babbitt then used a more familiar concept from the systems engineering field—a work breakdown structure—as the first step in the process of unit cost calculations.

When applied to a business area model, "…a work breakdown structure becomes a hierarchically ordered taxonomy. Each taxonomic category within this functional hierarchy would be described in terms of the output that the effort was meant to produce. Thus, the first phase of the process for knowing unit costs was to represent business areas as functional hierarchies of work effort and associated products" (Barzelay and Thompson, 2003). Even the new vocabulary presented a major challenge to many of the working organizations at the Air Logistics and Product Centers. For the entire three

years that General Babbitt was in command of the Air Force Materiel Command, I never went to a meeting without a dictionary and the *Accounting for Dummies* manual…and I was not the only one!!!

General Babbitt gave the chief operating officers only six weeks to develop the initial work breakdown structure for their individual business areas and to present it to General Babbitt and their peers at the weekly executive council meeting. The reason for the short suspense was that the programming cycle for the medium-term spending plans for the five years beginning with fiscal year 2000 would be up for review and revision very soon. In addition, the spending plan for the out-years of 2005-2006 would be unveiled for the first time. General Babbitt made it very clear that the Air Force Materiel Command program would **NOT** be built as before but would be based on the new concept of performance **AND** cost management.

To ensure that the command stayed on track, General Babbitt announced to people inside and outside the command that, for the first time, the Air Force Materiel Command would submit to the Air Staff a program that actually requested less total obligation authority than previously programmed. Next, General Babbitt directed that future spending plans would be derived by multiplying targets for unit costs and the volume of quality outputs that would need to be produced to satisfy the command's customers. Finally, General Babbitt required that unit costs for fiscal year 2000 must be lower than the baseline level of unit costs.

There were many challenges that had to be overcome during that first programming cycle. However, when it was all said and done, the Air Force Materiel Command submitted a fiscal year 2000 Program Objective Memorandum to the Air Staff

that represented a $2.7 billion reduction in the command's requested total obligation authority. Two years later, when it was time to prepare the Air Force Materiel Command's future program proposal for fiscal years 2002-2007, unit costs were again used to develop the program. Again, the Air Force Materiel Command submitted a Program Objective Memorandum to the Air Staff that would return $1.3 billion to the Air Force to meet other requirements.

Under General Babbitt's leadership, the Air Force Materiel Command submitted budgets that were in line with Air Staff budget guidance; the working capital funds no longer lost money; and when it came to the year of execution, the corporate Air Force received no surprises and no more phenomenal *must pay bills* for the Air Force Materiel Command. It is a true testimonial to General Babbitt's leadership and dedication to changing the Air Force Materiel Command from a liability to an asset that when he retired in 2000, his successor, General Lester Lyles continued the process put in place by General Babbitt. However, General Lyles did make one small change…he directed that the older label of *mission areas* be restored and substituted for Babbitt's *business areas*. In further testimony to the success of General Babbitt's transformation of the Air Force Materiel Command, the command did not have to request any additional funds until 2002, after the events of 11 September 2001 dramatically increased the operational tempo of the Air Force and the entire DoD.

Managing Performance AND Cost in the Propulsion Directorate

As stated previously, the responsibilities of the Propulsion Directorate (LP) at the Oklahoma City Air Logistics Center fall primarily into the *Depot Maintenance Mission Area* and the *Supply Management Mission Area*. Therefore, these two mission areas are

the focus of the following section on how the Oklahoma City Air Logistics Center met the challenges initiated by the GPRA. Table 6.4 provides a summary of how the Propulsion Directorate at the Oklahoma City Air Logistics Center learned to manage performance and cost.

Table 6.4 Managing Performance and Cost in the Propulsion Directorate (LP)

- **Link to the GPRA:** Improved Effectiveness **AND** Efficiency
- **Impetus:** The working managers and operators responded to the directives emanating from the Air Force Materiel Command.
- **Focus:** The focus of this initiative was for the working levels to understand cost management, its relationship to performance and improve both the effectiveness and the efficiency of the Propulsion Directorate. The next step was for the Propulsion Directorate to develop more accurate measures of the costs associated with varying levels of performance. The focus was clearly internal as all of these objectives represented day-to-day activities in the Propulsion Directorate.
- **Decision Making:** The implementation of efforts to improve efficiency was incremental but on a time schedule designed to support General Babbitt's overall cost management initiative. Therefore, the incremental decision-making was less important to the overall success of the local initiative.
- **Key Actors:** The working managers and operators were critical to the success of this initiative because it fell to them to scrutinize every requirement to ensure every effort was being made to meet Unit Cost Target objectives established by the Air Force Materiel Command. The working managers and operators were also responsible for developing better measures of effectiveness and efficiency.
- **Accountability:** Enhancing accountability was only somewhat important in planning for better cost and performance management in the Propulsion Directorate. However, accountability was enhanced because focusing on Unit Cost Targets clearly identified each item that failed to meet the goal and the responsible manager.
- **Knowledge & Information:** The majority of the working level had no previous experience with managing cost. Therefore, it was important that the appropriate knowledge and information be developed in the managers and operators as quickly as possible. Once provided the applicable training, the managers and operators actually implemented actions to improve Unit Cost Targets and to better measure both effectiveness and efficiency.
- **Time:** Time was a critical factor for implementing better cost and performance management in the Propulsion Directorate. Actual outcomes were not clearly visible for more than 3 years.

- **Results of Change**: Further institutionalized relationship between cost and performance. More accurate measures of effectiveness and efficiency were developed.

The Air Force Materiel Command's *Depot Maintenance Mission Area* industrial infrastructure comprises government and contractor repair centers performing depot level repair functions. Together they provided over $5 billion of repair work and other services to customers throughout the Air Force, as well as to other service branches, U.S. government agencies and foreign governments (Air Force Materiel Command Fiscal Year 2000 Annual Report). The Depot Maintenance Mission Area repairs a wide range of customer assets including aircraft, missiles, aircraft engines and engine modules, landing gear, electronics, avionics, composites, and computer hardware and software. The mission statement for the Depot Maintenance Mission Area calls for the Air Force Materiel Command to:

> *Provide organic and contract depot repair capability for fielded and emerging weapon systems.*

The Air Logistics Centers are also the primary suppliers of repaired components to the Supply Management Mission Area operations. According to its mission statement, the *Supply Management Mission Area*:

> *Provides policy, guidance, and resources to fulfill the United States Air Force's need for spare parts in war and peace.*

The Supply Management Mission Area is responsible for the inventory management of approximately 2.2 million items, including weapon system consumables and depot level repairable spare parts (Air Force Materiel Command Fiscal Year 2000 Annual Report). In addition to the management of parts, the Supply Management Mission Area provides a wide range of logistics support services. These include requirements forecasting, item

and production management, cataloging, provisioning, procurement, repair, technical support, data management, item disposal, distribution management and transportation.

From the mission statements developed by the Air Force Materiel Command for the Depot Maintenance and Supply Management Mission Areas, the Propulsion Directorate at the Oklahoma City Air Logistics Center derived the following mission statement:

> *Provide world-class propulsion products and increased readiness through depot/intermediate repair using Program, Technical and Logistics Management in partnership with our customers and suppliers.*

The Propulsion Directorate's mission statement is concise, identifies overarching goals and the means by which the Directorate expects to achieve the goals. However, the goals are still too ambiguous to be accurately measured. After all, what constitutes a "world-class propulsion product" and "increased readiness?"

Moving down the organizational structure, the Propulsion Management Division developed the following, more detailed mission statement:

> *Serves as a focal point in maintaining the surveillance of contractual tasks, program objectives, workload, schedules, manpower, budgeting, funding, distribution and costs. Provides policy guidance and direction for two-level and long-range projects. Ensures the implementation of all subordinate personnel who are engaged in furnishing total engine management support to all using activities. Serves as a focal point for prime engines, accessories, components and containers. Serves as the Propulsion Management Directorate focal point to ensure appropriate action and timely accomplishment of projects, either self-initiated or established by higher authority. Confirms the need for policy, operational requirements, organizational changes, movement of service activities, and mechanical failures or malfunctions affecting safety of flight, personnel and property. Confirms the need for and requests of appropriate offices to maintain accuracy in data reporting. Serves as a focal point for reviewing and analyzing plans and actions of other divisions in order to relate new developments to the programs of the Division. Ensures programs are adequately planned to provide optimum logistics support of U.S. Air Force programs and future requirements. Serves as a focal point within the Oklahoma City Air Logistics Center's Propulsion Directorate to furnish the Air Logistics Center Commander, lateral and higher U.S. Air*

> *Force organizations expert advice and assistance in formulating policy relative to the Oklahoma City Air Logistics Center's prime engines.*

While the Propulsion Management Division's mission statement is much longer than the directorate and command mission statements, it is still concise and identifies broad goals from which the working branches can derive their own mission statements. Again, however, the goals are still too ambiguous to generate appropriate measures of performance on their own.

Finally, we turn to the operational level, the Item and Production Management Branch of the Propulsion Management Division for a still more specific mission statement, intended to describe actual work being performed:

> *Exercises surveillance over all assigned engine spare items, including requirements management, supply distribution, management of assigned funds, projects and procurement authority. Provides long and short range plans relative to assigned engines spares Materiel Management Aggregation Code (MMAC) classes covering programs, requirements materiel support, buying and budget programs. Provides appropriate representation at Headquarters Air Force, the Air Force Materiel Command and other Air Logistics Centers regarding changes in programs and policy matters. Exercises surveillance over recurring problematic situations causing program delay requiring revision of procedures and/or establishment of policy, materiel support peculiarities. Coordinates and monitors the maintenance program for assigned propulsion systems. Ensures effectual control of programs and/or current logistics support concepts for utilization by repair contractors and specialized repair activities. Provides production feasibility and cost studies to enable higher authority to make decisions and/or justify funds requirements for implementation through one unit. Ensures impact of operational readiness, required cost, and general knowledge of the ability for commands to generate required reparable assets. Provides procedures promulgated by Headquarters, U.S. Air Force to the extent necessary to achieve production management objectivity.*

These mission statements demonstrate the Propulsion Directorate's interest in numerical indicators of economy, effectiveness and efficiency; the Propulsion Management Division's concern with ensuring the measures accurately reflect the work the operational branches actually are doing in meaningful terms; and, finally, the

operational branches' interest in ensuring their performance is being measured appropriately. The measures originally formulated at the operational branch level must accurately measure the work they do and be meaningful to the Directorate, the Air Force Materiel Command, Headquarters Air Force, the Office of the Secretary of Defense and, ultimately, to the Office of Management and Budget.

The strategic objectives of the Air Force Materiel Command for the Depot Maintenance Mission Area are:

1) Expeditionary Aerospace Force
   - By the end of fiscal year 2005, reduce total flow days for aircraft undergoing depot maintenance 20% from the fiscal year 2000 baseline.
   - Meet end item delivery commitments 95% of the time by end of fiscal year 2005.
2) Weapon Systems Support
   - Sustain and improve weapon systems by meeting or exceeding specific cost, schedule, safety, and certification commitments by fiscal year 2005.
3) Cost
   - Reduce unit cost of Air Force Materiel Command products and services in real terms (without inflation) 8% from the fiscal year 98 baseline by fiscal year 2007, while maintaining appropriate performance standards.
4) Work Force
   - Develop a qualified flexible workforce in sufficient numbers with appropriate employment/skills mix by fiscal year 2005 to support the Air Force Materiel Command's fiscal year 2007 performance and cost objectives.
5) Infrastructure
   - Support the missions and personnel at the Air Force Materiel Command installations with capital infrastructure that is properly sized, configured, and maintained to enable productive operations and achieve Air Force quality of life standards.

The strategic objectives set forth for the Supply Management Mission Area are:

1) Aerospace Expeditionary Force
   - Increase issue effectiveness to 72% by fiscal year 2006.
   - Increase stockage effectiveness to 83% by fiscal year 2006.
   - Reduce logistics response time to 23 days by fiscal year 2006.
   - Reduce backorders to 121,000 units by fiscal year 2006.
2) Cost
   - Meet or exceed a net operating result of zero each fiscal year.
   - Hold unit cost increases of Supply Management Mission Area products and services to no more than the rate of inflation each fiscal year.
   - Improve the Supply Management Activity Group forecasting, budgeting and execution processes.
3) Workforce

- Determine the fiscal year 2005 Supply Management Mission Area work force end state.

4) Infrastructure
   - Size and configure the Supply Management Mission Area infrastructure for the fiscal year 2005 mission.

As directed by the GPRA, the goals and objectives established by the Air Force Materiel Command are concise, measurable and should provide the type of information stakeholders and decision-makers at all levels need. The stated goals and objectives also serve as the basis for the Air Force Materiel Command's performance plan by providing "...a clear picture of intended performance across the agency." For evidence of the strategies and resources that will be required and the credibility of information provided, we must look to the strategic goals, objectives and selected metrics for the Propulsion Directorate at Oklahoma City:

1. **GOAL:** Support our customers' needs and be their partner in achieving engine mission requirements.

    a. **Objective 1.1:** Maintain 90% or greater authorized Base Stock Levels for all engines managed by the Oklahoma City Air Logistics Center.
        i. **Metric:** Actual Base Stock Level versus Required Base Stock Level

    b. **Objective 1.2:** Maintain 100% or greater authorized War Readiness Engine Levels for all Oklahoma City managed engines.
        i. **Metric:** Actual number of War Readiness Engines available versus the number of War Readiness Engines required.

    c. **Objective 1.3:** Provide support to insure that the Engine Not Mission Capable rate for all Oklahoma City managed engines does not exceed ten each or ten percent of each engine series.
        i. **Metric:** Number and percent of Engines Not Mission Capable by series by month.

    d. **Objective 1.5:** Maintain an overall improving issue effectiveness (percent of requisitions filled automatically upon receipt) for all Oklahoma City managed engine components.
        i. **Metric:** Monthly fill rate report.

2. **GOAL:** Foster a productive and positive working atmosphere through communication, training, and recognition.

a. **Objective 2.3:** Climate Surveys – Conduct climate surveys once per year and publish the results to indicate the morale, attitude, and general welfare of the workforce.
    i. **Metric:** Publication of survey results.
b. **Objective 2.5:** Quality of Life – Provide the best possible workplace environment for Propulsion Directorate personnel.
    i. **Metric:** Department of Defense Climate Survey Trends.

3. **GOAL:** Maintain excellence in environmental stewardship.

4. **GOAL:** Continuously improve propulsion management and production processes.

    a. **Objective 4.3:** Lean Logistics – Implement Lean Logistics principles to reduce flow time and variability in repair processes and insure maximum issue effectiveness with minimum investment.
        i. **Metric:** Track inventory turnover in dollars.

    b. **Objective 4.5:** Improve Supplier Performance – Work with and monitor our contractors so that we continuously improve the on time contract delivery rate.
        i. **Metric:** Contract on time delivery rate.

    c. **Objective 4.6:** Item Manager/Equipment Specialist Effectiveness - Maintain Item Manager and Equipment Specialist effectiveness through the monitoring of semi-annual quality reviews.
        i. **Metric:** Branch Quality Review Reports.

    d. **Objective 4.8:** Improve Part Support to the Engine Production Line through Increased Responsiveness – Improve part support to the engine line through reduction of line stoppages and critical item totals by source of supply.
        i. **Metric:** Number of critical items and number of missed schedules due to part shortage.

    e. **Objective 4.11:** Lean Logistics in Contracting – Implement lean logistics concepts and improved commercial practices into propulsion contracts.
        i. **Metric:** Percent of contracts and money on lean logistics or commercial practices.

5. **GOAL:** Improve propulsion fiscal management.
    a. **Objective 5.1:** Initiate Financial Programs on a Timely Basis – Pursue an aggressive initiation of buy requirements in order to meet execution goals.
        i. **Metric:** Initiation status for buy requirements.

6. **GOAL:** Improve quality of products and services.

7. **GOAL:** Provide a safe working environment.

By end of fiscal year1997, the first year the above metrics were used to evaluate the Oklahoma City Propulsion Directorate's performance, the findings were nowhere near the desired objectives. Very briefly, the Propulsion Directorate identified the following deficiencies:

- Failed to achieve a 90% Base Stock Level for the most critical engines managed at the Oklahoma City Air Logistics Center;
- War Readiness Engine levels for critical fighters and bombers were, in some cases, 0% of the validated requirement;
- The Engine Not Mission Capable Rate for critical fighters and bombers far exceeded the identified goal of 10 each or 10% of the fleet and was climbing monthly;
- Overall issue effectiveness (fill rate) was below 60% for all quarters reviewed;
- The 1997 Climate Survey results showed that of fourteen areas, the employees of the Oklahoma City Propulsion Directorate gave only four higher than a 60% approval rating. The three lowest ratings were given to Adequate Unit Resources (22%), Positive General Organizational Climate (35%) and Adequate Employee Recognition (37%);
- Contract on time delivery rates were well below Air Force standards;
- Number of quarterly computations requiring corrections due to errors committed by Item Managers and Equipment Specialists was greater than 75%;
- Number of critical items was increasing;
- Maintenance was unable to meet scheduled repair times for critical fighter and bomber engines due to parts shortages;
- Contracting was not taking advantage of identified best commercial practices; and
- Buys frequently took longer than three months for purchase requests to be initiated.

As a result of these problems, the Propulsion Directorate at Oklahoma City was unable to meet the goals established by the Air Force Materiel Command for the Depot Maintenance Mission Area and the Supply Management Mission Area. There was no doubt that spare parts supportability and engine availability were far below what was needed to meet Air Force desired objectives for improved support to the warfighter, *i.e.*, improved combat readiness (Livingston, April 1999 and GAO-01-587).

Armed with statistical proof of a failing performance level and a unit cost far above the target, the Propulsion Directorate at the Oklahoma City Air Logistics Center set out to fix what was clearly broken! To identify specific problems, the Propulsion Directorate management sought input from the operational branches and the employees trying to deal with the problems on a day-to-day basis.

Inventory Management

The place to begin looking at engine supportability issues is the Inventory Management Branch within the Propulsion Management Division at the Oklahoma City Air Logistics Center. It is here that problems with spare parts supportability are first identified, resolved or made worse! Table 6.5 summarizes the findings for the study of inventory management in the Propulsion Management Division.

Table 6.5 **Inventory Management Summary**

- **Link to the GPRA:** Improved Effectiveness and **E**fficiency.
- **Impetus:** The managers and operators in the Propulsion Management Division at the Oklahoma Air Logistics Center were focused primarily on complying with Air Force Materiel Command instructions.
- **Focus:** Management of Air Force inventories is an internal day-to-day operation. Therefore, any actions taken to improve inventory management must focus on internal activities.
- **Decision Making:** Incremental decisions regarding efforts to improve effectiveness and efficiency through better inventory management was less important than ensuring that making improvements remained an ongoing process.
- **Key Actors:** No one understands inventory management better than Item Managers and their working-level management. Consequently, the managers and operators were the most critical players in efforts to improve inventory management.
- **Accountability:** Item managers are already held accountable for the accuracy of their requirements. Therefore, there was no real change as a result of this initiative.
- **Knowledge & Information:** The knowledge and information necessary to improve inventory management resides with the Item Managers and their working-level management.

- **Time**: Time was a critical factor for improving inventory management. Actual outcomes in terms of better supportability and more accurate requirement's forecast were not clearly visible for more than 3 years.
- **Results of Change**: Further institutionalized relationship between cost and performance. Developed more accurate measures of effectiveness and efficiency.

Inventory Management Specialists, better known as Item Managers, perform several major functions related to what parts are needed. The Item Managers initiate buys or repair of needed parts; budget for funds to support buy and repair requirements; and, finally, are responsible for storing, maintaining, distributing and disposing of inventory items (GAO/NSIAD-00-5, p. 4). They also review their requirements and adjust forecasts every three months to ensure timely support to the warfighter. The primary performance measures for the item management community are:

1) Issue Effectiveness (Fill Rate);
2) Engines Not Mission Capable due to supply support;
3) Decreasing quantity of War Readiness Engines due to supply support;
4) Engine Base Stock Levels below minimums due to supply support; and
5) Excess – On Order and On Hand

The management of DoD inventories has been an ongoing concern closely monitored by the Government Accounting Office (GAO) for many years (GAO-03-98; GAO-03-18; GAO-01-587; GAO-01-244; GAO/NSIAD-00-21; GAO/NSIAD-00-5; GAO/T-NSIAD-99-83; GAO/NSIAD-99-43R; GAO/NSIAD-99-39; GAO/NSIAD-98-143; and GAO/NSIAD-98-86). Problems identified by the GAO suggest that inaccurate, ineffective and inefficient inventory management practices result in buying or repairing

items where there is already sufficient inventory to support needs or failing to buy or repair parts in short supply (GAO/NSIAD-00-5, p. 12).

Requirements are computed and initially budgeted more than two years in advance to allow for items with long procurement lead times and the lengthy appropriation process. The result of planning, programming and budgeting for too many or too few is an inaccurate budget and, ultimately, a failure to adequately support the men and women in the United States Air Force put in harm's way, *i.e.*, the *warfighter*!

Unsatisfactory outcomes begin with errors in the quarterly requirements' computations. Although many systems overlay data and other individuals also input data, the individual responsible for the accuracy and validity of the entire requirements' computation is the item manager.

Budget Requirements Review and On Order Excess

First implemented in 1992 for the FY93 budget, the Budget Requirements Review initially lacked formal structure and focused primarily on the current budget year only. As a result of the GPRA, beginning in 1996 for the FY97 budget, the Budget Requirements Review became a more formalized process for review of Air Logistics Centers' budgets for accuracy in the current fiscal year, the following budget year and the forecast budget requirements for an additional extended year. The budgets for procurement and repair of spare parts are both subject to review. Table 6.6 summarizes the findings for this initiative.

Table 6.6 Budget Requirements Review and On-Order Excess Summary

- **Link to the GPRA:** Improved Effectiveness and Efficiency.
- **Impetus:** As a result of strict oversight**,** the managers and operators in the Propulsion Management Division at the Oklahoma Air Logistics Center were focused primarily on complying with Air Force Materiel Command instructions.
- **Focus:** Budget preparation in the Air Force begins at the Item Management level. Therefore, any actions taken to improve the budget must begin at this same level and that makes the focus on the internal workings of the agency.

- **Decision Making:** Incremental decisions regarding efforts to improve effectiveness and efficiency through a more formalized budget review were important in that the Air Logistics Centers were given more time to reach the ultimate goal. I did not find, however, that the staggered decision-making process was critical to the improvements that resulted from the Budget Requirements Review.
- **Key Actors:** Because of their expertise in the requirements and forecasting area, the Item Managers and their working-level management were the most critical players in efforts to improve the accuracy of the budget and reduce on-order excess.
- **Accountability:** Item managers are already held accountable for the accuracy of their requirements. Therefore, there was no real change in the level of accountability as a result of this initiative.
- **Knowledge & Information:** The knowledge and information necessary to improve the accuracy of the budget and forecast requirements resides with the Item Managers and their working-level management.
- **Time**: Time was a critical factor for improving the accuracy of the budget and forecast requirements. Outputs were seen at the end of each budget cycle, however, actual outcomes in terms of better supportability were not clearly visible for more than 3 years.
- **Results of Change**: Improved budget accuracy and ensured the right parts were on-order to support the warfighter through reduction in excess assets on-order.

The participants in the local Budget Requirements Review conducted at each individual Air Logistics Center are Requirements Control Officers, Technical Control Officers and Headquarters Air Force Materiel Command budget managers. The review focuses specifically on usage rates and factors, *i.e.* base level condemnations and depot replacements, historical and adjusted; accuracy and length of pipeline times; non-recurring requirements; assets in inventory and on order; and, procurement lead times. The objective is to ensure adherence to all applicable policies and procedures; to identify errors that will impact the budget accuracy; and to provide appropriate justification for all changes. In short, the goal is to ensure that requirements sent forward through the Air Force Corporate Structure for inclusion in the budget request of the Air Force Materiel Command are accurate and defendable.

Based on the review, an Air Logistics Center's budget validity factor is assessed. The error rate is determined by dividing the net dollar value of errors for a specific directorate by the Automated Budget Compilation System (ABCS) value of the total Air Logistics Center sample. Penalties are associated with excessive error rates. Cost authority for the current fiscal year can be reduced in accordance with that error rate. Budget submissions for the future years can also be adjusted in accordance with the budget validity factor.

To further ensure that the Air Logistics Centers recognize the importance the Air Force Materiel Command attaches to the error rate as a key performance measure, the pluses and minuses do not wash each other out. In other words, a $1 million overstatement is added to a $2 million understatement and is ultimately counted as $3 million in requirement errors.

As a result of the first formal Budget Requirements Review in 1996, the Oklahoma City Air Logistics Center absolute error rate was 18 percent. Because it was the first year for the formal review, the Air Force Materiel Command did not impose the entire penalty. Rather, the Oklahoma City Air Logistics Center's funding for FY 97 was reduced to only 85 percent of its budget request. The more inaccurate your budget requirements are found to be, the less money you will have to fulfill the requirements.

To improve the error rate identified by the Budget Requirements Review, management in the Propulsion Directorate at the Oklahoma City Air Logistics Center reviewed the list of errors provided by the review team to ascertain what were their most serious problems. One of the areas with the most critical deficiencies in the item management community was the number of assets on order in excess of computed needs.

The problem was not new. The GAO in 1990, 1992, 1995 and, ultimately, again in 1997 and 1999, identified inventory management as a *high-risk* area because of high levels of inventory in excess of current needs (GAO/T-NSIAD-99-83 and GAO/NSIAD-99-40). One of the main causes of excess inventory on hand is excess inventory on order. Key reasons why the Air Force has excess on order are unnecessarily lengthy contract cancellation or termination procedures and the lack of adequate systems for determining inventory requirements (GAO/NSIAD-00-5, pp. 3-4). Both problems became the focus of the Propulsion Directorate's energies over the next two years. However, the problems were not easily fixed.

According to the GAO, the primary problems confronting the Air Force in the realm of contract cancellation and termination are:

1) *the Air Force process for canceling contracts takes a long time (60-90 days to provide managers with requirements information), during which time contractors incur costs for which the government is liable, thereby reducing the savings opportunities from canceling the contracts;*

2) *the Air Force model that estimates requirements provides for over five years of supply, a period greater than the normal period needed to replace the items; and*

3) *the model uses invalid requirements, thus reducing the quantities to be canceled* (GAO/NSIAD-00-5, p. 5).

In March of 1997, the Propulsion Directorate's excess on order was 11.5 percent of all items on order. The Oklahoma Air Logistics Center was clearly buying the wrong parts to support their assigned engines. Armed with the Budget Requirement Review results and recommendations, the Item Management Branch in the Propulsion Management Division set out to *fix* the problem. Numerous changes were made in requirements development procedures and contract termination processes.

The first goal was to reduce the amount of time required to validate requirements. The item manager and equipment specialist for an item are the most knowledgeable of specific item characteristics and requirements. The next level of review is the Requirements Control Officer and the Technical Control Officer. These individuals are the resident experts in policies and procedures for requirements development. One of the first steps was to eliminate all required signatures that added no value to the accuracy or validity of the requirements before a need to cancel a contract was identified to the contracting officer. Therefore, only the item manager, equipment specialist, Technical Control Officer and Requirements Control Officer needed to review and validate the requirements computation to issue a termination notice to the contracting officer.

Under the new guidelines, all requirements computations recommending cancellation of on order assets were the first computations reviewed each quarter and were required to be completed within ten days. Prior to this time, it had taken as much as sixty to ninety days to process a requirements computation all the way through the signature cycle before a termination notice was issued to the contracting officer.

A second change initiative addressed the length of time used by the requirements termination model to identify potential cancellations. Utilizing a locally developed computer program, the item managers in the Propulsion Directorate were able to manually re-compute worldwide excess and termination levels required to be supported. Instead of retaining assets on order to support requirements for five or six years, the item managers could now make a management decision to reduce the number of assets on order to just those quantities required to support the operational period (current year plus one budget year) and the amount of time actually required to re-procure assets.

Finally, a critical finding of the GAO was that the Air Force was using invalid requirements to determine if assets on order should be cancelled. One of the invalid requirements identified by the GAO was the use of only two years of reclamation assets to fulfill future requirements. The process of how assets expected to be reclaimed are now considered in the requirements computation is quite technical and beyond the scope of this research. Suffice it to say, the item managers in the Oklahoma City Propulsion Directorate accomplished the changes recommended by the GAO so that **all** assets potentially available from reclamation activities are now considered in the final requirements development and validation process.

Many other changes and improvements were accomplished by the item managers in the Oklahoma Air Logistics Center Propulsion Directorate. Changes such as improving the on hand inventory records, increased accuracy in usage data and several acquisition reform efforts all contributed to a much more accurate determination of future requirements. While there is much more that can be done to further improve the accuracy of Air Force requirements, the changes made by the Propulsion Directorate at the Oklahoma City Air Logistics Center from March 1997 through September 1999 did result in a decrease in excess assets on order. In March 1997, the on order assets excess to stated needs of the Propulsion Directorate was 11.5 percent. By FY 1999, General Babbitt had implemented his transformation for efficiency so the Air Force Materiel Command goal for on order excess at the end of FY 1999 was 4 percent. The actual on order excess for the Propulsion Directorate at Oklahoma City as of the September 1999 quarterly requirements computation was 3.2 percent, well below the Air Force Materiel Command's goal for that year.

Next, I looked at item management practices that could result in decreased supportability such as Engines Not Mission Capable Supply (ENMCS); War Readiness Engines (WRE) and Base Stock Level (BSL). Each of these represent key performance measures and are used by the Propulsion Directorate to Headquarters, Air Force to measure the level of support to the war-fighter, *i.e.*, combat readiness. Each of these metrics had shown a steady decline since 1992. However, after the passage of the GPRA, the problems seemed to be getting worse instead of better! Several factors influenced this adverse trend. Two of the most critical deal with consolidating inventory management responsibilities and the support of items used by more than one service.

Consolidation of Inventory Management

Following the end of the Cold War and the subsequent reductions in defense budgets, the DoD sought to reduce its infrastructure by consolidating similar functions and workloads among the services and Defense agencies (GAO/NSIAD-97-157). Two such initiatives had a direct impact on the Propulsion Directorate's performance report in 1997. Table 6.7 summarizes the first of the two initiatives.

Table 6.7 Consolidation of Inventory Management Summary

- **Link to the GPRA:** Improved Effectiveness and Efficiency.
- **Impetus:** Because this initiative crossed service lines, the Department of Defense (DoD) was the primary source of direction for its implementation.
- **Focus:** The focus of this initiative went far beyond just the Propulsion Division at Oklahoma City to include the internal day-to-day operations of all services and DoD agencies.
- **Decision Making:** The top level of all the services and DoD agencies, reviewed and considered numerous alternatives before finally deciding to consolidate all consumable inventories under the single umbrella of the Defense Logistics Agency. Therefore, incremental does not accurately describe the decision-making process associated with this initiative. However, the implementation was incremental in that the actual transfer of management took place over a period of four years.

- **Key Actors:** Because all DoD inventories are managed by Item Managers regardless of the service or agency, the Item Managers and their working-level management were the most critical players in transferring the management of all DoD consumable items to a single agency.
- **Accountability:** The primary objective of consolidating inventory management under the Defense Logistics Agency was to improve effectiveness and efficiency. However, with a single agency responsible for all DoD consumable inventories, it was expected that accountability also would improve. Again, there was no expectation that additional flexibility beyond that already enjoyed by the DoD would be required.
- **Knowledge & Information:** The Item Managers and their working-level management were the ones with the requisite knowledge and information necessary to accomplish the consolidation with as little disruption to warfighter support as possible.
- **Time**: Time was a critical factor for transferring the management of all consumables from the individual services to the Defense Logistics Agency. The transfer was scheduled to be accomplished over a period of four years but it was after that that actual outcomes in terms of better supportability were clearly visible.
- **Results of Change**: Improved support to the warfighter and reduced costs through reduction in infrastructure and elimination of duplication in management services.

In 1994, following the passage of the GPRA, the DoD began to consolidate management responsibility for all consumable items by transferring them to the Defense Logistics Agency (DLA). Previously, the individual military services managed their own weapon system consumable parts, both unique and common to other services. The Defense Logistics Agency's primary experience was in the management of non-weapon system related items such as medical supplies, clothing and office supplies.

The Defense Logistics Agency's overarching performance objective was to fill 85% of requisitions immediately upon receipt (GAO/NSIAD-97-157). This goal was acceptable for the type of items the Defense Logistics Agency historically had managed. It was not, however, acceptable for critical engine components. Even the lack of something as seemingly simple as an o-ring or a unique bolt could prevent an engine

from being mission capable. By 1996, Defense Logistics Agency-managed parts were holding up the repair and overhaul of engines at the Oklahoma City Air Logistics Center. And the problems were growing worse by the day.

Item managers and logistics managers identified the lack of spare parts managed by the Defense Logistics Agency as a contributing factor to the Oklahoma City Propulsion Directorate's inability to meet its stated goals regarding the production of engines. For example, Oklahoma City's ultimate responsibility is to produce the engines necessary to meet targets for mission capable rates, required number of War Readiness Engines and required numbers of engines on site at the using bases. An overhauled engine requires an overhauled rotor. The rotor is also managed at Oklahoma City so its scheduled repair is coordinated with the organization reassembling the engine to ensure the rotor will be ready when needed.

Although the rotor is managed by Oklahoma City, some of the piece parts that go into the rotor are managed by the Defense Logistics Agency instead of local Air Force item managers. Because Defense Logistics Agency item managers were new to the management of weapon system unique parts, they did not yet realize the changes in management policies and procedures that would have to be made to adequately support active weapon systems. As a result of these circumstances and the time required for a true paradigm change, supply support from the Defense Logistics Agency for Oklahoma City engines continued to present problems. However, the Defense Logistics Agency's management and operational support centers became truly committed to changing the way they do business and also used acquisition reform initiatives. As a result, supply support from the Defense Logistics Agency has steadily improved over the past two years

to an average of 91%. I will describe one of the changes in how the Defense Logistics Agency now acquires spare parts in the section on Acquisition Reform.

Interservicing

Another critical factor influencing the Oklahoma City Air Logistics Center support metrics in 1996 was a DoD directed move to *Interservicing, i.e*., one service repairs and supports another service's parts. Table 6.8 summarizes the efforts of the Propulsion Management Division at the Oklahoma City Air Logistics Center to support the repair and overall of both Air Force and Navy engines.

Table 6.8 **Interservicing Summary**

- **Link to the GPRA:** Improved Effectiveness and Efficiency.
- **Impetus:** Because this initiative crossed service lines, the Department of Defense (DoD) was the primary source of direction for its implementation.
- **Focus:** The focus of this initiative was on the day-to-day operations of the Propulsion Management Division and the Maintenance Directorate at the Oklahoma City Air Logistics Center. Navy logistics personnel were physically co-located with Air Force logistics personnel in the Propulsion Management Division but were still Navy employees. All Maintenance personnel were Air Force employees.
- **Decision Making:** Implementation for this initiative was incremental, however, it did not actually represent incremental decision-making. Implementation occurred in several distinct stages that can only happen in a certain order. Therefore, the incremental implementation was important because it was unavoidable.
- **Key Actors:** Because the actions required to make the changes happen were by regulation the responsibility of the Item Managers, the Item Managers and their working-level management were the most critical players.
- **Accountability:** Item managers were already responsible for the management of the items common to Air Force and Navy engines. Therefore, there was no real change in the level of accountability as a result of this initiative.
- **Knowledge & Information:** The Item Managers and their working-level management were the ones with the requisite knowledge and information necessary to accomplish the review of common items and accomplish the necessary data corrections.
- **Time**: Time was a critical factor for improving the management of items common to Air Force and Navy engines. Outputs were seen thirty days after the data changes

were made. However, actual outcomes in terms of better supportability were not clearly visible for more than 3 years.

- **Results of Change**: Improved support to the warfighter and reduced costs through reduction in infrastructure and elimination of duplication in management services.

In 1994, the DoD directed the Air Force and the Navy to join forces to improve the support and maintenance of common non-consumable components in the F110-100 and F110-400 engines used on the Air Force F-16 and Navy F-14 fighter aircraft, respectively. This joint venture included the actual closing of the Navy's engine overhaul facility at Norfolk, Virginia and transferring the maintenance workload as well as the logistics management function to the Propulsion Directorate at the Oklahoma City Air Logistics Center. Adequate visibility of Navy requirements and common parts shortages were identified by item managers as major problems in meeting daily demands for spare parts and in forecasting future requirements. To address these identified obstacles to achieving stated goals, the Oklahoma City Propulsion Directorate focused on lower level efforts to improve effectiveness, efficiency and economy in the acquisition, operational support and maintenance areas of inventory management.

In the fall of 1997, representatives from the Air Force item management section responsible for the F110-100 engine and the inventory managers for the Navy F110-400 engine met in Oklahoma City to discuss the problems with support plaguing both engines and services. As the Section Chief for the F110-100 item managers, I was one of three Air Force participants.

Several issues were raised, such as incompatible, computerized supply systems, differing technical limits imposed on identical parts due to the differences in the environment in which the Air Force and Navy operate their aircraft, and a disagreement

on the definition of a repairable part due to different types of storage facilities. Clearly, this group of concerned inventory managers could not change the entire supply systems of the United States Air Force and Navy, they could not change the operating environment of the Air Force or the Navy and they could not change the entire concepts of appropriate storage facilities held by the Air Force or the Navy.

The participants accepted from the beginning that they could not change the world. However, they could try to improve their own little piece of it by adopting better business practices such as more effective communication between the two service inventory management communities.

At that first meeting, representatives from both sides agreed to go back to their home stations and put together a list of items, common to both engines, that were adversely affecting the supportability of both the Air Force and the Navy engines. Within thirty days, each service would provide their list to the other so that all parties would be prepared to address critical issues when they met the next time. In order to retain momentum, the next meeting was scheduled for December 1997 at the Navy Inventory Control Point in Philadelphia, Pennsylvania.

The issue the group had chosen to focus on was to review their assigned items to ensure they were being managed by the correct service under the correct Non-Consumable Item Material Support Code. The Non-Consumable Item Material Support Code identifies the primary inventory control point, the secondary inventory control point and whether or not the parts used on each engine are identical. When the group came back together in December, they had identified 298 items for review. Following a week-long review in which each item's history, current usage rates, and technical limits were

thoroughly scrutinized a total of 132 items were coded incorrectly. Of the total items coded incorrectly, 65 were Navy prime items and 67 were Air Force prime items. At least the errors were equitably distributed!

The problem was that the items were coded so that it appeared the Air Force part and the Navy part had different technical limits and were required to be kept separate in supply and could not be used in each other's engine. Even though the Navy had assets in their supply room, the Oklahoma City Maintenance Directorate was unable to produce engines for the Air Force because the assets procured by the Air Force had not yet been delivered. Because the parts were coded incorrectly, maintenance was prohibited from using Navy assets to build Air Force engines. Therefore, the Air Force's mission capable rates, number of available War Readiness Engines and Base Stock Levels of engines continued to decline.

Several substantial benefits were possible even with correcting only a few parts.

- Procurement of items for both Air Force and the Navy requirements by a single item manager should result in lower unit costs as total requirement quantities would be solicited as a single purchase;
- Need for separate supply storage facilities was reduced;
- Facilitated maintenance requisitioning and installation of common parts; and
- Improved supportability for critical components as a result of coordinated requirements being identified for piece parts.

Over the course of the following year, cataloging actions were completed to correct the coding of all 132 items to reflect their commonality. Unfortunately, the follow on initiatives never came to pass as the original participants for both the Air Force and the Navy retired, moved or were transferred to new positions. Supportability did improve for

the corrected items. However, it was not enough to raise the overall supportability metrics for the Propulsion Directorate at the Oklahoma City Air Logistics Center.

The Air Force and Navy are not the only services experiencing difficulties in the management of identical parts. In fact, the management of identical parts seems to be one of the most entrenched inventory problems for the entire DoD. In October 1999, the GAO concluded another in a long line of audits of Defense inventory initiatives on this very topic. The primary GAO finding was that despite numerous efforts, attempts by the DoD "to improve the management of identical parts have been largely ineffective" (GAO/NSIAD-00-21, p. 4). The GAO went on to say that, "Although DoD's goal is to have a single manager for identical parts used by more than one service, this goal has not been achieved." As of February 1999, more than 57,000 identical repairable parts continued to be used and managed by more than one service (GAO/NSIAD-00-21, p. 5).

The GAO has not been able to quantify the precise savings that could be realized by the DoD adopting a policy of single management for identical repairable parts. However, they do report that it would likely be substantial (GAO/NSIAD-00-21, p. 7). An example of the affects of failing to correct the problems associated with identical repairable parts managed by more than one service is that a secondary item manager is frequently disposing of assets while the prime item manager may be purchasing the same part for use by another service (GAO/NSIAD-00-21, p. 11).

The GAO found that the primary cause of the DoD's lack of progress in this area is much the same as the small group of inventory managers at the Oklahoma City Air Logistics Center and the Navy Inventory Control Point learned when they tried to change the way only a few items were managed. The lack of progress throughout the DoD in

addressing the difficulties caused by identical parts being managed by more than one service "...stems largely from a lack of sustained and clearly formulated commitment to the program" (GAO/NSIAD-00-21, p. 13) on the part of management at several levels. The DoD does not disagree with the GAO. However, the DoD contends that the problem cannot be significantly fixed until a more modern information system is developed and used by all DoD components (GAO/NSIAD-00-21, p. 13). Developing such a system that will provide the total asset visibility the GAO recommends remains one of the DoD's long-term strategic goals (GAO-03-98).

Issue Effectiveness, Logistics Response Time and Customer Wait Time

The best performance measures are those that provide a clear cause and effect relationship between what an agency does (outputs) and what results the agency seeks to achieve (outcomes). The GPRA is very clear that it expects appropriate outcome measures…not just numbers based on output. With that mandate in mind, I now turn to one of the more successful inventory management initiatives undertaken by the Propulsion Directorate at the Oklahoma City Air Logistics Center to comply with the requirements of the GPRA but to also improve supply support. That initiative was the effort to develop an appropriate measure for how well supply is supporting the user in the field, *i.e.*, the warfighter. The basic concept employed was that you must first have accurate measurements of where you are before you can make changes to improve. Table 6.9 summarizes the initiative to develop a better measure for supply support.

Table 6.9 Issue Effectiveness, Logistics Response Time and Customer Wait Time Summary

- **Link to the GPRA:** Improved Effectiveness and **E**fficiency.
- **Impetus:** Initially, managers and operators in the Propulsion Management Division at the Oklahoma City Air Logistics Center were responding to Air Force Materiel Command directives to provide more accurate measures of supply support. However, this impetus was only somewhat important because the initiative was still in the very early stages of implementation when the Middle Managers essentially became the champion for developing a better metric.

- **Focus:** The focus of this initiative was on the day-to-day operations of the Propulsion Management Division as its primary mission includes supply support.
- **Decision Making:** This initiative provided the clearest example of incremental decision-making and incremental implementation of all the cases. The original metric for supply support was Issue Effectiveness. After several months of collecting data to show that Issue Effectiveness was not providing accurate information on the level of supply support to the field, it was evolved into measuring Logistics Response Time. After several more months of collecting data, the Propulsion Management Division again went to Headquarters to show that Logistics Response Time was a better measure than Issue Effectiveness, however, it was still not as accurate as it should be. From there, the Middle Managers ultimately developed Customer Wait Time as a preferred metric and it continues to be used today.
- **Key Actors:** The Middle Managers took over this effort early on and quickly became the most important players.
- **Accountability:** The Propulsion Management Division was already responsible for the accuracy of the supply support metric. Therefore, there was no real change in the level of accountability. However, this example did demonstrate the degree of discretion and flexibility managers are already authorized to use and the results show that this had no adverse impact on the level of accountability.
- **Knowledge & Information:** Developing an accurate metric requires knowledge of statistics and knowledge of the work actually being accomplished. This type of duel knowledge and expertise is a critical characteristic of a good middle manager. Consequently, the Middle Managers at Oklahoma City were the most important players in this initiative.
- **Time**: Time was a critical factor for developing a better measure of supply support. It took more than three years to actually evolve to Customer Wait Time as a preferred metric. Because the average procurement lead time to buy new parts is 2 years, it took another 2-3 years for actual outcomes in terms of better supportability to be clearly visible.
- **Results of Change**: Improved requirements accuracy that lead to better supply support to the warfighter.

The measure the Air Force Materiel Command selected to reflect supply performance following the Quality Air Force Assessment in 1996 was a metric identified as *Issue Effectiveness*. Issue effectiveness was to measure the number of times a requisition for parts was filled the instant it hit the supply system computer rather than being placed on backorder. The thought was that a fill action issued immediately

demonstrated that supply had the right parts available at the right time. Issue effectiveness also was used to rate how well the item managers were doing their jobs of buying or scheduling repair for the right part at the right time. The target goal was set at 85%. In other words, the Air Force Materiel Command believed if 85% of all requisitions received from the users were filled immediately upon receipt by the supply computer system, the warfighter was being adequately supported.

In reality, i*ssue effectiveness* was just a new name given to an old metric—fill rate. The name was changed to make it appear the metric had changed because fill rate was notoriously inaccurate, had been for years and managers and operators knew it! Fill rate was inaccurate because it did not measure what it was intended to measure, *i.e.*, assets available for immediate support of the warfighter. The flaw was that a requisition could be placed on backorder when it was received by the supply computer system even if there were assets on the shelf and available for distribution. Control of distribution was firmly in the hands of the item managers not the supply computer system.

There are numerous codes used by the supply computer system to identify many different characteristics of an item and to reflect the distribution instructions from the item manager. For example, there are codes that instruct the supply computer system to not release an asset even if one is available on the shelf until the item manager has reviewed the requisition. These are called Manager Review Codes (MRC). There are several different Manager Review Codes that exert various levels of control over distribution. For example, one Manager Review Code (F) will only allow assets to ship if the requisition is of a certain priority. Another Manager Review Code (L) will not allow any assets to ship at all until the item manager has reviewed the requisition and put a

manual release action into the supply computer system. Neither i*ssue effectiveness* nor *fill rate* allow for these circumstances. If the requisition is placed on backorder for even a second, no credit is considered in computing the fill rate for having the right part at the right time.

There are many valid reasons for an item manager to assign a Manager Review Code to an item. The automatic release function of the supply computer system operates on the principle of oldest/highest priority is filled first. But there are reasons why an item manager wants to change this order of release. For example, the item may be one that is replaced when an engine comes in for scheduled overhaul. These parts can be requisitioned as much as sixty days before the engine is scheduled to come into maintenance and they automatically are assigned a high priority. Generally, the assets required for overhaul are bought and scheduled to deliver just before time for the engine to come into the depot.

In the mean time, there may be other requisitions received for that same item that have a slightly lower priority but need to be supported with the assets on hand to provide optimum support to the users in the field. Without the Manager Review Code, the supply computer system would release the first requisition for the part that is really not needed for another sixty days. Therefore, an engine in the field that could be made mission capable immediately will remain broken while the part needed to fix it sits on a shelf waiting for the next engine to generate.

There are other examples of situations where an item manager needs to strictly control the distribution of assets instead of allowing the supply computer system to do it for them. But the point here is the reasons for assigning a Manager Review Code are

valid. Therefore, a valid performance measure for supply support must consider the fact that not all requisitions will be filled immediately even when assets are available. Neither issue effectiveness nor fill rate meet the criteria.

The GPRA's insistence on outcome based performance measures placed the matter of issue effectiveness and fill rate inaccuracy squarely on center stage at the Air Staff. The Headquarters wanted to know how well the Air Force Materiel Command was, in fact, supporting the warfighter. Therefore, it was time for a new metric.

The Oklahoma City Air Logistics Center concurred with the Air Force Materiel Command's decision to put forth Logistics Response Time (LRT) as a more accurate measure of supply support to the warfighter. Logistics Response Time was already being tracked and measured so there was a great deal of information already available. Logistics Response Time measures the time from when a requisition is received until the time the supply computer system initiates a release action. The Air Force Materiel Command considered Logistics Response Time a more valid measure because it counted all release actions whether it occurred the moment of receipt or several days or weeks later. In FY 2000, the Air Force Materiel Command reported an average Logistics Response Time of 38 days. One of the major goals identified by the Supply Management Mission Area of the Air Force Materiel Command was to reduce Logistics Response Time to 23 days by 2006. The Air Staff, however, was still not satisfied that this was in fact, the most valid measure of supply support to the warfighter.

The Air Staff was looking for a measure that would encompass the entire logistics tail. Very simply, the Air Force wanted to know how long it took from the time a need was identified until the need was satisfied. This, they believed, would provide a true

picture of how well the Air Force Materiel Command was doing its job and it also would help to identify particular problems that needed to be resolved! The metric developed is called *Customer Wait Time*...and it measures exactly what it says! The clock for Customer Wait Time begins when a requisition is input to the supply support system requesting a part...the need is identified. The clock stops when the customer, *i.e.*, the user in the field requesting the part, receives it...the need is satisfied. However, the Customer Wait Time clock is not just one clock. It is a series of clocks. By using five clocks, it is easier to isolate and identify areas for improvement. Here is how it works.

When a requisition is input, the first clock starts. When the requisition is received by the depot supply computer system, the first clock stops and a second clock starts. In actuality, the first measure should be only a few seconds because it is a computerized transaction. However, if the depot supply system rejects the requisition due to some type of internal error, it can take days to notify the initiator of the problem, get it fixed and re-initiate the requisition. Once the second clock begins to run, it runs until the requisition is filled. In other words, the second clock runs until an asset is released for shipment. It does not matter whether the release is triggered by the depot supply computer system automatically or manually by the item manager.

A third clock begins to run when the second one stops and continues until the asset has been moved from storage to Shipment and Planning where it is packaged and made ready to be transported to the user that requisitioned it. Once the asset is packaged for shipment, the third clock stops and the fourth clock takes over and runs until the asset is delivered to the central receiving facility at the user's location. Once it is received at the base facility, the fifth and final clock starts and runs until the asset is actually placed

in the hands of the user that identified the original need. The times for all five clocks are then added together to become the Customer Wait Time metric...the actual length of time it takes for the user to order a part and receive it. By using five clocks, it is possible to more easily isolate and identify bottlenecks.

The Air Force Materiel Command had been directed to establish strategic goals for Customer Wait Time to be met by the end of 2004. The goal was developed by collecting data from the three depots and all other using activities on the total times for each of the five clocks. The goal the command established was 6.38 days. The Air Force Materiel Command reported the target goal for Customer Wait Time to the Deputy Chief of Staff for Installations and Logistics at Air Force Headquarters in Washington, D.C. for inclusion in the next update of the annual Air Force Strategic and Performance Plans required by the GPRA.

At the Oklahoma City Air Logistics Center, all active directorates identified their individual their numbers and then the Center developed an over all average. At the end of January 2003 the average Customer Wait Time for the Oklahoma City Air Logistics Center was 9.14 days. As of January 2004, the average Customer Wait Time at the Oklahoma City Air Logistic Center was 4.75 days. It has been said that, "…neither the act of measuring performance nor the resulting data accomplishes anything itself; only when someone uses these measures in some way do they accomplish something" (Behn, 2003, p. 586). In the case of the Customer Wait Time, the logistics management and maintenance organizations at the Oklahoma City Air Logistics Center made Customer Wait Time the target of all their efforts.

The individual directorates were required to brief their actual numbers and actions they had taken to improve those numbers every week at the General's staff meeting. Each director was responsible for presenting every suggestion to reduce Customer Wait Time whether it came from the jet engine mechanic on the floor or the program management office. The presentations included feasibility, costs and expected results. By keeping the focus on Customer Wait Time as the most important measure of performance, the Oklahoma Air Logistics Center was able to exceed the target goal in the very first year.

As reflected in the strategic objectives, the Air Force Materiel Command continues to establish goals for Issue Effectiveness and Logistics Response Time. The command also continues to track progress toward achieving those established goal. They are not, however, the metric tracked by the Air Staff to measure supply support to the warfighter. To see how well the Air Force Materiel Command is supporting the Air Force warfighter, the current key performance measure is Customer Wait Time. It will be interesting to see if the Air Force Materiel Command persists in the tracking of Issue Effectiveness and Logistics Response Time after the data on Customer Wait Time is tracked for two or three years. But what is most interesting about the evolution of this metric is that it is exactly what the framers of the GPRA wanted the law to accomplish.

Organizational Climate Survey

The following is an excerpt from the introduction to the 2002 Air Force Organizational Climate Survey:

> *The Air Force's Organizational Climate Survey answers the question "What is the health of my organization?" These characteristics are relatively enduring over time and influence the behavior of people in the organization. By examining climate, actionable data concerning the ability of a unit to sustain effective performance is obtained. Research indicates that sound management practices*

lead to an increase in employee job satisfaction, customer satisfaction and loyalty, organizational productivity, growth and profitability.

The climate survey is an excellent tool for leaders because it provides information about how employees perceive their unit, it is a mechanism for leaders to engage in conversations with their employees and it can be used as a tool to improve the organization. The Propulsion Directorate at the Oklahoma City Air Logistics Center seemed to recognize the value of the Organizational Climate Survey when they included it in their list of strategic objectives for 2000.

Table 6.10 summarizes my case study of the use of the Organizational Climate Survey as a means of engaging the workforce and providing information to the Chief of Staff of the Air Force. A more detailed discussion of the survey will follow. Also included will be a discussion of the survey I conducted specifically for this research and some of the applicable results.

Table 6.10 **Organizational Climate Survey Summary**

- **Link to the GPRA:** Improved Effectiveness.
- **Impetus:** The driving force behind the Organizational Climate Survey is the Chief of Staff of the Air Force and his Staff. The interest of the Chief of Staff is important in conducting the survey in that it encourages leaders at all levels to also support the survey and to pay attention to the results.
- **Focus:** The focus of the Climate Survey is to gather critical information from all Air Force active duty and civilians on how well the organizations are actually working. In 2002, more than 279,000 people participated in the survey. Leaders use the information garnered from the survey results to make the working environments better for all Air Force people. Focus is the only factor found to be critical to the success of this initiative.
- **Decision Making:** In the case study on the Climate Survey, we find examples of both rational and incremental decision-making and implementation. Other alternatives were considered before the Climate Survey was selected as the Chief's preferred tool for listening to the men and women under his command. The survey is conducted every 2 years, the results are distributed to all working levels in the Air Force and supervisors are encouraged to review the findings in a group setting with all

employees. Beginning at the first-level of supervision, leaders are required to develop formal plans of action for all areas with a score below 70%. However, corrective actions are not accomplished all at once.

- **Key Actors:** There are no specific key actors because all Air Force people are encouraged to participate and the survey is completely anonymous.
- **Accountability:** Although leaders at all levels are held responsible for correcting any identified problems in the working environment, there was no real change to the degree of accountability.
- **Knowledge & Information:** The survey is designed to seek information from all military ranks and civilian grades. Therefore, the knowledge and information needed to make the survey successful is found throughout the Department of the Air Force.
- **Time**: The results of the Climate Survey are available within 90 days after the survey is completed so in that respect the outcome was visible in less than 3 years. However, any problems identified could require anywhere from 6 months to 6 years to correct or improve.
- **Results of Change**: Increased focus on most valuable Air Force asset – people.

Through the survey, people are asked to evaluate factors that have the greatest influence on the service—general satisfaction, core values, unit performance outcomes, recognition, teamwork, leadership, supervision, training and development, job enhancement, the job, resources, participation/involvement, and unit flexibility. The Climate Survey is a method for people to anonymously provide honest information and feedback on these factors, so that leadership has an accurate picture of their organization. With this information, leaders are able to pinpoint areas that need improvement and then take action. The Air Force leadership stresses that feedback from ALL levels of rank and pay grade is required to effectively create positive change.

Before I go on with the discussion of specific survey results, I remind the reader again, as discussed in Chapter 2, this data may be of limited value because of reduced participation in the survey I conducted in 2001. I also advise that the validity of the comparisons may also be suspect because the 1997 survey offered only three choices of

responses (*Agree, Disagree and Don't Know*) where I offered eight in 2001. Based on my findings, I suspect that a percentage of those that *Disagreed* in 1997 may have *Somewhat Agreed* in 2001. However, I have no way of knowing if all the respondents in 2001 also participated in the 1997 survey.

The Organizational Climate Survey is divided into sections with questions designed to evaluate specific types of behavior. I found two of the sections particularly pertinent to this research. First, the section entitled *Core Values*. In recent years, the Air Force Public Affairs Office has conducted a major campaign emphasizing Air Force Core Values: *Integrity First, Service Before Self* and *Excellence in All We Do*. Four questions were included in the 1997 Organizational Climate Survey specifically to provide commanders and supervisors with information about workers' perceptions regarding how well the Core Values are practiced on a daily basis. Besides the three values themselves, the survey also addressed whether people were held accountable when they did not uphold these values.

Table 6.11 displays the results for the Propulsion Management Division only from the 1997 survey. As we see, the only "passing" score of 70% or higher is on question twelve regarding the high standards of their co-workers. The lowest score is on question fourteen regarding their perception of the degree of accountability within the Division. For each of the results with a score below 70%, the Propulsion Management Division had to prepare plans of action and submit them to the Air Force Materiel Command and the Air Staff within 90 days of receiving the results. The Air Force Materiel Command and the Air Staff must approve the plans--with or without changes.

When the next survey is done, the new results will be compared to the results from the previous survey. Special attention is paid to the areas that scored less than 70% on the previous survey.

Table 6.11 **1997 Core Values Survey Results**

	Core Values	Agree	Disagree	Don't Know
11	I am able to do my job without compromising my integrity.	67%	33%	0%
12	Overall, people in my unit uphold high standards of excellence.	74%	26%	0%
13	Overall, People in my unit demonstrate that duty takes precedence over personal desires.	56%	44%	0%
14	Overall, people in my unit are held accountable for behavior which contradicts Air Force core values.	48%	33%	19%

Because of the difference in the number of response options, a straight comparison of the 1997 results and the 2001 results as shown in Table 6.12 is not possible. However, by combining all three "agree" options and the three "disagree" options, Table 6.13 suggests that there has been improvement in the total category.

Table 6.12 **2001 Core Values Survey Results**

	Core Values	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree	Don't Know	N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
11	I am able to do my job without compromising my integrity.	23%	42%	23%	4%	2%	5%	0%	0%
12	Overall, people in my unit uphold high standards of excellence.	12%	47%	26%	4%	4%	7%	0%	0%
13	Overall, People in my unit demonstrate that duty takes precedence over personal desires.	4%	28%	40%	16%	5%	7%	0%	0%
14	Overall, people in my unit are held accountable for behavior which contradicts Air Force core values.	6%	22%	32%	25%	6%	9%	0%	0%

Table 6.13 **2001 Core Values Survey Results Adjusted**

	Core Values	Agree	Disagree	Don't Know
11	I am able to do my job without compromising my integrity.	88%	11%	0%
12	Overall, people in my unit uphold high standards of excellence.	85%	15%	0%
13	Overall, People in my unit demonstrate that duty takes precedence over personal desires.	72%	28%	0%
14	Overall, people in my unit are held accountable for behavior which contradicts Air Force core values.	60%	40%	19%

Although, the comparison is questionable, I find it interesting that the one question that remains below 70% even after the data is adjusted is the one that addresses the perception of accountability. Based on these results and my own experiences in the Propulsion Management Division at the Oklahoma City Air Logistics Center, there seems to be uncertainty among operators (GS-11 and GS-12) regarding the ability of management to maintain clear accountability during times of change. This is an area that the Division continues to work on today.

The second section of interest is entitled *Unit Flexibility*. Air Force leaders can challenge traditional ways of doing business and encourage members to attempt new and sometimes risky techniques. The survey uses key characteristics of unit flexibility:

1) Speed at which unit responds to change;

2) The degree to which the unit fosters an attitude that it is OK to take acceptable risks; and

3) The degree to which the unit looks for and implements newer, supposedly better ways of working.

As we see in Table 6.14, the 1997 survey results reflect a workforce rather evenly divided regarding their perception of their organizations' commitment to change. The

1997 survey results also reflect a somewhat negative perception of their organizations' willingness to take risks. All questions reflect a positive score of less than 70% so all areas under Unit Flexibility required plans of action.

Table 6.14 **1997 Unit Flexibility Survey Results**

	Unit Flexibility	Agree	Disagree	Don't Know
46	My unit adapts to change quickly.	48%	48%	4%
47	My unit encourages appropriate risk taking.	37%	52%	11%
48	My unit challenges old ways of doing business.	48%	48%	4%

Four years later, Table 6.15 shows that the option selected by the largest number of survey respondents is *Somewhat Agree* and the second largest number of responses fell under the *Somewhat Disagree* option. This may suggest that the actions taken by management have not adequately addressed this issue.

Table 6.15 **2001 Unit Flexibility Survey Results**

	Unit Flexibility	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree	Don't Know	N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
46	My unit adapts to change quickly.	4%	16%	42%	21%	9%	6%	2%	0%
47	My unit encourages appropriate risk taking.	5%	14%	35%	25%	5%	11%	6%	0%
48	My unit challenges old ways of doing business.	9%	11%	37%	20%	9%	10%	5%	0%

When we again combine the three *Agree* options and the three*Disagree* options, we see in Table 6.16 that there may have actually been some improvement. However, given the percentage of respondents who *Somewhat Agreed* or *Somewhat Disagreed* by

2001, I suspect that there may have been more uncertainty in 1997 than the original survey actually reflects.

Table 6.16 2001 Unit Flexibility Survey Results Adjusted

	Unit Flexibility	Agree	Disagree	Don't Know
46	My unit adapts to change quickly.	62%	36%	2%
47	My unit encourages appropriate risk taking.	54%	41%	6%
48	My unit challenges old ways of doing business.	57%	39%	5%

Overall, given the questionable nature of the comparison data, the best conclusion is that there appears to be a continuing uncertainty regarding the operators' (GS-11 and GS-12) perceptions of the Propulsion Management Division's commitment to change. Since the positive responses to all three questions remain well below 70%, this is certainly an area that the Division needs to continue working on to improve.

Again, I stress the very limited value of this data because of reduced participation in the 2001 survey and the differences in response options. I would add, however, that although the actual initiatives are outside the scope of this research, the Organizational Climate Survey has been directly responsible for many positive improvements in the total Air Force working environment since its initial implementation in 1997.

Acquisition Reform – Corporate Contracting

Much of corporate America realized by the late 1980s and early 1990s that remaining competitive in a global marketplace would require corporations to re-engineer themselves to operate more efficiently. The result of this realization was that many corporations became much leaner and more responsive to their customers demands for goods and services. A logical expansion of the concept of streamlined organizations was

to carry the idea over from the private sector to the public sector. There were numerous governmental studies that made many recommendations to improve the government's acquisition system. The results fell far short of the intentions (Beck, *et al*, 1997). However, there was one acquisition reform effort that did achieve success—corporate contracting. Table 6.17 presents a summary of the first attempt at corporate contracting.

Table 6.17 Acquisition Reform – Corporate Contracting Summary

- **Link to the GPRA:** Improved Strategic Planning, Effectiveness and Efficiency.
- **Impetus:** Because Acquisition Reform overall crossed service lines, the Department of Defense (DoD) was the primary source of direction for the implementation of what became the General Electric (GE) Corporate Contract.
- **Focus:** The focus of this initiative was on the overall DoD acquisition policies and the day-to-day procurement processes in the Propulsion Management Division, the Navy and the Defense Logistics Agency.
- **Decision Making:** The decisions made to support the GE Corporate Contract were incremental mostly out of necessity. Because this was the first corporate contract attempted in the DoD, much of the early stages required a lot of trial and error. I found the incremental decision-making to be important rather than critical because the GE Corporate Contract could have been put in place without some of the adjustments that were made over time. However, the evidence suggests the contract might not have been as successful without the ongoing adjustments.
- **Key Actors:** The most important players in the effort to write the first corporate contract were the managers and operators in the Propulsion Management Division at the Oklahoma City Air Logistics Center. Especially critical to the success of this initiative were the program manager and the lead contracting officer.
- **Accountability:** The discretion and flexibility of Air Force civilians were critical factors to the development of the GE Corporate Contract. Because it was the first of its kind, there were no hard-and-fast policies or regulations to guide the initiative. The corporate contracting initiative was expected to and did enhance accountability of both Air Force personnel and GE's efforts to better meet delivery schedules.
- **Knowledge & Information:** As previously noted, there were no clear-cut regulations or policies to guide the GE Corporate Contract initiative. The primary source of knowledge and information came from the managers and operators as they worked through the contract development process. Fortunately, all who worked on the contract maintained detailed documentation that ultimately served as guidance for future corporate contracting initiatives.

- **Time**: Time was a critical factor for developing the GE Corporate Contract. It took more than 2 years to put the contract in place and another 2 years before there was visible impact on reductions in procurement lead-time and improved supply support.
- **Results of Change**: Reduced Procurement Lead-Time and Improved Parts Availability Leading to Improved Overall Supply Support to the Warfighter.

The Acquisition Law Advisory Panel (Section 800 Panel), already in place when the GPRA was passed in 1993, the Federal Acquisition Streamlining Act and the Federal Acquisition Reform Act in 1994, brought new emphasis to reforming the way the Federal Government acquires goods and services. In large organizations such as the DoD acquisition system, leadership at all levels is critical to implementing change. The resurgent emphasis on acquisition reform provided Secretary of Defense Les Aspin and Under Secretary of Defense Perry the opportunity to assemble a senior leadership team committed to major changes in the DoD acquisition system. Most of the team members selected were individuals who had a good working knowledge of the DoD, had experience in industry, and were knowledgeable about organizational change.

In 1994, Dr. Perry replaced Mr. Aspin as the Secretary of Defense. Dr. Perry had a long history of work in the government acquisition system and he now assumed full control of the team he had helped put in place. With the change team in place and the Section 800 Panel results presented to Congress, Dr. Perry and his team unveiled their vision of acquisition reform entitled *Acquisition Reform– Mandate for Change* . Later in 1994, Dr. Paul G. Kaminski was sworn in as Under Secretary of Defense for Acquisition and Technology to lead DoD acquisition. With the leadership team in place, the vision developed, and Congressional and senior leadership support all the way to the President,

the stage was set for a new, and what was destined to be far more successful, effort at reforming the way the DoD acquires goods and services (Beck, *et al*, 1997, p. 2-3).

Over the past 25 years, there have been numerous in depth discussions at all levels regarding whether or not the DoD can, with its many rules, regulations and legislative entanglements, actually *do business more like business*. The fact is that the DoD acquisition system, as well as those of the individual services, predominantly are staffed and led by civilians. Therefore, the defense acquisition system already is much more like a business than a fighting unit.

Since 1994, there have been many acquisition reform initiatives in each of the individual services as well as the DoD as a whole. However, I will focus on one acquisition reform initiative actually begun, led and accomplished by the Propulsion Directorate at the Oklahoma City Air Logistics Center. The initiative became know as the *GE Corporate Contract*. A corporate contract is simply a contract that includes multiple requirements with a single major supplier with pre-priced and pre-negotiated 3-10 year terms which allow decentralized ordering of spares, repairs or both by one or more using entities.

The first Corporate Contract was awarded February 12, 1999 at the Oklahoma City Air Logistics Center to General Electric Aircraft Engines (GEAE) and General Electric Supply Services (GESS) for the combined support of the Propulsion Management Division at the Oklahoma City Air Logistics Center, Defense Logistics Agency at Philadelphia, PA and Richmond, VA and Navy Inventory Control at Philadelphia, PA.

The GE corporate contract was the brainchild of a program manager and contracting officer in the Propulsion Directorate at the Oklahoma City Air Logistics Center. This initiative for procurement of sole-source spare engine components belonging to the General Electric F110 family of engines was begun in 1996 as an Acquisition Reform effort associated with the GPRA and the reinvention of government. In 1996, I was the Team Lead in the item management unit for the F101 (B-1 bomber), F110-129 (F-16 fighter) and F118 (B-2 bomber) engines, all of which are part of the F110 family. In 1997, I became the Section Chief for the item management of all GE engines managed in the Propulsion Directorate at the Oklahoma City Air Logistics Center. In that position, one of my responsibilities was to develop a method of computing requirements to facilitate the new concept of corporate contracting.

Traditionally, individual contracts were issued for the majority of acquisitions processed to support the F110 family of engines. The traditional method of acquiring spare engine parts took approximately 3 years from initiation of the review of the requirements computations to placement of the part in a mechanics hands.

In September 1995, the Propulsion Directorate issued a requirements contract for 46 sole source items from the F110 engine family to General Electric. A requirements contract combined multiple items on a single contract but the requirements were fixed and capped at the time of award. The GE requirements' contract, however, served as a foundation for what would become the GE corporate contract.

The GE requirements contract enabled the Propulsion Directorate to shorten the amount of time necessary to procure new parts by approximately eight months. The time-savings realized was the result of reducing the time used for purchase request

processing by the item manager by three months and reducing time required for the acquisition process by the contracting officer by five months. After the signing of the GE requirements contract, the Propulsion Directorate and GE jointly explored methods to expand on the approach to include all sole source GE items from this engine family into a single contract to maximize the use of commercial practices.

One of the first major challenges encountered in the development of the GE Corporate Contract was coordinating the initiative with the other F110 engine family managing centers. The Oklahoma City Air Logistics Center had management responsibility for the majority of the items and dollars that would be a part of the contract. However, the Navy and two Defense Logistics Agency's supply centers at Richmond, VA and Columbus, OH were also expected to be parties to the GE Corporate Contract. Therefore, their requirements development processes, computer support systems and current contracting procedures had to be considered along with those of the Propulsion Directorate at the Oklahoma Air Logistics Center.

A previous recommendation by the GAO for improving DOD financial and inventory management via acquisition reform was the use of *Prime Vendors* for procurement of spare parts. Prime vendors are merely contractors that buy inventory from a variety of suppliers, store them in commercial warehouses and then ship them to customers when a need is identified (GAO/T-NSIAD-99-83; GAO/GGD/AIMD-99-69; GAO/NSIAD-99-46; GAO/NSIAD-99-44; and GAO/NSIAD-98-141). The Defense Logistics Agency had been using the prime vendor concept for quite some time. Because the Defense Logistics Agency was expected to be a party to the GE Corporate Contract,

the concept of prime vendors was expected to play a major role in the development of the GE Corporate Contract.

The goals for this initiative were quite clear from the beginning and remained basically the same throughout the negotiation period. The Propulsion Directorate expected the GE Corporate Contract to:

1) Improve support to the mechanics on the engine and flight lines;
2) Reduce acquisition lead time;
3) Reduce pipeline inventories;
4) Improve accuracy of requirements forecasting; and
5) Improve cash flow by deferring obligation of funds to a point in time closer to when the actual need exits (Anderson and Tabor, April 1999).

In brief form, the GE Corporate Contract required all participating parties to come together every quarter to review the computed requirements of all users. What made this particular aspect of the GE Corporate Contract so very unique was that multiple Air Force and DoD regulations prohibited item managers from ever discussing future requirements with private contractors. The rule was made to preserve the integrity of the full and open competition process. For this reason, the GE Corporate Contract was strictly limited to items that only GE manufactured, but a waiver was still obtained to ensure the item managers would face no legal consequences.

Once the requirements were reviewed, priority of needs established and agreed to by all parties, GE would then make business decisions regarding which items they would agree to go into production on without funded orders from the government in hand. For those items that GE agreed to advance release, a decision to buy or not to buy must be made by the government parties to the contract at least ninety days prior to production

completion. If the decision is to proceed with the buy action, an order is issued obligating the necessary funds and the parts will be delivered within ninety days of that action. If the decision is to not buy, the items are transferred to General Electric Support Services where they are placed in storage and/or sold to other customers such as foreign countries who also purchase versions of the F110 engine from GE.

All of this is accomplished with the Government assuming absolutely no risk. If the Oklahoma City Propulsion Directorate, the Navy or one of the Defense Supply Centers, later determine that they do require the item, the overall cost is increased to include a fee for storage and handling. However, in this first contract, GE was not assessed any penalty if they failed to deliver the item within the agreed upon ninety days.

Once the normal production lead-time had elapsed after the GE Corporate Contract was signed, the projected production lead-time required for parts support was established at ninety days. Because of certain features of the several computerized requirements systems involved, a number of issues regarding the shortened lead-time and what would be used in the requirements computation had to be resolved before the contract could be put in place. Although resolving these issues delayed the award of the GE Corporate Contract, the Air Force Materiel Command, the Air Staff and the applicable Congressional committees approved the necessary deviations.

Improving support to the mechanics on the engine and flight lines was expected to improve mission capable rates, war readiness engine rates, and base stock level rates. Reduced acquisition lead times would mean reducing the amount of time required for administrative activities such as individual audits and negotiations for each requirement. Traditionally the administrative functions associated with contract award took as much as

60-180 days. The Propulsion Directorate and the Contract Administration Office expected this time to be reduced to as little as three days once the GE Corporate Contract was in place.

The Propulsion Directorate estimated that as much as $120 million would be saved as a result of reducing the size of the pipeline inventories required to support the F110 engine family. A major benefit of improved requirements forecasting was expected to be a significant reduction in on order excess and the number of contracts projected for termination. And, finally, not having to obligate cost authority (an Air Force version of money used by the Working Capital Fund) in 1999 for a requirement not expected to actually generate until 2002 should provide the Propulsion Directorate, the Air Force Materiel Command and the Air Force improved distribution and better use of very limited funds. The estimated value of the GE Corporate Contract is $1.74 billion (Anderson and Tabor, April 1999).

By 2000, the goals had largely been achieved for the majority of items on the GE Corporate Contract. New items were added at every requirements review and continue to be added today. However, perhaps the greatest benefit achieved through the GE Corporate Contract is the whole new approach to spares acquisitioning that it generated.

From October 2000 until December 2002, a total of five additional sole source corporate contracts have been negotiated and awarded by the Propulsion Directorate at the Oklahoma City Air Logistics Center. The contracts include a second GE Corporate Contract to support the TF39, TF34 and J85 engines ($94 million); a corporate contract with Pratt & Whitney to support the F100 engine ($218 million); and contracts to support accessory items manufactured by Honeywell Corporation ($45 million), Parker-Hannifin

($40 million) and Rolls-Royce ($105 million). Two additional corporate contracts for non-engine related items have been established by Warner Robins Air Logistics Center with Boeing ($70 million) and by Ogden Air Logistics Center with Hamilton Sunstrand ($147 million). The follow-on corporate contracts made great use of the lessons learned from the original GE Corporate Contract.

The new contracts focus on an inventory sustainment concept that is an integrated, team approach between the government and a private contractor to ensure required assets are available to the warfighter on a timely basis. The basic inventory sustainment concept places the responsibility on the contractor to maintain set inventory levels. When the Government places an order, the contractor becomes responsible for monitoring usage and delivering assets to ensure the pre-established inventory level is not breached. The concept provides financial incentives to the contractor for performance and disincentives in the event inventory levels are breached via the use of an award fee. Corporate contracting is certainly one of the true success stories of acquisition reform.

Government Purchase Card

One final example of how the government-wide reform efforts of the 1990s have fared in the DoD is another acquisition reform initiative equally as successful as the corporate contracts – the government purchase card. Unlike the previous examples I have presented, this particular initiative does not focus expressly on the Oklahoma City Air Logistics Center or even the Air Force Materiel Command, although both enjoy the benefits of the government purchase card. The government purchase card is a DoD-wide acquisition reform initiative. The evidence presented here is drawn from DoD and Air Force experiences. Despite its breadth, I feel this example is critical to understanding the

importance and success of government-wide reform efforts in the 1990s. Table 6.18 provides a summary of the Government Purchase Card initiative.

Table 6.18 **Government Purchase Card Summary**

- **Link to the GPRA:** Improved Efficiency.
- **Impetus:** Because this initiative crossed service lines, the Department of Defense (DoD) was the source of direction for its implementation.
- **Focus:** The focus of this initiative was on the internal day-to-day operations of the DoD to improve the process whereby DoD acquires goods and services.
- **Decision Making:** The original decision was more rational as the DoD analyzed several alternatives to streamline its acquisition process before the purchase card was selected. However, the policy continues to be reviewed and decisions made to increase dollar limits and expand its use to more and more types of products.
- **Key Actors:** Transitioning to the government purchase card required the efforts of DoD personnel at all levels. Therefore, one particular group was no more important to its ultimate success than another.
- **Accountability:** The primary objectives that the purchase card was expected to address were improvement and streamlining of the acquisition processes and lower prices. However, improving accountability is always at least a secondary objective in all matters dealing with DoD's money. In this case, accountability was enhanced quite significantly because all transactions are now fully traceable and, therefore, it was a critical influence on the successful implementation of this initiative.
- **Knowledge & Information:** Again, because transitioning to the government purchase card required the efforts of DoD personnel at all levels, the knowledge and information necessary for successful implementation also came from all levels.
- **Time**: Time was a critical factor for this initiative. Although some improvements could have been seen during the first 3 years of its implementation, the most significant improvements directly related to the government purchase card were not readily visible until the mid-1990s. The reasons for the more dramatic improvements was that the purchase card was identified by the National Performance Review in 1993 as a reform initiative that could save millions of dollars and the small purchase acquisition threshold was increased in 1994 from $25,000 to $100,000.
- **Results of Change**: Expedited Acquisition, Better Prices, More accurate Financial Records, and Improved Accountability.

The government purchase card was actually first introduced in the mid-1980s as a response to an executive order issued in March 1982. At that time, President Reagan directed all executive agencies to reduce their administrative procurement costs. In 1986, several agencies initiated pilot tests of a government commercial credit card, called a purchase card. The agencies conducting the pilot tests soon learned that using the purchase card for simple purchases resulted in significantly reduced labor and payment processing costs and was a far more efficient way to buy goods and services. One interagency study showed that using the purchase card for simple purchases often resulted in costs being cut as much as half (GAO/NSIAD-96-138, pp. 2-3).

As a result of the successful pilot projects, the purchase card was made available government-wide in 1989. In 1993 the use of the government purchase card increased after it was identified by the National Performance Review "...as an acquisition reform that could save $180 million annually" if only one-half of small purchases were made with the card. In 1993, *small purchases* were those under $25,000. In October 1994, the Federal Acquisition Streamlining Act raised that threshold to $100,000. The National Performance Review recommended that the Federal Acquisition Regulations be changed "...to promote and facilitate purchase card use for making small purchases and in ordering from established contracts." In December 1994, in response to the Federal Acquisition Streamlining Act, Executive Order 12931 and an Office of Management and Budget memorandum to agency senior procurement executives and the Deputy Under Secretary of Defense for Acquisition Reform, purchase card use was further facilitated and encouraged when an interim Federal Acquisition Regulation rule was issued declaring the purchase card the preferred method for making all small purchases (GAO/NSIAD-96-

138, p. 3). From 1994 on, the use of the government purchase card skyrocketed – especially in the DoD!

In fiscal year 1990, the first, full fiscal year the cards were available government-wide, more than 271,00 purchases worth approximately $64 million dollars were made by all government agencies. By 1995, the number of card purchases had increased by approximately 1,500 percent to more than four million purchase card transactions. The dollar value of those card purchases had grown by almost 2,400 percent to over $1.6 billion (GAO/NSIAD-96-138, p. 7).

The DoD made enhancing the ease of using the purchase card one of its major 1997 Defense Reform Initiatives. Increasing purchase card use to 80 percent of all micro-purchases below $2500 was established as a strategic goal for 2001. However, DoD exceeded that goal the very next year! In 1998, 86 percent of eligible purchases were made by purchase card. By 1999, purchases with the card reached 91 percent. According to the Department of Defense FY 2000 Performance Report (March 2001, p. 52), prepared for the GPRA, the stated goal for purchase card expenditures in fiscal year 2000 was 90 percent. Again, the DoD exceeded the goal by using the purchase card for 95 percent of eligible purchases. Through reduced labor and payment processing costs, lower prices over the counter and the elimination of many warehouses, the DoD estimated that the Department had saved $92 per transaction in procurement costs (*Government Executive*, February 9, 2000). According to Under Secretary of Defense (Comptroller) and Chief Financial Officer, Dov S. Zakheim, over the course of eight years, 1994-2001, the DoD saved over $900 million through the use of the purchase card (News Release, June 27, 2002).

The DoD continues to promote department-wide use of the purchase card for all acquisitions at or below the $2500 micro-purchase threshold and payments on contracts. In December 2000, Director of Defense Procurement, Deidre A. Lee, issued a memorandum to all Service Acquisition Executives calling the purchase card one of the most popular and successful simplified acquisition tools and encouraged "...its use as part of our continuing efforts to reduce administrative lead times and costs through acquisition reform." In fiscal year 2001, approximately 207,000 DoD employees used the purchase card to make about 10.7 million transactions worth a total of $6.1 billion. The Air Force part of the DoD total was about 80,000 cardholders that made 3 million purchases of goods and services worth approximately $1.4 billion (GAO-03-292, p. 73).

In 2002, the GAO declared the enhanced use of the government purchase card one of five completed 1997 Defense Reform Initiatives intended to reshape the DoD's management strategy (*Government Executive.Com*, December 16, 2002). As popular and successful as the purchase card is, both the DoD and Congress continue to keep a close eye on all the services' purchase card expenditures (Kozaryn, *American Forces Press Service*, March 27, 2002). The GAO conducts regular audits of all agencies, including the individual military services, to ensure that adequate internal control procedures are in place to protect the government from fraud, waste and abuse (GAO-03-292, p. 1). In the most recent audit of Air Force purchase card transactions, the GAO made thirty-nine recommendations for improving internal control procedures. The Air Force concurred with twenty-nine of the recommendations in total and partially concurred with an additional nine. Despite the identified shortcomings the GAO found in some Air Force purchase card processes, they did recommend that the DoD assess the value of some of

the Air Force's strengths, such as automated monitoring controls implemented in 2002, for use across the Department (GAO-03-292).

Summary

I believe these examples show the ongoing commitment to improving effectiveness, efficiency and economy as demonstrated by the Propulsion Directorate at the Oklahoma City Air Logistics Center, the Air Force Materiel Command, Headquarters Air Force and the Department of Defense. These examples also provide clear evidence of a further commitment by these same entities to following not just the letter of the GPRA but to truly embrace its intent. There is a long way to go before the Air Force or the DoD achieves all of the desired goals. The GPRA, however, will continue to be the guide and the standard by which the Congress measures the DoD's progress.

From the Air Staff to the Air Force Materiel Command to the Item Management Branch at the Oklahoma Air Logistics Center, major changes have been and continue to be accomplished in the name of the GPRA. The sustained commitment to the GPRA found at all levels of the Air Force as well as the DoD is at least partially the result of the longevity the GPRA enjoys as a result of its legal status. The force of law has cleared many obstacles on the road to reform. For example, it is unlikely the waivers needed to allow the GE Corporate Contract to proceed could have been obtained if the GPRA was not a law.

There also seems to be little doubt that the intent of the GPRA was to change the day-to-day activities within the Executive Branch agencies. In each of the examples, it is shown how the directive may have come from above, but the actual changes implemented were accomplished at much lower levels. Even the Air Force Corporate Structure

demonstrates the importance of the managers and operators to achieving lasting reform when the Air Staff placed responsibility for the first level of program and budget development in, not the Air Staff, but the working level Integrated Product Teams located throughout the Air Force.

It is at the working level, the first and mid-level of management that the most extensive and detailed knowledge necessary to define a program and estimate a budget is found. The improvements in the accuracy of the requirements computations came from the efforts of the item managers and equipment specialists. It was item managers and their immediate supervisors who worked through the issues impeding the support of both the Navy and the Air Force F110 engines. It was a dedicated group of logistics managers from the Propulsion Management Division at the Oklahoma City Air Logistics Center who worked diligently with their counterparts at the Defense Logistics Agency to make the changes necessary to ensure the support of all weapon systems. It was a program manager and a contracting officer with a new vision of how to acquire spare parts faster, better and cheaper that initiated a full-fledged revolution in the acquisition world when the GE Corporate Contract was signed in 1999.

The path the program and budget decisions travel on their way from the working level through each step of the Air Force Corporate Structure reflects a truly incremental approach to decision-making. This approach allows for review and scrutiny at various levels to ensure the budget finally submitted to the President and to the Congress for Air Force requirements is as accurate as possible. This is the ultimate goal of the GPRA!

Chapter 7

Review and Conclusions

Review

The question addressed in this dissertation was: *How does our evaluation of reform change when viewed from inside an agency?* Based on the case study presented here, the simple answer is that when you evaluate the implementation of reform initiatives from inside an agency, it is likely that you will find many more changes taking place than previously thought. Therefore, it is also probable that the reform initiative is achieving far more success than a conventional method of evaluation would have revealed because the focus was primarily on the budget interaction of the president and the Office of Management and Budget (OMB), top agency officials, and congressional budgeters. According to David N. Ammons (1999),

> *The public sector has come a long way in measuring performance and "managing for results," but there is much still to do. Delving even modestly into the history of public management yields the discovery that performance measurement and related management initiatives have been encouraged for many years. In that respect, it has been a long haul. The seemingly slow pace, however, should not blind us to the progress that has been made…Government agencies have established performance standards, many of which are directed toward meeting the expectations of service recipients, and service has improved in documentable ways (pp. 105-106).*

The guiding framework for this research was the seven factors generally viewed as critical to the success or failure of reform initiatives. Each of the initiatives presented in the previous chapter was evaluated according to these factors. In addition, a specific question regarding each of these factors was also included in the multiple interviews conducted specifically for this research.

All of the factors did, in fact, influence the implementation of the selected initiatives driven by the GPRA. Some of the findings were as expected while others revealed what was generally expected but with a slightly different twist than anticipated. Overall, evaluating the implementation of the GPRA in the DoD from inside the agency clearly revealed far more successful changes taking place than previously reported. As it turns out, however, the most important factors in evaluating major reform initiatives may simply be looking in the right place at the right time. A discussion of each factor will include the information reflected in the following three summary tables.

Findings

First, Table 7.1, *Summary By Factor*, summarizes the findings regarding the importance of each factor to the success of the twelve individual reform initiatives.

Table 7.1 **Summary By Factor**

	Air Force Corporate Structure	Quality Air Force Assessment	Cost as a Variable in AFMC	Managing Performance and Cost in LP	Inventory Management	BRR and On Order Excess	Consolidation of Inventory Management	Interservicing	IE, LRT and CWT	Climate Survey	Acq Reform - Corporate Contracting	Government Purchase Card
Impetus	VI	I	VI	I	I	VI	VI	VI	SI	I	VI	VI
Focus	VI	VI	VI	VI	VI	VI	VI	VI	VI	VI	VI	VI
Decision Making	VI	VI	SI	SI	SI	I	VI	I	VI	SI	I	SI
Key Actors	VI	VI	VI	VI	VI	VI	VI	VI	VI	NI	VI	NI
Accountability	VI	NI	I	SI	SI	SI	I	SI	I	SI	VI	VI
Knowledge & Information	VI	VI	VI	I	VI	VI	VI	VI	VI	I	VI	I
Time	VI	SI	I	VI	VI	SI	VI	SI	VI	I	VI	VI

Table 7.1
VI - Very Important: The factor was a critical contributor to the success of the initiative. The initiative would have not have succeeded if this factor had been overlooked. Or the success of an initiative would not have been visible if this factor had been overlooked.
I – Important: The factor played a significant role in the implementation of the initiative. However, the initiative could have succeeded to a lesser degree without the influence of that factor.
SI – Somewhat Important: The influence of the factor was generally seen during implementation of an initiative. However, the initiative could have fully succeeded without that influence.
NI – Not Important: Factor was either not visible during implementation phase or it had no visible impact on the final outcome.

Next, Table 7.2, *Case Summaries*, presents a more detailed summary of the findings associated with each of the seven critical factors for each reform initiative. Table 7.2 reflects not only the degree of importance associated with each factor but also

identifies the actual finding. Also included are two additional columns. The first summarizes the actual changes that occurred as a result of the initiative and the second identifies specific elements of the GPRA that each of the initiatives addressed.

Table 7.2 **Case Summaries**

	Impetus	Focus	Decision Making	Key Actors	Acct	Knowledge & Information	Time	DV - Change	Link to GPRA
Air Force Corporate Structure	Air Staff VI	Internal VI	Incremental VI	Integrated Product Teams VI	ENH VI	Managers & Operators VI	OC in > 3 years VI	Improved Linkage Among Planning, Programming & Budgeting	Strategic Plans Performance Plans Program Budget
Quality Air Force Assessment	AFMC I	Internal VI	Rational VI	Managers & Operators VI	N/C NI	Managers & Operators VI	OP, b/n OC in < 3 years SI	Outcome Focused Metrics - More Accurate and Realistic	Emphasis on Outcomes
Cost as a Variable in AFMC	General Babbitt VI	Internal VI	Incremental SI	General Babbitt VI	ENH I	General Babbitt VI	OC in < 3 years I	Institutionalized Relationship Between Cost & Performance	Effectiveness and Efficiency
Managing Performance and Cost in LP	AFMC I	Internal VI	Incremental SI	Managers & Operators VI	ENH SI	Managers & Operators I	OC in > 3 years VI	More Accurate Measures of Effectiveness & Efficiency	Effectiveness and Efficiency
Inventory Management	AFMC I	Internal VI	Incremental SI	Managers & Operators VI	N/C SI	Managers & Operators VI	OC in > 3 years VI	Improved Requirements' Forecast & Right Part On Time at the Right Price	Effectiveness and Efficiency
BRR and On-Order Excess	AFMC VI	Internal VI	Incremental I	Managers & Operators VI	N/C SI	Managers & Operators VI	OP, b/n OC in < 3 years SI	Improved Budget Validity & Right Parts On Order	Effectiveness and Efficiency
Consolidation of Inventory Management	DoD VI	Internal VI	Rational VI	Managers & Operators VI	ENH I	Managers & Operators VI	OC in > 3 years VI	Reduced Duplication, Improved Support & Reduced Costs	Effectiveness and Efficiency
Interservicing	DoD VI	Internal VI	Incremental I	Managers & Operators VI	N/C SI	Managers & Operators VI	OP, b/n OC in < 3 years SI	Reduced Duplication & Improved Parts Availability	Effectiveness and Efficiency
IE, LRT and CWT	AFMC SI	Internal VI	Incremental VI	Middle Managers VI	N/C I	Middle Managers VI	OC in > 3 years VI	Improved Requirements' Accuracy & Improved Support	Effectiveness and Efficiency
Climate Survey	Chief of Staff I	Internal VI	Rational / Incremental SI	NI	N/C SI	Internal to Agency I	OC in < 3 years I	Increased Focus on Most Valuable AF Asset - People	Effectiveness
Acquisition Reform - Corporate Contracting	DoD VI	Internal VI	Incremental I	Managers & Operators VI	ENH VI	Managers & Operators VI	OC in > 3 years VI	Reduced Procurement Lead-Time & Improved Parts Availability	Strategic Planning Effectiveness And Efficiency
Government Purchase Card	DoD VI	Internal VI	Rational / Incremental SI	NI	ENH VI	Internal to Agency I	OC in > 3 years VI	Expedited Acquisition / Better Prices / More Accurate Financial Records / Improved Accountability	Efficiency

VI - Very Important: The factor was a critical contributor to the success of the initiative. The initiative would not have succeeded if this factor had been overlooked or the success of an initiative would not have been visible if this factor had been overlooked.
I – Important: The factor played a significant role in the implementation of the initiative. However, the initiative could have succeeded to a lesser degree without the influence of that factor.
SI – Somewhat Important: The influence of the factor was generally seen during implementation of an initiative. However, the initiative could have fully succeeded without that influence.
NI – Not Important: Factor was either not visible during implementation phase or it had no visible impact on the final outcome.
Acct:
ENH – Enhanced
N/C – No Change
Time:
OC = Outcome
OP = Output

Finally, Table 7.3, *Interviews Summary By Position*, summarizes responses to questions that specifically addressed the seven critical factors that were posed during all interviews. The responses are categorized according to the position of the interviewee.

Table 7.3 **Interviews Summary By Position**

Position Label	Total	Impetus % Yes	Focus % Internal	Decision Making % Incremental	Key Actors % MM & OP	Acct % Yes	Knowledge & Information % MM & OP	% Less Than 1 Year	Time % 1 - 3 Years	% More Than 3 Years
OP	38	47%	100%	55%	45%	16%	37%	39%	45%	16%
MM	37	87%	100%	97%	86%	76%	86%	0%	41%	59%
MGR	10	100%	100%	100%	80%	100%	80%	0%	20%	80%
SR MGR	13	100%	100%	100%	100%	100%	100%	0%	8%	92%
Total	98	76%	100%	82%	71%	58%	68%	15%	66%	49%

Operators (OP): GS-11, GS-12, Majors and Contractors
Middle Managers (MM): GS-13, GS-14 and Lieutenant Colonels
Managers (MGR): GS-15 and Colonels
Senior Managers (SR MGR): Political Appointees, Senior Executive Service, Brigadier General, Major General and Lieutenant General

The specific questions were:

1. **Impetus:** Does it matter that the GPRA is a law?

2. **Focus:** What does the GPRA expect to change?

3. **Decision Making:** Do major changes in your organization generally come about as a result of incremental or rational decision-making?

4. **Key Actors:** Who are most important to achieving successful change – Middle Managers and Operators or Upper Level Management?

5. **Accountability:** Can you increase flexibility and still maintain accountability?

6. **Knowledge & Information:** Where will you find the most knowledge and information required for successful change in an organization – top or bottom?

7. **Time:** How much time does it generally take to accomplish major change in your organization –
   Less than 1 year?
   1-3 years?
   More than 3 years?

Discussion of Findings

Impetus

From the beginning, I expected to find that it made a difference that the GPRA is a law. I especially expected *impetus* to be a very important factor to the item management community because of their involvement in the budget process. Item managers are well aware that Congress controls the federal government's *purse strings*. They are also accustomed to preparing for Congressional budget reviews and the significance placed on those reviews by management from the Oklahoma City Air Logistics Center, Air Force Materiel Command, Air Staff and the DoD. Therefore, I expected that the primary reason they would give for reform activities was that the GPRA was a law. However, what I expected is not exactly what I found.

As a general question during the interviews, the fact that GPRA is a law appeared to be important to all respondents, especially as it contributes to its ongoing successes and longevity. As seen in Table 7.1, in 7 of 12 initiatives, the impetus was found to be *Very Important*, in four cases it was *Important* and *Somewhat Important* in the one remaining initiative. However, the impetus referenced in all 12 initiatives was primarily within the agency or command upper level management. All participants in the various initiatives seemed to know that the GPRA is a law and that many changes were being

directed under its auspices. However, if asked why something specific was being done, the most common response referred to the management level visibly directing the change.

For example, everyone on the Air Staff was very aware of the GPRA's status as a law and Congress' interest in improving effectiveness and efficiency in all Executive Branch agencies. However, when the Air Force Corporate Structure stood up, the emphasis on compliance stressed by the Air Force Materiel Command and the Oklahoma City Air Logistics Center management was that the Air Staff was directing the change. Therefore, the importance of and the requirement for submitting an accurate and balanced Program Objective Memorandum were attributed to the demands of the Air Staff rather than to the law passed by Congress. As Table 7.2 reflects, the Air Force Material Command was found to be the driving force behind five of the initiatives; the DoD provided the impetus for four; and two were directly attributed to individuals.

In Table 7.3, we see that 76% of all interviewees believed that it was important to the success of current reform initiatives that the GPRA carried the force of law. However, when those responses are broken down by the individual's position, it is clear that the GPRA's status as a law is more important to those in management positions than it is to the operational workforce.

All Managers and Senior Managers interviewed considered it important that the GPRA is law. An additional 87% of Middle Managers also considered the fact that the GPRA is a law to be a significant factor contributing to the GPRA's success and longevity. However, only 47% of the operators interviewed indicated that they would be more likely to take action because the GPRA is a law. Rather, at the operational level, the primary concern was with accomplishing tasks directed by a specific level of

management within their immediate chain of command. The fact that the GPRA is a law seemed secondary to the operational level.

Based on all these findings, I believe that the impetus for a reform effort is important but it may not be from the original source of the reform such as Congress or the President. Rather, the importance of a specific reform to the operational levels may lie more in the longevity of an initiative and the dedication of various levels of management committed to its implementation.

Focus

I expected to find that the *focus* of the GPRA was on changing the way agencies conduct day-to-day business rather than directly changing the budget decision-making of the president and OMB, top agency officials or key congressional committee chairs. In all twelve cases evaluated, it was very evident that the participants knew that achieving the goals of the GPRA meant making changes in the daily operations of the Air Force. In fact, focus was the only critical factor found to be *Very Important* to all the reform initiatives studied. In addition, 100% of all individuals interviewed agreed that the GPRA intended to make changes in federal agencies' internal policies and operations. Therefore, it appears that correctly identifying what is expected to change is absolutely critical to accurately evaluating reform success.

One aspect of the factor *focus* that I found most intriguing was that everyone I talked with seemed to think it should be a given. I was even asked on several occasions why I would ask such a pointless question—if you want to improve performance what else would you change except the agencies responsible for that performance. When I suggested that some viewed the GPRA as intending to change the political process

associated with budgeting, I usually got some type of comment such as: *Congress can only make things work better by giving the DoD the money needed to modernize sooner…Other than that Congress has no idea how to make our programs work better or cost less!*

In looking at the summary of individual initiatives reflected in Table 7.2, we see that the objective of reorganizing the Air Staff into what is now known as the Air Force Corporate Structure was to improve the linkages among planning, programming and budgeting. This change was directed at complying with the GPRA's call for enhanced strategic planning, development of performance plans with stated and measurable goals and to ultimately build a true program-based budget. For the Quality Air Force Assessment, the goal was to initiate a focus on outcomes and to develop more realistic and accurate measures to address those outcomes. In the case covering efforts to make cost management a part of everyday life in the Air Force Materiel Command, General Babbitt had no delusions of changing the political aspect of the decision-making process of budgeting. However, he did intend to improve the information that went to Congress upon which they would base their decisions. All of these goals, objectives and changes in policies and processes are activities that are strictly part of the agencies internal operations. Therefore, the change can only be accomplished from within the agency.

The goal of the Propulsion Directorate at the Oklahoma City Air Logistics Center and the Air Force Materiel Command is to improve supply support to the *warfighter*. This means reducing the *Not Mission Capable Rates* for engines, ensuring the number of *War Readiness Engines* required are available, ensuring that *Base Stock Levels* of engines are full and spare parts are available when needed. But it takes numerous initiatives to

improve the measures and accomplish these goals. Individually, the Budget Requirements Review, the reduction in excess inventory on hand and on order, the consolidation of consumable inventory management and long-term corporate contracting will not improve the metrics or the overall support to the warfighter. Collectively, however, the potential for continued major improvements is substantial!

From the works of academics such as Light and Kettl and then from the words and experiences of the managers and operators at the Oklahoma City Air Logistics Center, there is general consensus that the GPRA was intended to change the way agencies actually accomplish their day-to-day tasks. Furthermore, a review of the column in Table 7.2 labeled *DV – Change,* clearly demonstrates that the changes that the GPRA was expected to encourage were all operational activities that can only be successfully changed by the organization responsible for their performance.

In the last column of Table 7.2, *Link to GPRA,* the intended focus on the agencies is further enhanced by the goals of the GPRA. Strategic planning, developing performance plans, building a program budget, improving effectiveness and efficiency can only be accomplished through actual performance of work. Measuring the changes in that performance provides more accurate information for decision-makers at all levels.

Finally, if a reform initiative is intended to change the politics of government budgeting, then it is appropriate to measure its success or failure by the degree of political change. However, if the goal of the reform effort is to improve the performance of the Executive Branch agencies, as is the goal of the GPRA, then researchers must focus on activities within the agencies.

Decision-Making

Decision-making refers to how change is expected to happen--incrementally or in a single budget cycle. Budget cycles in the DoD are two years long. In the original legislation Congress carefully constructed an implementation plan that allowed for multiple pilot programs beginning in different years with staggered evaluations. Essentially, Congress set a timeframe for pilot programs to focus on strategic planning; a separate timeframe was established for pilot studies on performance plans and then, finally, a deadline was established for incorporating the performance information into the agency's budget submission. I expected to find that the incremental implementation plan was critical to the success or failure of the reform initiatives. In 8 of the 12 cases, implementation was being accomplished in distinct stages. However, the incremental decision-making was only *Very Important* in two of the cases, the Air Force Corporate Structure and Issue Effectiveness, Logistics Response Time and Customer Wait Time.

The Air Staff, itself, was reorganized in a single budget cycle. However, when the 70 Integrated Product Teams were initially put in place it was still 3 to 4 more years, depending on the size of the program as well as the size and mission of the command, until the Program Objective Memorandums could be fully developed at that lower level.

The second case was one that focused on developing the most appropriate measure for supply support. It was inherently incremental and could not have succeeded any other way. The use of Issue Effectiveness, *i.e.* old Fill Rate, as the measure of how well the Air Force Materiel Command was supporting the warfighter was well-entrenched throughout the Air Logistics Centers. Changing this measure through a

logical progression of steps seemed to be the way the effort was able to overcome what could only be described as institutionalized resistance.

In three cases, Budget Requirements Review and On Order Excess, Interservicing and Acquisition Reform – Corporate Contracting, incremental decision-making was *Important* to their success but not critical. The Budget Requirements Review and On Order Excess were implemented with progressive reduction targets over a three year period. However, the Propulsion Division exceeded the target goal by the end of the second year. Therefore, the initiative could have been implemented in less time than was originally planned.

In the case of Interservicing, there were distinct stages of activity but they did not represent incremental decision-making. In order to improve the support for both Air Force and Navy F110-100 engines, the General Electric Engine Section had to accomplish several tasks that can only happen in a certain order. First, a list of common items was identified. Next, the cataloguing data for each of the identified national stock numbers had to be reviewed and corrected, if necessary. At the time this initiative took place, file maintaining the Air Force cataloguing system was a batch computer process that ran only once a month. Therefore, all data changes were input at once and the output products were then manually reviewed for accuracy. Consequently, although it actually took over two years to make all the changes, the decision to make the changes occurred only once, at the beginning.

For the case of Acquisition Reform – Corporate Contracting, incremental decision-making was *Important* but it was important because it almost derailed the entire effort! Efforts to establish the first corporate contract with General Electric began in

earnest at Oklahoma City in 1996. However, it was not actually awarded until February 1999. Even when it was finally awarded, it included less than 10% of the eligible items because of ongoing price negotiations. Items continue to be added to the original General Electric Corporate Contract today. I did not consider this incremental decision-making regarding the use of corporate contracts because that decision was never challenged. However, I said that it was important because pricing decisions were being made incrementally, one stock number at a time, and at different times both the Air Force and General Electric walked away from the table during price negotiations because their differences seemed insurmountable. The General Electric Corporate Contract represented a whole new approach to Air Force relationships with their suppliers. Fortunately a few dedicated managers and operators were able to persevere and the General Electric Corporate Contract served as the benchmark for all the corporate contracts established since.

Again, utilizing Table 7.2, we see that in two other cases, implementation decisions were being made both rationally and incrementally and in the final two cases, all decision making was rational. I found the decision-making associated with the Climate Survey and the Government Purchase Card to be both rational and incremental. In both cases, many alternatives were considered before the Air Force Chief of Staff decided that the Climate Survey was the best option for acquiring input from all Air Force personnel and the DoD Comptroller decided a simple purchase card was the preferred method for beginning efforts to improve the DoD's financial management. I found that these two cases were also using incremental decision-making in that the dollar limits and types of goods that can be purchased with the Government Purchase Card

continue to expand. As for the Climate Survey, many concerns and issues have been raised, reviewed and actions taken to correct or at least improve identified areas. However, not all of the concerns raised in even a single Climate Survey can be addressed all at once. Therefore, many of the decisions made regarding corrective actions are and must be made incrementally.

In answer to the generic question on decision-making in the formal interviews, 82% of all respondents said decision-making was incremental. Of the respondents that indicated decision-making was generally incremental, 74% were in middle management positions or higher. All Senior Managers and Managers and all but one middle manager said decision making was incremental. Some of the operators seemed to have a slightly different view—55% of operators felt implementation decisions were being made incrementally. However, the remaining 45% of operators said decisions were often "…made too quickly" and they expressed concern that upper management did not appreciate how long it takes to actually "get something done." Whether or not that concern is valid was beyond the scope of this research.

Finally, I found that rational decision-making best described the way the Quality Air Force Assessment and Consolidation of Inventory Management initiatives came about. In both cases, the decision to implement these initiatives was made after a long and arduous review of several alternatives. Once the decision was made, however, initial implementation began almost immediately. The new metrics for Inspectors General evaluations were put in place the very next year. Although it took several years to actually complete the transfer of management for all consumable items and warehouse storage to the Defense Logistics Agency, once the decision was made, all efforts were

directed toward that single goal. Because of the speed with which implementation was begun for these two initiatives, the fact that the primary decisions had been made in a very rational manner actually turned out to be very critical to their success.

Key Actors

Key-actors refer to who are the most important players in successful reform implementation. I expected to find that the managers and operators within the agency were the most directly involved in the implementation of reform efforts. However, the actual answer turned out to be, "It depends!" If the focus of the reform is on the performance of the agencies, then the working managers and operators are the ones who most influence the success or failure of implementation.

As we see in Table 7.2, in 8 of the 12 cases, I did find that the managers and operators were highly important to reform success. It is noted that in the case of the Air Force Corporate Structure, the Integrated Product Teams were clearly the players in making the Air Staff reorganization work. However, since the Integrated Product Teams are made up of managers and operators, I included them in the eight cases. In the case of General Babbitt's effort to make Cost a Variable in AFMC, a single individual, General Babbitt, was clearly the major influence on that reform initiative which suggests that leadership is often at least as important as the managerial and operational levels.

In the case of Issue Effectiveness, Logistics Response Time and Customer Wait Time, middle management was the most needed player. I suspect that this is because it is inherent in the middle management position that the individual sitting there must act as a filter for communication flowing up and down. Very simply, the middle managers understood the type of measure that upper management needed and wanted. At the same

time, the middle manager is still close enough to the workforce to understand their concerns and recommendations, as well. The evolution of Customer Wait Time as the most accurate and realistic measure of the Air Force Materiel Command's supply support to the warfighter owes its success to the determination and perseverance of the middle managers across the Command!

In two cases, Climate Survey and Government Purchase Card, no key actors were identified. In both of these cases, there were too many people involved at too many different levels to conclude that any one group was more important to the success of the initiatives than another. Because the Climate Survey includes personnel from across the Air Force and the Government Purchase Card spans the entire DoD, their success stems from all levels rather than just one or two.

Again returning to Table 7.3, we see that 71% of all interview participants, without hesitation, said that the Middle Managers and Operators are clearly the most important players when it comes to implementing reform initiatives such as the GPRA within an agency. That leaves only 34% who felt the Managers and Senior Managers were the key-actors in implementing successful reform. However, interestingly, 55% of all the Operators interviewed felt it was the Managers and Senior Managers who drove successful reform while 80% of Managers and 100% percent of Senior Managers said that no major reform effort could succeed without the active support of the Operators and Middle Managers. Perhaps where one sits remains quite significant to where one stands!

Accountability

This factor addressed whether or not enhanced bureaucratic discretion and flexibility is incompatible with strict accountability. I expected to find that enhanced

flexibility and discretion did not preclude strict accountability. Surprisingly, none of the participants involved in any of the initiatives believed they needed increased flexibility or discretion beyond what agencies can already exercise. Therefore, the original question became more or less moot.

All of the initiatives, to some degree, relied on the discretion and flexibility of agency personnel. However, no one expressed any concern that this might undermine accountability. In fact, a common thread running through all the initiatives was that the success of the reform effort would actually enhance accountability at all levels.

As a result of this unexpected finding, the measures of importance associated with *Accountability* in Table 7.2 simply reflect how important improving on or maintaining the current level of accountability was to the overall success of the initiative. In 6 of the 12 cases, Air Force Corporate Structure, Cost as a Variable in AFMC, Managing Performance and Cost in LP, Consolidation of Inventory Management, Acquisition Reform – Corporate Contracting and the Government Purchase Card, enhancing accountability was an objective. However, it was only critical to successful reform in three of the initiatives. In two cases, Cost as a Variable in AFMC and Consolidation of Inventory Management, enhancing accountability was *Important* but not critical. In Managing Performance and Cost in LP it was only *Somewhat Important* as this initiative could have been fully successful even if their had been no change in the level of accountability in the Propulsion Directorate.

Of those interviewed, only 58% said that enhanced flexibility and discretion would not adversely impact accountability. However, when I separated the responses according to the positions the interviewees held, Table 7.3 offers additional insight. First,

100% of Managers and Senior Managers supported the position that enhanced flexibility and discretion did not preclude the maintenance of strict accountability. Of the Middle Managers interviewed, only 76% supported this position and only 16% of the Operators believed they could exercise discretion without undermining accountability. This rather significant disparity among the four groups of individuals questioned about the relationship between flexibility and accountability may be because each group sees their level of flexibility quite differently. In follow-on questioning, the majority of Middle Managers, Managers and Senior Managers considered their current degree of flexibility to be rather high while the Operators viewed their discretionary authority as more limited. This would seem to be an area suitable for and in need of further research.

Knowledge and Information

This factor asks the question, "Are knowledge and information greatest and most concentrated at the top of a hierarchical bureaucracy or with the middle managers and operators?" There seems to be little doubt that the managers and operators are very critical players when it comes to actually implementing reform. However, as to the level at which knowledge and information are concentrated, the answer is not as clear.

I expected to find that the middle managers and operators were the ones with the type of knowledge and information most necessary to make reform work and that this factor was critical to the reform initiative's success. I did find that the necessary knowledge and information primarily resided in the Middle Managers and Operators in 8 of the 12 cases as shown in Table 7.2. This factor was *Very Important* in seven cases but only *Important* in the case study on Managing Performance and Cost in LP. The primary reason I believe it was not as critical to the one case was because the Middle Managers

and Operators in the Propulsion Directorate were getting significant direction and even micro-management emanating from the Air Force Materiel Command's Headquarters.

In two cases, Climate Survey and Government Purchase Card, the knowledge and information necessary for these two initiatives to succeed are actually found internally in the agency. However, these two cases were so broad that different types of knowledge and information were found to be necessary across all levels involved from Agency Directors to clerical personnel in field operating locations.

In the case on Cost as a Variable in AFMC, there was simply no doubt that the knowledge and information necessary for this effort to succeed rested firmly with General Babbitt. General Babbitt then put forth the necessary effort to educate his staff and the workforce throughout the Air Force Materiel Command. Next, just as I found in the evaluation of key-actors, the type of knowledge and information necessary to the success of the progressive changes in the case on Issue Effectiveness, Logistics Response Time and Customer Wait Time was found primarily in the middle managers alone.

Finally, of those interviewed, 68% agreed that the type of knowledge and information required to successfully implement major reforms is found in the working managers and operators of an agency. Interestingly, as we see in Table 7.2, only 37% of Operators and 86% of Middle Managers said they had the greatest knowledge and information. By count, 24 Operators, 5 Middle Managers and 2 Managers said the greatest and most concentrated knowledge was at the top of the hierarchy. However, all of the Senior Managers believed the type of knowledge most necessary to successfully implement reform was found at the managerial and operational levels of an organization. Again, it seems that where one sits strongly influences where one stands on this issue.

Time

The factor *time* was intended to evaluate the actual amount of time needed for successful implementation of major reforms. I expected to find that successful implementation of major reforms takes more than a single budget cycle and that this is a critical issue when evaluating reform initiatives. I decided to break it down into 3 sub-factors--1 year or less; 1-3 years; and more than 3 years.

Again returning to Table 7.2, in three cases, Quality Air Force Assessment, Budget Requirements Review and On Order Excess, and Interservicing, outputs were visible in less than three years but there was still no visibility of the outcome objectives. Outcomes were visible in less than 3 years in only two cases, Cost as a Variable in AFMC and Climate Survey. Finally, in 7 of the 12 cases, it took more than three years for the outcomes to begin presenting visible evidence of major reforms.

Based on these findings, I arrived at three primary conclusions. First, it appears that outputs can be seen long before outcomes emerge. All three of the cases in which the outputs were visible in a relatively short period of time while the outcomes took much longer to see had a very narrow focus and output products that were identified before the initiative was actually implemented. Therefore, it is most likely that the type of initiative exerts considerable influence on the time required for reform initiatives to be sufficiently visible for accurate evaluation.

Next, the two cases in which actual outcomes were visible in less than three years also had a narrow focus but most importantly they each had very powerful, influential and determined advocates. In the case of Cost as a Variable in AFMC, General Babbitt set very specific objectives and allowed only very short periods of time for

implementation. The Chief of Staff of the Air Force, a four-star general, is the champion for the Climate Survey. In 1997, when the first Climate Survey was completed, the Air Force Chief of Staff directed that the survey be completed within 90 days. Next, the Chief directed that results were to be compiled and analyzed within the following 90 days. And finally, all organizations were ordered to submit their plans of action for all areas with a score of 70% or less at the end of the next 90 days. That left 15 months to rectify areas of concern and address all problems identified before the next Climate Survey began.

Finally, it took more than three years for outcomes associated with 7 of the 12 reform initiatives evaluated in this research to become visible or measurable. This strongly suggests that major reforms are better evaluated over longer periods of time in order to most accurately assess their success or failure.

Last, but certainly not least in the discussion of time are the responses of the individuals interviewed over the course of this research. As reflected in Table 7.2, only 15% thought that major reforms could be implemented in less than 1 year and all 15% were in the operator category. Surprisingly, a total of 66% of those interviewed thought it should take only 1-3 years to successfully implement major reform initiatives. Finally, 49% across all positions believed it would generally take more than 3 years for major reform initiatives to be "ripe" for evaluation purposes and ready to be declared a success or failure. The 49%, however, is somewhat misleading.

Of the Middle Managers, Managers and Senior Managers, 59%, 80% and 92%, respectively, believed reforms could not be accurately evaluated in less than 3 years. Only 16% of the Operators thought researchers should allow at least 3 years for

implementation of major reforms before evaluating the reform's success or failure. Through follow-on questioning, I was able to identify what may be the cause of the disparity. When I asked Operators what they considered to be a major reform initiative, they listed a variety of endeavors that would best be described as *components* of a major reform. However, when I posed the same question to Middle Managers, Managers and Senior Mangers, I got very different responses. The majority of Middle Managers and all of the Managers and Senior Managers identified broad, strategic efforts, such as the GPRA, as constituting major reforms initiatives. Therefore, this research suggests that how one defines major reform determines their assessment of how long it will take to implement that reform initiative. Again, this may be a candidate for further research.

Summary of Findings

The previous findings do not reflect all of what I expected or none of what I expected to accomplish with this research. But even those findings that were not exactly what I expected do provide insight on alternative methods for evaluating the success or failure of reform initiatives—past and future.

First, I expected to find that the GPRA's status as a law influenced the potential for successful reform. I did find evidence that making reform initiatives law does matter. But the influence is more indirect in that its primary contribution seems to be that being a law helps to ensure that the initiative will not simply go away after the next election. More influential, however, are the directives emanating from the various managerial levels within the agency.

Having said this, I should add the caveat that one should never discount the impact of a law, either. As a result of the GPRA, performance reports have been a

mandatory part of agency budget requests since 2000. It is also a key facilitator of the *President's Management Agenda* initiated by President George W. Bush. If the GPRA had been simply an executive order from President Bill Clinton, would it still have been embraced by the current administration? Obviously, it is not possible to know the definitive answer. However, during the formal and informal interviews, I asked every participant if it made a difference to them whether the GPRA was initiated by Congressional legislation or an executive order. Overall, 76% responded that it did matter that the GPRA is a law. The general consensus regarding why it is important seemed to be that it is possible and not particularly difficult to get a waiver for Air Force regulations and even DoD directives. But changing a law is something much different. One contracting officer described it this way: "A public law is practically gospel in the acquisition arena…and the Judge Advocate General makes sure we never forget it, too."

Second, I expected to find that correctly identifying the focus of reform efforts or what is expected to change was important to our evaluations of reform. What I found was that correctly identifying the focus is probably the most crucial factor to ensuring that reform initiatives are being accurately evaluated. Not only did I find that correctly identifying the focus was individually *Very Important* to the success of reform efforts in all of the cases, what is expected to change seemed to also exert significant influence on the remaining factors!

Whether or not decision-making was likely to be incremental was influenced by the type of reform to be implemented. The type of reform to be implemented is directly related to what is expected to change.

Who were identified as the key-actors and at what level the knowledge and information necessary to successfully implement reform was located also depended on what was expected to change. If the reform is directed at changing the political system, then the key-actors probably are the president, OMB, top agency officials or Congress and the knowledge and information necessary for successful implementation will likely be found in their staffs. However, if the internal operations of the Executive Branch agencies are expected to change, then the key-actors and the knowledge necessary for implementation are more likely to be found at the managerial and operating levels within the agency. This does not, however, mean that leadership is not important.

Committed leadership is critical to successful reform in the Executive Branch agencies—it just does not have to be Presidential or Congressional leadership. The examples of General Viccellio and General Babbitt surely demonstrate how important good leadership is to reform. We also cannot totally discount the visionary knowledge and information generally found at the upper levels of management. Again using General Viccellio and General Babbitt as examples, both had a definite vision of changes they wanted to make in the Air Force Materiel Command. They were quite clear on the outcomes they sought and they made sure that everyone throughout the Command understood exactly what those goals were. However, they left it up to the managers and the operators of the command to actually make the visions a reality. I suggest that implementing major reform without visionary leadership is much like trying to fly an airplane without compasses and horizon indicators…you are most likely to get nowhere!

The focus will also affect how much enhanced flexibility and discretion might be needed within the agencies to successfully implement the reform initiatives. Finally,

what is expected to change will certainly affect how much time is likely to be required for successful implementation. Based on the preponderance of the findings associated with this research, it is evident that correctly identifying the *focus* of a reform may well be the most critical factor when developing evaluation plans for reform initiatives.

Lessons Learned To Apply To Future Research

Overall, I believe the most significant finding of this research is the importance of correctly identifying what is expected to change before an evaluation of reform initiatives begins. Many previous government-wide reform efforts were declared failures because they did not take politics out of the budget process. I suggest that re-evaluating these reforms by first correctly identifying what was expected to change may yield results far different than originally found by academicians such as Schick, 1995 and 1973; Wildavsky, 1992 and 1984; Gosling, 1992; and Radin, 1998.

Second, if the focus of reform initiatives is the day-to-day operations of an agency, evaluating that reform from inside an agency may also reveal far more changes going on than are visible from the outside. The long-term case study approach I have utilized in this research is especially appropriate for evaluating agencies' internal operations. Although I benefited from my professional positions, access to personnel and information inside an agency is not impossible for outside researchers to arrange. It is important, however, that outside researchers allow themselves extra time to become very familiar with the missions and day-to-day operations of an agency before beginning reform evaluations.

An example of changes not truly visible from the outside was the major reorganization accomplished by the Air Staff. Despite the size of the DoD budget,

defense has never been funded at 100 percent. Therefore, choices have always had to be made. However, it was not those closest to the warfighter that made the choices. It was the Air Staff. When Headquarters Air Force reorganized the Air Staff into an organization more similar to the world of private business, the changes were far more than cosmetic. No longer could commands bring their programs to the Air Staff unfunded and expect additional funds to materialize from some elusive pot of money well-hidden in the Pentagon.

After the reorganization, all Air Force commands were required to bring in balanced Program Objective Memorandums. Very simply, they had to balance their most critical and immediate needs versus long-range goals or less critical wants. If they had new programs they wished to fund, they had to give up something else...that meant they had to make choices! The choices were seldom easy. For example, if you fund aircraft maintenance and do not include the funds in your budget to purchase the necessary support equipment, you have not supported the warfighter with a usable weapon system. Or if you fund aircraft operations but do not fund engine maintenance, you will simply end up with a very expensive static display, not a usable weapon system!

The Air Staff was no longer going to decide what the commands needed the most...the commands had to decide for themselves what programs were most critical to accomplishing their mission. Once they prepared their Program Objective Memorandum and proposed budget, each command presented and defended their programs before the panels of the Air Force Corporate Structure.

In addition to the funded programs, the Air Force Council combined and prioritized all command submissions so that a composite list of Air Force additional

needs were already identified if funds became available. The prioritization of the commands' programs also identified programs that could be cut with the least impact if appropriations decreased. An example of how important the Unfunded Priority List really is has to do with the Defense Emergency Relief Fund appropriated by Congress in the aftermath of September 11, 2001.

In a matter of days after September 11, 2001, more than $20 billion dollars was made available to meet the needs of the DoD as it prepared to go to war. Unlike the normal Defense appropriations, the emergency funds had no color and no year. Essentially, the emergency funds could be used to support any validated need of the DoD even if it was originally identified as a future need. When the DoD called the services to the table, the Chief of Staff of the Air Force already had his validated list of needs in his pocket. This was one of the reasons that the Air Force requirements could be and were among the first funded.

Finally, there is an additional area of interest that I do not feel this research adequately covered. That is the importance of recognizing and appreciating the significance of the changes taking place inside an agency. The problem with that, however, is that the significance is frequently lost on those not familiar with the existing culture of an agency. For example, allowing private contractors to sit down in the same room with item mangers to discuss future requirements might not seem particularly noteworthy to an outsider. But to those inside the Propulsion Management Division at the Oklahoma City Air Logistics Center, it was completely opposite to everything they knew.

For decades, item mangers had been strictly prohibited from discussing future requirements with any one outside the requirements community. The item managers are

even required to carry a *secret security clearance* to protect the integrity of the requirements and budget processes. Maintaining a close hold on information related to future requirements simply became an engrained fact of life for all item managers. As General Babbitt learned about directing the Air Force Materiel Command to manage cost in addition to performance, altering that fact of life was very emotional and certainly not an easy task.

At the time, I was the Section Chief for the item mangers responsible for the GE engines. I spent many hours explaining the waivers in place, the importance of acquisition reform to supporting the warfighter and even reassuring the item managers they would not end up in Leavenworth when GE representatives were allowed to view and discuss future Air Force requirements. In one case, the item manger even insisted I put it in writing! Ultimately, the item mangers did participate in the quarterly joint requirements reviews established as a part of the GE Corporate Contract. And they continue to do so today. But their participation represented a truly major change in the way the Air Force does business.

Future of the GPRA at Oklahoma City and in the Air Force Materiel Command

As shown in the case studies, the Propulsion Directorate did improve its budget validity factor and, by 1999, the excess inventory on order decreased significantly. Overall, however, support to the warfighter was not yet improving. By the Air Force's own measures, the percentage of all Air Force systems reported as not mission capable due to supply problems steadily increased from 11 percent in FY 1996 to 14.3 percent in FY 2000 (GAO-01-587).

In 1999, based on the revised and improved requirements computations, the Air Force Materiel Command identified its major supportability problem as an ongoing shortage of spare parts. Because of concerns that spare parts shortages were causing serious readiness issues, the Air Force received an additional $904 million in obligation authority. Of the additional funds, $132 million of it went to the Oklahoma City Air Logistics Center to buy engine-related spare parts identified in the new requirements. In addition to the funds given directly to the Air Force, the DoD announced its plan to provide the Defense Logistics Agency with an additional $500 million over fiscal years 2001-2004 to purchase consumable spare parts for all services. The Air Force's share of the Defense Logistics Agency's funds is $213.8 million (GAO-01-587, pp. 4-5). Congress did their part by providing additional funding. Now it is up to the Air Force to improve performance.

Both the Air Force Materiel Command and Headquarters Air Force took steps to address the critical issue of spare parts support. In 1999, the Air Force Deputy Chief of Staff, Installations and Logistics, Directorate of Supply, established the *Supply Foundation Project* as a comprehensive means of improving the total supply system. The Supply Foundation Project originally identified ten objectives with separate initiatives associated with each. The Air Force's number one objective is to improve spare parts management. In conjunction with the Air Force program, the Air Force Materiel Command initiated other actions, such as the *Constraints Analysis Program* and a task force to improve *Purchase Supply Chain Management* processes to address more specific aspects of spare parts management and policies.

Future projects are also planned to develop a model to more accurately forecast repair facilities' needs for consumable parts and electronically transmit the information to the Defense Logistics Agency and the applicable contractor. In addition, a pilot program has been initiated where contractors will bypass the supply system and directly fill the supply bins at maintenance facilities (GAO-01-587, pp. 18-19). This pilot program has been in place at the Oklahoma Air Logistics Center less than a year so a definitive evaluation is not yet possible. Initial reports, however, are quite promising.

According to the GAO, "The Air Force has developed a Supply Strategic Plan that includes a management framework and specific goals and outcome-oriented measures for its initiatives." The Plan is intended "...to help create an integrated process for supply planning, to facilitate the exchange of information throughout the supply system and to improve measures of effectiveness for the supply system." Last updated in 2001, the Plan establishes five goals the Air Force supply community is expected to achieve by 2010. The goals are:

1) Manage assets effectively;
2) Organize, train, and equip supply personnel;
3) Support Department of Defense operations;
4) Establish and implement fuel policy; and
5) Implement effective financial management.

Each of the identified goals has objectives associated with it that the Air Force expects to achieve in the next 4 to 7 years (GAO-01-587, p. 16-17). It has now been 11 years since the passage of the GPRA. It is clear, however, that the Air Force continues to be guided by the GPRA's demand for more effective, efficient and economic governance.

Future of the GPRA in the DoD

At this point in time, there is no indication that the GPRA is going to go away. So where does the DoD go from here? One of the DoD's most important responses to the demands for change imposed by the GPRA was the 1997 *Defense Reform Initiatives*. This was a list of actions the DoD committed to taking to address concerns raised by the GAO in their High-Risk Series and to better comply with the requirements of the GPRA. The November 1997 *Defense Reform Initiative Report* provided a strategic blueprint for the DoD to adapt better business processes, pursue commercial alternatives, consolidate redundant functions, and streamline organizations. Since the 1997 report, significant effort and progress were made to bring competition and best commercial practices into the business of defense. Since launching the reform initiative, a Defense Management Council (DMC) of DoD leaders acting as the Secretary's Board of Directors and a panel of Chief Executive Officers from leading private sector corporations were established to provide advice about reform opportunities and implementation.

Another example of the DoD's commitment to reform has to do with its abundance of rules and regulations, for which it is well known. However, DoD rules and regulations as well as those of the Air Force are always secondary to the legislation of Congress. This was even more strongly demonstrated in October 2000 when Under Secretary of Defense, Paul Wolfowitz, canceled the existing documents that have served as the cornerstones of acquisition policy for decades – DoD Directive 5000.1 and DoD Instruction 5000.2.

The DoD 5000-series is considered the *acquisition bible*. It establishes milestones and major reviews for weapon systems development, dictating how billions of dollars are to be spent in procuring tools for the warfighter. The goal of rewriting the 5000-series is

to streamline the buying rules even if that means tossing out decades-old practices to create an acquisition policy environment that fosters efficiency, flexibility, creativity and innovation to rapidly deliver affordable and sustainable capabilities to the war fighters.

The changes to the 5000-series will give program managers as much latitude as possible so they can be innovative in structuring and executing their program in a manner best suited to its particular circumstances. According to one official from the Office of the Secretary of Defense, "Instead of telling [program managers] they have to satisfy a requirement in a certain way, now we're [saying]: *Here's the requirement, you know your program, do what best suits the particular conditions of your program but meet the requirement*" (*Inside the Pentagon*, January 16, 2003). Wolfowitz replaced the two documents with the *Interim Defense Acquisition Guidebook* to serve as temporary acquisition guidance until the formal regulations can be rewritten to encourage and support acquisition reform.

In keeping with the DoD's emphasis on acquisition reform and to further improve the way we buy goods and services to support the warfighter, then-Principle Deputy Assistant Secretary of the Air Force for Acquisition and Management, Ms. Darleen Druyun, established the Air Force *Acquisition Center of Excellence* in December 2001. The Oklahoma City Air Logistics Center *Acquisition Center of Excellence,* to which I am now assigned, stood up in March 2002.

The concept of the Acquisition Centers of Excellence is to create a multi-functional, stand-alone organization consisting of acquisition experts to assist programs through the acquisition process. The Oklahoma City Air Logistics Center Commander, Major General Terry Gabreski, is the designated change agent for the Center and is

responsible for applying reform initiatives to all the Center's acquisition and logistics processes. My current assignment is as the Logistics Management Specialist for promoting evolutionary acquisition and spiral development. These initiatives focus on delivering specific capabilities to the war fighter faster by building weapon systems in increments with each spiral providing additional capability. This initiative is designed to reduce the amount of time it takes to develop and deliver a new weapon system. Currently, the average time from concept definition to airplanes in the sky is approximately 15-20 years. With the War on Terrorism, the DoD has learned that it simply cannot wait that long to field new weapon systems.

My other duty is to facilitate Performance Based Logistics. Under this concept, the role of the item management community will undergo significant changes because we are now being driven to manage our suppliers instead of individual parts. This means that we will be trying to establish longer-term contracts of 5-10 years for inventory sustainment to meet a certain performance criteria. It seems clear the force of law carried by the GPRA continues to encourage and direct major changes to the way the DoD and the Air Force do business.

Since the end of the Cold War, the Armed Forces of the United States have demonstrated many times that they are second to none when it comes to their mission of defending the United States and its interests militarily. However, the GAO has found that "significant management problems continue to impact the economy, effectiveness and efficiency of DoD's business processes." The concern is that inappropriately expended funds have put mission capabilities at risk because the funds would have been better spent to support modernization and readiness efforts (GAO-03-98).

Since 1999, Congress has provided $1.5 billion to address DoD's shortage of spare parts. However, Congress has also begun to express its concerns regarding "...the Department's inability to articulate funding levels for spare parts needed to support the training and deployment requirements of the armed services and provide any meaningful history of funds spent for spare parts" (GAO-03-18).

The DoD does not deny its problems nor is it ignoring them. Currently, the DoD has 400 ongoing initiatives whose sole focus is to improve the quality of logistics support across the Department. In addition to the initiatives I have already described, other initiatives address issues concerned with supply, financial management, information-technology systems' improvement, the personnel system as well as many other less entrenched difficulties. Because of the DoD's size and its decentralized concept of execution, implementing major changes simply takes time. The Congress and their watchdog, the GAO, are fully aware that the DoD cannot be transformed overnight...or even in 11 years. The important part, however, is that the DoD is committed to improving the way it does business.

Meeting the Needs of Congress

The current administration, the Congress and the DoD leadership place a high priority and a great deal of attention on the Department's efforts to transform its business' practices. Broad transformation is essential, especially in the area of financial management, if the Congress is to have reasonable confidence in the information provided to decision makers. And that is the goal of the GPRA—to improve the effectiveness, efficiency and economy of the Executive Branch agencies in order to ensure that budgetary information passed to decision-makers is accurate and usable.

According to Philip G. Joyce (2003), it is not necessary that Congress use performance information during the appropriation process. Joyce argues that agencies have sufficient discretion and flexibility to move funds from one program to another even after appropriations are received (p. 29). Therefore, Joyce suggests embracing

> *...a more comprehensive definition of performance-informed budgeting and attempts to demonstrate that there is ample opportunity to use performance information at each stage of the budget process—that is, not only the Office of Management and Budget (OMB) and the Congress but in the agencies and by the audit community as well. Further, high-quality performance measurement can be the key to effective management of resources, even if that performance information did not affect the initial allocation of those resources" (p. 7).*

The Congressional budgeting process is and will always be a political process. However, it is not impossible to insert performance information into that process. Joyce suggests that

> *…the authorization process is crucial to developing expectations about the performance of programs, and it is therefore the most logical place for performance information to gain a foothold into the congressional process (p. 27).*

While I find Joyce's argument regarding the authorization process convincing, I more fully agree that the performance information is already improving the budget because better information is being provided to the OMB and Congress by the Executive Branch agencies. I believe the initiatives documented in this case study provide clear and convincing evidence that budget preparation and funds management have improved in the Propulsion Management Division at the Oklahoma City Air Logistics Center, the Air Force Materiel Command, the Air Force and, ultimately, the DoD.

The Congress continues to use the requirements of the GPRA to encourage reform initiatives. Therefore, the DoD can be expected to continue its efforts to comply with

both the letter and the intent of the GPRA as they focus on transforming their business processes to meet the needs of the warfighter in the 21st century. After all, the DoD is not a vending machine...therefore, change is inevitable!

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Appendix A

Excerpts from
Public Law 103-62: Government Performance and Results Act of 1993

One Hundred Third Congress
of the
United States of America

Begun and held at the City Washington on Tuesday,
the fifth day of January, one thousand nine hundred and ninety-three

An Act

To provide for the establishment of strategic planning and performance measurement in the Federal Government, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Government Performance and Results Act of 1993".

SEC. 2. FINDINGS AND PURPOSES

(a) FINDINGS.-The Congress finds that-

(1) waste and inefficiency in Federal programs undermine the confidence of the American people in the Government and reduces the Federal Government's ability to address adequately vital public needs;

(2) Federal managers are seriously disadvantaged in their efforts to improve program efficiency and effectiveness, because of insufficient articulation of program goals and inadequate information on program performance; and

(3) congressional policymaking, spending decisions and program oversight are seriously handicapped by insufficient attention to program performance and results (Public Law 103-62).

(b) Purposes.-The purposes of this Act are to-

(1) improve the confidence of the American people in the capability of the Federal Government, by systematically holding Federal agencies accountable for achieving program results;

(2) initiate program performance reform with a serious of pilot projects in setting program goals, measuring program performance against those goals, and reporting publicly on their progress;

(3) improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction;

(4) help Federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality;

(5) improve congressional decisionmaking by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of Federal programs and spending; and

(6) improve internal management of the Federal Government.

SEC. 3. STRATEGIC PLANNING.

Chapter 3 of Title 5, United States Code, is amended by adding after section 305 the following new section:

"Sec. 306. Strategic Plans

(a) No later than September 30, 1997, the head of each agency shall submit to the Director of the Office of Management and Budget and to the Congress a strategic plan for program activities. Such plan shall contain-

(1) a comprehensive mission statement covering the major functions and operations of the agency;

(2) general goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the agency;

(3) a description of how goals and objectives are to be achieved, including a description of then operational processes, skills and technology, and the human, capital, information, and other resources required to meet those goals and objectives;

(4) a description of how the performance goals included in the plan required by section 1115(a) of Title 31 shall be related to the general goals and objectives in the strategic plan;

(5) an identification of those key factors external to the agency and beyond its control that could significantly affect the achievement of the general goals and objectives; and

(6) a description of the program evaluations used in establishing or revising general goals and objectives, with a schedule for future program evaluations.

(b) The strategic plan shall cover a period of not less than five years forward from the fiscal year in which it is submitted, and shall be updated and revised at least every three years.

(c) The performance plan required by section 1115 of Title 31 shall be consistent with the agency's strategic plan. A performance plan may not be submitted for a fiscal year not covered by a current strategic plan under this section.

(d) When developing a strategic plan, the agency shall consult with the Congress, and shall solicit and consider the views and suggestions of those entities potentially affected by your interest in such plan.

(e) The functions and activities of this section shall be considered to be inherently Governmental functions. The drafting of strategic plans under this section shall be performed only by Federal employees.

(f) For purposes of this section the term 'agency' means an Executive agency defined under section 105, but does not include the Central Intelligence Agency, the General Accounting Office, the Panama Canal Commission, the United States Postal Service, and the Postal Rate Commission.

SEC. 4. ANNUAL PERFORMANCE PLANS AND REPORTS.

(a) Budget Contents and Submission to Congress.-Section 1105(a) of Title 31, United States Code, is amended by adding at the end of thereof the following new paragraph:

(29) beginning with fiscal year 1999, a Federal Government performance plan for the overall budget as provided for under section 1115.

(b) Performance Plans and Reports.-Chapter 11 of Title 31, United States Code, is amended by adding after section 1114 the following new sections:

SEC. 1115. Performance plans

(a) In carrying out the provisions of section 1105(a)(29), the Director of the Office of Management and Budget shall require each agency to prepare an annual performance plan covering each program activity set forth in the budget of such agency. Such plan shall-

(1) establish performance goals to define the level of performance to be achieved by a program activity;

(2) express such goals in an objective, quantifiable, measurable form unless authorized to be in an alternative form under subsection (b);

(3) briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals;

(4) establish performance indicators to be used in measuring or assessing their relevant outputs, service levels, and outcomes of each program activity;

(5) provide a basis for comparing actual program results with the established performance goals; and

(6) describe the means to be used to verify and validate measured values.

(b) If an agency, in consultation with the Director of the Office of Management and Budget, determines that it is not feasible to express the performance goals for a particular program activity in an objective, quantifiable, and measurable form, the Director of the Office of Management and Budget may authorize an alternative form. Such alternative form shall~~:~~

(1) include separate descriptive statements of-

a. a minimally effective program, and

b. a successful program, or

c. such alternative as authorized by the Director of the Office of Management and Budget, with sufficient precision and in such terms that would allow for an accurate, independent determination of whether the program activity's performance meets the criteria of the description; or

(2) state why it is infeasible or impractical to express a performance goal in any form for the program activity.

(c) For the purpose of complying with this section, an agency may aggregate, disaggregate, or consolidate program activities, except that any aggregation or consolidation may not omit or minimize the significance of any program activity constituting a major function or operation for the agency.

(d) An agency may submit with its annual performance plan an appendix covering any portion of the plan that-

(1) is specifically authorized under criteria established by an Executive Order to be kept secret in the interest of national defense or foreign policy; and

(2) is properly classified pursuant to such Executive Order.

(e) The functions and activities of this section shall be considered to be inherently Governmental functions. The drafting of performance plans under this section shall be performed only by Federal employees.

(f) For purposes of this section and sections 1116 through 1119, and sections 9703 and 9704 the term-

(1) *agency* has the same meaning as such term is defined under section 306(f) of Title 5;

(2) *outcome measure* means an assessment of the results of a program activity compared to its intended purposes;

(3) *output measure* means the tabulation, calculation, or recording of activity or effort and can be expressed in a quantitative or qualitative manner;

(4) *performance goal* means a target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate;

(5) *performance indicator* means a particular value or characteristic used to measure output or outcome;

(6) *program activity* means a specific activity or project as listed in the program and financing schedules of the annual budget of the United States Government; and

(7) *program evaluation* means an assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended objectives.

Sec. 1116. Program performance reports

(a) No later than March 31, 2000, and no later than March 31 of each year thereafter, the head of each agency shall prepare and submit to the President and the Congress, a report on program performance for the previous fiscal year.

(b) (1) Each program performance report shall set forth the performance indicators established in the agency performance plan under section 1115, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year.

(2) If performance goals are specified in an alternative form under section 1115(b), the results of such program shall be described in relation to such specifications, including whether the performance failed to meet the criteria of a minimally effective or successful program.

(c) The report for fiscal year 2000 shall include actual results for the preceding fiscal year, the report for fiscal year 2001 shall include actual results for the two preceding fiscal years, and the report for fiscal year 2002 and all subsequent reports shall include actual results for the three preceding fiscal years.

(d) Each report shall-

(1) review the success of achieving the performance goals of the fiscal year;

(2) evaluate the performance plan for the current fiscal year relative to the performance achieved toward the performance goals in the fiscal year covered by the report;

(3) explain and describe, where a performance goal has not been met (including when a program activity's performance is determined not to have met the criteria of a successful program activity under section 1115(b)(1)(A)(ii) or a corresponding level of achievement if another alternative form is used-

(A) why the goal was not met;

(B)those plans and schedules for achieving the established performance goal; and

(C) if the performance goal is impractical or infeasible, why that is the case and what action is recommended;

(4) describe the use and assess the effectiveness in achieving performance goals of any waiver under section 9703 of this title; and

(5) include the summary findings of those program evaluations completed during the fiscal year covered by the report.

(e) An agency head may include all program performance information required annually under this section in an annual financial statement required under section 3515 if any such statement is submitted to the Congress no later than March 31 of the applicable fiscal year.

(f) The functions and activities of this section shall be considered to be inherently Governmental functions. The drafting of program performance reports under this section shall be performed only by Federal employees.

Sec. 1117. Exemption

The Director of the Office of Management and Budget may exempt from the requirements of sections 1115 and 1116 of this title and section 306 of Title 5, any agency with annual outlays of $20,000,000 or less.

SEC. 5. MANAGERIAL ACCOUNTABILITY AND FLEXIBILITY

(a) Managerial Accountability and Flexibility.-Chapter 97 of Title 31, United States Code, is amended by adding after section 9702, the following new section:

Sec. 9703. Managerial accountability and flexibility

(a) Beginning with fiscal year 1999, the performance plans required under section 1115 may include proposals to waive administrative procedural requirements and controls, including specification of personnel staffing levels, limitations on compensation or remuneration, and prohibitions or restrictions on funding transfers among budget object classification 20 and sub-classifications 11, 12, 31, and 32 of each annual budget submitted under section 1105, in return for specific individual or organization accountability to achieve a performance goal. In preparing and submitting the performance plan under section 1105(a)(29), the Director of the Office of Management and Budget shall review and may approve any proposed waivers. A waiver shall take effect at the beginning of the fiscal year for which the waiver is approved.

(b) Any such proposal under subsection (a) shall describe the anticipated effects on performance resulting from greater managerial or organizational flexibility, discretion, and authority, and shall quantify the expected improvements in performance resulting from any waiver. The expected improvements shall be compared to current actual performance, and to the projected level of performance that would be achieved independent of any waiver.

(c) Any proposal waiving limitations on compensation or remuneration shall precisely express the monetary change in compensation or remuneration amounts, such as bonuses or awards, that shall result from meeting, exceeding, or failing to meet performance goals.

(d) Any proposed waiver of procedural requirements or controls imposed by an agency (other than the proposing agency or the Office of Management and Budget) may not be included in a performance plan unless it is endorsed by the agency that established the requirement, and the endorsement included in the proposing agency's performance plan.

(e) A waiver shall be in effect for one or two years as specified by the Director of the Office of Management and Budget in approving the waiver. A waiver may be renewed for a subsequent year. After a waiver has been in effect for three consecutive years, the performance plan prepared under section 1115 may propose that a waiver, other than a waiver of limitations on compensation or remuneration, be made permanent.

(f) For purposes of this section, the definitions under section 1115(f) shall apply.

SEC. 6. PILOT PROJECTS

(a) Performance Plans and Reports.-Chapter 11 of Title 31, United States Code, is amended by inserting after section 1117 (as added by section 4 of this Act) the following new section:

Sec. 1118. Pilot projects for performance goals

(a) The Director of the Office of Management and Budget, after consultation with the head of each agency, shall designate not less than ten agencies as pilot projects in performance measurement for fiscal years 1994, 1995, and 1996. The selected agencies shall reflect a representative range of Government functions and capabilities in measuring and reporting program performance.

(b) Pilot projects in the designated agencies shall undertake the preparation of performance plans under section 1115, and program performance reports under section 1116, other than section 1116(c), for one or more of the major functions and operations of the agency. A strategic plan shall be used when preparing agency performance plans during one or more years of the pilot period.

(c) No later than May 1, 1997, the Director of the Office of Management and Budget shall submit a report to the President and to the Congress which shall-

(1) assess the benefits, costs, and usefulness of the plans and reports prepared by the pilot agencies in meeting the purposes of the Government Performance and Results Act of 1993;

(2) identify any significant difficulties experienced by the pilot agencies in preparing plans and reports; and

(3) set forth any recommended changes in the requirements of the provisions of Government Performance and Results Act of 1993, section 306 of Title 5, section 1105, 1115, 1116, 1117, 1119, and 9703 of this Title, and this section.

(b) Managerial Accountability and Flexibility.-Chapter 97 of Title 31, United States Code, is amended by inserting after section 9703 (as added by section 5 of this Act) the following new section:

Sec. 9704. Pilot projects for managerial accountability and flexibility

(a) The Director of the Office of Management and Budget shall designate not less than five agencies as pilot projects in managerial accountability and flexibility for fiscal years 1995 and 1996. Such agencies shall be selected from those designated as pilot projects under section 1118 and shall reflect a representative range of Government functions and capabilities in measuring and reporting program performance.

(b) Pilot projects in the designated agencies shall include proposed waivers in accordance with section 9703 for one or more of the major functions and operations of the agency.

(c) The Director of the Office of Management and Budget shall include in the report to the President and to the Congress required sections under section 1118(c)-

(1) an assessment of the benefits, costs, and usefulness of increasing managerial and organizational flexibility, discretion, and authority in exchange for improved performance through a waiver; and

(2) an identification of any significant difficulties experienced by the pilot agencies in preparing proposed waivers.

(d) For purposes of this section, the definitions under section 1115(f) shall apply.

(b) Performance Budgeting.-Chapter 11 of Title 31, United States Code, is amended by inserting after section 1118 (as added by section 6 of this Act) the following new section:

Sec. 1119. Pilot projects for performance budgeting

(a) The Director of the Office of Management and Budget, after consultation with the head of each agency, shall designate not less than five agencies as pilot projects in performance budgeting for fiscal years 1998 and 1999. At least three of the agencies shall be selected from those designated as pilot projects under section 1118 and shall also reflect a representative range of Government functions and capabilities in measuring and reporting program performance.

(b) Pilot projects in the designated agencies shall cover the preparation of performance budgets. Such budgets shall present, for one or more of the major functions and operations of the agency, the varying levels of performance, including outcome-related performance, that would result from different budgeted amounts.

(c) The Director of the Office of Management and Budget shall include, as an alternative budget presentation in the budget submitted under section 11105 for fiscal year 1999, the performance budgets of the designated agencies for this fiscal year.

(d) No later than March 31, 2001, The Director of the Office of Management and Budget shall transmit a report to the President and to the Congress on the performance budgeting pilot projects which shall-

(1) assess the feasibility and advisability of including a performance budget as a part of the annual budget submitted under section 1105;

(2) describe any difficulties encountered by the pilot agencies in preparing a performance budget;

(3) recommend whether legislation requiring performance budgets should be proposed and the general provisio0ns of any legislation; and

(4) set forth any recommended changes in the other requirements of the Government Performance and Results Act of 1993, section 306 of Title 5, sections 1105, 1115, 1116, 1117, and 9703 of this title, and this section.

(e) After receipt of the report required under subsection (d), the Congress may specify that a performance budget be submitted as part of the annual budget submitted under section 1105.

Appendix B

Defense Acquisition University Non-Attribution Policy

The Defense Acquisition University (DAU) encourages and expects full and candid discussions during class instruction, in dialog with guest speakers and also in other academic research activities. The objective is to enable students, instructors, guest speakers and other government personnel to express their views freely and without possible attribution or embarrassment. Achievement of this level of openness requires that when personal views of a sensitive nature are presented, there must be assurance that those views will not be repeated to the possible embarrassment of the person presenting them. In all academic endeavors regarding the Department of Defense, statements or remarks should not be attributed to identified individuals unless specific written permission is obtained from the participants.

Appendix C
Organizational Climate Survey

1	**Job Title** (Mark One Only)								
	_____Contracting Officer								
	_____Equipment Specialist								
	_____Inventory Management Specialist								
	_____Logistics Officer								
	_____Production Management Specialist								
	(Circle Only One Response Per Question)	**Strongly Agree**	**Agree**	**Somewhat Agree**	**Somewhat Disagree**	**Disagree**	**Strongly Disagree**	**Don't Know**	**N/A**
		(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
	Job Characteristics								
2	My job requires me to use a variety of skills.	1	2	3	4	5	6	7	8
3	My job allows me to see the finished products of my work.	1	2	3	4	5	6	7	8
4	Doing my job well affects others in some important way.	1	2	3	4	5	6	7	8
5	My job is designed so that I know when I have performed well.	1	2	3	4	5	6	7	8
6	My job allows me freedom to work with minimum supervision.	1	2	3	4	5	6	7	8
	Unit Resources	1	2	3	4	5	6	7	8
7	I have adequate time to do my job well.	1	2	3	4	5	6	7	8
8	We have enough people in my work group to accomplish the job.	1	2	3	4	5	6	7	8
9	I have the right tools, equipment, and materials to accomplish the job.	1	2	3	4	5	6	7	8
10	I have enough time to accomplish my daily workload during my duty hours.	1	2	3	4	5	6	7	8
	Core Values	1	2	3	4	5	6	7	8
11	I am able to do my job without compromising my integrity.	1	2	3	4	5	6	7	8
12	Overall, people in my unit uphold high standards of excellence.	1	2	3	4	5	6	7	8
13	Overall, People in my unit demonstrate that duty takes precedence over personal desires.	1	2	3	4	5	6	7	8
14	Overall, people in my unit are held accountable for behavior which contradicts Air Force core values.	1	2	3	4	5	6	7	8
	Communication								
15	Leadership in this unit listens to my ideas.	1	2	3	4	5	6	7	8
16	My unit makes me aware of important events and situations.	1	2	3	4	5	6	7	8
17	I am comfortable discussing my ideas with the leadership in this unit.	1	2	3	4	5	6	7	8
18	Leaders in my unit are easily accessible.	1	2	3	4	5	6	7	8
19	Leadership in this unit effectively communicates the mission, goals, and objectives.	1	2	3	4	5	6	7	8
	Leadership	1	2	3	4	5	6	7	8
20	I trust the leadership in my unit.	1	2	3	4	5	6	7	8
21	My unit leadership is inspirational.	1	2	3	4	5	6	7	8
22	I am proud of the leadership in my unit.	1	2	3	4	5	6	7	8
23	My unit leadership sets challenging goals.	1	2	3	4	5	6	7	8
24	My unit leadership provides a clear vision.	1	2	3	4	5	6	7	8
25	My unit leadership motivates me to do my best.	1	2	3	4	5	6	7	8
26	My unit leadership makes decisions based on facts.	1	2	3	4	5	6	7	8
27	My unit leadership motivates me to achieve our goals.	1	2	3	4	5	6	7	8
28	My unit leadership encourages me to look for ways to cut costs in my job.	1	2	3	4	5	6	7	8
29	I see my unit leaders doing the same things they publicly promote.	1	2	3	4	5	6	7	8

	(Circle Only One Response Per Question)	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree	Don't Know	N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Supervision	1	2	3	4	5	6	7	8
30	My supervisor is good at planning my work.	1	2	3	4	5	6	7	8
31	My supervisor sets high performance standards.	1	2	3	4	5	6	7	8
32	My supervisor is concerned with my development.	1	2	3	4	5	6	7	8
33	My supervisor models the core values of the Air Force.	1	2	3	4	5	6	7	8
34	My supervisor corrects poor performers in my work group.	1	2	3	4	5	6	7	8
35	My supervisor keeps me up-to-date on what is happening in my unit.	1	2	3	4	5	6	7	8
36	My supervisor provides instructions that help me meet his/her expectations.	1	2	3	4	5	6	7	8
37	My supervisor helps me understand how my job contributes to my unit's mission.	1	2	3	4	5	6	7	8
		1	2	3	4	5	6	7	8
	Training & Development	1	2	3	4	5	6	7	8
38	I am given opportunities to improve my skills.	1	2	3	4	5	6	7	8
39	I am encouraged by my unit leadership to learn new things.	1	2	3	4	5	6	7	8
40	I have been adequately trained for the job I am expected to do.	1	2	3	4	5	6	7	8
41	I am allowed to attend continuing professional training (conferences, workshops, etc.)	1	2	3	4	5	6	7	8
		1	2	3	4	5	6	7	8
	Participation/Involvement	1	2	3	4	5	6	7	8
42	I feel free to suggest new and better ways of doing things.	1	2	3	4	5	6	7	8
43	I am asked how we can improve the way my work group operates.	1	2	3	4	5	6	7	8
44	Sufficient effort is made to get the opinions and ideas of people in this work unit.	1	2	3	4	5	6	7	8
45	Suggestions made by unit personnel are implemented in our daily work activities.	1	2	3	4	5	6	7	8
		1	2	3	4	5	6	7	8
	Unit Flexibility	1	2	3	4	5	6	7	8
46	My unit adapts to change quickly.	1	2	3	4	5	6	7	8
47	My unit encourages appropriate risk taking.	1	2	3	4	5	6	7	8
48	My unit challenges old ways of doing business.	1	2	3	4	5	6	7	8
		1	2	3	4	5	6	7	8
	Unit Performance Perceptions	1	2	3	4	5	6	7	8
49	The quality of work in my unit is high.	1	2	3	4	5	6	7	8
50	The quantity of work accomplished in my unit is high.	1	2	3	4	5	6	7	8
51	My unit is known as one that gets the job done.	1	2	3	4	5	6	7	8
52	My unit is successfully accomplishing its mission.	1	2	3	4	5	6	7	8
53	My unit accomplishes its mission in a cost effective manner.	1	2	3	4	5	6	7	8