STUDENT REPORT
MAR 1990

Title
Managing the Civilian Work Force to Budget (MCN)

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Class
90-A

CENTER FOR PROFESSIONAL DEVELOPMENT
AIR UNIVERSITY / UNITED STATES AIR FORCE / MAXWELL AFB, ALABAMA

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SUMMARY

The Army has recently announced the approval of Army-wide implementation of the Managing the Civilian Work Force to Budget (MCWB) program. This paper briefly describes some difficulties with the program and mistakes made by the North Pacific Division, Corps of Engineers (CECOM) during a three-year test.

Difficulties encountered by CECOM include resistance by Corps of Engineers KMCM, and upper management with CECOM to delegate authority and responsibility. CECOM work force change in part. The group problem by each program. Delegating authority will require a change in the way the work force change. However, delegating authority will allow flexibility and improve individual productivity. This will...

Thus, the Army's approach to MCWB and CECOM changes in the year.
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Accession For
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INTRODUCTION
The Army has recently announced the approval of Army-wide implementation of the "Managing the Civilian Workforce to Budget" (MCB) program in fiscal year 1991. It is my intent to 1) provide Army managers with insight to some difficulties with the program, in hopes to preclude wasted effort during implementation, 2) discuss some mistakes made by the North Pacific Division, Corps of Engineers during the three year test, and 3) emphasize the importance of involvement by the Resource Management Office.

SUMMARY OF MCB
Numerous studies over the years, such as Towers Commission, have identified problems with the civilian personnel system. The cost of the civilian workforce continues to grow due to ineffective position management and improper classification. Managers seldom feel accountable for salary expenditures and are not motivated to think in terms of the cost of personnel actions. The system does not provide sufficient flexibilities to allow managers to reward good performance and penalize poor performance. And finally, the compensation system does not allow the government to compete with private industry for talented personnel.

The Civilian Personnel Modernization Project (CPMP) has proposed several changes to the civilian personnel system, such as pay banding, locality pay, and direct hire authority; most of which require legislation. Thus far, Congress has refused to make changes, fearing cost growth of the civilian workforce. MCB is a first step toward major overhaul of the civilian personnel system, an attempt to prove to Congress that the cost growth of
the civilian workforce can be controlled. Thereby, setting the
stage for legislation which allows more flexibility within the
civilian personnel system.

MCR is based upon the concept of decentralized control and
elimination of artificial constraints such as high-grade ceilings
and travel targets. Monetary incentives coupled with a more
participative management style may generate cost savings and
productivity increases. Motivated by a gain-sharing program, and
armed with classification authority and new managerial
flexibilities, first line-supervisors are allowed to use position
management techniques to reshape the organization into its most
cost effective form. Currently, an employee is classified as a
GS-13 if 50% of the duties being performed are at the GS-13
level. In the event of a vacancy, the supervisor has the
authority to redistribute duties such that higher level duties
are concentrated into a fewer number of jobs. For instance,
three GS-13 jobs and one GS-12 job in lieu of four GS-13
positions. This action would reduce the cost of the workforce,
have no negative effect on the mission, and entitle the
supervisor to .5% of the funding saved.

Likewise, employees are encouraged to seek out the most efficient
method of performing work in an effort to share in productivity
generated savings. Formal productivity-gain-sharing plans which
equate units of production with payroll dollars expended can be
developed to inspire productivity increases within groups of
employees. For example, if a standard is developed for voucher
examiners of 100 vouchers per week and the standard is exceeded by the group, the group is entitled to incentive pay. Incentive pay would be calculated at 10% of the overtime saved.

MCR is a financial management process geared at reducing cost through productivity increases and effective position management.
DISCUSSION

The North Pacific Division (CEMPD), Corps of Engineers is in the third year of a test of MCB. First-line supervisors are now, more than ever, aware of the cost of operating the organization and more closely scrutinize their expenditures. Because of this, MCB is a success. However, it has fallen short of complete and total success for the reasons given in the following paragraphs.

First, a quick look at the management style of Army organizations. There are clear lines of responsibility and authority (chain of command), work is organized and systematic. Programs are managed through control from upper levels of a hierarchical organizational structure. A very conservative culture, not a high risk atmosphere. I contend this culture is not compatible with the main thrust of MCB; power down authority and responsibility to the lowest level of management. This argument is supported by the reluctance of the Corps of Engineers MACOM (USACE) to approve the MCB test in CEMPD. Also by the fact that CEMPD's request for transfer authority of OAMA funds, thin programs, was rejected by USACE even though that authority was delegated to them in fiscal year 1990. USACE refuses to relinquish control of Corps Divisions and Districts. A stable culture has a tendency to make changes slowly if at all, and only when absolutely necessary. And rightfully so, after all the Corps of Engineers has survived 200 years with the current culture.

The bottom line is that MCB is a major change to the Army culture and to be successful requires complete support from all levels of management (1:114). I would like to highlight that 'complete
support from all levels of management” is not the same as “complete support of the commander”. CEMPD entered the MCB program because the commander thought it a worthwhile endeavor. Subsequent to his rotation, the only advocate was the Resource Management Officer with little support from higher commands. The current CEMPD commander had stated that he will not use reorganization authority, delegated to him under MCB, without first ‘running it by’ the Commander, USACE. If one needs to ask the boss before exercising authority, one really has no authority.

A statement made by more than one manager during the MCB text is “it will only work in times of a plentiful money supply”. Also, a highly placed speaker, during his visit to FMCS, stated that implementation will be more difficult during budget cutbacks. Implied, is that only upper management can make the difficult decisions required to downsize the organization. In my opinion, these statements exemplify the top down approach to management ingrained in the Army. It is true, in a downsizing environment, top management must look at the organization as a whole to identify the least important functions. However, lower management must also be involved in order to identify inefficiencies and streamline the remaining functions. The job can only be done properly if all levels of management are involved. CEMPD has been in an environment of decreasing workload for the past two years, and has been unable to implement a corporate strategy with which to downsize the organization. Reductions have been incorporated by bologna slicing the entire organization.
If one looks at large private corporations that have undergone substantial cultural changes, such as the Chrysler Corporation, one will find a common thread. Complete support of management, usually induced by plummeting profits or near bankruptcy, is much easier to institute a participative management culture in a new business than to change an ingrained style.

Another problem area is the productivity gain-sharing program. This, the Corps' first attempt at an incentive pay system, is not popular with the majority of upper management. This too, is a major change. A common complaint is 'it rewards poor managers; those who have not previously achieved the most efficient organization'. Also, some feel that seeking the most efficient organization is a task which managers are already being compensated for. Some fear that a supervisor may restructure the organization at the expense of the mission or employees. This, although highly unlikely, must be cautioned against.

If the gain-sharing program inspires the 'poor manager' to achieve a more efficient organization, I say GREAT. I am a taxpayer, the customer of the federal government, and I will take any cost savings I can get. Is that unfair to the 'good manager'? No, good managers have always been rewarded through the performance award systems.

It is possible that a supervisor could restructure his/her office such that career progression would be impossible. I feel this would only be a problem if progression was impaired within the installation as a whole. Career progression within an office is
not always the ideal situation, as it has a tendency to result in employees with a narrow scope of experience. CENPD has addressed the issue of morale by instituting micro-performance indicators. Sick leave usage, EEO complaints, etc. are reviewed to ensure the morale of the workforce is not destroyed.

Work groups are entitled to awards if the ratio of output to cost of labor increases above a standard. CENPD was unable to sell the idea of group gain-sharing programs. It is my belief that the work groups felt 1) the monetary incentive (10% of the savings) was insufficient, 2) peer pressure would create a more stressful environment, and 3) measurement of their productivity could have a negative impact, particularly if production was curtailed by outside influences.

An organizational behaviorist by the name of Ralph Kilmann, author of "Beyond the Quick Fix" contends "an organization must establish the proper conditions if the compensation system is expected to motivate people". His conditions include a supportive culture (full management and worker support), a participative management style, and the proper organizational structure (to include performance measurement system).

This leads to the third area of concern, performance measurement. This shouldn't be a problem, we have all been measuring our subordinates' performance for years. For instance, if the Chief, Public Affairs Office publishes five newspapers per year he exceeds his standard of four. But does that measure productivity or activity? Will the BOQ at Ft. Lewis be a better building
because of that fifth newspaper? In order to pay gain-sharing awards we must identify the productivity increase. How does one measure the productivity of an overhead office? How do you measure the productivity of any white collar employees?

Kilmann suggests performance should be measured by the customer. In the case of the Chief, PAO that would be the readers of the newspaper. However, even if the newspaper is entertaining and it receives high reviews, is it productive? The answer is: only if it contributes to the overall mission: design, construction, or operation of projects. I suggest the performance measurement system must be two sided. First, it must measure the quality of the functions each individual performs. But also, and most importantly, must relate the individual functions to the overall missions. Without the second side of the equation, management can only guess as to which functions should be curtailed in the event of a budget cutback.

The Seattle District, a subordinate organization within CENPD, took an approach similar to what Kilmann suggests. They went through a very involved and time consuming process to first define each organizations customers, internal and external. And then attempted to define what each customer expected of a particular office. As Kilmann would have predicted, the performance measurement system failed since the other requirements, listed above, were not met prior to implementation.

If you have ever worked in the Corps of Engineers you would be thoroughly amused at the thought of the Chief, Construction Division, the customer, having input to the performance appraisal
of the Chief, Engineering Division. It only seems logical since the Chief, Construction Division uses plans and specifications prepared by the Engineering Division. However, the culture of the Corps has created parochial stovepipes which focus primarily on their piece of the mission.

CEMPD took another approach to performance indicators, the Basic Productivity Factor Concept (IMPROSHARE). IMPROSHARE, the ratio of man-hours of labor input to man-hours of labor output as compared to a baseline gives insight to the overall health of the organization. It is a relatively simple macro-indicator. The beauty of this method is that all labor is captured, to include the labor involved in producing that fifth newspaper (overhead). This index allows top management to compare the amount of labor required to produce one unit of product, with the amount required in preceding years. However, since we do not have a bottom line (profit) it is a poor judgment of quality. Also, this index does not fill the gap between mission accomplishment and individual performance measures. One may identify when there is too much input relative to the product, but can not pinpoint the function to be scaled back. It may very well be impossible to identify a direct relationship between activity of overhead organizations and overall missions.

A number of PMCS guest speakers, some of whom are installation commanders, have stated that they no longer have flexibility within their budgets. If they have no flexibility, you can imagine how a first-line supervisor feels. CEMPD has delegated operating budget authority, along with classification authority,
to 52 managers, most of which only have a handful of employees. Fifty-two separate pots of money not only requires additional administrative effort but has a tendency to limit the flexibility of all involved. Ideally, the various levels of management work together for a common goal, however, in some cases each work center acts as its own entity. In FY89 a division chief exceeded his operating budget authority by $20,000. His opinion is that his operating budget does not fully reflect his fiduciary performance, since it does not include budgets of his subordinate supervisors. H. did not pull his subordinates aside and agree on a redistribution of budget authority, rather he simply exceeded his budget and expected the Resource Manager to acquire the additional funds needed.

This points out what I feel was an error during implementation of MCB. Operating budget performance is not a critical job element of managers' performance standards. If one spends less than their budget authority an award may be warranted, but if one exceeds their authority nothing happens. There should be a double edged sword.
CONCLUSIONS

The Army's top down approach to management is in conflict with the basic fundamental of MCB, power down authority and responsibility to first-line managers. Implementation of MCB has been hampered by both upper management at the installation and the MACOM level program directors. Complete success of MCB requires total support of all levels of management and the workforce.

MCB is 'not inherently a productivity program' (4:D) The main thrust of MCB is to motivate first-line supervisors, through monetary incentives, to drive the cost of the workforce down. The group gain-sharing aspect is beyond the scope of MCB, and literally almost impossible to do, particularly in a white collar environment.

The gain-sharing program for supervisors has been marginally successful in CEMPD. A few supervisors have used position management tools to restructure their organizations which resulted in cost savings. Whether or not the monetary incentives motivated these actions is unclear. However, considering the numbers for a moment, a typical supervisor in CEMPD has 6 employees, average grade of GS-13. If, in the event of a vacancy, a supervisor could redistribute duties resulting in reclassification of a GS-13 position to a GS-12, approximately $6,000/year would be saved. The supervisor would be entitled to 10% of the savings, or $600. I contend that $600 is not a significant enough amount of money to motivate a GM-14 ($53,000/year) manager. I suggest the savings generated at CEMPD
would have taken place in the absence of MCB, and there was little protective action taken as a result of monetary incentives.

Many first-line supervisors have little flexibility in their budgets due to the small size. I don't feel this is a problem with MCB, but rather another concern with the current management system. Managers have insufficient flexibility to combine small offices due to MACOM regulations.
RECOMMENDATIONS

Recommend CPMP and Office of Assistant Secretary of the Army, Financial Management obtain support of MACOM commanders, and their staffs. There is no better time to implement MCB. Confronted with major staff reductions, leaders should be more receptive to change from a top down style of management. Total Quality Management (TQM) and MCB are tools which can be used to ensure the remaining organization is efficient. Suggest they be emphasized as such.

Also, recommend group productivity gain-sharing be eliminated from MCB, to include the requirement of productivity indicators. Employees should share in savings generated by restructuring the organization. In the example above, those employees receiving additional high-grade duties should share in the supervisor's award. However, if 10% of savings is insufficient to motivate supervisors it becomes less attractive when divided among a group. Recommend the monetary incentive be changed to fifty percent of savings.

Recommend DA and MACOMs rewrite regulations which define the organization structure for subordinate commands. Only a basic framework should be defined and imaginative concepts within the framework should be encouraged.
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