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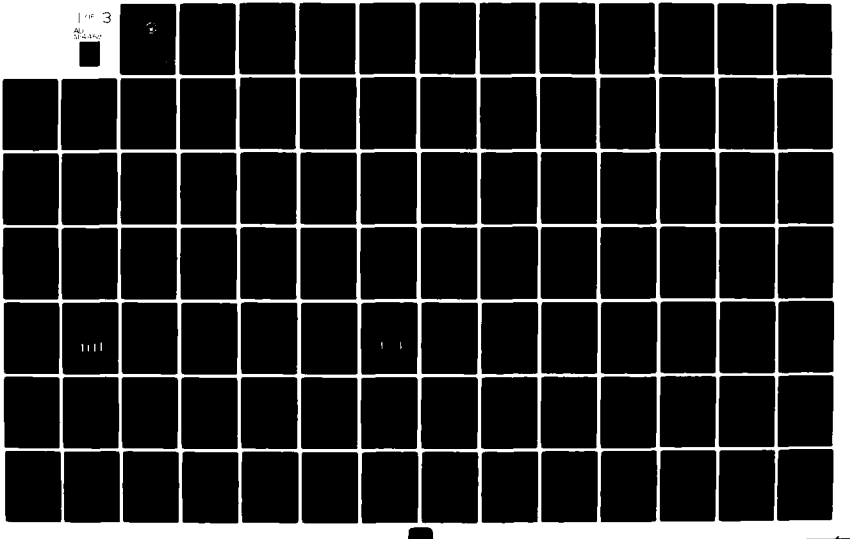

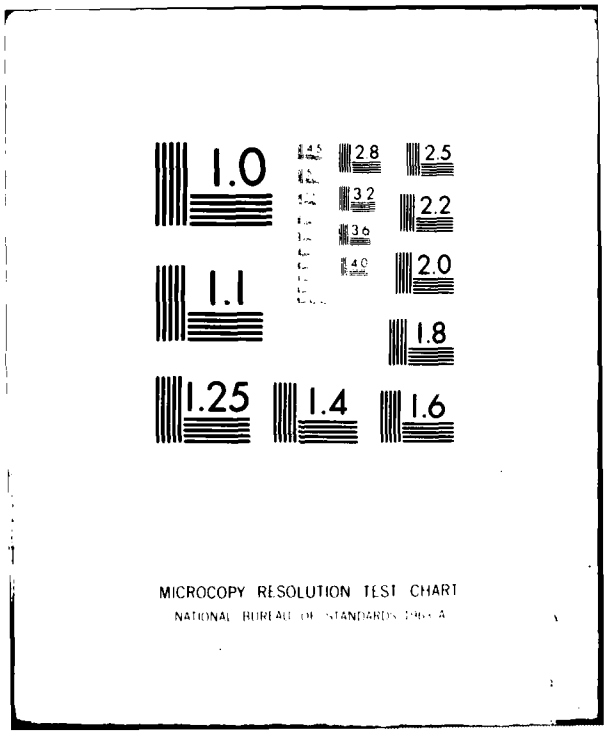
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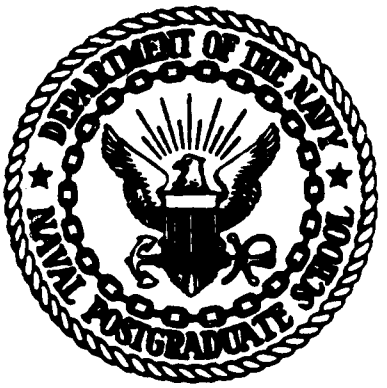


# THESIS

O&MN BUDGET EXECUTION AT U.S.
NAVAL SHORE ACTIVITIES:
A MODEL FOR IMPROVING RESOURCE ALLOCATION

by

James Luis Parham
and
Michael Hardcastle-Taylor

December 1981

Thesis Advisor: R.A. Bobulinski

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This thesis presents a model for improving the Operations and Maintenance Navy budget execution function at Naval field activities ashore. The model utilizes five techniques to encourage five concepts shown to be critical for effective budget execution. Following a description of the current extent to which field activities implement these concepts, the model is presented within the framework of its development and pre-testing in academia.

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#20 - ABSTRACT - (CONTINUED)

Development of questionnaires for testing the model at five Naval field activities in California and the test results are also presented. Over 60 cost center managers from five test commands responded to the questionnaires and rated the model as yielding potential benefits over their current procedures. The respondents rated the model as having "moderate" acceptability and "good" applicability. Based on the test results, widespread promulgation of the model is recommended within the U.S. Naval Shore establishment.

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# O&MN Budget Execution at U.S. Naval Shore Activities: A Model for Improving Resource Allocation

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MASTER OF SCIENCE IN MANAGEMENT

from the

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## ABSTRACT

This thesis presents a model for improving the Operations and Maintenance Navy budget execution function at Naval field activities ashore. The model utilizes five techniques to encourage five concepts shown to be critical for effective budget execution. Following a description of the current extent to which field activities implement these concepts, the model is presented within the framework of its development and pre-testing in academia. Development of questionnaires for testing the model at five Naval field activities in California and the test results are also presented. Over 60 cost center managers from five test commands responded to the questionnaires and rated the model as yielding potential benefits over their current procedures. The respondents rated the model as having "moderate" acceptability and "good" applicability. Based on the test results, widespread promulgation of the model is recommended within the U.S. Naval Shore establishment.

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## ACKNOWLEDGMENTS

Although the authors accept full responsibility for the contents of this thesis, it could not have been completed without the assistance of many others. More helpful than any one person was Lieutenant Commander R.A. Bobulinski, SC, USN, our thesis advisor. The insight he has gained as a NPS instructor and a Supply Officer coupled with Dr. "Nick" Nickerson's (LCDR USN) academic and line officer experiences truly brought the thesis to its "real life" fruition. This cooperation between the line and Supply Corps communities dramatically impacted upon the authors' (a line officer and supply corps officer) approach and stands as an implicit message of the thesis.

In this regard, the hundreds of line and supply corps personnel (enlisted, officer and civilians) who provided useful comments while the model was being developed and tested deserve special thanks. In a very real sense these people literally wrote the last two chapters. The computer based assistance provided by Lt. Eduardo Bresani of the Peruvian Navy and Professor Norm Lyons of NPS was also of valuable assistance.

Finally the authors acknowledge Marsha Parham's countless hours of "IBM 3033" typing/editing assistance.

# I. INTRODUCTION

## A. DEFINITION OF TOPIC: COMPONENT TERMS

### 1. Budget

> ....And war is not so much a matter of armaments as of the money which makes armaments effective: particularly is this true in a war fought between a land power and a sea power. [Warner translation of Thucydides, 1976]

The Greek Historian Thucydides was referring to the civil struggle between ancient Athens and Sparta of over 2000 years ago. The authors contend that the significance of "money" in conducting the naval defense effort is certainly just as relevant today as it was then. Further, the authors assert that the budget provides a plan for managing those funds. Professor T.P. Lynch supports the assertion:

> The budget is a plan for the accomplishment of programs related to objectives and goals within a definite time period, including an estimate of resources required, together with an estimate of resources available, usually compared with one or more past periods and showing future requirements. [Lynch, 1980]

Within this often quoted operational definition is the essence of this study. Specifically this thesis is concerned with how the budget plan is carried out--how it is executed.

Definitions that focus upon the budget as a request for funds are also important and related to budget execution. Indeed, the etymological genesis of the word "budget" stems from the Middle English "bouget" meaning "bag" or "wallet."

As a result of the Magna Carta in 1215, the Council of the Realm required that the Kings' treasurer use a great leather bag to carry the documents which explained the King's monetary needs to the Parliament. Transplanted Englishmen in Colonial America brought from England the concept that the Executive branch (the King) should request funds from the Congress (the Parliament), and then execute programs in the budget.[1] This thesis concerns that execution as it applies to today's budget process.

2. Execution

In the United States Federal government today, the requesting of funds occurs during the Congressional enactment phase which precedes the execution phase in the overall cycle. Execution is that phase dealing with carrying out the enacted plan. Execution impacts upon the enactment phase and also upon the earlier Planning, Programming, and Budgeting Systems (PPBS) phase as exemplified in Exhibit I-1.

3. O&MN

An appropriation is: "An authorization by an act of Congress to incur obligations for a specified purpose and to make payments therefore out of the Treasury" [PCC p. A-6].

> The appropriation Operation and Maintenance Navy (O&MN), provides for expenses not otherwise provided for and necessary for the operation and maintenance of the Navy

[1]It is unfortunate that actual operations are sometimes referred to as "executing the budget." The term implies that the operational manager should spend whatever the budget says can be spent. "Executing the programs" is a better term that reflects the manager's job of accomplishing program objectives; the budget shows the resources available for that purpose [Anthony and Herzlinger, p. 343].

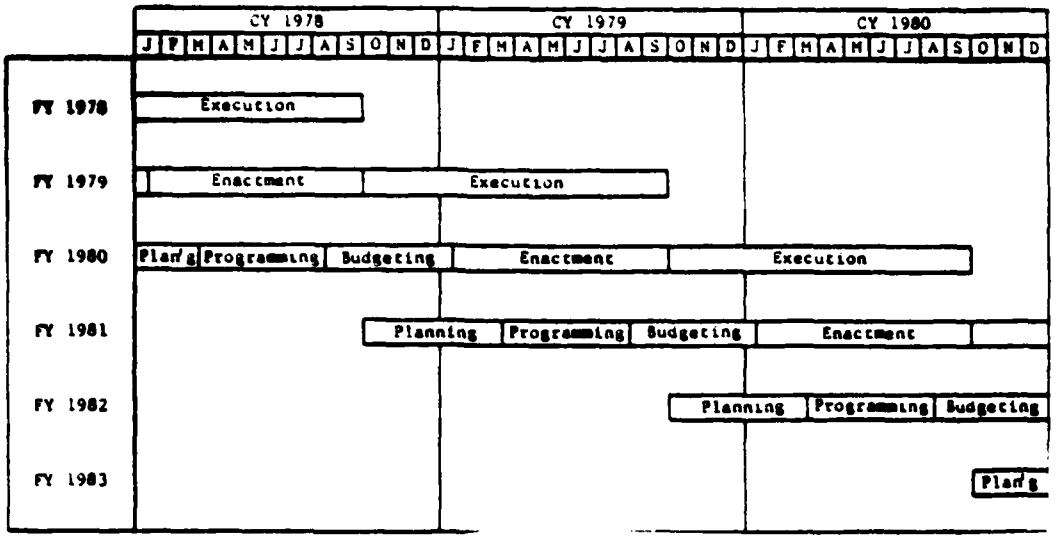



EXHIBIT I-1

DEPARTMENT OF DEFENSE OVERLAPPING FISCAL CYCLES
(Reprinted from Practical Comptroller (PCC) Text, p. A-3)

> and Marine Corps as authorized by law as follows: for for Strategic Forces; for General Purpose Forces; for Intelligence and Communications, for Central Supply and Maintenance; for Training Operations and other general personnel activities; for Medical activities; for Administration and associated activites; and for the support of other nations. [NAVCOMPT Man., Vol. VII]

The authors contend that O&MN is the most important of all the appropriations for most field level activities in that it represents a Congressional funding authorization which is controlled by the field comptroller as opposed to other appropriations such as Military Personnel Navy (MPN), Other Procurement Navy (OPN), and Research, Development, Test and Evaluation (RDT&E) which are generally centrally controlled.

4. Resource Allocation

Once funds have reached the responsible activity (usually by 1 October assuming the Congress has met the enactment deadline shown in Exhibit I-1), the budget execution phase begins. If the budget has been formulated with near 100% accuracy, no changes are made by the Congress, and no changes occur during the year in which the budgeted programs are implemented, budget execution might be a relatively simple task. Unfortunately changes do occur and adjustments are necessary as is evident in the following definition:

> the operating budget is designed to provide a plan in terms of budget classification codes, functional/subfunctional categories, and cost accounts against which performance can be measured, variances analyzed and adjustments made as necessary to permit more effective management of resources at all echelons. [NAVSO P3006-1, Financial Management of Resources Ashore,[2] 1976]

Making the adjustment is tantamount to reallocating resources and is a central theme of this thesis along with the allocation process involved in the original budget submittal.

5. Field

Adjustments among appropriations are adequately defined with appropriate guidelines for "reprogramming" within Navy comptroller directives. But this "reprogramming" applies to the organizational structure above "the field" level.

---

[2]Budget classification codes (BCC), functional and subfunctional categories (FC/SFC), and cost account codes (CAC's) are briefly defined as: BCC--primary financial data breakouts; FC/SFC--functions such as administration or mission operations and CAC--basic building blocks which define purposes of expenses. Full definitions with examples are provided in the Practical Comptroller Course (PCC) text, pp. C14-C16.

The "field" is defined as an activity below the major claimant level, that is, an activity to which an operating budget is normally issued [Practical Comptrollership Course, 1979]. Hierarchical (downward) flow of funds to "the field" as a responsibility center is shown in Exhibit I-2. Of note is the fact that the authors were unable to find an official definition of "Field Reprogramming."

## B. ASSOCIATED RESEARCH ON THE TOPIC

### 1. Specific Research--Donnelly

A review of procedures regarding resources allocation and budget execution at U.S. Navy (USN) shore activities indicates a paucity of formal guidance and lack of a specific framework for command level internal resource allocation decisions. As was pointed out in the aforementioned definition of the "field" and in the discussion of guidelines for reprogramming, specific guidance in the area of budget execution is simply not readily available for field application. This lack of guidance was extensively documented in LCDR W.J. Donnelly's December 1980 Naval Postgraduate School thesis entitled "Budget Execution (O&MN) at Navy Shore Activities." Based upon numerous authoritative sources of what constitutes proper budget execution, Donnelly designed a survey to describe "how budget execution unfolds at various Naval shore activities" [Donnelly, 1980]. He sent the survey to over 100 comptrollers at Navy shore activities and received 49 responses, noting various system shortfalls. Criteria

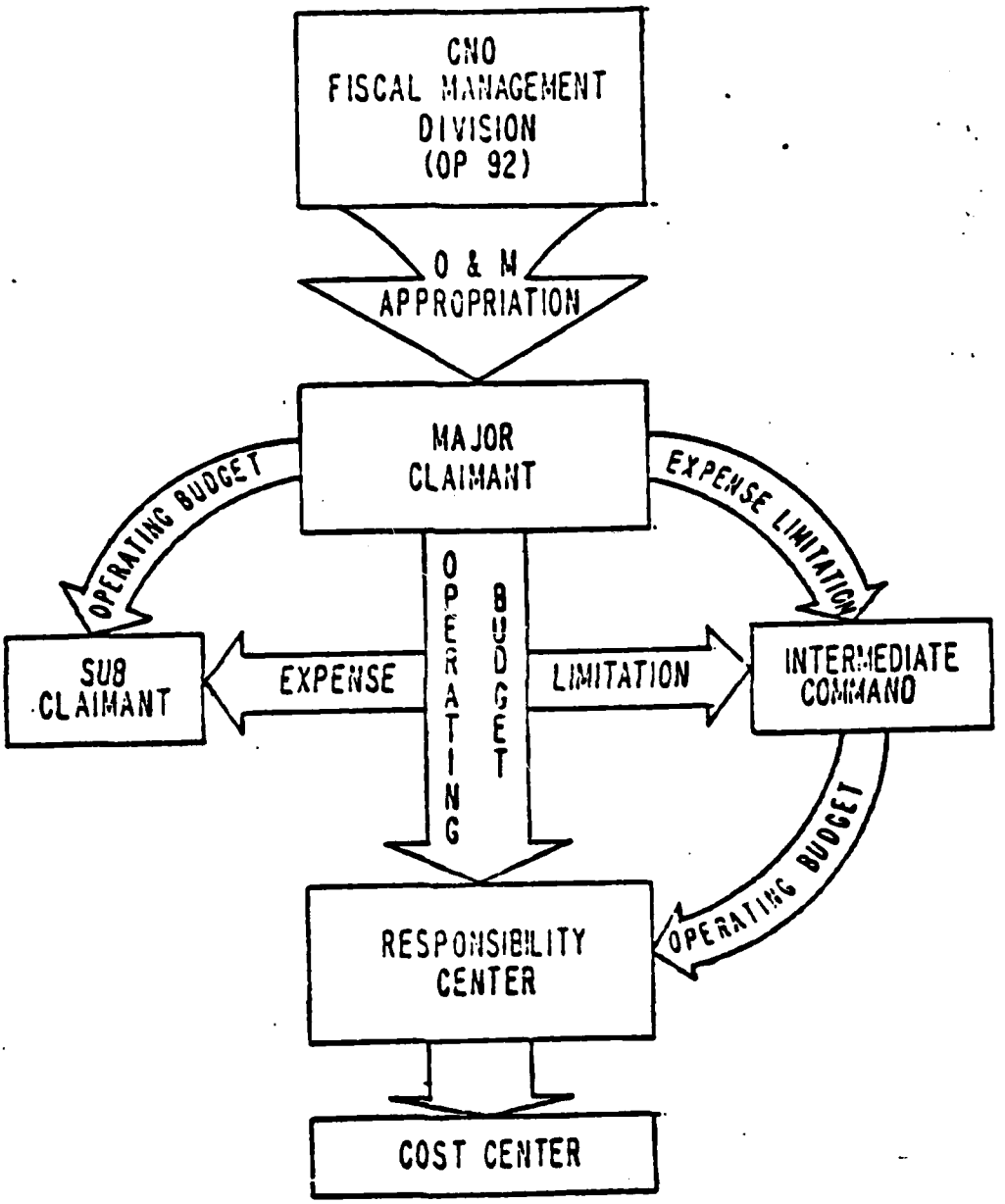



EXHIBIT I-2

FLOW OF FUNDS
(Reprinted from PCC Text, pg. D-80)

for assessing the shortfalls were based upon his and various professionals' opinions. Donnelly's work represents a point of departure for this thesis to analyze budget execution techniques that may be of assistance in the field.

2. Research in Related Areas of Management Control and Decision Making

Although there appears to be a lack of guidance for the specific topic of this thesis, there has been a great deal of research done in the related areas of managment control and decision making. These areas are replete with guidance and techniques that the authors believe may prove of value to field level budget execution. The linking of budget execution to these related areas provides a framework for this sutdy.

## C. OBJECTIVES

The objectives of this thesis are three. First, based upon a review of the literature on management control and decision making theory and an analysis of Donnelly's survey results, one objective is to select various concepts that appear to be essential for effective budget execution at USN field activities. Second, based upon these concepts an objective is to develop a model that has the apparent potential for improving the budget execution process in the field. Third, an objective is to test the model for any potential usefulness, acceptability and applicability.

## D. METHODOLOGY

To accomplish these objectives, the literature on financial management and decision making theory were researched to derive the "critical few" concepts that appear to be essential for effectively conducting budget execution. Following this derivation, the results of Donnelly's research were reviewed to determine if USN activities appear to subscribe to these concepts in conducting budget execution. Starting with a budget execution model used at the Naval Security Group Activity Edzell, Scotland, the authors attempted to refine and generalize the model by incorporating the five "critical few" concepts. The model was then presented to professors and students at the Naval Postgraduate School (NPS) to obtain critiques which could be used to enhance the model and hence its potential usefulness at a wide range of USN activities. Quality and variety of expertise were sought by selecting students and professors associated with classes in decision making theory, practical comptrollership, and financial management in the armed services.

Following development of the model, criteria to further test the model's usefulness were developed and incorporated in a questionnaire which was administered to key members of USN activities in the California area. These activities consisted of two Naval Air Stations, a Naval supply center, a Naval shipyard support activity and a Naval station. Specific activity titles are omitted to retain anonymity as requested by one of the test commands.

The questionnaire was designed to encourage respondents to offer their views on the potential usefulness of the model. Additionally, respondents were asked to provide a "better way" of accomplishing budget execution, if possible. Finally results of the questionnaire were reviewed to determine which parts of the model appear to have the potential for improving the resource allocation function at a wide range of USN shore commands.

## E. THESIS ORGANIZATION

Chapter I--Introduction

Chapter II--A View of Budget Execution--"How It Should Be Done."

A content analysis of management literature is presented with major emphasis on generally accepted techniques for improving resource allocation and control through the budget execution process. Five "critical few" concepts that appear to be essential for effectively conducting budget execution are derived.

Chapter III--A Descriptive View of Budget Execution--"How It Is Done."

This chapter draws heavily from the conclusions and supporting data developed by the Donnelly thesis. A general perception of the Navy-wide budget execution situation is presented. Applicable results of Donnelly's research are presented with a focus upon determining if USN activities appear to subscribe to the "critical few" concepts derived

in Chapter II. Donnelly's questionnaire is presented in its entirety in the appendix to this chapter.

Chapter IV--A Model based on five generally accepted budget Execution Techniques for Application at Navy Shore Activities.

This chapter presents a model which represents the end result of the authors' efforts in refining and generalizing the budget execution process used at the Naval Security Group Activity Edzell, Scotland. The chapter presents the model within the framework of the five "critical few" concepts derived in Chapter II and used in Chapter III. The process by which the model was developed--refining the initial model based on NPS professors' and students' critiques--is presented throughout the chapter. Variations in implementation and perceived benefits of the model are also presented in the chapter. A sample computer based version of the model is included in the appendix to the chapter.

Chapter V--Preparation for Testing the Model.

This chapter presents the methodology for testing the model via questionnaires to be administered in the field. Rationale for choosing the specific test commands is also presented. The potential usefulness, acceptability and applicability of the model are incorporated in the questionnaires which are included in their entirety in the appendix to the chapter.

Chapter VI--Test Results.

Results of the questionnaire for all commands are presented without inference as to the meaning of the results. Inferences are addressed in Chapter VII, the final chapter of the thesis.

The chapter is generally organized in accordance with the critical few concepts developed in previous chapters. Each section addresses each command's current budget execution procedures and respondent's reaction to the model as a possible improvement to the current process. Respondents' reaction to the model's acceptability and applicability are also addressed. Finally respondent's comments (anecdotals) are included in the appendix to the chapter.

Chapter VII--Conclusions and Recommendations.

This chapter focuses upon the authors' inferences of the test results presented in Chapter VI. Conclusions and recommendations are presented in accordance with the components of the model--the "critical few." This organization is used throughout the thesis.

## II. A VIEW OF THE BUDGET EXECUTION PROCESS: "HOW IT SHOULD BE"

### A. INTRODUCTION

This chapter includes a content analysis of management literature with major emphasis on generally accepted techniques for improving resource allocation and control through the budget execution process. Five "critical few" concepts that appear to be essential for effectively conducting budget execution are derived. These concepts are:

1. Participative Management
2. Goals and Objectives
3. Accountability for Variances
4. Continual Evaluation
5. Suport Rather Than Replace the Manager

### B. LINKING THE BUDGET EXECUTION PROCESS TO MANAGEMENT CONTROL AND DECISION MAKING

As mentioned in Chapter I, previous research indicates a lack of specific guidance for field level budget execution. Conversely the literature indicates that extensive research has been conducted and consequent guidance promulgated in the related areas of management control and decision making. If a link can be established between budget execution and these related areas, it may be possible to apply concepts salutary for effective management control and decision making to the budget execution process.

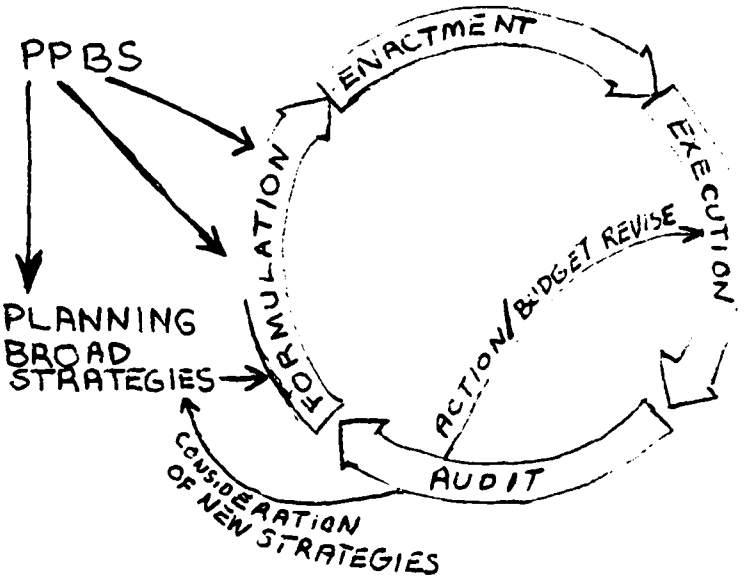
The linkage between budget execution and management control may be established by comparing the Department of Defense (DOD) budget cycle to management control in "closed loop" models as indicated in Exhibit II-1.

The DOD budget cycle shown in Exhibit II-1 is essentially the same as that previously presented in Exhibit I-1. The four phases of Formulation, Enactment, Execution and Audit/ Evaluation have simply been realigned into a closed loop so that a relationship with the management control process borrowed from Anthony and Herzlinger is evident. Budget execution is then a subset of the entire DOD budget cycle which corresponds to specific phases within the management control process: operating/measuring under the guidelines of the budget, reporting and analyzing those measurements, and revising the budget in accordance with the analysis.

Repeating the official definition of an operational budget further confirms the correspondence:

> The operating budget is designed to provide a plan against which performance can be measured, variances analyzed, and adjustments made as necessary to permit more effective management of resources at all echelons. [NAVSO P3006-1, Financial Management of Resources Ashore, 1976]

Donnelly's thesis concludes by a different approach that budget execution and management control "must be dealt with synonomously; not as if they were discrete subjects" [Donnelly, 1980]. The authors of this thesis strongly concur and further contend that the budget execution process is a subset of accepted management and decision making



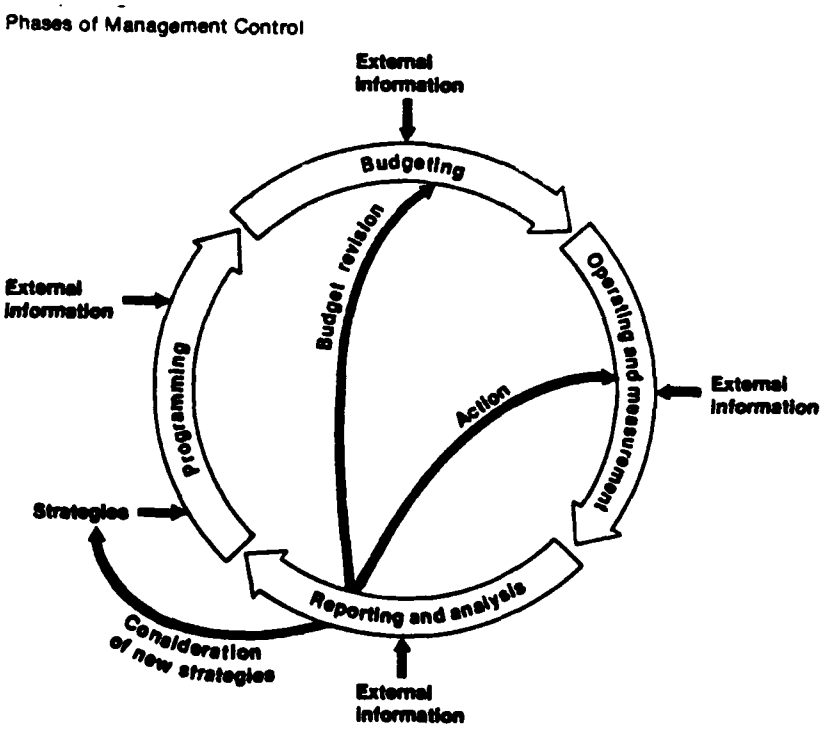




EXHIBIT II-1

BUDGET EXECUTION AND MANAGEMENT CONTROL
(Source: Anthony and Herzlinger)

principles. A virtual restatement of the management control process is shown in McConkey's "Management Wheel" and Schein's decision making model illustrated as Exhibit II-2.

## C. LIMITATIONS AND SCOPE

### 1. Caveats and Assumptions

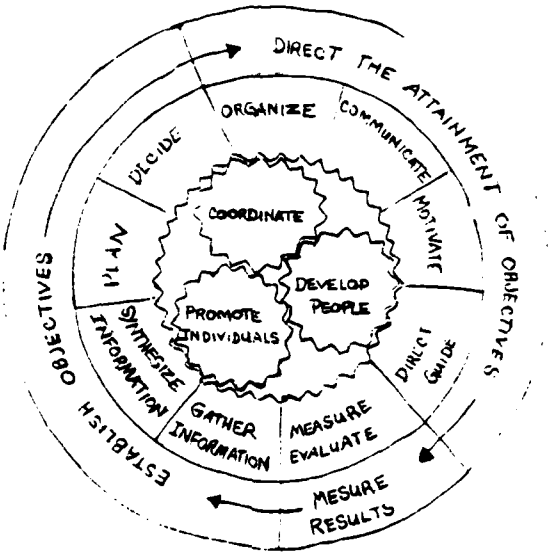
Given the relationships among budget execution and management control and decision making, it is possible to glean the concepts of these researched topics and apply them to a "prescriptive" view of budget execution. This will be accomplished, but first it is necessary to limit the scope of application. Renowned author Aaron Wildavsky elaborates:

> The budget is the lifeblood of the government, the financial reflection of what the government does or intends to do. A theory that contains criteria for determining what ought to be in the budget is nothing less than a theory stating what the government ought to do. If we substitute the words "what the government ought to do" for the words "ought to be in the budget," it becomes clear that a normative theory of budgeting would be a comprehensive and specific political theory detailing what the government's activities ought to be at a particular time. A normative theory of budgeting, therefore, is utopian and acceptance would mean the end of conflict over the government's role in society. [Wildavsky, 1964]

Similarly, Lynch contends:

> Public budgeting is a decision making process. Not surprisingly there are several theories as to the way public policy decisions are made. These theories or conceptual models are important because many people take them seriously and try to reform public budgeting using one of the theories as a guide. [Lynch, 1979]

To mitigate these caveats, it is assumed that the overall goals and policy of field activities have been established in the formulation and enactment phases of the budget



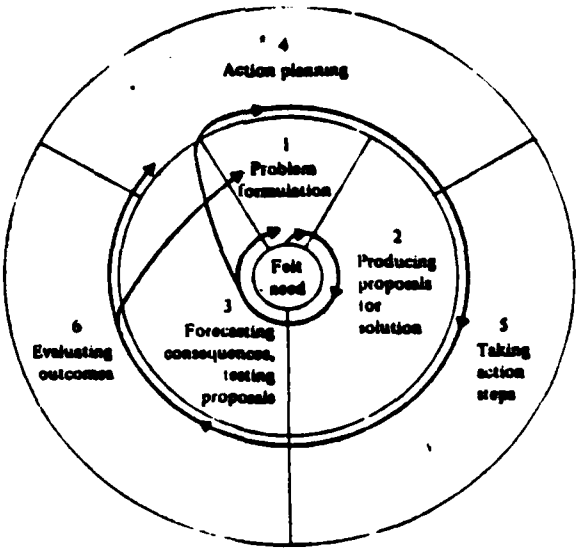




EXHIBIT II-2

THE MANAGEMENT WHEEL (Source: McConkey)--Top
CYCLICAL DECISION MAKING (Source: Schein)--Bottom

process; which means that they have been established prior to the beginning of budget execution. This assumption is precisely the same one adopted by Anthony and Herzlinger in relation to the management control process [Anthony and Herzlinger, 1980]. The assumption serves to limit the scope of the theory of budget execution presented herein and make it feasible to suggest a limited degree of reform for field level budget execution.

Thus budget execution does not include policy decisions. Its scope is a much narrower one which even excludes planning and budget formulation, although the latter are closely related. Peter Pyhrr, of Zero Based Budgeting fame, explains:

> Regardless of the budgeting technique used, there is no substitute for good planning. If we should not have been producing the product or providing the service in the first place, even the best operating plan and detailed budget will not buy us anything. At the very least, any budgeting system should point out such a mistake, but a lot of time and money can be saved if this conclusion is reached in the preliminary planning stage. [Pyhrr, 1973]

This relationship is evident in Exhibit II-1 where planning is illustrated outside the management control and budget execution "loops" but nonetheless is peripherally related. The comptroller of the Navy's definition institutionalizes this relationship and establishes a further liaison between budget execution and the audit phase of the budget process:

> Budget execution is that phase of the budget cycle which encompasses all the actions required to accomplish effectively, efficiently, and economically the

programs for which funds were requested and approved by competent authority. The budget execution phase overlaps the formulation and review phases in that updated financial plans based on current priorities must be completed in time for action under those plans to begin on 1 October of a new fiscal year. The execution phase continues throughout the period of availability of the appropriation for obligation or expenditure. Effective budget execution requires procedures for control and evaluation which will ensure compliance with regulations and limitations established by the Congress, the General Accounting Office, the Treasury Department, the Office of Management and Budget (OMB) and the Secretary of Defense, as well as by all echelons of responsibility and command within the Department of the Navy. [NAVCOMPT Vol. III, undated]

2. Professional Literature and the Critical Few

Despite the limiting assumption that broad strategic goals are predetermined, there remains a pervasive inventory of management concepts that may be applied to the budget execution process. The authors feel that distillation of these varied concepts to a "critical few" is an important step toward enhancing field level budget execution. The concept of the critical few is in itself a management concept which is advocated by various authors, most notably G.L. Morrisey, author of Management By Objectives and Results in the Public Sector.

Morrisey contends that managers should concentrate upon key results, that is, management areas which afford the greatest probability of payoff [Morrisey, 1976]. The authors of this thesis concur and submit that the numerous concepts cited in the management control and decision making literature may be reduced to five broadly defined but critical areas. These concepts were admittedly subjectively selected.

These concepts are so prevalent in the literature that the authors contend that the probability of benefits from attention to these areas would appear to be high. The five areas, which will be presented in this section with a rationale for their selections, are:

a. Participative Management

b. Goals and Objectives

c. Accountability and Variances

d. Continual Evaluation

e. Support Rather than Replace Managerial Decision Making.

## C. CONCEPTS CRITICAL TO EFFECTIVE BUDGET EXECUTION

### 1. Participative Management

#### a. Historical Definition of its Advantages

Perhaps the most prevalent concept mentioned in management control and decision making literature is that of participative management. As such, it is potentially the single most important attribute for effective field level budget execution. It is believed that participative management can act as a catalyst for the other concepts critical to effective budget execution. A historical definition of the concept follows and presents the conclusion that participative management is absolutely essential for the complex decision making processes required during budget execution.

The genesis of participative management is not known. Certainly, if the ancient history of clan chieftans, pharohs, kings, and other autocratic leaders is considered,

subordinate participation was not a natural part of early man's civilizations. It is generally recognized that it was not until 500 B.C. that the ancient Greeks experienced a Golden Age that planted the seeds of democracy and perhaps the rudiments of participative management. One must vault ahead over 2000 years from the glories of Greek civilization to witness the evolution of participative management in modern management. It has been long in coming but has evolved relatively rapidly in the 20th century as the scientific method and technological change accelerated in importance.

This rapid growth is illustrated by the estimate that scientific knowledge doubles every ten years [Slater and Bennis, 1964]. Technological change has followed this advance. In order for managers to keep up with this rapid growth rate, they must encourage a free and open "spirit of inquiry" based on an egalitarian, pluralistic, liberal approach rejecting all forms of totalitarianism, dogma and blind obedience [Slater and Bennis, 1964].

Rapid scientific and technological growth appears to have "buried" the autocratic leader. As Slater and Bennis put it: "Farewell to Great Men"

> The passing of years has also given the "coup de grace" to another force that retarded democratization—the "great man" who with brilliance and far sightedness could preside with dictatorial powers at the head of a growing organization and keep it at the vanguard of American business. In the past he was usually a man with a single idea or a constellation of related ideas, which he developed brilliantly. This is no longer enough. [Slater/Bennis, 1964]

One of the first harbingers of the end of the "great men" or "entrepreneurial genius" method of management in America is attributed to Walter Teagle, President of Standard Oil of New Jersey. In 1933 he directed a decentralization of the company and a complete delegation of operating authority to independent operating units. The units themselves proposed operating and capital budgets and even operating indicators to a corporate level coordinating committee. After an iterative process between the units and the coordinating committee, the proposals were approved and the units were held responsible for their operations in a given territory. The foundation of participative management had been laid, so that by 1940 this decentralized concept with a focus on goal attainment was recognized as a necessary force of organization in most corporations [Odiorne, 1965]. It is important to emphasize the appearance of the budgeting process as a functional area of early attempts at decentralized/ participatory management.

General Motors, as early as the 1920's under the leadership of William Sloan, was another firm that pioneered a participative management approach. Sloan is credited with first using the now well known term Management by Objective (MBO). Similar to Standard Oil, yet quite independently, General Motors had also decentralized its organizational structure [Odiorne, 1965].

After a management consultant visit to General Motors, Peter Drucker, even then a respected theoretician ,

economist and author, highly lauded the decentralized participative MBO approach implemented by Sloan. It is significant, though often overlooked, that Drucker saw the decentralized participative management portion of MBO as the key concept; goals and objectives were only a product of the method. Both concepts are certainly important, but the authors agree with Drucker's view: Goals and objectives are a product of participative management which is felt by the authors to be the most important concept of the "critical few" addressed in this thesis.

Drucker's books and extensive speaking engagements with top management groups, virtually transformed the definition of management from the traditional "planning, organizing, directing, and controlling" to a three step process: (1) establishing objectives, (2) directing the attainment of objectives, and (3) measuring results. This concept of the "Management Wheel" was previously illustrated in Exhibit II-2.

True participative management occurs in each of the three management phases of the management wheel. Subordinate managers must perceive that they and their superiors have <u>agreed</u> upon reasonable objectives; that their superiors will direct objective attainment in accordance with that "contract"; and that results will be fairly measured. Otherwise, subordinate commitment to the objectives will wane significantly [Lawler and Rhode, 1976].

Further, participative management must be <u>truly</u> participative and flexible as opposed to perceived. Roles

between management and subordinates can even be reversed. Either party can make a proposal that serves as a basis for discussion. If management's proposals are issued as instructions or subordinate proposals are dispensed with by "pulling rank", participative management has ceased to exist and authoritarian autocracy has supplanted the process [Shillinglaw, 1977].

This does not mean that democratic leadership, the other end of the leadership continuum, must prevail. Numerous authors suggest "middle of the road" consultative leadership whereby subordinates are actively involved, but the final decisions are made by the leader [Senger, 1980].

This is the approach recommended by the Industrial College of the Armed Forces [Brown, 1967]. Shillinglaw favors the same approach with perhaps a slight bias toward the democratic end of the continuum:

> Participation means that decisions affecting individual managers' operations are to some extent joint decisions of the managers and their superiors. It is thus more than mere consultation by which superiors inform themselves of their subordinates' views but make the decisions themselves. [Shillinglaw, 1977]

Deputy Secretary of Defense, Frank Carlucci favors this participative management approach. He has stated:

> all those that have a legitimate interest in the outcome of a management decision should participate in the decision...

and that

> there are many different internal points of view on major issues and legitimately so. We want to assure that those positions are fully articulated at the appropriate level. We also encourage dissent. [Carlucci, 1981]

Carlucci's support coupled with the previously mentioned advantages of participative management, warrant its selection as one of the "critical few" concepts necessary for effective field level budget execution.

b. Disadvantages of Participative Management

Given the importance of participative management, it should be examined for all its potential impacts on field level budget execution, including the negative. There are several disadvantages which may impact upon the field. These include the tendency for committees or groups to compromise at the least common denominator of group agreement, the possibility for indecision because of the time required for deliberation of peripheral subjects and the high cost in time and money. Also potentially counter-productive is the tendency of committees (a form of participatory management) to be self-destructive due to an emerging leader, or the non-existence of individual accountability for decisions, and the possibility of tyranny by a minority unless their point is recognized [Koontz and O'Donnell, 1972].

Some of these disadvantages may be overcome by ensuring that field level goals and objectives are the focal point of participative management meetings and that individual accountability for decisions is not abandoned in the process.

2. Goals and Objectives

As previously mentioned, it is assumed that overall strategic goals and objectives are established for field

activities prior to the beginning of the budget execution process. This is not to say that the goals and objectives which support the strategic plan should not be derived, implemented and supported at the field level. Indeed, it is no less true at the field activity level that "organizational efficiency tends to increase as the work performed is directed toward the objectives desired" [Allen, p. 1964]. The hierarchical nature of the process of setting up such an overall organization and the place of the field activity in the map is examined by Koontz and O'Donnell:

> Enterprise objectives should control the nature of all major plans which, by reflecting these objectives, define the objectives of the major departments. Major department objectives, in turn, control the objectives of subordinate departments, and so on down the line. The objectives of lesser department will be better framed, however, if subdivision managers understand the overall enterprise objectives and the implied derivative goals. [Koontz and O'Donnell, 1972]

The authors equate "lesser departments" to the place and role of the field activity, and specifically to the budget execution function within that activity. A pervasive knowledge of and appreciation for the operational mission of the overall organization and its subdivisions are an essential element of participative management within the field activity. The term "pervasive" is emphasized to mean that such knowledge of goals and objectives should not necessarily be confined to or be defined by the "operations department" of an activity. It is useful again to cite Secretary Carlucci:

> The major issues that will arise in the programming phase and the major budgetary decisions that follow will be measured against planning goals and threat, not

only against available budgetary resources as in the past. [Carlucci, 1981]

Given the hierarchical nature of the process for setting organizational goals and objectives, it follows that knowledge of overall "planning goals" and "threat" at the local budget execution level is necessary to enhance accomplishment of the local operational mission as reflected by local (derivative) goals and objectives. This approach offers field activities a way to "be more aggressive and imaginative in saving money by eliminating major overlaps or duplications and assigning priorities to all programs" [Carlucci, 1981]. If local activity managers have an appreciation of overall organizational goals and objectives, the authors contend that through participative management, they will have a better perspective from which to focus on derivative local goals and objectives as reflected in budget execution priorities.

3. Accountability for Variances

To help achieve the organization's goals, Shillinglaw describes a "large" system that "includes such elements as the leadership styles adopted by the various executives, the communications channels within the organization, and the structure of rewards for good and poor performance" [Shillinglaw, 1977]. The leadership style favored by Shillinglaw is participative management. He states, "The main advantage of participative management is to help managers perceive that the objectives or performance standards are reasonable" [Shillinglaw, 1977].

To achieve this managerial perception, the authors contend that there must be an agreed upon relationship or contract between manager and superior as to what are reasonable standards. Participative management is the vehicle for achieving that contract and the budget represents that contract. The "terms" of the contract for the manager are that he or she be responsible for achieving budgeted performance or for explaining any variances between actual and budgeted results. The "terms" for the superior are that he or she rewards good or poor performance based on the reported variances and managerial explanations. The authors contend that such a contractual process is essential for effective budget execution and therefore select Accountability for Variances as one of the "critical few."

Anthony and Herzlinger echo a similar message in their brief description of the budgeting process for a well managed organization:

> The first step in the budget process is the formulation of guidelines and their communication to operating managers. Operating managers prepare proposed budgets consistent with these guidelines, and negotiate these proposals with their superiors. When agreement is reached, the budget becomes a commitment between the superior and the budgetees. The budgetee commits to accomplish the planned objectives within the spending limits specified in the budget, and the superior commits to regarding such an accomplishment as representing satisfactory performance. [Anthony and Herzlinger, 1980]

Further support of the authors' selection of Accountability for Variances as one of the critical few, comes from J. Bacon:

> Comparison of budgeted performance with the results of actual operations is a vital element in the process of budgeting control. Probably the most important part of this activity is the measurement and interpretation of variances that show up between the actual figures and the budget. [Bacon, pp. 33-34] He views knowledge of variances as management tools for control and points out that important factors in the control process such as pinpointing the responsibility for variances, getting responsible managers to provide explanations and ensuring that corrective action is taken to eliminate unfavorable trends. [Bacon, 1970]

Such a view is entirely compatible with the managerial control/budget execution process shown in Exhibit I-1. Specifically, Accountability for Variances fits in that part of the prcoess labeled, Reporting and Analysis. Reporting includes the communication of variances between actual and budgeted performance to the responsible managers; analysis entails explanations of the variance by the responsible managers.

Thereafter, as also shown in Exhibit II-1, the payoff for analyzing the variances accrue. Either the budget is revised or action is taken that affects operating and measurement; both processes are presumable taken with the intent of improving achievement of goals and objectives.

Revising the budget enhances the probability of achieving the organization's goals and objectives by focusing upon changing circumstances. "Otherwise the budget may not conform to the realities of the situation. It will then not serve as a reliable plan against which actual performance can be measured" [Anthony and Herzlinger, 1980]. This is the reason the management control/budget execution process has

been displayed as a "loop." The circularity of the loop reflects the dynamic nature of and need for the continuous application of the process.

Similarly, monitoring via the budget gives the superior a means of evaluating managerial performance. It solves the common problem of evaluating managers based on personality rather than performance. Albrecht asserts this is an error that most managers commit with often disastrous results. He states, "This case of mistaken identity has caused a great deal of frustration, disappointment, hard feelings and even formal grievances" [Albrecht, 1978].

By holding managers responsible for performance variances the problem can be alleviated if not solved. Per Anthony and Herzlinger:

> Such an evaluation leads to actions with respect to managers: praise for a job well done; constructive criticism if it seems to be warranted; and to promotion, reassignment, or, in extreme cases, termina- of the managers of the responsibility centers whose performance is reported. [Anthony and Herzlinger, 1980]

Albrecht claims that such performance evaluation should follow as a material "day to day" part of the decision making process [Albrecht, pp. 150-153]. The authors concur particularly with the dynamic nature of the process to account for changing circumstances.

4. Continual Evaluation

The literature indicates that more infrequent but thorough evaluation processes than those mentioned are necessary due to the time constraints that often exist

during normal day to day operations. Anthony and Herzlinger present the argument:

> In many organization units, as in the case with many people and other mammals, fat tends to accumulate with the passage of time. Top management attempts to slow this accumulation by careful examination of budgets and by monitoring current performance. In the budgeting and monitoring processes, however, adequate time is usually not available to make a thorough analysis. Furthermore, new technology and new methods develop and they tend to obsolete current ways of doing things. [Anthony and Herzlinger, 1980]

Anthony and Herzlinger also make the case for a zero base review whereby current ways of doing things are no longer accepted as given and become open to extensive scrutiny [Anthony and Herzlinger, 1980].

The authors contend that Anthony and Herzlinger's viewpoint embodies a significant concept for any management process, especially one such as the budget execution process. Specifically, changes will occur in the priorities of programs, the decision process, and managers' concepts of the decision situation [Keen and Morton, p. 215]. It is therefore critical that not only programs but the decision process itself be evaluated on a continual basis. Furthermore, in accordance with DOD's participative management policy, key managers involved in the decisions should also be involved in adjusting the decision process itslef [Carlucci, 1981]. Continual evaluation by all key managers is therefore selected as one of the "critical few."

5. Support Rather Than Replace

Another important management concept which merits inclusion in the "critical few" is the people-oriented idea

that newly introduced decision support techniques, whether complex organization-wide models or simple quantitative methods, should have the effect of supporting managers rather than replacing the need for managerial analysis. Keen and Morton advocate the use of decision support techniques to:

a. Assist managers in their decision processes in semi-structured tasks,

b. Support rather than replace, managerial judgment, and

c. Improve the effectiveness of decision making rather than its efficiency. [Keen and Morton, 1978]

They continue their comments on Decision Support Systems by outlining the following claims and accomplishments:

a. The impact is on decisions in which there is sufficient structure for computer and analytic aids to be of value but where managers' judgment is essential.

b. The payoff is in extending the range and capability of managers' decision processes to help them improve their effectiveness.

c. The relevance for managers is the creation of a supportive tool under their own control, which does not attempt to automate the decision process, predefine objectives, or impose solutions. [Keen and Morton, 1978]

The authors believe that the conceptual framework for introducing new decision support methodologies presented by Keen and Morton has valuable potential for application to the field level budget execution process. It embodies and deals

with the types of decisions which exist in the organizational process for change.

Simon (1970) described two basic types of decisions as being either programmed or non-programmed. A programmed decision is one which is a routine and repetitive decision for which an organization can develop specific procedures for its accomplishment. A non-programmed decision is one which is, at least in part, somewhat novel and unstructured. This type of non-programmed or semistructured decision does not lend itself to standardized procedures to effect a decision.

The authors believe that budget execution could properly be classified as a semistructured decision and dealt with as such in managerial terms. In this context, it is useful to examine budget execution decisions as they might be affected by three broad categories or approaches to decision making. These approaches might be viewed as rational (or economic), bureaucratic (or organizational), and political. Gordon (1978) asserts that rational decisions are made strictly on their merits, that objectives are well defined, that a rigorous analysis of each alternative and its relationship to the desired objectives is undertaken, that a detailed cost-benefit analysis is performed together with an assessment of all possible outcomes, and that the overall objective is the maximization of benefits as compared to resources utilized. The authors contend that any model which purports to enhance field level budget execution by

supporting decision making should fully and properly account for the rational aspects of budget execution.

In contrast to the rational or economic approach, an administrative or organizational approach to decision making also appears frequently in management literature and appears to have direct impact or use in the area of budget execution. In contrast to an "economic" man, an "administrative" man must work within an organization which often has prescribed routines which affect not only the decision itself, but also the information gathered in search of alternatives and the number of alternatives that may be considered. In this way, the "administrative" man may limit the bounds of his rationality. Lindblom (1959) draws upon these concepts to form his bureaucratic model of decision making. In this model, one principal objective may be modified by a few stated values. Only a few alternatives are compared and these are only marginally different from current programs. Conflicting objectives are worked out by sequential compromise. Only limited and simple analysis of alternatives is undertaken. Decisions are compared to past successful decisions for conformity. Thus, the bureaucratic model also appears to have merit in assessing the decisions which make up the budget execution process.

Another approach to decision making is the political model. This model, characterized by the behavioral aspects of power and position within organizations, was embodied in work by Cyert and March (1963). In A Behavioral Theory of the Firm, they found the objectives against which alternatives

were compared to be the result of a bargaining process among individuals with sufficient power and influence within the organization to effect the development of objectives. The choice rule in the selection of an alternative was such that all of the demands of the power coalition had to be met. Thus Cyert and March developed a bureaucratic/political description of a (private) organization, the business firm. Again, there appear to be valuable implications for the budget execution process inherent in the political model or approach to decision making.

McNallen, et al. (1973), studied the preceding approaches to decision making for their implications in the budget process. A paraphrase of their work regarding the rational approach to budget decisions follows:

a. What is the problem?

b. What are the objectives of the organization?

c. What output is desired?

d. What alternatives exist?

e. What are the costs and benefits?

f. Which alternative produces the desired benefit at the least cost? Which alternative provides the most benefit at a predetermined cost?

A similar paraphrase of their work regarding the bureaucratic approach to budget decisions is:

a. What are the current programs?

b. What was budgeted last year?

c. What was not funded last year? Why not?

d. What changes which might affect this year's budget request have occurred during the year?

e. What potential new programs have top management support?

f. What is the absolute minimum budget needed to maintain each departments activities?

g. How should requests, justifications and priorities be established?

Similarly, McNallen, et al., may be paraphrased as follows with regard to their political approach to budgetary decisions:

a. Which programs which were funded last year are still viewed favorably by top management? Which are not?

b. Which programs support or are supported by the high priority projects of their departments?

c. What can be done to strengthen less worthwhile programs in terms of how they are viewed by top management?

d. Which programs will receive full support by virtue of their popularity?

e. How should requests, justifications and priorities be established?

f. What strategies, alliances, and pressures can be brought to bear on the process?

The authors believe that these three basic approaches to the decision making process all have potential application in field level budget execution in that they stress and embody the need for management analysis. Therefore, any decision support model or technique which aims to enhance the process should have as its goal the support of the analytical process rather than replacing personnel responsible for such work.

## D. SUMMARY

"Supporting rather than replacing managers" represents the fifth and final of the "critical few" concepts necessary for effective field level budget execution. All five concepts were chosen by the authors from the literature on management control and decision making. As explained in Section B of this chapter, there are two reasons why these related areas were researched. First, following a review of Navy Comptroller directives and other research efforts (e.g., Donnelly), it was determined that there is a paucity of explicit formal budget execution guidance directed toward the field. Second, since it was possible to show a strong relationship among budget execution and the highly researched areas of management control and decision making, it was then possible to glean concepts from these related areas and suggest their application to field level budget execution.

Concepts selected for inclusion in the "critical few" were based upon the current literature arrayed in this chapter. From this vantage point, the authors of this thesis suggest a "critical few" concept that provided the framework for this chapter and a descriptive one in the next chapter.

In summary, these concepts are:

1. Participative Management
2. Goals and Objectives
3. Accountability for Variances
4. Continual Evaluation
5. Support Rather Than Replace Managers' Decision Making.

## III. DESCRIPTIVE VIEW OF THE BUDGET EXECUTION PROCESS--"HOW IT IS"

### A. GENERAL

A framework of critical elements in a "should be" budget execution process was presented in Chapter II. Various authoritative sources were cited in support of five "critical few" concepts deemed essential for effective budget execution. Relying heavily upon a questionnaire used by Donnelly, it is possible to attain a preliminary general view of how United States Navy (USN) field level activities implement the "critical few" concepts in the budget execution process. These concepts are embodied with varying frequency within the questionnaire, which is presented in its entirety as an appendix to this chapter. By selecting representative questions and responses from Donnelly's study that correspond to the five "critical few" concepts, a descriptive view of the budget execution process is attained.

The perspective of this view is quite different from that presented by Donnelly. First, the organization of the descriptive view in this study corresponds to the "critical few" concepts presented in Chapter II. Donnelly's descriptive view generally corresponds to the questionnaire organization in the appendix to this chapter.

A second difference in perspective arises from the authors' analysis of the responses which is not necessarily in agreement with Donnelly's conclusions. Finally, the entire range

of questions shown in the appendix is not included in this study as it is in Donnelly's. Responses to the questionnaire represent a wealth of information, but provocative questions regarding interpretations and reasons for particular responses in Donnelly's questionnaire remain unanswered. Indeed, these and other unanswered questions prompted the authors of this thesis to opt for on site administration of the questionnaire when testing the model at actual commands.

At this point a broad general overview of how the field implements the "critical few" concepts is presented within the limited perspective described above by presenting representative questions and responses from Donnelly's study.

## B. PARTICIPATIVE MANAGEMENT

Questions that embody the concept of participative management are present in virtually every section of the questionnaire shown in the appendix. As concluded in Chapter II, participative management is the most important concept essential for effective budget execution. It can act as a catalyst for the other concepts by enhancing the possibility of achieving commitment to the decisions and goals of the organization. True participative management involves controlled decentralization (to borrow Secretary Carlucci's phrase) of the decision making responsibilities. As seen in Chapter II, in budget execution, all key personnel should be involved in the process of setting standards for variances, explaining those variances, and prioritizing/reallocating resources based on the explanations.

Using these principles as criteria for question selection, the following questions and responses from USN field comptrollers are believed to be generally representative of how participative management is implemented in the field:

Do you utilize centralized funds control?

Do you utilize decentralized funds control?

Is a mix of centralized/decentralized funds control used? (Specify funds controlled centrally)

Responses to the questions on funds control are tabulated in Exhibit III-1. For the 18 commands who responded positively to the last question regarding a centralized funds control mix, the types of costs are also listed as falling into various categories and displayed in Exhibit III-1. It should be noted that numerous commands indicated that more than one type of cost was centralized when mixed fund control was used.

Clearly, there appears to be a propensity for centralized fund control. The authors feel that it is questionable that true participative management can exist in such an environment. Further evidence that participative management is not a characteristic of field level budget execution is shown by the responses to the following question:

Is there a functional Resource Allocation Board, Budget Execution Committee, Resource Utilization Council or the like at the Command?

Seventeen of 49 respondents, representing 34.7% of the sample, answered positively. One respondent indicated that such a board existed for budget development, but not for execution.

TYPE OF FUNDS CONTROL

| | Question | No. Respond | Yes | No | Pct. Yes |
|---|---|---|---|---|---|
| 1) | Centralized | 36 | 28 | 8 | 77.8 |
| 2) | Decentralized | 35 | 13 | 22 | 37.1 |
| 3) | Mix | 36 | 18 | 18 | 50.0 |

| TYPE OF COST CENTRALIZED IF MIX (Q3) | NO. RESPONDENTS |
|---|---|
| Civilian Labor | 15 |
| Travel and MRP | 6 |
| Leases, Annual Maintenance, Public Works Support | 4 |
| Everything except Consumables | 1 |
| Non-Labor of Non-Command Interest that Crosses Department Lines | 1 |

*EXHIBIT III-1*

CENTRALIZATION OF FUNDS CONTROL
(Source: Donnelly)

Another command reported that an ad-hoc committee was on call, but was primarily utilized at year end. One other activity claimed that because 95% of the resources were fixed or semi-fixed, a budget execution committee was not considered appropriate.

The lack of any type of board or committee for addressing budget execution matters by over 60% of all respondents does not appear conducive for fostering participative management in the budget execution process. While there may be other means for integrating key managers in the process or reasons

for not doing so, it is difficult to conceive of them without specific interface with the respondents. This is what will be done when the questionnaire is administered on site at actual USN activities. At this point, however, participative management does not appear to be a strong characteristic of the budget execution process at a majority of field commands.

## C. GOALS AND OBJECTIVES

The general lack of participative management in the budget execution process and the propensity toward centralized funds control suggest a lack of involvement by accountable managers. Ideally, under participative management theory, accountable line managers set departmental goals and objectives, relate these to the commands goals in which they participate in establishing, and further participate in relating command goals to prioritized programs in the budget. Participative management of this ideal will presumably enhance the possibility of achieving goal congruence between departments and the command, and serve to strengthen managers' commitment to overall command goals.

There were no specific questions relating to what extent line managers relate departmental goals to the command's goals in a financial context. There were, however, questions and responses that suggest command goals and objectives were established by the comptroller to a greater degree than department goals were established by line managers. These questions are shown in Exhibit III-2.

1. Are the command's overall goals and objectives reiterated in financial terms and promulgated by the comptroller?
2. Are department heads required to promulgate goals and objectives?
3. Are they required to also state their goals and objectives in financial terms, consistent with the comptroller's guidance?

GOALS AND OBJECTIVES (G&O) RESULTS

| QUESTION | NO. RESPOND | YES | NO | PCT. YES |
|---|---|---|---|---|
| 1) G&O in financial terms by comptroller? | 48 | 37 | 11 | 77.1 |
| 2) G&O by Department Heads? | 48 | 34 | 14 | 70.8 |
| 3) Dept. G&O in financial terms? | 48 | 29 | 19 | 60.4 |

EXHIBIT III-2

GOALS AND OBJECTIVES
(Source: Donnelly)

Forty percent of all commands thus seem to exhibit a gap between explicitly relating departmental goals and objectives to the command's goals.

After goals and objectives have been set in financial terms, they should be related to prioritizing programs and allocating resources in the budget. Questions and responses

from the field indicate that programs are indeed prioritized, particularly unfunded requirements. Questions and responses that support this statement are shown in Exhibit III-3.

Since more commands seem to prioritize programs than set goals and objectives, it appears there may be a gap between setting goals and objectives and the prioritization/ resource allocation process in the budget.

D. ACCOUNTABILITY FOR VARIANCES

As with goals and objectives, participative management plays an important role in the concept of responsibility for variances. Ideally, managers have an input into the standards upon which they will be evaluated. The standards then become a commitment between the manager and his or her superior. A bilateral contract thus results so that the manager has the responsibility and the authority to execute budgeted programs (goals/objectives) within the guidelines of the budget and explain any variances from those guidelines. The superior commits to evaluating the manager based on program accomplishment within the guidelines.

Unfortunately there are no questions relating to managers' participation in the setting of standards upon which variances can be based. The general lack of participative management in the field suggests that there may also be a lack of line manager participation in this area. Some support for this statement is derived from the questionnaire statistic that approximately 50% of all field comptrollers do not utilize

1. Is a list of unfunded requirements maintained at the department or cost center level?
   a) Is a prioritized list of command-wide unfunded requirements maintained at the command level?
   b) Is the unfunded requirements list checked whenever a request for additional funding is received so a comparison of priorities can be made?
   c) Does the budget committee periodically review, update and reprioritize the list of unfunded requirements?
   d) Is continuous justification for all unfunded requirements maintained?

| | Question | No. Respond | Yes | No | Pct. Yes |
|---|---|---|---|---|---|
| 1) | List maintained at dept/ cost center? | 48 | 39 | 9 | 81.3 |
| 1a) | Prioritized list at command level? | 49 | 48 | 1 | 98.0 |
| 1b) | List checked when request for additional funds received? | 48 | 43 | 5 | 89.6 |
| 1c) | Budget Committee review list? | 45 | 27 | 18 | 60.0 |
| 1d) | Continuous justification maintained? | 48 | 43 | 5 | 89.6 |

2. Has a priority system of programs been established on a command-wide basis in case of imposed funding limitations or cuts?
   a) Is the system centrally managed and monitored?
   b) Are inputs from all OPTAR holders coordinated?
   c) Is the system reviewed periodically by the Budget Committee?

| | Question | No. Respond | Yes | No | Pct. Yes |
|---|---|---|---|---|---|
| 2) | Priority system of programs? | 47 | 33 | 14 | 70.2 |
| 2a) | Centrally managed and maintained? | 49 | 34 | 15 | 69.4 |
| 2b) | Inputs from all OPTAR holders coordinated? | 48 | 34 | 14 | 70.8 |
| 2c) | Reviewed periodically by Budget Committee? | 43 | 21 | 22 | 48.8 |

EXHIBIT III-3

UNFUNDED REQUIREMENTS
(Source: Donnelly)

an effective formal mechanism for explaining variances from the budget plan. This question/response and other related ones are shown in Exhibit III-4.

Is there a formal reporting mechanism which:

1) Requires explanations for variances from the budget?
2) Provides causes/effects of variances?
3) Contains revised estimates when actual results differ substantially from anticipated results?
4) Forecasts needs and anticipated results through the end of the budget period?

EXPLAINING VARIANCES (46 replies)

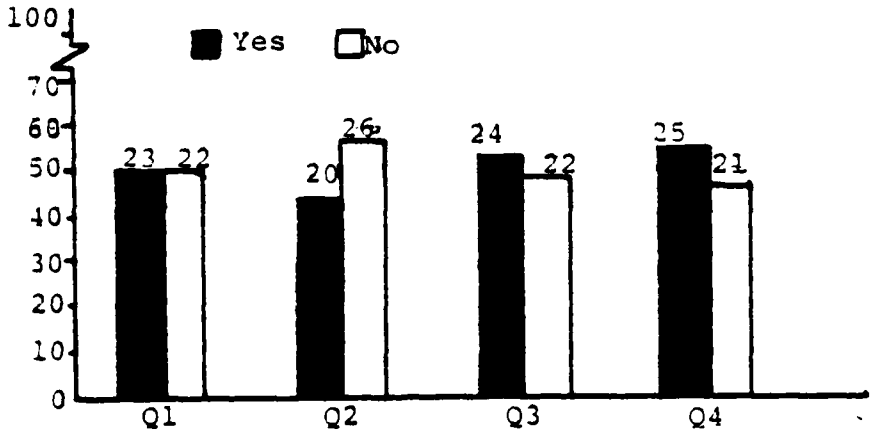



EXHIBIT III-4

VARIANCE EXPLANATIONS
(Source: Donnelly)

Moreover, it should be noted that eight of the 49 respondents to the questionnaire reported that they did not do any variance analysis at all.

For the 50% of field comptrollers that do have a mechanism for explaining variances, only 28% take appropriate managerial action via personnel evaluations or budget revision. The specific questions and responses asked are arrayed in Exhibit III-5.

In summary, somewhat less than 50% of field comptrollers surveyed truly implement variance analysis and only 65% of those 50% seem to effect any substantive action following the analysis. As a "worst case analysis," therefore, the entire concept of accountability for variances may be in effect at only 33% (50% × 65%) of all commands.

## E. CONTINUAL EVALUATION

Similar to the results regarding the field's implementation of "responsibility for variances," approximately 50% of field comptrollers responded that efficiency and effectiveness standards were not continuously evaluated for validity. Specifically the question asked was:

> Does the control system provide for feedback of information which is used to evaluate the continued validity of standards?

Twenty-three of the 49 respondents, 46.9%, replied affirmatively.

It should be mentioned that this response does not pinpoint who is reviewing the standards. Indeed, analysis of

1) Is corrective action initiated or recommended every time there is a significant variance?
   a) Is any formal follow-up conducted to verify implementation of reported corrective actions?
2) Does the control system provide for fixing responsibility for deviations from established standards or variations from budgets?
   a) Is the information officially fed back to appropriate managers?
   b) Is such information considered, in part, in the area of personnel performance evaluation?

VARIANCE FOLLOW-UP

| | Question | No. Respond | Yes | No | Pct. Yes |
|---|---|---|---|---|---|
| 1) | Corrective action initiated? | 46 | 30 | 16 | 65.2 |
| 1a) | Implementation verified? | 45 | 28 | 17 | 62.2 |
| 2) | Provide for fixing responsibility? | 45 | 23 | 22 | 51.1 |
| 2a) | Info officially fed back? | 46 | 25 | 21 | 54.3 |
| 2b) | Info considered in personnel performance evaluation? | 46 | 13 | 33 | 28.3 |

EXHIBIT III-5

ACTION TAKEN ON VARIANCE EXPLANATIONS
(Source: Donnelly)

the previous sections indicates that the review if not being conducted by the managers who will be evaluated for performance based on the standards; rather the review is probably centralized at the comptroller level. Furthermore a review of efficiency/effectiveness standards does not constitute evaluation of the entire budget execution process. Decision making theory dictates that avenues to conduct such an overall review should be made available. Based on the response to the question on efficiency/effectiveness, it seems plausible that no more than 50% of all commands conduct such a review.

Predictably, the previously mentioned lack of emphasis upon participative management, goals and objectives, and responsibility for variances led to the following:

Question and Response:

Do operating managers willingly report any excesses?

Only 20 of 47, 44.7% of the respondents answered yes.

F. GUIDANCE TO SUPPORT RATHER THAN REPLACE

Thus far it appears that 50%-75% of commands represents a rough approximation for the proportion of activities which implement the first four "critical few" concepts deemed essential for effective budget execution. One reason for the failure of 25 to 50% to implement the concepts may be a result of lack of guidance to support managers in the decision making context of budget execution.

While a lack of guidance may indicate that guidance is not too restrictive ("replacing managers"), it may also

indicate that managers are not being adequately "supported." The results of the questionnaire in this area do not address the restrictiveness of the promulgated guidance. The questionnaire results do indicate that many field comptrollers are not being adequately supported, in that many comptrollers receive NO budget execution guidance from their major claimant. Questions and responses supporting this point are shown in Exhibit III-6.

1) Is specific guidance provided from the major claimant which addresses the area of budget execution by itself?
2) If no, is any budget execution guidance provided in an overall financial management instruction or budgetary directive from the major claimant?

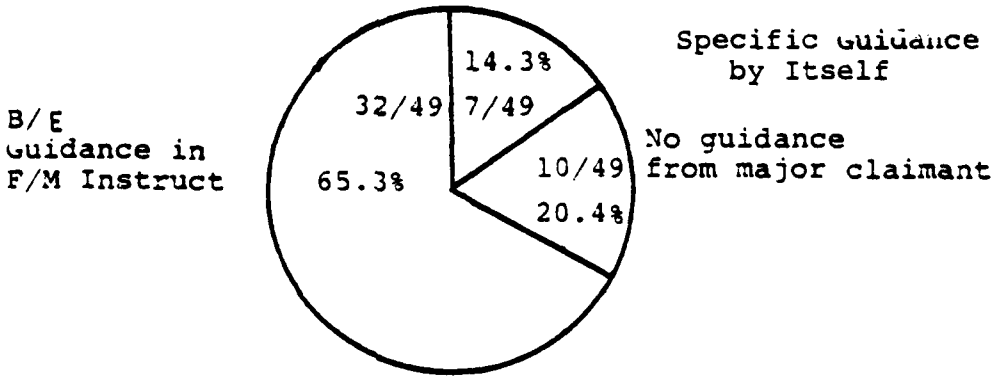
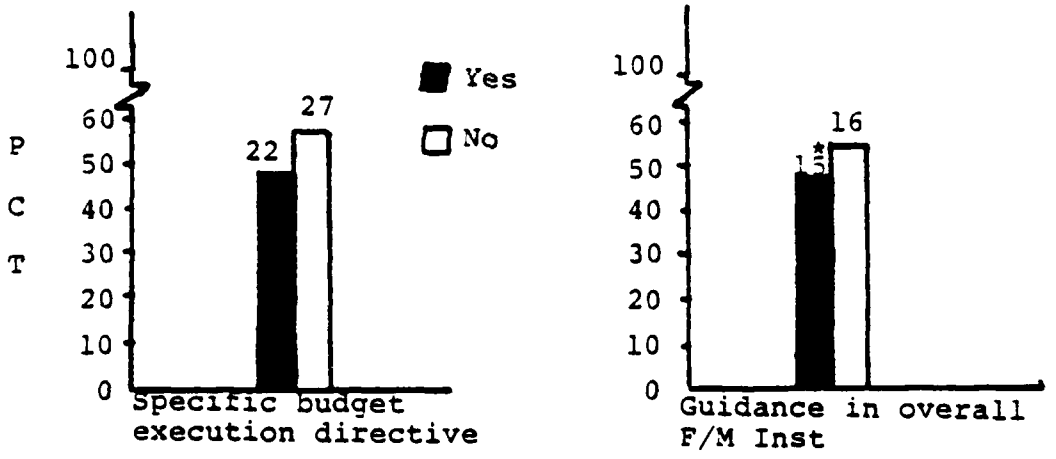



EXHIBIT III-6

BUDGET EXECUTION GUIDANCE FROM MAJOR CLAIMANT
(Source: Donnelly)

Similar to the questions concerning guidance from the major claimant, each field activity was asked if there was a command promulgated directive or manual specifically relating to budget execution. For those replying negatively, the follow-on question asked if such guidance was provided in an overall financial management instruction or budgetary directive. Responses are diagramatically shown in Exhibit III-7. An unexplained inconsistency exists in that 27 commands responded negatively to the first question stating that there was no budget execution directive, yet a total of 31 commands responded to the second question which addressed the content of the budget execution directive.




*1 respondent indicated that guidance was provided only in the form of fenced programs.

EXHIBIT III-7

FIELD ACTIVITY BUDGET EXECUTION GUIDANCE
(Source: Donnelly)

The next set of questions addressed specifics about the content of the budget execution directive. Although only 22 respondents indicated that guidance was contained in an overall financial management directive, 28 answered this set of questions. The assumption is that some of the respondents for the latter group replied to the questions based on the content of their overall financial management instruction. Exhibit III-8 provides a tabulation of the results of this set of questions.

Summarizing what the authors believe to be the most important points of this section yields the following:

A. Approximately 20% of field comptrollers receive no budget execution guidance from their major claimant. (Exhibit IV-6)

B. Approximately 33% of USN shore commands promulgate no budget execution instructions for local use. (Exhibit IV-7)

C. Approximately 40% of USN shore commands that do promulgate budget execution instructions do not address the topic of management control. (Exhibit IV-8) As explained in Chapter II, management control is vitally related to the budget execution process. (See Exhibit II-1)

Optimistically it may be stated that there does not appear to be restrictive guidance that inhibits the manager in a decision making

If yes, does the budget execution directive specifically address:

1) Measurement criteria?
2) Management control systems or procedures?
3) Standardization of record keeping at the OPTAR holder/Cost Center/Department level?
4) Standardization of internal reporting?
5) Requirements for external reporting?
6) How to glean required management information from financial reports?

| | Question | No. Respond | Yes | No | Pct. Yes |
|---|---|---|---|---|---|
| 1) | Measurement criteria? | 28 | 17 | 11 | 60.7 |
| 2) | Management control? | 28 | 17 | 11 | 60.7 |
| 3) | Standard record keeping? | 28 | 20 | 8 | 71.4 |
| 4) | Standard internal reporting? | 28 | 20 | 8 | 71.4 |
| 5) | Requirements for external reporting? | 28 | 17 | 11 | 60.7 |
| 6) | How to glean management info from financial reports? | 28 | 18 | 10 | 64.3 |

EXHIBIT III-8

CONTENT OF COMMAND BUDGET EXECUTION INSTRUCTION
(Source: Donnelly)

context as it relates to budget execution. Indeed the field appears to have been "left on its own" to implement a critical phase of government management.

## G. SUMMARY

Donnelly ended his thesis with the following remarks:

> It is time to return to basics--the basics of sound management. Budget execution and management control cannot be viewed as dissimilar concepts; they are by necessity completely interwoven. Schick (1964) wrote: "As budget execution becomes more and more enmeshed in its own rigid and elaborate techniques, sight is lost of the purposes of a budget system--the efficient allocation of scarce public resources." [Schick, 1964] The challenge is apparent; the time to act is now!

The authors have sought to objectively look at two views of budget execution: "How It Should Be" and "How It Is" in Chapters II and III. The authors now attempt to take the next step and provide some of the basics. The chapter that follows contains a model which is offered with a view toward improving the process in some small way. Subsequent chapters test the model.

CHAPTER APPENDIX

DONNELLY QUESTIONNAIRE

ORGANIZATION

1. Type of Command _____

2. Name of major claimant _____

3. Size of O&MN appropriation (direct): _____

| | YES | NO |
|---|---|---|
| 4. Do you consider your staff to be adequate for the budget execution function? (Comment) | ___ | ___ |
| 5. Span of Control | | |
| a. How many cost centers are assigned? _____ | | |
| | YES | NO |
| b. Do you utilize centralized funds control? | ___ | ___ |
| c. Do you utilize decentralized funds control? | ___ | ___ |
| d. Is a mix of centralized/decentralized funds control used? (Specify funds controlled centrally) | ___ | ___ |
| 6. Goals and Objectives/Mission Support Requirements | YES | NO |
| a. Are the command's overall goals and objectives reiterated in financial terms and promulgated by the comptroller? | ___ | ___ |
| b. Is the impact of funding levels on mission support communicated to all managers? | ___ | ___ |
| c. Are department heads required to promulgate goals and objectives? | ___ | ___ |
| 1) Are they required to also state their goals and objectives in financial terms, consistent with the comptroller's guidance? | ___ | ___ |
| 7. Resource Allocation | | |
| a. Is the Commanding Officer specifically involved in all resource allocation decisions? | ___ | ___ |
| b. Is there a functional Resource Allocation Board, Budget Execution Committee, Resources Utilization Council or the like at the Command? | ___ | ___ |
| 1) Is this board specifically involved in resource allocation decisions? | ___ | ___ |
| 2) Is the board chaired by the CO? | ___ | ___ |
| Is the board chaired by the comptroller? | ___ | ___ |
| 3) Are all command departments, cost centers, or organizational elements represented on the board? | ___ | ___ |
| 4) Is the board involved in the monitoring function of resource utilization? | ___ | ___ |
| 5) Is the board involved in reprogramming decisions? | ___ | ___ |
| 6) Is the board involved in recoupment actions? | ___ | ___ |
| 7) Do they make recommendations regarding changes to goals and objectives based on changing conditions and actual resource utilization? | ___ | ___ |

| | YES | NO |
|---|---|---|
| c. Are funds centrally maintained to meet emergency requirements? | ___ | ___ |
| 1) Are they managed by the CO? | ___ | ___ |
| Are they managed by the comptroller? | ___ | ___ |
| 2) What percentage of total O&MN funds do they represent? | _____ | |
| d. Is a command-wide funding schedule promulgated? | ___ | ___ |

ADMINISTRATION

1. Is specific guidance provided from the major claimant which addresses the area of budget execution by itself?
   a. If no, is any specific budget execution guidance provided in an overall financial management instruction or budgetary directive from the major claimant? ___ ___

2. What form does the majority of command financial management guidance take?
   Instructions _____
   Notices _____
   Budget Meetings _____
   Memorandum _____
   Verbal Instructions _____

3. Is there a command promulgated directive or manual specifically relating to budget execution? ___ ___
   a. If no, is any specific budget execution guidance provided in an overall financial management instruction or budget directive promulgated by this command? ___ ___
   b. If yes, does the budget execution directive specifically address:
      1) Measurement criteria? ___ ___
      2) Management control systems or procedures? ___ ___
      3) Standardization of record keeping at the OPTAR holder/Cost Center/Department level? ___ ___
      4) Standardization of internal reporting? ___ ___
      5) Requirements for external reporting? ___ ___
      6) How to glean required management information from financial reports? ___ ___

4. Have critical costs been identified by the comptroller? ___ ___

5. Are operation and support costs prioritized at
   a. Command level? ___ ___
      Department level? ___ ___
      Cost Center level? ___ ___

| MANAGEMENT CONTROL | YES | NO |
|---|---|---|
| 1. Effectiveness/Efficiency and Productivity Measurement | | |
| a. Have measureable, quantitative goals been established for all subordinate groups, and where applicable for individuals in the areas of: | | |
| Cost | ___ | ___ |
| Quality | ___ | ___ |
| Schedule | ___ | ___ |
| b. Are effectiveness and efficiency standards established for major mission elements? | ___ | ___ |
| 1) Are measurement criteria promulgated? | ___ | ___ |
| 2) Can these standards be traced to resource (input) utilization? | ___ | ___ |
| c. Does the control system provide for feedback of information which is used to evaluate the continued validity of standards? | ___ | ___ |
| 1) How often are standards reviewed? _____ | | |
| d. Is department workload data compiled, monitored and used as a standard against actual performance? | ___ | ___ |
| e. Are critical outputs specifically delineated for each program or function? | ___ | ___ |
| 1) Are work counts and time utilization records maintained for these critical outputs? | ___ | ___ |
| 2) Are counts and time records matched against historical trends or results from similar operations? | ___ | ___ |
| 3) Are performance standards set for these critical program outputs? | ___ | ___ |
| 2. Reporting Systems | | |
| a. Are funds status reports received by management: | | |
| Weekly? _____ | | |
| Monthly? _____ | | |
| Quarterly? _____ _____ | | |
| 1) To what level in the organization are the reports sent: | | |
| CO _____ | | |
| Comptroller _____ | | |
| Department _____ | | |
| Cost Center _____ | | |
| Other (Specify) _____ | | |
| b. Uniform Management Reporting (UMR) System | | |
| 1) Which of the following Funds Control Report are received: | | |
| CO's summary? | ___ | ___ |
| Responsibility Center Report? | ___ | ___ |
| Department/Division Detail Report? | ___ | ___ |
| a) How often are they received: | | |
| Weekly? _____ | | |
| Monthly? _____ | | |
| Other (Specify) _____ | | |

| | YES | NO |
|---|---|---|
| b) Are they: | | |
| Timely? | ___ | ___ |
| Accurate? | ___ | ___ |
| Useful for management control? | ___ | ___ |
| 2) Which of the following Performance Report Formats are received: | | |
| Format A _____ | | |
| Format B _____ | | |
| Format C _____ | | |
| Format D _____ | | |
| a) How often are they received: | | |
| Weekly? _____ | | |
| Monthly? _____ | | |
| Other (Specify) _____ | | |
| b) Are they: | | |
| Timely? | ___ | ___ |
| Accurate? | ___ | ___ |
| Useful for management control? | ___ | ___ |
| 3) Do you receive any optional report product under the UMR system such as a Budget Line Item Report? | ___ | ___ |
| a) Are you aware of all the UMR optional reports available? | ___ | ___ |
| b) Are these reports useful for management control? | ___ | ___ |
| c. Aside from the UMR system, has the command established a results-oriented reporting system which provides: | | |
| Financial results | ___ | ___ |
| Performance results | ___ | ___ |
| 1) To what level are the reports addressed: | | |
| CO _____ Comptroller _____ | | |
| Dept. Head _____ Other (Specify) _____ | | |
| 2) Are the reports: | | |
| Timely? | ___ | ___ |
| Accurate? | ___ | ___ |
| 3) Do the reports compare actual program results with planned results? | ___ | ___ |
| Financial results? | ___ | ___ |
| Performance results? | ___ | ___ |
| a) Is there a clearly identifiable cross-walk between financial and performance reports? | ___ | ___ |
| b) Do they show actual results in the same format and period as the budgeted estimates? | ___ | ___ |
| 4) Are variances in financial results clearly highlighted? | ___ | ___ |
| 5) Is there some media (charts, graphs, status board, management information center) for displaying current fund status with relation to the budget? | ___ | ___ |

| | YES | NO |
|---|---|---|
| 6) Is the reporting system reviewed periodically to ensure validity? | | |
| Frequency? _____ | | |
| 7) Does the reporting system spotlight conditions requiring action in time for action to be taken? | | |
| 3. Variance Analysis | | |
| a. Do the performance reports generated by the reporting system provide information which readily lends itself to variance analysis? | | |
| b. Is there a formal reporting mechanism which: | | |
| 1) Requires explanations for variances from the budget? | | |
| 2) Provides causes/effects of variances? | | |
| 3) Contains revised estimates when actual results differ substantially from anticipated results? | | |
| 4) Forecasts needs and anticipated results through the end of the budget period? | | |
| c. Are positive, as well as negative variances investigated and the results of the investigation promulgated to operating managers? | | |
| d. Is corrective action initiated or recommended every time there is a significant variance? | | |
| 1) Is any formal follow-up conducted to verify implementation of reported corrective actions? | | |
| e. Does the control system provide for fixing responsibility for deviations from established standards or variations from budgets? | | |
| 1) Is the information officially fed back to appropriate managers? | | |
| 2) Is such information considered, in part, in the area of personnel performance evaluation? | | |
| f. Are significant variances discussed by the CO or at Budget Committee meetings with the responsible individual? | | |
| g. Are specific sanctions utilized for recurrent instances of negative variances? | | |
| (Explain) _____ | | |
| h. Which of the following, if any, analytical tools are utilized in studying variances: | | |
| Time Series Analysis | | |
| Regression Analysis | | |
| Operations Research | | |
| Simulation | | |
| Statistical Inference | | |
| Linear Programming | | |
| Correlation Analysis | | |
| Sensitivity Analysis | | |
| Other (Specify) _____ | | |

| | YES | NO |
|---|---|---|
| i. Is provision made for the prompt expediting and feedback of information to management on variances and their effects? | ___ | ___ |
| j. Does the control system provide for periodic spot-checks, outside of normal variance reporting, to ensure conformity to establish requirements? | ___ | ___ |
| k. Does the reporting system have a mechanism for evaluating changes when a significant amount of workload is added to or withdrawn from budget workload? | ___ | ___ |

4. Interaction with Authorized Accounting Activity

| | YES | NO |
|---|---|---|
| a. Are budget revisions promptly submitted to the AAA? | ___ | ___ |
| b. How often are financial and performance reports reconciled with the AAA? _____ | | |
| | ALL | PART |
| 1) Are all or part of the reports reconciled? (Explain) _____ | ___ | ___ |
| c. Does the AAA provide sufficient guidance describing how to read and utilize the reports they generate? | YES ___ | NO ___ |
| d. Are specific procedures delineated by the AAA regarding report reconciliation? | ___ | ___ |
| e. Are AAA reports received? | ___ | ___ |
| Timely? | ___ | ___ |
| Accurately? | ___ | ___ |
| f. Does interface occur only at the comptroller level? | ___ | ___ |
| If no, explain: _____ | | |

5. Reprogramming/Recoupment

a. At what level are reprogramming decisions routinely made?

CO _____ Department Head _____

Comptroller _____ Budget Committee _____

Other (Specify) _____

| | YES | NO |
|---|---|---|
| b. Is specific guidance provided to operating managers delineating the limitations of reprogramming actions and explaining the procedures utilized to request additional funds? | ___ | ___ |
| c. When department/cost center authorization limits are reached before the end of an interim period (month, quarter, etc.) does the system: | | |
| 1) Provide for the discontinuation of funding | ___ | ___ |
| 2) Require the department to submit data to support the need for increased funds? | ___ | ___ |
| 3) Require the CO's approval for additional funds? | ___ | ___ |
| d. Are appropriate management actions initiated when authorization (or OPTAR) limits are exceeded without command approval? | ___ | ___ |
| 1) What form do they normally take? (Explain) _____ | | |

| | YES | NO |
|---|---|---|
| e. Are excess funds routinely identified and reported for possible reprogramming? | ___ | ___ |
| 1) How often? _____ | | |
| 2) Do operating managers willingly report any excesses? | ___ | ___ |
| f. Are all operating managers cognizant of and following recoupment directives? | ___ | ___ |
| 6. Incentive Programs | | |
| a. Does the command have an incentive program to stimulate productivity improvement? | ___ | ___ |
| 1) Are monetary awards or bonuses offered? | ___ | ___ |
| 2) Are recognition items such as certificates or awards given? | ___ | ___ |
| b. Do formal communication channels publicize productivity improvement? | ___ | ___ |
| c. Do productivity improvement goals include both efficiency and effectiveness criteria? | ___ | ___ |
| d. Is productivity improvement regularly discussed in budget performance meetings? | ___ | ___ |
| e. Do operating managers receive recognition for achieving objectives for less than the budgeted amount? | ___ | ___ |
| 7. Obligations and Expenditures | | |
| a. Are actual costs recorded on an obligation basis? | ___ | ___ |
| Expense basis? | ___ | ___ |
| b. Are formal comparisons made between budgeted obligations and actual obligations? | ___ | ___ |
| By whom: _____ | | |
| How often: _____ | | |
| c. Are reimburseables tracked centrally by the comptroller or at individual cost centers? | ___ | ___ |
| d. Does the obligation and expenditure approval functions: | | |
| 1) Follow centrally delineated guidelines? | ___ | ___ |
| 2) Include determination that the amount does not exceed the authorization level? | ___ | ___ |
| 3) Include determination that the expenditure is in line with the purpose detailed in the budget? | ___ | ___ |
| 4) Ensure proper coding of the expenditure to facilitate recording in the accounting system? | ___ | ___ |
| 5) Ensure that available discounts are taken? | ___ | ___ |
| e. Are OPTAR holders or persons with obligation authority provided firm dollar limits or spending authority for specific items? | ___ | ___ |
| f. Is a list of unfunded requirements maintained at the department or cost center level? | ___ | ___ |

| | YES | NO |
|---|---|---|
| 1) Is a prioritized list of command-wide unfunded requirements maintained at the command level? | ___ | ___ |
| 2) Is the unfunded requirements list checked whenever a request for additional funding is received so a comparison of priorities can be made? | ___ | ___ |
| 3) Does the budget committee periodically review, update and reprioritize the list of unfunded requirements? | ___ | ___ |
| 4) Is continuous justification for all unfunded requirements maintained? | ___ | ___ |
| g. Are OPTAR holders provided with obligation cut-off dates for the end of each funding period? | ___ | ___ |
| h. Are written quarterly and year-end reconciliation procedures for fiscal records promulgated to operating managers? | ___ | ___ |

8. Budget Reviews

a. At what level is the Mid-Year Review conducted?

CO _____ Cost Center _____

Comptroller _____ Budget Committee _____

Dept. _____ Other (Specify) _____

| | | |
|---|---|---|
| 1) Are results promulgated to operating managers? | ___ | ___ |
| b. Are other detailed reviews of financial and productive variances conducted for internal purposes: | | |
| 1) How often? _____ | | |
| 2) Are the following involved? | | |
| CO | ___ | ___ |
| Comptroller | ___ | ___ |
| Department head | ___ | ___ |
| Budget offices | ___ | ___ |
| Other (Specify) _____ | | |
| c. Are records reconciled with the AAA following every review? | ___ | ___ |

9. Internal Audit Function

| | | |
|---|---|---|
| a. Is the internal auditing staff separate and distinct from the comptroller's organization? | ___ | ___ |
| b. To whom does the Internal Auditor report? | | |
| CO _____ XO _____ | | |
| Comptroller _____ Budget Committee _____ | | |
| c. Are formal reports promulgated on the findings of the audit staff? | ___ | ___ |
| d. Are formal replies required of operating managers dealing with specific findings? | ___ | ___ |

TRAINING

| | | |
|---|---|---|
| 1. Are training sessions periodically held to acquaint operating managers with resource management procedures and guidelines? | ___ | ___ |

| | YES | NO |
|---|---|---|
| 2. Are operating managers required to participate in an indoctrination session in the Comptroller office prior to assuming their duties? | ___ | ___ |
| 3. Is there an internal procedures training course or manual for newly reported personnel? | ___ | ___ |
| 4. Is training conducted periodically on incentive programs? | ___ | ___ |
| 5. Are frequent steps taken to develop a spirit of cost consciousness throughout the command so each action is weighted in terms of the costs involved? | ___ | ___ |
| 6. Is the Commanding Officer involved in the indoctrination and training? | ___ | ___ |

MISCELLANEOUS

1. On an annual basis, what % of staff time is spent on
   Budget formulation _____
   Budget execution/monitoring _____

| | | |
|---|---|---|
| 2. Has a priority system of programs been established on a command-wide basis in case of imposed funding limitations or cuts? | ___ | ___ |
| a. Is the system centrally managed and monitored? | ___ | ___ |
| b. Are inputs from all OPTAR holders coordinated? | ___ | ___ |
| c. Is the system reviewed periodically by the Budget Committee to ensure validity? | ___ | ___ |
| 3. Have you appraised your control reports and records from the standpoints of: | | |
| a. Value of information furnished? | ___ | ___ |
| b. Adequacy of information furnished? | ___ | ___ |
| c. Timeliness of information furnished? | ___ | ___ |
| d. Economy of top management time? | ___ | ___ |
| e. Cost of preparation? | ___ | ___ |
| Is this check accomplished at least annually? | ___ | ___ |

4. Which of the following statement(s) do you think characterizes the budget execution philosophy at the command?

   a. All funds received should be obligated during the fiscal year, otherwise funds will be appropriately reduced next fiscal year. _____

   b. As long as we do not violate any of the limitations, restrictions or ceilings, budget execution has been successful. _____

   c. If obligations are approaching the limit, additional funds are routinely requested for the major claimant. _____

d. Every dollar spent should be closely monitored with regard to providing the taxpayer the most for his money. _____

e. The real importance in budgeting falls in the formulation area. Budget execution simply involves obligating monies in accordance with the approved plan. _____

f. As most obligations are uncontrollable at the local level, little can be done at command level in the area of cost savings in the O&MN area. _____

5. Which of the following statement(s) characterizes the operating manager's opinion of management reports currently provided by AAA?

a. Completely satisfactory for management control purposes. _____

b. Satisfactory, although locally prepared reports and monitoring systems must be utilized to properly track resource utilization _____

c. Barely adequate because they are too complicated for use by operating managers. _____

d. Never received in time to be of use. _____

e. Could stand a lot of improvement so that information is presented in a more useable form. _____

f. Other (Specify)

6. The greatest need in the area of budget execution of the O&MN appropriation at the field activity level is:

# IV. A BUDGET EXECUTION MODEL

## A. BACKGROUND OF THE MODEL

The model described in this chapter is an amended version of the budget execution process used at Naval Security Group Activity Edzell, Scotland (NSGAE) from 1977-1980.[1] Based upon the authors' research of management literature and an evaluation of NPS faculty and student recommendations, the authors have attempted to generalize and improve NSGAE's original budget execution process. The intent of this undertaking was to enhance the model's usefulness at various United States Naval Shore Activities. The primary section titles of this chapter are based upon the techniques in the model and the five critical few concepts they are designed to encourage. Sections of this chapter are:

B. The Resource Allocation Board: Participative Management

C. Variance Explanation Form: Accountability for Variances

D. Prioritization Instruction: Continual Evaluation

E. Command Mission Questionnaire: Goals and Objectives

F. Benchmark Priority: Support Rather Than Replace Managers

G. Model Overview and Summary

Each section, except the summary, is divided into two subsections. The first describes the technique primarily by

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[1]Co-author of this thesis, LCDR Parham, was assigned as Supply and Fiscal Officer at NSGAE during this time period.

the presentation of examples for its implementation. The second addresses variations in implementation and perceived benefits. An overview of the authors' model as presented in this chapter is shown in Exhibit IV-1.

## B. RESOURCE ALLOCATION BOARD (RAB): PARTICIPATIVE MANAGEMENT

### 1. Model Description

The first step in the model is the establishment of the RAB. This is accomplished by a written directive signed by the Commanding Officer (CO). An example of such a directive is illustrated in Exhibit IV-2.

### 2. Variations and Perceived Benefits

The RAB directive may be adapted to meet a specific command's management style and structure. For example, the CO may elect to chair the RAB or give the RAB full authority to make rather than just recommend decisions. Clearly, many variations are possible and remain the prerogative of the CO. The intent of the directive is to communicate top level support and sanction for the concepts of participative management. The RAB used in the model is thus made up of all key members of the command who are charged with the responsibility of considering a wide range of ideas and viewpoints. An excerpt from the instruction illustrates the point:

> The Resource Allocation Board is designed to function during the budget execution year for the end purpose of ensuring that all O&MN dollars granted to this command are efficiently and effectively spent. The board will function in a democratic manner to ensure that all pertinent ideas and comments which relate to the purpose and mission of the command are addressed.

RESOURCE ALLOCATION BOARD (RAB)----->PARTICIPATIVE MANAGEMENT

A board consisting of all KEY personnel, usually department heads. All have a voice in the budget execution process. Authority and responsibility for the RAB are delineated in written directive signed by the Commanding Officer

Concept that includes varied opinion and agreement between supervisors and subordinates on guidelines for achieving objectives. Commitment to those objectives is thus enhanced.

VARIANCE EXPLANATION FORM ---------->ACCOUNTABILITY FOR VARIANCES

A one page form sent to line manager with monthly fund status report. Standard choices are provided to facilitate line manager and comptroller explanations of variances from the budget plan. Managers are evaluated (based on explanations) and/or plan is revised.

Concept that includes managerial accountability for items under his control. Explanation for variances leads to reward or other appropriate action.

PRIORITIZATION INSTRUCTION -------->CONTINUAL EVALUATION

Requirements are identified by unique sequential number so that a historical record of past management decisions may be easily accessed to facilitate current/future decision-making. RAB continually updates priorities.

Concept that includes review of plans and programs for possible revision in response to changing conditions.

MISSION EFFECTIVENESS ------------->GOALS/OBJECTIVES

Questionnaires

Series of Delphi questionnaires filled out by all RAB members requiring representative departmental requirements to be categorized in one of 5 command mission impairment categories.

Those "end states" to which organizational activities should strive. For effective attainment, goals of suborganization should be compatible with those of the larger superior organization. This is goal congruence.

BENCHMARK PRIORITY ---------------> SUPPORT RATHER THAN REPLACE MANAGERS

A priority designed to serve as a departure point for further RAB discussion and possible adjustment based on management action. It is derived from EPI/Cost so that requirements which tend to affect command mission more and cost less are prioritized higher.

Concept that states any decision support system (DSS) should offer focus and suggestions to management. The DSS should not offer unquestionable decisions especially in semi-structured activities such as budgeting.

EXHIBIT IV-1

MODEL OVERVIEW

As was elaborated in Chapter II, the concept appears to be a virtual necessity in this age when rapid scientific and technological growth have "buried" the single expert or "greater leader" [Slater/Bennis, 1964]. It is useful to repeat Deputy Secretary of Defense Carlucci's views on the concept:

> all those that have a legitimate interest in the outcome of a management decision should participate in the decision,

and that

> there are many different internal points of view on major issues and legitimately so. We want to assure that those positions are fully articulated at the appropriate level. We also encourage dissent. [Carlucci, 1981]

Despite these arguments, the lack of any type of board or committee for addressing budget execution matters by over 60% of the respondents in Donnelly's survey indicates a lack of perception as to the potential benefits of the concept. A RAB directive that can be easily modified for specific commands might encourage more widespread use of the concept.

## C. VARIANCE EXPLANATION FORM: ACCOUNTABILITY FOR VARIANCES

### 1. Model Description

Following its formal establishment, the RAB assigns to various individuals budgetary responsibility via the command's job order manual. The RAB also assigns variances in terms of limitations, excesses of which must be explained. To assist the line manager in explaining the variances, a one sheet form is utilized in this budget execution model.

US Naval Station John Paul Jones

NSINST 7000 series

FROM: Commanding Officer

SUBJ: RESOURCE ALLOCATION BOARD

1. Purpose: To establish the composition and duties of the RAB.

2. Composition:

a. Chairman: Executive Officer

b. Members: All Department Heads and other special assistants designated in writing by the Commanding Officer

c. Technical Advisor: Comptroller

3. Discussion:
The RAB is designed to function during the budget execution year for the end purpose of ensuring that all O&MN dollars granted to this command are efficiently and effectively spent. The board will function in a democratic manner to ensure that all pertinent ideas and comments which relate to the purpose and mission of the command are addressed. The Executive Officer will act as Board Chairman and ensure pertinency of topics discussed during all meetings. He is responsible for the overall conduct and output of the Board.

4. RAB Responsibilities:

a. Recommend specific individuals to assume responsibility for all JOB ORDERS in the Command. This responsibility will be written and will define specific monetary variances from the budget plan which may be adjusted under Job Order holder's authority. Both favorable and unfavorable variances will be reported to me at least monthly via the Comptroller.

b. Recommend Goals and Objectives related to the missions of this command. Each Department head will be responsible for relating Departmental Goals and Objectives to those of the Command. Specific historical examples of this relationship should be on file in departmental files and considered when submitting new budgetary requests.

c. Recommend priorities for all emergent unfunded requirements. The command priority listing should be based upon attaining maximum mission readiness at minimum cost. The priority listing will be reviewed at least quarterly for currency and validity.

EXHIBIT IV-2

RESOURCE ALLOCATION BOARD INSTRUCTION

EXHIBIT IV-2 (CONTINUED)

5. Review: The RAB will review this directive for currency and validity at least annually.

COMMANDING OFFICER

The form which is printed on both sides, is illustrated in Exhibits IV-3A and IV-3B.

2. Variations and Perceived Benefits

In the example, the comptroller sends the form to the line manager each month. The line manager then reviews his/her memorandum records at the designated cutoff points and explains any variances in excess of $250 per job order. The specific amount may of course vary but is determined by the RAB. Upon receipt of his or her monthly fund status report, the line manager reconciles the reported balances with memorandum records and explains any further differences. During the entire process, the comptroller works with the line manager to explain the variances.

Individual commands may wish to vary the parameters implied in the form. For example, if the accounting records can be produced in a timely manner, the duplicate memorandum records may be eliminated. Or, if more flexibility for operating target (OPTAR) holders is desired, the frequency of the report may be varied from monthly to quarterly; or, the variance of $250 per job order may be adjusted to some larger amount in a classification broader than a job order such as a functional category. The RAB should have a major role in the content and formation of specific guidelines since it is desirable that responsible individuals have an understanding and commitment to the guidelines against which they will be measured.

YOUR OPTAR DOLLARS ARE BEING WASTED

.....if on the 24th of the month you did not review your memorandum records. The 24th of the month is designated as the cutoff date for processing all your requisitions and stock draws that will appear on your next financial printout. (You will receive this printout by the 10th of the month and it should agree with your records as of the 24th of the previous month.) Do not wait for the printout to advise the comptroller by memo as to the reasons for an under-expenditure in any job order. If no memo is received and funds are under-expended, it is assumed that your funds are not required and they may be recaptured to fund other urgent basewide items. It will not serve this purpose and will cause unnecessary paperwork if the recapture occurs in an area where you will urgently require funds, but are temporarily under-expended. In short review your memorandum accounting records on the 24th and send a memo ASAP to explain the under-expenditure if you will require the funds.

A few final caveats: DO NOT spend just to "use your money". Under-expenditure need not be a "bad thing" and indeed may well indicate resourceful financial management on your part. Transferring significant savings to other areas in your own department without proper authority, over-expenditure in any area, or unauthorized stockpiling misallocates funds, is strictly prohibited and could cause violation of Public Laws.

Department Head:

After reading above, fill out the form on reverse side and return to comptroller.

EXHIBIT IV-3A

VARIANCE EXPLANATION FORM SIDE 1

MEMORANDUM

From:

To: Commanding Officer

Via: Comptroller

Subj: Monthly OPTAR Review

1. All requisitions and Ready Issue stock draw, made on or before the 24th of the month, have been reviewed. Appropriate action, taken as a result of the review, is circled below:

a. Funds that may be recaptured and applied to critical basewide deficiencies are attached. To enhance and encourage financial management, reasons and/or INDIVIDUALS responsible for cost savings are specifically cited.

b. Requests for fund transfers among my job order numbers, (JON), accounts and within my authority of $250, are attached.

c. Requests for fund transfers in excess of $250 are attached. The justification includes reasons why some JONs are under-expended so that funds can be withdrawn and others which are expected to be over-expended so that additional funds are required.

d. JONs which indicate under-expenditure (i.e., below the appropriate pro-rata percentage utilization range listed in The Job Order Manual) are attached with reasons for the under-expenditure and justification to not recapture funds.

e. Reasons for over-expenditure in specific JOB ORDERS and actions taken to preclude recurrence are attached.

f. Requirements are anticipated in excess of my budget justification for augment are attached in accordance with NSINST 7100 series

EXHIBIT IV-3B

VARIANCE EXPLANATION FORM SIDE 2

The intent of the variance explanation form is to encourage the line manager to explain variances from his/her budget plan. The form is designed to be "eye catching" (e.g. "YOUR OPTAR DOLLARS ARE BEING WASTED") in order to compete for a busy manager's time in a most important area of responsibility. It is designed to be simple and contain standard choices which suggest that the line manager will be evaluated based on his/her financial management and that the command budget plan will be revised based on their explanations. The flowchart shown in Exhibit IV-4 illustrates some of the decisions that may result from using the form.

The fact that these decision points are even recognized is partially due to the line manager's review and explanation of variances from the budget. The decision point regarding more efficient operation is particularly emphasized. If line managers are rewarded, they will tend to strive for the action which reallocates funds to more critical basewide requirements. This is extremely important in light of the fact that the Department Heads may otherwise tend to reallocate savings to less critical basewide requirements that happen to fall in their individual areas.

Finally, Donnelly's survey in this area is repeated for emphasis. Of 49 respondents, eight reported they did no variance analysis at all. Twenty-four had no mechanism for explaining variances and only 17 had a mechanism for explaining and taking appropriate managerial action via

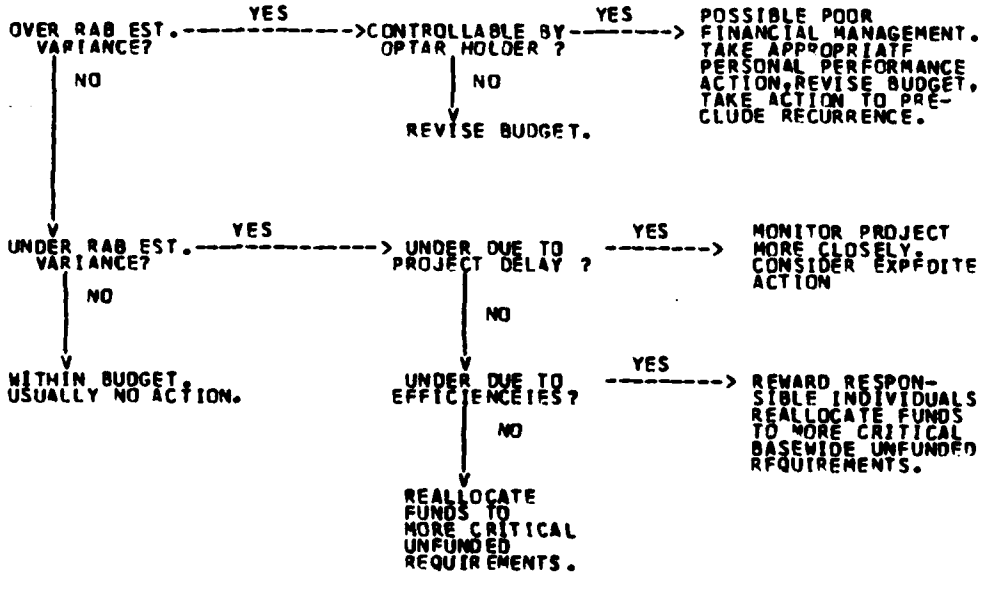


EXHIBIT IV-4

VARIANCE EXPLANATION FLOW CHART

personnel evaluations or budget revisions. A simple variance explanation form might facilitate variance analysis and, more importantly, encourage managerial action.

## D. PRIORITIZATION INSTRUCTION: CONTINUAL EVALUATION

### 1. Model Description

A central element in the overall budget execution model being proposed in this thesis is the development of a basic guideline to enable individual USN shore commands to prioritize local unfunded O&MN requirements for budget calls, apportionments, and/or mid year reviews in an efficient and equitable manner. Guidance is proposed in the form of an instruction which is presented in its entirety in the appendix to this chapter. Portions of the instruction are presented with explanation in the paragraphs that follow.

The first part of the instruction gives a general description of its contents, including the relationship of the RAB to the prioritization function:

1. Discussion:

During the annual budget call each operating target (OPTAR) holder is given the opportunity to identify any requirement which cannot be accommodated within assigned funding limitations. Limited resources mandate that only the most important mission requirements be allocated funds. For this reason and in recognition of the fact that requirements will vary in importance during the fiscal year, unfunded requirements will be continually prioritized.

Reference (A) (the instruction that establishes the RAB, see Exhibit IV-2) assigns the RAB responsibility for maintaining an up to date command-wide priority list. The RAB can efficiently accomplish this update process by referring to the current priority list and historical records of its past prioritization decisions. This

instruction fulfills the primary purpose of assisting the RAB to efficiently carry out its prioritizing responsibility.

Given that introduction, the specific purposes of the instruction, including dollar limitations which may vary among different commands, are presented:

2. Purposes of the Instruction:

a. To provide a historical framework which will assist the RAB in continually evaluating the priority list of unfunded requirements at this command.

b. To document the format and priority order by which unfunded requirements will be satisfied via local reallocation of funds. This documentation will thus provide a summary of major fund movements to higher authority.

c. To document the format and priority order by which unfunded requirements will be presented for augmentation requests to higher authority.

d. To provide a means whereby OPTAR Holders at this command may submit unfunded *O&MN requirements* (deficiencies) over $500 for funding consideration. Deficiencies under $500 are not covered by this instruction and should be submitted by memorandum request to the Executive Officer via the Comptroller.

Procedures for carrying out the instruction are presented by focusing on the options available to the CO when requirements that include requests for additional funds are presented to him for initial review. The excerpt from the applicable portion of the instruction follows:

3. Procedures

OPTAR holders may initiate requests for additional funding at any time during the fiscal year. OPTAR Holder will submit requests to the Commanding Officer via the comptroller in the format required by enclosure (1). The Public Works Officer will be included as a first via addressee or all facilities repair and construction requirements. Accounting information and justification should be concise yet thorough enough

to facilitate the Commanding Officer's review. Following review, the Commanding Officer will direct one of several actions to include:

A. Immediate funding from locally available funds if the requirement is extremely urgent.

B. Assignment of a specific priority number for future funding consideration.

C. Resubmission by OPTAR Holder with additional information or stronger justification.

D. Prioritization by the RAB. Results of the Commanding Officer's review will be documented and related to the unfunded requirement by assignment of a unique sequential number which will always serve to identify the requirement.

Any subsequent management action that changes the relative prioritization or cost of that requirement, including reasons for the change, will aslo be documented. A historical framework of decisions will thus be available for the RAB to update the command's priority list of unfunded requirements. OPTAR holders are strongly encouraged to review specific formats and examples of the historical record of unfunded requirements shown in enclosure (1).

Finally, specific action required of the Command's participants is delineated in the following portion of the instruction.

4. Action

A. The Resource Allocation Board shall: (1) Utilize the historical record provided in enclosrue (1) to fulfill its prioritizing responsibility defined in reference (A). (2) Review this instruction and recommend appropriate changes at least annually.

B. OPTAR Holders shall:

(1) Submit all requests for additional O&MN funds in accordance with this instruction, specifically enclosure (1).

(2) Maintain at least one unfunded requirement for funding consideration at all times. This requirement is designed to ensure that OPTAR Holders are striving to improve operations at all times. It also gives an

indication as to how restricted current funding levels are for specific OPTAR Holders at a given point in time. Requirements submitted in accordance with this instruction should be of lesser importance than those included in assigned OPTARS.

(3) Update all data related to unfunded requirements under their responsibility.

(4) Review the history of how and why unfunded requirements are prioritized and completed. Such a review can aid and enhance the justification process for fund requests. Examples provided in enclosure (1) should be thoroughly reviewed.

C. The Comptroller shall:

(1) Act as technical advisor for explaining the contents of this instruction.

(2) Coordinate with and assist all OPTAR holders in complying with this instruction, especially the proper submission of enclosure (2).

(3) Produce all required priority listings and historical records cited in this instruction. Updated information will be included in the record as it is received from OPTAR Holders.

D. The Public Works Officer shall:

(1) Provide cost estimates for facilities construction and repair requirements.

(2) Provide technical advice to all OPTAR Holders submitting facilities and repair project requirements under the purview of this instruction.

E. The Executive Officer shall assume overall responsibility and authority for proper implementation of this instruction.

Commanding Officer

This concludes the main body of the prioritization instruction. The enclosure to the instruction delineates the specific format to be used in accordance with the instruction. Specific assignment of responsibility for ensuring that

format is correct is included in a preface to the enclosure. This preface is shown below:

> The Comptroller is primarily responsible for producing the form described herein for each unfunded requirement. OPTAR Holders are responsible for providing information to update the fields contained in the record layout. The form is designed to be used as a decision support system and is most useful when entries are self explanatory. Suggestions for improving format should be submitted to the Executive Officer in the capacity of RAB Chairman via the Comptroller.

The format for documenting each unfunded requirement is described via the examples shown in Exhibit IV-5. In the exhibit, three submissions are shown. Each is identified by a unique sequential number which is shown in the first two columns of the first line for each requirement; per Exhibit IV-5, the ID numbers are 2, 5, and 6. This serves to specifically identify the submission even after funding has been attained so that an audit trail is always available. Since the format also includes various other data entries (e.g., Job Order Number(JON) and OPTAR Holder(OH)), management information for requirements based on these input parameters may also be obtained. Entries following the date on the first line--IMP, EPI, $, BENCH PRI, LPN, O/C--relate to the specific method designed to assist the RAB in prioritizing alternatives and are described in the next two sections of this chapter.

For the purposes of this section, the relevant concept is "continual evaluation." To encourage this concept, the ID number is used not only to identify a specific requirement, as was mentioned above, but also to document the

| ID | JON | OH | Description of Requirement | DATE | IMP | EPI | $ | BENCH PRI | LPN | O C |
|---|---|---|---|---|---|---|---|---|---|---|
| 2 | 201T4 | 20 | Electronic spare parts | 8001 | 1 | 26 | 21,000 | 2 | | O |
| CO quest code 1 for secondary mission | | | | 8006 | 1 | 26 | 21,000 | 2 | | O |
| ENO resubmits as CODE 03, lowers price | | | | 8012 | 3 | 2.8 | 15,000 | 5 | | O |
| RAB concurs with Benchmark Pri | | | | 8015 | 3 | 2.8 | 15,000 | 5 | 5 | O |
| Major claimant partially funds | | | | 8030 | 3 | 2.8 | 5,000 | 6 | 6 | O |
| ENO discovers remaining DEF is CSE | | | | 8050 | | | | | | O |
| ENO resubmits as OPN items | | | | 8050 | | | | | | C |

| ID | JON | OH | Description of Requirement | DATE | IMP | EPI | $ | BENCH PRI | LPN | O C |
|---|---|---|---|---|---|---|---|---|---|---|
| 5 | 401Q1 | 40 | Repair OPS Bldg roof | 8001 | 4 | 1.9 | 20,000 | 7 | | O |
| RAB concurs with Benchmark Pri | | | | 8015 | 4 | 1.9 | 20,000 | 7 | 7 | O |
| PWO reports Bldg leaks, raises impact | | | | 8040 | 2 | 6.5 | 25,000 | 2 | 7 | O |
| CO deems urgent funds immediately | | | | 8041 | 2 | 6.5 | 25,000 | 2 | 1 | C |

| ID | JON | OH | Description of Requirement | DATE | IMP | EPI | $ | BENCH PRI | LPN | O C |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 301Q1 | 30 | Panel OPS office | 8001 | 5 | 1 | 5,000 | 4 | | O |
| RAB decides benefits too few, lowers pri | | | | 8015 | 5 | 1 | 5,000 | 4 | 6 | O |

EXHIBIT IV-5

UNFUNDED REQUIREMENT FORMAT EXAMPLES

management history associated with the requirement. For example, referring to the first line for each of the three requirements shown in Exhibit IV-5, julian date 8001 identifies the date of initial submission (which happens to be the same for all three requirements) for requirement ID numbers 2, 5, and 6. In subsequent lines the format changes so that the date refers to explanatory remarks describing management action related to the requirement. Initial submission information--ID, JON, CH, and description--remain available on the first line.

Reviewing ID number 2 from Exhibit IV-5 illustrates the technique:

| ID | JON | CH | Description of Requirement | DATE | IMP | EPI | $ | BENCH PRI | LPN | O C |
|---|---|---|---|---|---|---|---|---|---|---|
| 2 | 201T4 | 20 | Electronic spare parts | 8001 | 1 | 26 | 21,000 | 2 | | O |
| CO quest code 1 for secondary mission | | | | 8006 | 1 | 26 | 21,000 | 2 | | O |
| EMO resubmits as CODE 03, lowers price | | | | 8012 | 3 | 2.8 | 15,000 | 5 | | O |
| RAB concurs with Benchmark Pri | | | | 8015 | 3 | 2.8 | 15,000 | 5 | 5 | O |
| Major claimant partially funds | | | | 8030 | 3 | 2.8 | 5,000 | 6 | 6 | O |
| EMO discovers remaining DEP is CSE | | | | 8050 | | | | | | O |
| EMO resubmits as OPS items | | | | 8050 | | | | | | C |

In this example, on date 8006 the CO has questioned the initial coding of a requirement causing an amended submission by the Electronic Maintenance Officer (EMO) on 8012.[2] Thereafter, other management actions, which are meant to be self explanatory to command members, are cited on subsequent lines so

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[2]Coding of the requirement relates to the IMP and EPI entries which, as mentioned, will be described in the next two sections of this chapter. The same example used in this section is used to illustrate these entries on page 88.

that a management history is always available. This is an intent of the prioritization instruction which is presented with detailed format guidance in the appendix to this chapter.

2. Variations and Perceived Benefits

The proposed instruction was designed to facilitate a continual evaluation of requirements as circumstances change. To this end, techniques were developed to identify all emergent unbudgeted requirements with a unique sequential number for summarizing past management actions relating to the requirement. In this manner, past decisions form a basis for making decisions affecting the future. The techniques mentioned above are thus an integral part of the instruction.

Nevertheless, the authors believe that the most important aspect of the instruction is not the specific techniques but rather the existence of an instruction that requires a continual evaluation of programs. It is recognized that specific commands may utilize a variety of techniques in tailoring the instruction to their needs. Indeed an objective of the authors' field level testing is to evaluate other commands' techniques vis-a-vis those embodied in the proposed instruction. Donnelly's survey indicates that 50% of all commands do have specific mechanisms for continually evaluating programs and plans. These techniques may prove valuable to other commands that do not have such mechanisms.

An intriguing question that will also be examined during field level testing is why 50% of field commands have

no such evaluation mechanisms. Is it because of a lack of knowledge, support, or some other reason that many commands do not appear to formally support the concept of continual evaluation? As was supported and stressed in Chapter II, it is considered critical that the command budget decision process be evaluated on a continual basis and in accordance with participative management theory. Managers involved in the decisions should also be involved in adjusting the decision process itself. The prioritization guidance in the proposed instruction is formulated to facilitate the process in that manner.

## E. COMMAND MISSION QUESTIONNAIRE: GOALS AND OBJECTIVES

### 1. Model Description

An effectiveness preference index (EPI) was a data entry within the prioritization instruction introduced in the previous section. Development of the EPI depends first upon the command's goals and objectives as defined by the RAB. This definition depends upon the individual OPTAR Holder's view of how his or her Departmental goals relate to those of the command. Following a clarification of how this relationship is derived in this section, a hierarchy of command goals and resource cost will be used to derive a specific EPI in the next section.

To define the relationship between departmental and command goals, five categories of mission impairment are used in the model. These are:

CODE 01: Severe Impairment to Operational Mission (OPS)

CODE 02: Severe Impairment to Support Mission

CODE 03: Moderate Impairment to OPS Mission

CODE 04: Moderate Impairment to Support Mission

CODE 05: Slight Impairment to OPS or Support Mission.

The Chairman of RAB uses these categories and a technique known as Delphi to "steer" a series of questionnaires designed to define the command's goals and objectives.

Once goals and objectives have been defined, the process need not be repeated unless the command's missions (goals and objectives) change or it is desired to use the technique as a "learning tool" for key members of the command. Specific frequency is a prerogative of the specific command, dependent largely upon its needs and time availability. An illustration of the methodology is provided via the examples shown in Exhibits IV-6 through 8 and the summary below:

a. Issue Mission Effectiveness Questionnaire Number (NR) 1 requesting each department head to cite typical examples of requirements in his/her functional area that may be classified in the five mission categories listed above. The Delphi technique and general overview of the methodology are also described in this first questionnaire. Exhibit IV-6 presents the example.

b. The examples generated from questionnaire NR 1 are then presented in random order with no regard to the initial categorization by the functional department head. This forms the basis of Mission Effectiveness Questionnaire NR 2 which

FROM: Chairman RAB

TO : --------- Department Head

1. This questionnaire is the first in a series designed to assist you in relating your departmental goals and objectives to those of the command.

2. The questionnaires are designed around a technique known as Delphi, which is an iterative procedure for eliciting and refining the opinions of a group of people by means of a series of individual interrogations. You may retain your anonymity in responding to all questionnaires if you desire as only the Captain and I will see your responses. The purpose of this anonymity is to allow you to give frank responses which are needed by the command and which are less likely to result from group meetings characterized by face-to-face confrontation. Insightful considerations and reasons from your responses which will influence or induce other respondents to change their responses will be published anonymously in future questionnaires. When two questionnaires in a row yield no change in responses, results of the overall group response will be published and used to assist the RAB in future prioritizing decisions. The time and effort required in this exercise is believed to be well worth the effort of defining your part in our team effort of effectively achieving a representation of the command's goals and objectives. Give it your best effort and feel free to discuss this with me individually.

3. Action

Provide representative examples of requirements in your department that may be classified in the following categories:

CODE 01: Severe Impairment to Operational Mission (OPS)

CODE 02: Severe Impairment to Support Mission

CODE 03: Moderate Impairment to OPS Mission

CODE 04: Moderate Impairment to Support Mission

CODE 05: Slight Impairment to OPS or Support Mission

4. Format/Amplifying Instruction

All responses should be prepared to be received by me no later than ____ in the following format and style:

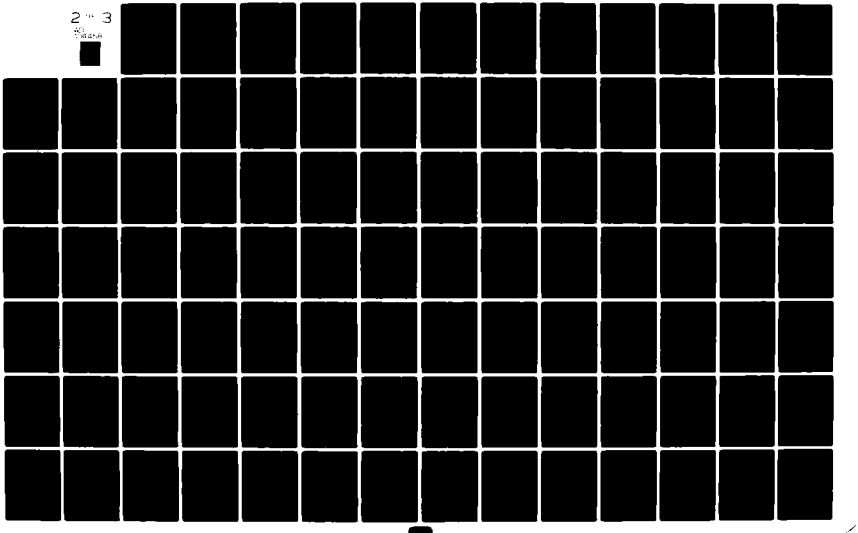
CODE XX: Cite no more than 2 examples. Each example should be concise and be no more than 2-3 lines long. For example:

EXHIBIT IV-6

MISSION EFFECTIVENESS QUESTIONNAIRE NR 1

AD-A114 458 NAVAL POSTGRADUATE SCHOOL MONTEREY CA F/G 5/1
O/MN BUDGET EXECUTION AT U.S. NAVAL SHORE ACTIVITIES: A MODEL F--ETC(U)
DEC 81 J L PARHAM, M HARDCASTLE-TAYLOR

UNCLASSIFIED NL



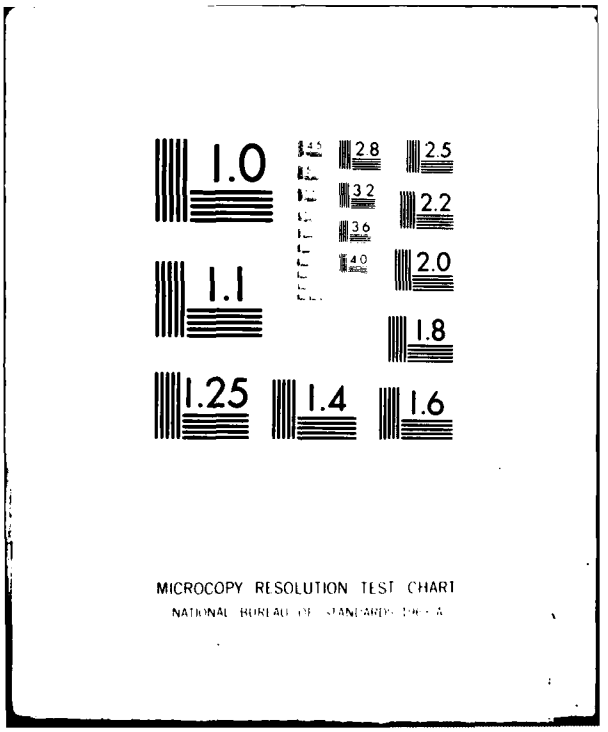

1.0
1.1
1.25
1.4
1.6
1.8
2.0
2.2
2.5
2.8
3.2
3.6
4.0
MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963-A

EXHIBIT IV-6 (CONTINUED)

CODE 02: Fuel oil to heat Admin spaces in winter. Admin function severely impaired due inability to move fixed office equip/files.

Repeat for each code and write NONE if you can cite no example for a particular code level. It is recognized, for example, that many departments may not have examples that apply in each category.

FROM: Chairman RAB

To : --------- Department Head

1. Mission Effectiveness Questionnaire NR 1 requested each of you to cite specific examples of departmental requirements that may be classified in the following categories:
CODE 01: Severe Impairment to Operational Mission (OPS)
CODE 02: Severe Impairment to Support Mission
CODE 03: Moderate Impairment to OPS
CODE 04: Moderate Impairment to Support Mission
CODE 05: Slight Impairment to OPS or Support Mission

These examples are presented below in random order with no regard to initial categorization by department heads. Fill in the code that you believe applies to the examples provided. Fill in a code for each example even though you have already done this for requirements applicable to your department. You may change your initial classification if you desire or provide refined examples.

2. Examples: (1) Loss of only forklift to Transport Material. (2) Fuel oil to heat admin spaces--civil service strike likely if not funded. (3) Repair galley dishwasher--if not repaired, sanitation degradation and galley closure likely to result. (4) Teletypewriter repair--impact: degraded and barely legible comms output. (5) Purchase of Printed Circuit Board (PCB) storage cabinet--deterioration of expensive PCB's could result--currently stowed in marginally adequate storage. (6) Calculator replacement for marginal ones in Fiscal Division. (7) Repair base walkie talkie used by base security department. (8) Repair hot water supply for base laundry used by dependents. (9) Overtime by station police necessary to maintain adequate security. (10) "One of a kind" TAD operator training for essential comms gear. (11) NAF (Recreation Dept) Skeet thrower. (12) Procure movie projector to enhance operational training. (13) Procure organ for base chapel-current gives poor quality sound. (14) Loss of Communications (COMMS) at our COMMS Base. (15) Electronic repair parts for mission essential repair.

3. If you desire to refine any of your previously cited examples, indicate which one and the revised version in the space provided below.

EXHIBIT IV-7

MISSION EFFECTIVENESS QUESTIONNAIRE NR 2

FROM: Chairman RAB

TO : -------- Department Head

1. Mission Effectiveness questionnaire NR 2 requested all Department Heads to code specific representative examles of department requirements in one of the following categories:

CODE 01: Severe Impairment to Operational Mission (OPS)

CODE 02: Severe Impairment to Support Mission

CODE 03: Moderate Impairment to OPS Mission

CODE 04: Moderate Impairment to Support Mission

CODE 05: Slight Impairment to OPS or Support Mission

2. The examples, which have been refined in some cases, were coded by other department heads and you as follows:

CODE 01: Severe Impairment to Operational Mission (OPS)

Examples: Loss of Communications (COMMS) at a COMMS Base. "One of a kind" TAD operator training for essential comms gear. Electronic repair parts for mission essential repair. Failure to obtain either will result in loss of primary mission.

CODE 02: Severe Impairment to Support Mission

Examples: Loss of only forklift to Transport Material. Fuel oil to heat admin spaces--civil service strike likely if not funded. Repair galley dishwasher--if not repaired, sanitation degradation and galley closure likely to result; no other dining facilities are accessible at this remote activity.

CODE 03: Moderate Impairment to OPS Mission

Examples: Degraded but adequate COMMS output. Communication teletypewriter repair--impact: degraded and barely legible comms output. Purchase of Printed Circuit Board (PCB) storage cabinet--deterioration of expensive PCB's could result--currently stowed in marginally adequate storage.

CODE 04: Moderate Impairment to Support Mission

Examples: Calculator replacement for marginal ones in Fiscal Division. Repair base walkie talkie used by base security department. Overtime by station policy necessary to maintain adequate security level.

EXHIBIT IV-8

MISSION EFFECTIVENESS QUESTIONNAIRE NR 3

EXHIBIT IV-8 (CONTINUED)

CODE 05: Slight Impairment to OPS or Support Mission

Examples: NAF (Recreation Dept) Skeet thrower. Procure movie projector to enhance operational training; procure organ for base chapel--current gives poor quality sound; repair hot water supply for base laundry used by dependents.

3. Based on the responses shown in paragraph 2 above, reconsider your previous response. If your new response differs from the responses shown above, state briefly (no more than half a page) why you believe the example should be coded differently.

4. Uniformity of responses is not demanded. Your opinion and logical reasons why an example should be coded differently from the average are desired. Anonymous results of this questionnaire will be edited and published at a later date.

EXECUTIVE OFFICER

requests all department heads to classify the requirements listed in one of the five mission impairment categories defined above.

c. Upon review of questionnaire NR 2, the Chairman RAB summarizes the results for each example and promulgates this new information via questionnaire NR 3. This questionnaire requests department heads to reconsider their previous response and briefly state the reason for any disagreement with the newly promulgated results. This is the essence of Delphi as is explained in the questionnaire shown in Exhibit IV-8.

d. After analyzing the revised responses and editing respondents' reasons for varying the coding of each example, a fourth questionnaire similar to third is issued. Respondents are again asked to reconsider their responses in light of the arguments and new responses. The process is repeated until the responses from two successive questionnaires show little or no change.

The time to effect the procedures outlined above and the perceived benefits of so doing are addressed in the next subsection of this chapter entitled Variations and Perceived Benefits.

2. Variations and Perceived Benefits: Goals and Objectives

The central issue which the Mission Definition Questionnaire attempts to address is that of providing a means whereby a department head or line manager can analyze and integrate the department's goals and objectives with those of the command as a whole. In many respects this process of

integration defies quantification and preciseness and would appear to benefit from a technique of organized brainstorming or consensus building. In this regard, the Delphi technique "strives to get the players to feel free to give their best inputs by submitting them anonymously, frankly and unfettered by face-to-face meetings" [Cornell, 1980]. As departmental views are documented through the questionnaire process, they become the basis for a consensus solution. "Perhaps it does take more time and effort than a committee or panel, but it has worked in areas when anonymity plus expertise, and the absence of one expert imposing his will on others are appropriate" [Cornell, 1980]. However, many commands may not wish to employ Delphi, at least in a formal sense, believing that department heads have a "good feel" for department goals as related to the command as a whole. It is the process of relating department goals to command goals that is important. Delphi is just one excellent technique for accomplishing this process.

Some commands may wish to employ such a questionnaire process with more or less mission impairment categories. For example, a command might wish to use six vice five categories, splitting CODE 05 in the example above to two categories of slight impairment to OPS and Support missions. Examples for any category will, of course, be unique to each command.

In the discussion of command goals and objectives in Chapter II, the clarity of goals and objectives at the

field level was suggested as a major focal point of the hierarchical goal setting process. In the authors' opinions, the Mission Definition Questionnaire, employed using the Delphi technique of consensus building, has considerable merit for field activities that desire to achieve Secretary Carlucci's entreaty to "be more aggressive and imaginative in saving money by eliminating major overlaps or duplications and assigning priorities to all programs." Each department head thus has an opportunity, indeed a duty, to air his or her funding requirements in a command-wide process of justification, analysis, discussion and review.

Using these departmental (questionnaire) inputs, the command RAB should find itself with an enhanced ability to eliminate funding overlap within command-wide programs and assign funding priorities in an informal and logical manner. The proposed Mission Definition Questionnaire gets at the essence of participative management by providing accountable managers with a means of relating and committing themselves to command-wide prioritization of goals and objectives, a situation Donnelly found lacking at 50% of the commands he surveyed.

## F. BENCHMARK PRIORITY: SUPPORT RATHER THAN REPLACE MANAGERS

### 1. Model Description

The model builds upon the results of the previous section to develop a benchmark priority for requirements emerging in the budget execution cycle. An overivew of this

final phase of the model is presented in the RAB Chairman's memorandum illustrated on the following pages.

FROM: RAB Chairman

TO : RAB Members

SUBJ: Benchmark Priority

ENCL: (1) Benchmark Priority Questionnaire NR 1

1. Your efforts in the previous series of questionnaires have yielded examples of departmental requirements classified in one of five Command Mission categories. Since the examples are representative of typical departmental requirements it is desired that based upon them, future requirements may be more easily classified as to their effect upon the Command's mission. This in itself should enhance our (the RAB's) ability to prioritize emerging requirements.

To further enhance the prioritization process, it is necessary to consider each requirement's estimated cost; for this estimated cost represents the sacrifice of NOT funding other important command requirements.

This final series of questionnaires is designed to quantify the importance of the five mission impairment categories and relate the result to cost.

2. Specifically, this series of questionnaires is designed to derive an Effectiveness Preference Index (EPI) which quantifies how MUCH more important one mission category is compared to another. When any requirement is classified in a mission category, it can then be associated with a specific EPI. Dividing this EPI by cost yields a number which will be LARGER if impairment to command mission is GREATER and cost to our limited O&MN funds is SMALLER. We can thus tend toward maximizing mission effectiveness per dollar by increasing funding probability for those requirements that have a higher EPI/cost. EPI divided by cost then becomes a benchmark priority for every emergent requirement of the command. I emphasize "BENCHMARK" since it is meant to be a departure point for further RAB discussion, analysis, and decision. It is not a firm priority but one that forces us (the RAB) to focus upon benefits and costs when prioritizing alternatives.

3. Using the examples we have classified in previous questionnaires and the now familiar Delphi technique, fill out enclosure (1) and return to me by _____.

EXECUTIVE OFFICER

BENCHMARK PRIORITY QUESTIONNAIRE NR 1

Goals and objectives were developed by defining mission categories and examples such as:

CODE 01: Severe Impairment to Operational Mission (OPS)

Examples: Loss of Communications (COMMS) at a COMMS Base. "One of a kind" TAD operator training for essential comms gear. Electronic repair parts for mission essential repair. Failure to obtain either will result in loss of primary mission.

CODE 02: Severe Impairment to Support Mission

Examples: Loss of only forklift to Transport Material. Fuel oil to heat admin spaces--civil service strike likely if not funded. Repair galley dishwasher--if not repaired, sanitation degradation and galley closure likely to result; no other dining facilities are accessible at this remote activity.

CODE 03: Moderate Impairment to OPS Mission

Examples: Degraded but adequate COMMS output. Communication teletypewriter repair--impact: degraded and barely legible comms output. Purchase of Printed Circuit Board (PCB) storage cabinet--deterioration of expensive PCB's could result--currently stowed in marginally adequate storage.

CODE 04: Moderate Impairment to Support Mission

Examples: Calculator replacement for marginal ones in Fiscal Division. Repair base walkie talkie used by base security department. Overtime by station police necessary to maintain adequate security level.

CODE 05: Slight Impairment to OPS or Support Mission

Examples: NAF (Recreation Dept) Skeet thrower. Procure movie projector to enhance operational training. Procure organ for base chapel--current gives poor quality sound. Repair hot water supply for base laundry used by dependents.

Split 100 points among the 5 categories defined above. For example if you feel that CODE 01 is MUCH more important than CODE 02, rate the code as follows:

CODE 01:99 and CODE 02:1 = 100.

SPLIT 100 POINTS HERE

| | | | |
|---|---|---|---|
| CODE 01 | + | CODE 02 | = 100 |
| CODE 02 | + | CODE 03 | = 100 |
| CODE 03 | + | CODE 04 | = 100 |
| CODE 04 | + | CODE 05 | = 100 |

CHAIRMAN RAB

Evaluating the responses entails first taking the median of all responses. For example, assume 12 RAB members split 100 points between the various categories in accordance with the questionnaire instructions. Thus there will be 12 numerical responses for each of the four comparisons (i.e. Code 01 to 02, 02 to 03, 03 to 04 and 04 to 05). Rounding each numerical response to the nearest five (e.g., 84 rounded = 85) allows the construction of a frequency distribution and the computation of the median for each of the four comparisons. The table below illustrates the process.[3]

| MEDIAN | SCORE > | 50 | 55 | 60 | 65 | 70 | 75 | 80 | 85 | 90 | 95 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| V | CODE COMPARISON | | | | | | | | | | | |
| 80 | CODE 01:02 | 1 | 1 | 3 | | | | 4 | 2 | | 1 | 12 |
| 70 | CODE 02:03 | 2 | 1 | 2 | | 4 | 2 | 1 | | | | 12 |
| 60 | CODE 03:04 | 2 | | 6 | | 2 | 1 | | 1 | | | 12 |
| 65 | CODE 04:05 | 2 | | 4 | 1 | 3 | | 2 | | | | 12 |

The next questionnaire promulgates this new information to all members of the RAB who are asked to reconsider their ratings and explain the reasons for any ratings at the extreme. An example of this questionnaire is shown on the next page.

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[3]Scores shown are based upon actual test results when the questionnaire was administered to various students and professors at the Naval Postgraduate School.

FROM: RAB Chairman

TO : RAB Member

SUBJ: Benchmark Priority Questionnaire NR 2

ENCL: (1) Benchmark Priority Questionnaire NR 1 with Median Score Annotated[4]

1. Enclosure (1) is returned with the median scores annotated next to the score you assigned for each of the five mission impairment codes. If the score you assigned differs by more than 10 (+ or -) from the median, explain the reason for your variance. Your explanation will be promulgated to RAB members who will be asked to reconsider their scores based on your explanation. You may also adjust your score after reconsidering.

EXECUTIVE OFFICER

Given these instructions, the frequency distribution previously presented, and assuming those respondents at the extremes do not adjust their ratings, the number of explanations for rating higher or lower than the median would be as follows:

| CODE COMPARISON | MEDIAN SCORE | NUMBER OF EXPLANATIONS JUSTIFYING HIGHER THAN MEDIAN + 10 SCORES | NUMBER OF EXPLANATIONS JUSTIFYING LOWER THAN MEDIAN - 10 SCORES |
|---|---|---|---|
| CODE 01:02 | 80 | 1 | 5 |
| CODE 02:03 | 70 | 0 | 3 |
| CODE 03:04 | 60 | 2 | 2 |
| CODE 04:05 | 65 | 2 | 2 |
| TOTAL | | 5 | 12 |

[4]For the thesis reader, ENCL (1) is not shown again. Median scores would be annotated on the enclosure in any convenient manner.

These 17 explanations are collated, edited, and promulgated to each RAB member who is again asked to adjust his or her rating based on the new information. In accordance with Delphi procedures, the process continues until the prospect for further consensus appears negligible.

Assuming the final median score does not vary from the original frequency distribution even after repeated questionnaires,[5] a ratio scale among mission categories is computed as follows:

| | | EPI | |
|---|---|---|---|
| CODE 01:02 | 80/20 = 4.0 | 26.0 | (4.0 × 6.5) |
| CODE 02:03 | 70/30 = 2.3 | 6.5 | (2.3 × 2.8) |
| CODE 03:04 | 60/40 = 1.5 | 2.8 | (1.5 × 1.9) |
| CODE 04:05 | 65/35 = 1.9 | 1.9 | |

The right hand value is termed the EPI and represents a scale that rates each mission impairment category as compared to code 05 (Slight Impairment).

Thus, when a requirement is classified within a particular mission impairment category, it is equated to an EPI which is then divided by cost to yield a benchmark priority. For example, assume requirements, having the attributes described below, emerge during the budget execution year:

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[5]Empirical evidence with Delphi indicates that respondents' ratings will converge after repeated issuances of the questionnaire. See Quade, pages 192-196.

| ID NR | DESCRIPTION | MISSION IMPAIRMENT CODE | EPI | $K COST | EPI/ COST | BENCH PRI |
|---|---|---|---|---|---|---|
| 1 | Medical Supplies | 02 | 6.5 | 2 | 3.25 | 1 |
| 2 | Electronic parts | 01 | 26.0 | 21 | 1.2 | 2 |
| 3 | Electronic parts/test equip | 03 | 2.8 | 20 | .14 | 5 |
| 4 | Comms Teletypewriters | 03 | 2.8 | 10 | .30 | 3 |
| 5 | Repair OPS Bldg roof | 04 | 1.9 | 20 | .10 | 7 |
| 6 | Panel OPS office | 05 | 1 | 5 | .20 | 4 |
| 7 | Recreation skeet thrower | 05 | 1 | 8 | .13 | 6 |

Those requirements with the highest EPI/cost are prioritized higher and therefore have a greater probability of being funded. It should be noted that those requirements with the highest EPI do not necessarily yield the highest benchmark priority. For example, I.D. NR 1, Medical Supplies, has an EPI of 6.5 and is prioritized ahead of I.D. NR 2, Electronic parts, which has an EPI of 26.0. The reason for this is the relatively low cost of the medical supplies as compared to the cost of electronic repair parts. Similarly I.D. NR 5, Repair OPS BLDG Roof, has "greater mission impairment" than either I.D. NRS 6 or 7, but is prioritized lower due to its relatively high cost.

Finally, the fact that the benchmark priority is only a BENCHMARK is emphasized by recalling the excerpt from the prioritization questionnaire previously presented:

I emphasize "BENCHMARK" since it is meant to be a departure point for further RAB discussion, analysis, and decision. It is not a firm priority but one that forces us (the RAB) to focus upon benefits and costs when prioritizing alternatives.

The electronic repair parts are initially submitted as a CODE 01 Severe Impairment to Operational Mission on julian date 8001 (JAN 1980). Following the CO's review, however, the requirement is revised as CODE 03 Moderate Impairment to Operational Mission. Thus, the resubmission on 8012 results in a new EPI of 2.8 which, despite a revised lowered cost, generates a new benchmark priority of pri 05. Similarly, I.D. NRs 5, Repair Roof, and 6, Panel Office, have been revised based on management judgments that differ from the BENCHMARK priority. A historical record of these actions is available as shown in the excerpt from the prioritization instruction.

| ID | JON | OH | Description of Requirement | DATE | IMP | EPI | $ | BENCH PRI | LPN | O C |
|---|---|---|---|---|---|---|---|---|---|---|
| 2 | 201T4 | 20 | Electronic spare parts | 8001 | 1 | 26 | 21,000 | 2 | | 0 |
| CO quest code 1 for secondary mission | | | | 8006 | 1 | 26 | 21,000 | 2 | | 0 |
| PWO resubmits as CODE 03, lowers price | | | | 8012 | 3 | 2.8 | 15,000 | 5 | | 0 |
| RAB concurs with Benchmark Pri | | | | 8015 | 3 | 2.8 | 15,000 | 5 | 5 | 0 |
| Major claimant partially funds | | | | 8030 | 3 | 2.8 | 5,000 | 6 | 6 | 0 |
| PWO discovers remaining DEF is CSE | | | | 8050 | | | | | | 0 |
| PWO resubmits as OPN items | | | | 8050 | | | | | | C |

| ID | JON | OH | Description of Requirement | DATE | IMP | EPI | $ | BENCH PRI | LPN | O C |
|---|---|---|---|---|---|---|---|---|---|---|
| 5 | 401Q1 | 40 | Repair OPS Bldg Roof | 8001 | 4 | 19 | 20,000 | 7 | | 0 |
| RAB concurs with Benchmark Pri | | | | 8015 | 4 | 19 | 20,000 | 7 | 7 | 0 |
| PWO reports Bldg leaks, raises impact | | | | 8040 | 2 | 65 | 25,000 | 2 | 7 | 0 |
| CO deems urgent funds immediately | | | | 8041 | 2 | 65 | 25,000 | 2 | 1 | C |

| ID | JON | OH | Description of Requirement | DATE | IMP | EPI | $ | BENCH PRI | LPN | O C |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 301Q1 | 30 | Panel OPS office | 8001 | 5 | 1 | 5,000 | 4 | | 0 |
| RAB decides benefits too few, lowers pri | | | | 8015 | 5 | 1 | 5,000 | 4 | 6 | 0 |

2. Variations and Perceived Benefits

There are a wide variety of methods that could have been adopted within this final phase of the model designed to support managers in prioritizing alternatives. As pointed out by LCDR R.L. Rachor in his December 1980 thesis, these methods range from simple voting to sophisticated matrix analyses where factors associated with the alternatives are assigned weights.[6] Supporting his thesis with numerous authoritative sources, Rachor also points out that none of the methods offer a firm result that is not subject to a certain degree of analytical criticism. For that matter, the technique used in this model of dividing an EPI by costs is not exempt from this criticism. As applied to USN budget execution, the technique must deal with a number of complicating factors including:

1. Lack of time and resources to conduct the analysis.
2. Multiple objectives and missions rather than a single objective for the command.
3. A complex decision making environment not characterized by rationality alone. Organizational and political factors dramatically affect the process.[7]

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[6]Rachor's thesis deals with the prioritization and choices associated with competing capital alternatives in cities. Although seemingly unrelated to USN O&MN budget execution, the thesis offers a succinct description of various analytical methods to choose among competing alternatives in a complex environment.

[7]The rational, organizational, and political models of decision making were briefly described in Chapter II. An excellent source that describes the models as they relate to budgeting is a series of articles entitled "The Use of Models for Analyzing the Budget Decision Making Process." See McNallen in the bibliography.

4. An inability to accurately estimate true costs and benefits for competing alternatives.

Following a review of the methods offered in Rachor and others, the technique presented in this model was adopted. The authors believe it holds the most promise for overcoming the aforementioned difficulties as they apply to the budget execution environment for three reasons.

First, once the task of specifying example requirements to the five mission impairment codes has been accomplished, it need not be repeated until the mission changes. With representative examples, the derivation of a reasonable BENCHMARK priority for any new requirement is quickly calculated (EPI/cost).

Second, the multiple objectives of the command have been simplified and related to the operational and support missions of the command.

Third, the process considers the organizational and political aspects of the decision making process by recognizing key individuals' preferences. These preferences are given direction by focusing upon the severity of impairment to the command's missions. Finally, the "common denominator" in the EPI/cost technique is the cost of the requirement. Quantification of the costs is amenable to widely accepted present value methods for estimating a future stream of costs as will be shown.

Reviewing some of the variations which were rejected before adopting the EPI/cost technique and others which might prove of some use to the field will better serve to illustrate

the perceived benefits of the model. Variations briefly discussed in the following paragraphs include:

1. One Dimensional prioritizing
2. Measuring Effectiveness by constant sum scaling
3. Incorporating present value analysis in the EPI/cost technique
4. Using Delphi in varied ways
5. Using EPI/cost in a computer based decision support system

The first variation termed one dimensional prioritizing was part of prioritization process from which the EPI/cost technique was developed. It is mentioned by Rachor [Rachor, page 93] and was suggested as a "better way" to accomplish the prioritization process by two of 24 respondents surveyed at NPS.

It should be mentioned at the outset that the authors emphatically reject this method as a means of prioritizing. As applied to the model in this thesis, the method calls for ranking solely on the basis of EPI, ignoring cost. The rationale is that importance to mission is the only relevant criterion and that available funds should be allocated to only the most important requirements. The contra argument is that the method totally ignores the tradeoff between costs and impairment to mission. Using this method, requirements with relatively less impairment to mission may never be funded even if their cost is minimal. The method foregoes the benefits a command might stand to gain by funding many low cost,

slight impairment requirements instead of a few high cost, medium impairment requirements. The method is not recommended as an improved variation of the model.

Another method not recommended as a variation involves the source from which the EPI was derived. The method was originally included in the basic model but was rejected due to its complexity and the authors' inability to justify any additional benefits from implementing the process. It is termed constant sum scaling.

The method was presented in former NPS student H.B. Kim's 1979 thesis. Instead of asking respondents to rate only four pairs of mission impairment codes as was suggested in this thesis, Kim's method would require that respondents rate all possible pair combinations. For example, CODE 01 would be rated against CODES 02, 03, 04, and 05 and not just CODE 02 as in this study. Kim's method would thus require respondents to rate 10 pairs of mission impairment codes with the general formula being: $Q = N(N-1)/2$ where N = number of instances to be rated and Q = the number of questions required to determine the rating.[8]

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[8]Kim's thesis focused on deriving measures of effectiveness (MOE) for six tanks. He thus required 15 pair ratings. He also requested respondents to rate six characteristics of tanks. Relating tank characteristics to the MOE's of the tanks themselves by multiple regression, he concludes his thesis by suggesting that the effectiveness of any tank might be assessed if characteristics of the tank are known. Applying the full range of Kim's method to this thesis would require an additional questionnaire that seeks respondents' rating of factors affecting the MOE of a requirement, e.g., severity of impairment, type mission, cost, etc.

Indeed, Kim found that the same respondent did not necessarily directly rate a CODE 01 to a CODE 03 in the same ratio as that derived from the individual's rating of CODE 01 to CODE 02 and CODE 02 to CODE 03. This "inconsistency" was replicated by the authors in a study designed to derive an accurate EPI here at NPS. Computer programs developed in the study allowed EPI derivation with only slightly extra time expense than that required for the simpler method used in this thesis.[9]

Nevertheless, the method was abandoned when it was discovered that respondents began to focus upon the integral calculus underlying the method instead of the desired focus upon command mission and cost. A simple linear relationship such as that presented in the model in this thesis appears to emphasize the desired focus.

A third variation of the EPI/cost technique offers a way to incorporate traditional cost/benefit analysis to rank alternatives. Applying the method to the model entails adding future stream of costs (or subtracting cost savings) to the denominator of the EPI/cost algorithm. Adding a future stream of costs (e.g., maintenance costs) in this manner has the effect of decreasing EPI/cost, lowering the benchmark priority, and decreasing the probability of a requirement being funded. The converse of subtracting cost

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[9]Processing the questionnaires for ten respondents on programs developed on the TI-59 programmable computer allowed EPI derivation in about 30 minutes for Kim's method as opposed to 15 minutes for the simpler method.

savings has the opposite effect. In fact, EPI/cost becomes negative if future savings exceed the initial outlay. This means that the requirement will "pay for itself" at some point in the future. This represents a strong argument for enhancing the funding probability of the requirement.

This variation of the technique can yield substantial benefits to the command, in that if "true" costs can be identified, the benchmark priority becomes more realistic. There are three caveats that must be considered when implementing this variation.

The first is the danger of double counting benefits. If the non-monetary benefits resulting from a proposed requirement are translated to dollar amounts and then subtracted from costs in the EPI/cost equation, the benchmark priority will be overstated. The reason for this is that the EPI already measures a requirement's benefits (via avoidance of severity of impairment to command mission) in non-monetary terms. To "count" the benefits again in monetary terms by subtracting them from costs is "double counting."

Indeed, if ALL benefits and costs could be measured in dollars, there would be little need for an EPI. The net present value of each requirement would be known and could be used to maximize net benefits. Rationing requirements might impose problems due to limited funding availability but these problems would be much less severe than those encountered in the DOD environment where benefits are difficult if not impossible to measure. This real world problem has

led Aaron Wildavsky to label present value analysis when used alone as an "impassable thicket." Use of the EPI with present value analysis might clear some of that thicket. Certainly use of the EPI entails far less analysis time than that required to measure all benefits in monetary terms.

A second caveat applicable to the present value variation is that of the time period involved. When a department head classifies a requirement in one of the five mission impairment categories, it is assumed he or she is making that assessment based upon an impression of the requirement's effect upon the command mission in the forseeable future, i.e., within a budget cycle of approximately two years in length. Since no time period was specified in any of the questionnaires from which the EPI was developed, it appears plausible that the assumption of "foreseeable future" is realistic in terms of the dynamic nature of the annual federal budgets of recent years and the DOD/DON component programs. Given this assumption, it follows that any future stream of costs (or savings) should not be projected and included in the EPI model if significant uncertainty is involved. As a general guideline, future projections at the operational level should probably be kept to about two years as a realistic "forseeable" operational future in terms of costs. This corresponds to the budgetary apportionment and estimate projections required annually for NAVY shore commands.

The third and final caveat applicable to the present value variation of the model concerns the discount rate.

Specifically, a stream of costs and savings in the future must be discounted to account for inflation and lost opportunities (e.g., interest rates). The DOD Economic Analysis Handbook specifies 10% as a suitable rate of discount [DOD Economic Analysis Handbook, DOD Instruction 7041.3, undated].

Three variations of the EPI technique have been discussed in this section: one dimensional prioritizing, constant sum scaling, and cost/benefit present value analysis. The fourth and final variation consists of various suggestions which utilize Delphi.

The first use of Delphi entails identifying those individuals whose responses to the EPI questionnaire yield a ranking of unfunded requirements that varies the most from that derived by the benchmark priority. This can be accomplished by deriving a coefficient of correlation for each respondent using a technique known as Spearman's correlation.[10] Once the coefficient has been derived, those individuals who disagree most strongly as to the overall ranking can be queried as to why they differ. Promulgating their reasons to all RAB members and asking all to provide their ranking based on the new information generates a new set of coefficients which can be used in subsequent Delphi iterations. Such

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[10] Spearman's correlation is determined by the equation, $R = 1-(6\Sigma d^2)/(n)(n^2-1)$ where R = the coefficient of rank correlation; d = the difference between the two rankings and n = the number of items to be ranked. The closer to 1 that R is determined, the more significant the correlation. See Speigel, Probability and Statistics (1976) in the bibliography.

a process might be used in lieu of a formal RAB meeting. Another way to use Delphi is to identify those RAB members whose EPI responses indicate they would prioritize selected requirements (e.g., those most expensive or controversial), the highest and the lowest. Thus, there are two RAB members who have the greatest variation in opinions regarding the ranking of a selected requirement. Reasons for their disagreement can be used to generate a series of Delphi questionnaires to derive a revised and presumably more accurate ranking for selected items.

The fifth and final variation of the EPI/cost technique presented in this thesis involves the use of a computer as a decision support system (DSS). This variation of the technique is designed to enable managers to quickly ascertain the effect on the benchmark priority if cost and mission impairment parameters are varied. Also included in the DSS is a provision for managers to review the command's budget execution philosophy. All output is available to the manager via the terminal or hard copy. A sample session which includes the actual FORTRAN program used to implement the DSS on the NPS IBM 3033 is included in Appendix B of this chapter.

The authors contend that there are many other variations of the model, either using a computer or manual methods. The essential point is that the method can be used in a variety of ways in conjunction with the EPI technique of the model. The intent is to provide a workable method that will support managers in performing budget execution. Recalling

the results of Donnelly's survey, it appears that about 33% of all commands have not been given such support in the past.

## G. MODEL OVERVIEW AND SUMMARY

The model described in this chapter has been designed to include various techniques that the authors feel will encourage the use of five "critical few" concepts. This methodology was illustrated in Exhibit IV-1 and is shown again in Exhibit IV-9 to summarize and conclude this chapter.

The techniques in the model may be varied considerably as was described within each section of this chapter. Indeed, the primary purpose of "testing" the model at NPS was to refine and generalize the techniques so that they would be useful at a variety of USN field activities.

The next chapter tests the usefulness of the techniques and the acceptability of the concepts they are designed to encourage at five actual USN activities. The test is not only more realistic in terms of actual command budget execution operations but also, broader in approach than that available from tests in the academic environment.

RESOURCE ALLOCATION BOARD (RAB) ----->PARTICIPATIVE MANAGEMENT

A board consisting of all KEY personnel, usually department heads. All have a voice in the budget execution process. Authority and responsibility for the RAB are delineated in written directive signed by the Commanding Officer

Concept that includes varied opinion and agreement between supervisors and subordinates on guidelines for achieving objectives. Commitment to those objectives is thus enhanced.

VARIANCE EXPLANATION FORM ---------->ACCOUNTABILITY FOR VARIANCES

A one page form sent to line manager with monthly fund status report. Standard choices are provided to facilitate line manager and comptroller explanations of variances from the budget plan. Managers are evaluated (based on explanations) and/or plan is revised.

Concept that includes managerial accountability for items under his control. Explanation for variances leads to reward or other appropriate action.

PRIORITIZATION INSTRUCTION -------->CONTINUAL EVALUATION

Requirements are identified by unique sequential number so that a historical record of past management decisions may be easily accessed to facilitate current/future decision-making. RAB continually updates priorities.

Concept that includes review of plans and programs for possible revision in response to changing conditions.

MISSION EFFECTIVENESS ---------->GOALS/OBJECTIVES

Questionnaires

Series of Delphi questionnaires filled out by all RAB members requiring representative departmental requirements to be categorized in one of 5 command mission impairment categories.

Those "end states" to which organizational activities should strive. For effective attainment, goals of suborganization should be compatible with those of the larger superior organization. This is goal congruence.

BENCHMARK PRIORITY ---------->SUPPORT RATHER THAN REPLACE MANAGERS

A priority designed to serve as a departure point for further RAB discussion and possible adjustment based on management action. It is derived from EPI/Cost so that requirements which tend to affect command mission more and cost less are prioritized higher.

Concept that states any decision support system (DSS) should offer focus and suggestions to management. The DSS should not offer unquestionable decisions especially in semi-structured activities such as budgeting.

EXHIBIT IV-9

MODEL OVERVIEW

CHAPTER APPENDIX A

PRIORITIZATION INSTRUCTION
U.S. NAVAL STATION JOHN PAUL JONES

NSINST 7100 Series

U.S. NAVAL STATION INSTRUCTION 7100

FROM: Commanding Officer

SUBJ: Prioritization of O&MN (Operations and Maintenance NAVY) Unfunded Requirements

REF: (A) Resource Allocation Board (RAB) Establishment

ENCL: (1) Format for Documenting Historical Prioritization Decisions

1. Discussion

During the annual budget call each operating target (OPTAR) holder is given the opportunity to identify any requirement which cannot be accommodated within assigned funding limitations. Limited resources mandate that only the most important mission requirements be allocated funds. For this reason and in recognition of the fact that requirements will vary in importance during the fiscal year, unfunded requirements will be continually prioritized.

Reference (A) assigns the RAB responsibility for maintaining an up to date command-wide priority list. The RAB can efficiently accomplish this update process by referring to the current priority list and historical records of its past prioritization decisions. This instruction fulfills the primary prupose of assisting the RAB to efficiently carry out its prioritizing responsibility.

2. Purposes of the Instruction

a. To provide a historical framework which will assist the RAB in continually evaluating the priority list of unfunded requirements at this command.

b. To document the format and priority order by which unfunded requirements will be satisfied via local reallocation of funds. This documentation will thus provide a summary of major fund movements to higher authority.

c. To document the format and priority order by which unfunded requirements will be presented for augmentation requests to higher authority.

d. To provide a means whereby OPTAR Holders at this command may submit unfunded O&MN requirements (deficiencies) over $500 for funding consideration. Deficiencies under $500 are not covered by this instruction and should be submitted by memorandum request to the Executive Officer via the Comptroller.

3. Procedures

OPTAR holders may initiate requests for additional funding at any time during the fiscal year. OPTAR Holder will submit requests to the Commanding Officer via the comptroller in the format required by enclosure (1). The Public Works Officer will be included as a first via addressee on all facilities repair and construction requirements. Accounting information and justification should be concise yet thorough enough to facilitate the Commanding Officer's review. Following review, the Commanding Officer will direct one of several actions to include:

A. Immediate funding from locally available funds if the requirement is extremely urgent.

B. Assignment of a specific priority number for future funding consideration

C. Resubmission by OPTAR Holder with additional information or stronger justification.

D. Prioritization by the RAB. Results of the Commanding Officer's review will be documented and related to the unfunded requirement by assignment of a unique sequential number which will always serve to identify the requirement.

Any subsequent management action that changes the relative prioritization or cost of that requirement, including reasons for the change, will also be documented. A historical framework of decisions will thus be available for the RAB to update the command's priority list of unfunded requirements. OPTAR holders are strongly encouraged to review specific formats and examples of the historical record of unfunded requirements shown in enclosure (1).

4. Action

A. The Resource Allocation Board shall: (1) Utilize the historical record provided in enclosure (1) to fulfill its prioritizing responsibility defined in reference (A).

(2) Review this instruction and recommend appropriate changes at least annually.

B. OPTAR Holders shall:

(1) Submit all requests for additional O&MN funds in accordance with this instruction, specifically enclosure (1).

(2) Maintain at least one unfunded requirement for funding consideration at all times. This requirement is designed to ensure that OPTAR Holders are striving to improve operations at all times. It also gives an indication as to how restricted current funding levels are for specific OPTAR Holders at a given point in time. Requirements submitted in accordance with this instruction should be of lesser importance than those included in assigned OPTARs.

(3) Update all data related to unfunded requirements under their responsibility.

(4) Review the history of how and why unfunded requirements are prioritized and completed. Such a review can aid and enhance the justification process for fund requests. Examples provided in enclosure (1) should be thoroughly reviewed.

C. The Comptroller shall:

(1) Act as technical advisor for explaining the contents of this instruction.

(2) Coordinate with and assist all OPTAR holders in complying with this instruction, especially the proper submission of enclosure (1).

(3) Produce all required priority listings and historical records cited in this instruction. Updated information will be included in the record as it is received from OPTAR Holders.

D. The Public Works Officer shall:

(1) Provide cost estimates for facilities construction and repair requirements.

(2) Provide technical advice to all OPTAR Holders submitting facilities and repair project requirements under the purview of this instruction.

D. The Executive Officer shall assume overall responsibility and authority for proper implementation of this instruction.

Commanding Officer

# ENCLOSURE (1)

Format For Documenting Historical Prioritization Decisions

The Comptroller is primarily responsible for producing the form described herein for each unfunded requirement. OPTAR Holders are responsible for providing information to update the fields contained in the record layout. The form is designed to be used as a decision support system and is most useful when entries are self explanatory. Suggestions for improving format should be submitted to the Executive Officer in the capacity of RAB Chairman via the Comptroller.

The format for documenting each unfunded requirement is as follows:

Line 1---Headings describing each field of characters associated with the requirement.

Line 2---Specific Data Entries associated with the heading immediately above the data.

Line 3 and all subsequent lines---Specific data entries which have changed due to management input. Fields left blank will be allocated for remarks indicating why data entries have been changed.

Last line---blank---to allow visual separation for documenting historical data regarding other unfunded requirements.

A description of the fields in each line and the spaces allocated to each field is as follows:

| Heading Title Line 1 | DATA COLUMNS | Data Contents |
|---|---|---|
| ID | 1-4 | Identification number of the unfunded requirement. A unique sequential number for each, e.g. 1, 2, 3, 4, 5, 6, etc. This data and all other entries to column 50 are not expected to change, columns 1-50 are thus utilized for terse remarks explaining management action in all lines after line 2. |
| b | 5 | Blank for visual separation |
| JON | 6-12 | JOB ORDER NUMBER. Additional JON's or changes will be cited in line 3. |
| b | 13 | Blank |
| OH | 14-17 | OPTAR HOLDER E.G. 20, code for electronic maintenance optar holder. |

| | | |
|---|---|---|
| b | 18 | Blank |
| Description of Requirement | 19-40 | For example, "Electronic spare parts" |
| b | 41 | Blank |
| Date | 42-45 | Julian date associated with the management action. e.g. Jan 1, 1980 = 8001 |
| b | 46-49 | Blank (Additional blanks allocated to center Heading "Impact") |
| Impact | 50 | One digit code from 1 to 5 associated with severity of impairment to mission. Codes are: |

CODE 01: Severe Impairment to OPS Mission
CODE 02: Severe Impairment to Support Mission
CODE 03: Moderate Impairment to OPS Mission
CODE 04: Moderate Impairment to Support Mission
CODE 05: Slight Impairment to OPS or Support Mission

| | | |
|---|---|---|
| b | 51-52 | Blank |
| EPI | 53-55 | Effective Preference Index. An index that gives the ratio of how much Dept Heads favor cited impact code to CODE 05. |
| b | 56 | Blank |
| $ | 57-61 | Dollar cost of the requirement rounded to nearest $100. |
| b | 62 | Blank |
| BENCH PRI | 63-65 | BENCHMARK priority based on the EPI/COST fraction. |
| b | 66 | Blank |
| LPN | 67-79 | Local priority number of the requirement as determined by CO or RAB. |
| O or C | 70 | Outstanding or Completed |

The data entries are designed to lend themselves to various sorts including: Outstanding or Completed Unfunded Requirements by

A. Job Order
B. Optar Holder
C. Dollar Value
D. Priority Order
E. Age of requirement
F. Any other entry included in the data fields cited above.

Examples of the format with sequential ID numbers are shown below.

| ID | JON | OH | Description of Requirement | DATE | IMP | EPI | $ | BENCH PRI | LPN | O C |
|---|---|---|---|---|---|---|---|---|---|---|
| 2 | 20178 | 20 | Electronic spare parts | 8001 | 1 | 26 | 21,000 | 2 | | C |
| CO quest code 1 for secondary mission | | | | 8006 | 1 | 26 | 21,000 | 2 | | C |
| PMO resubmits as CODE 03, lowers price | | | | 8012 | 3 | 2.8 | 15,000 | 5 | | C |
| RAB concurs with Benchmark Pri | | | | 8015 | 3 | 2.8 | 15,000 | 5 | 5 | C |
| Major claimant partially funds | | | | 8030 | 3 | 2.8 | 5,000 | 6 | 6 | C |
| PMO discovers remaining DEF is CSE | | | | 8050 | | | | | | C |
| PMO resubmits as OPN items | | | | 8050 | | | | | | C |

| ID | JON | OH | Description of Requirement | DATE | IMP | EPI | $ | BENCH PRI | LPN | O C |
|---|---|---|---|---|---|---|---|---|---|---|
| 5 | 40101 | 40 | Repair OPS Bldg roof | 8001 | 4 | 1.9 | 20,000 | 7 | | C |
| RAB concurs with Benchmark Pri | | | | 8015 | 4 | 1.9 | 20,000 | 7 | 7 | C |
| PWO reports Bldg leaks, raises impact | | | | 8040 | 2 | 6.5 | 25,000 | 2 | 7 | C |
| CO deems urgent funds immediately | | | | 8041 | 2 | 6.5 | 25,000 | 2 | 1 | C |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 30101 30 | Panel OPS office | 8001 | 5 | 1 | 5,000 | 4 | | 0 |
| RAB decides benefits too few, lowers pri | | | 8015 | 5 | 1 | 5,000 | 4 | 6 | 0 |

# CHAPTER APPENDIX B

## SAMPLE COMPUTER SESSION USING THE MODEL

```
dss1
DMSLIO740I EXECUTION BEGINS...

 WELCOME to the Decision Support System for prioritizing
unfunded requirements.The program is designed to assist you
in effectively carrying out your budget execution
responsibilities for Operation and Maintenance Navy (O&MN)
funds.A full description of this command's budget execution
philosophy is available within the program as well a method
for assessing the probable priority of any requirement for
which you require additional funds.
Would you like to review the policies and budget execution
PROCEDURES USED BY THIS COMMAND?  (YES/NO)

yes



 Enter the number corresponding tc the information you
desire.
    1. Description of the Program you are accessing.
    2. General description of the Budget Execution Philosophy
at this command.
    3. The Resource Allocation Board: Participative
Management
    4. Variance Explanation Form: Accountability for
Variances
    5. Prioritization Instruction: Continual Evaluation
    6. Command Mission Questionnaire: Goals and Objectives
    7. Benchmark Priority: Support Rather Than Replace Managers
    8. The Program Steps

1



        A DECISION SUPPORT SYSTEM FOR PRIORITIZING
     UNFUNDED REQUIREMENTS IN THE NAVY'S OPERATING BUDGET


                        By LCDR J. L. FARHAN, US NAVY
                                    AND
                        LT E.E.BRESANI, PERUVIAN NAVY
                        September 1981


                          INTRODUCTION/PROBLEM

        A fundamental problem in DOD budgeting is that
of prioritizing funding alternatives. Frequently this
task is accomplished via consensus among key managers in a
committee or board.The problem that arises is that
managers tend to favor requirements emerging within
their particular department, regardless of the effect
upon command mission. The most eloquent manager may
gain priorities for his requirements that are not in
the command's best interests.(1)

    Boards responsible for ranking funding alternatives
often use a method termed "one dimensional prioritizing
".(2) This method calls for the ranking of alternatives

--------------------

(1) This occurrence is well documented for Navy field
activities in LCDR W. J. Donnelly's thesis , OMN
BUDGET EXECUTION AT NAVY FIELD ACTIVITIES,NPS DEC 1980.
```

solely on the basis of impact to mission ,without regard to cost.The rationale is that importance to mission is the only relevant criterion and that available funds should be allocated to only the most important requirements. The contra argument is that the method totally ignores the tradeoff between costs and impairment to mission. Using the method, requirements with relatively less impairment to mission may never be funded even if their cost is minimal. The method foregoes the benefits a command might stand to gain by funding many low cost slight impairment requirements instead of a few high cost medium impairment requirements.

PURPOSE

Given a few heuristics,it is believed that the man machine team can be used to mitigate the disadvantages of ranking by a democratic board. If so the computer can be used to encourage a policy prescribed by Deputy Secretary of Defense Carlucci in a June 1980 memorandum. "all those that have a legitimate interest in the outcome of a management decision should participate in the decision " and that "there are many different internal points of view on major issues and legitimately so. We want to assure that those positions are fully articulated at the appropriate level. We also encourage dissent."(Carlucci)

---

The purpose of this paper is to present an interactive computer program that adheres to Secretary Carlucci's guidance and helps to avoid the disadvantages previously mentioned. The program is designed to encourage managers to focus upon COMMAND MISSION and COST of a requirement when they submit justification for fund augments during the budget execution cycle.The program accomplishes this by first allowing managers to 'browse' the command's rationale for prioritizing requirements,if they desire.'Hardcopy' printouts of the various instructions and forms that outline the commands budget execution and philosophy are also offered via the program's dialogue.

The program then allows the manager the opportunity to asses the probable priority of any requirement being contemplated for fund augment consideration. To accomplish this ,the user inputs a standardized code that equates to the manager's assessment of impact upon Command mission if the proposed requirement is not funded and the cost of the requirement.Impact upon mission is quantified by an 'Effectiveness Preference Index' (EPI) derived by a series of Delphi questionnaire results which yield a hierarchy of key managers' preferences regarding the impact of typical requirements toward the Command's Mission.Dividing the EPI by cost yields a benchmark priority which varies with different input parameters. Managers can then see the probable priority for requirements being considered for input.

The program also outputs the names of the key managers who would tend to rank proposed requirements the highest and the lowest given the current priority listing.Under Delphi procedures these 'extreme'individuals represent possible valuable sources of information in that their reasons for disagreement can be used to generate a series of Delphi questionnaires to derive a revised and presumably more accurate ranking for controversial or high cost items.

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(2) Empirical evidence that this method occurs is documented in LCDR Rachor's thesis:A MODEL FOR IMPROVING THE RANKING OF CAPITAL IMPROVEMENT PROGRAMS IN SMALL CITIES,NPS,1981,Rachor mentions that the method is also used at USN activities.The authors are personally aware of numerous USN activities that use the method.

```
    In summary,the program is designed to encourage
managers to focus upon Command mission and Cost.It is a
subsystem within a larger budget execution model that
encourages five 'critical few' concepts deemed
essential for effective budget execution. A
description of the entire model is available within the
interactive program that follows.

     DO YOU WANT A PRINTED REPORT OF THIS
    BACKGROUND INFO ?  ( Y/N)
NO

     WHEN DESIRED, OUTPUT IS UNDER HEADING :"PARHAM"
    DO YOU DESIRE MORE BACKGROUND INFO?
yes




 Enter the number corresponding to the information you
 desire.
    1. Description of the program you are accessing.
    2. General description of the Budget Execution Philosophy
 at this command.
    3.  The  Resource  Allocation  Board:  Participative
 Management
    4.  Variance  Explanation  Form:  Accountability  for
 Variances
    5.  Prioritization Instruction;  Continual Evaluation
    6.  Command Mission Questionnaire: Goals and Objectives
    7.  Benchmark Priority: Support Rather Than Replace Managers
    8.  The Program Steps

2



 The budget execution philosophy at this Command is based
 upon five 'critical few' concepts that are believed to be
 essential for effective budget execution.The techniques used
 at this command to encourage those concepts are shown below
 followed by the concepts the concepts they are designed to
 encourage.
  TECHNIQUE ------------------------------> CONCEPT
 RESOURCE ALLOCATION BOARD (RAB)----->PARTICIPATIVE MANAGEMENT
 A board consisting of all KEY          Concept that includes varied opinion
 personnel, usually department          and agreement between supervisors
 heads.  All have a voice in the        and subordinates on guidelines for
 budget execution process.              executing objectives.  Commitment
 Authority and responsibility           to those objectives is thus
 for the RAB are delineated in          enhanced.
 written directive signed by
 the Commanding Officer
 VARIANCE EXPLANATION FORM ---------->ACCOUNTABILITY FOR VARIANCES
 A one page form sent to                Concept that includes managerial
 line manager with monthly              accountability for items under his
 fund status report. Standard           control.  Explanation for variances
 choices are provided to facilitate     leads to reward or other appropriate
 line manager and comptroller           action.
 explanations of variances from
 the budget plan.  Managers are
 evaluated (based on explanations)
 and/or plan is revised.
 PRIORITIZATION INSTRUCTION  -------->CONTINUAL EVALUATION
 Requirements are identified by         Concept that includes review of
 unique one or number so that           plans and programs for possible
 a historical record of past            revision in response to changing
 management decisions may be            conditions.
 easily accessed to facilitate
 current/future decision-making.
 RAB continually updates
 priorities.
 MISSION EFFECTIVENESS ------------->GOALS/OBJECTIVES
```

```
Questionnaires                          Those "end states" which organiza-
Series of Delphi questionnaires         tional activities should strive.
filled out by all RAB members           For effective attainment goals of
requiring representative depart-        suborganization should be compatible
mental requirements to be               with those of the larger superior
categorized in one or 5 command         organization.  This is goal
mission impairment categories.          congruence.
BENCHMARK PRIORITY ----------------> SUPPORT RATHER THAN REPLACE MANAGERS
A priority designed to serve            Concept that states any decision
AS A DEPARTURE POINT FOR FURTHER        SUPPORT SYSTEM (DSS) SHOULD OFFER
RAB discussion and possible             focus and suggestion to management.
ADJUSTMENT BASED ON MANAGEMENT          THE DSS SHOULD NOT OFFER "SACRED"

                                                        PAGE 2
action.  It is derived from             decisions especially in semi-
EPI/Cost so that requirements           structured activities such as
which tend tc affect command            budgeting.
mission more and cost less are
prioritized higher.


    DO YOU WANT A PRINTED REPORT OF THIS
   BACKGROUND INFO ?  ( Y/N)
no

    WHEN DESIRED, OUTPUT IS UNDER HEADING :"PARHAM"
   DO YOU DESIRE MORE BACKGROUND INFO?
yes




Enter the number corresponding tc the information you
desire.
   1. Description of the program you are accessing.
   2. General description of the Budget Execution Philosophy
at this command.
   3.  The  Resource  Allocation  Board:  Participative
Management
   4.    Variance  Explanation  Form:    Accountability  for
Variances
   5.  Prioritization Instruction:  Continual Evaluation
   6.  Command Mission Questionnaire: Goals and Objectives
   7.  Benchmark Priority: Support Rather Than Replace Managers
   8.  The Program Steps

8
```

```
$JCP                                                                    DSS00010
C*********************************************************************DSS00020
C*     UNFUNDED REQUIREMENTS ANALYZER DECISION SUPPORT SYSTEM           *DSS00030
C*     DATE WRITTEN:  SEPTEMBER 18,1981                                 *DSS00040
C*     AUTHORS:       JAMES PARHAM                                      *DSS00050
C*                    EDUARDO BRESANI                                   *DSS00060
C*     PURPOSE:  THE UNFUNDED REQUIREMENTS ANALYZER IS AN INTERACTIVE   *DSS00070
C*       BATCH PROGRAM THAT ALLOW YOU TO ANALYZE UNFUNDED REQUIREMENTS  *DSS00080
C*       IN A COMMAND.THE DEPARTMENT HEADS INPUT DATA ABOUT NEW UNFUN-  *DSS00090
C*       DED REQUIREMENTS OR CHANGES TO THE EXISTING ONES AND THE PRO-  *DSS00100
C*       GRAM WILL PROVIDE REPORTS ABOUT HOW THAT REQUIREMENT SHOULD     *DSS00110
C*       BE PRIORITIZED IN RELATION WITH THE OTHERS.                     *DSS00120
C*     FILES USED:  FORTRAN UNIT          PURPOSE                       *DSS00130
C*                        8              STANDARD INPUT.  USED BY THE   *DSS00140
C*                                       PROGRAMMER TO INPUT CHANGES TO  *DSS00150
C*                                       THE FILE.                       *DSS00160
C*                       11              STANDARD OUTPUT.  USED BY THE  *DSS00170
C*                                       ANALYZER TO PRINT OUT ERROR     *DSS00180
C*                                       MESSAGES AND ASK FOR INFORMATION.*DSS00190
C*                        9              REPORT OUTPUT FILE.  USED TO PRINT*DSS00200
C*                                       THE RESULTS OF COMPUTATION.     *DSS00210
C*                       10              THE REQUIREMENTS FILE.IT CONTAINS*DSS00220
C*                                       THE UNFUNDED REQUIREMENTS ORDERED*DSS00230
C*                                       BY PRIORITY TO BE FUNDED .THE DATA*DSS00240
C*                                       ABOUT THE REQUIREMENTS IN THIS FILE*DSS00250
```

```
C*                                  CONSISTS OF:                                *DSS00260
C*                                   FIELD       DATA STORED                    *DSS00270
C*                                   -----       -----------                     DSS00280
C*                                    1-2        IDENTIFICATION NUMBER          *DSS00290
C*                                    3-9        JOB ORDER NUMBER               *DSS00300
C*                                   10-11       OPERATING TARGET HOLDER        *DSS00310
C*                                   12-36       DESCRIPTION OF REQUIREMENT     *DSS00320
C*                                   37-42       DATE OF REQUIREMENT            *DSS00330
C*                                   43-44       IMPACT ON MISSION CODE         *DSS00340
C*                                   49-52       EFFECTIVENESS PREFERENCE       *DSS00350
C*                                               INDEX (EPI)                    *DSS00360
C*                                   55-60       COST OF THE REQUIREMENT        *DSS00370
C*                                   62-66       PRIORITY INDEX (EPI/COST)      *DSS00380
C*                                   69-70       LOCAL PRIORITY NUMBER          *DSS00390
C*                                                                              *DSS00400
C*****************************************************************************DSS00410
C*                                                                               DSS00420
C*                        VARIABLES SECTION                                      DSS00430
C*                                                                               DSS00440
      1         INTEGER ID(30),JOB(30),OTH(30),DATE(30),IMP(30),LPR(30)          DSS00450
      2         REAL EPI(30),PRI(30),COST(30)                                    DSS00460
      3         CHARACTER*22 DESC(30)                                            DSS00470
      4         REAL TEPI(5)                                                     DSS00480
      5         COMMON EPI,PRI,COST,ID,JOB,OTH,DATE,IMP,LPR,DESC,TEPI,NUMBER     DSS00490
      6         CHARACTER*1 YES                                                  DSS00500
      7         DATA YES/'Y'/                                                    DSS00510
      8         DATA TEPI/17.1,7.6,0.7,2.0,1.0/                                  DSS00520
      9         CHARACTER*1 ANSW                                                 DSS00530
     10         CHARACTER*71 DUMMY                                               DSS00540
C*                                                                               DSS00550
C*       INITIALIZE DATA VARIABLES                                               DSS00560
C*                                                                               DSS00570
     11         DO 31 INI = 1,30                                                 DSS00580
     12           ID(INI) = 0                                                    DSS00590
     13           JOB(INI) = 0                                                   DSS00600
     14           OTH(INI) = 0                                                   DSS00610
     15           DATE(INI) = 0                                                  DSS00620
     16           IMP(INI) = 0                                                   DSS00630
     17           LPR(INI) = 0                                                   DSS00640
     18           EPI(INI) = 0                                                   DSS00650
     19           PRI(INI) = 0                                                   DSS00660
     20           COST(INI) = 0                                                  DSS00670
     21           DESC(INI) = ' '                                                DSS00680
     22        31 CONTINUE                                                       DSS00690
     23           READ (10,*) NUMBER                                             DSS00700
     24           READ (10,*) DUMMY                                              DSS00710
     25           READ (10,*) DUMMY                                              DSS00720
     26           DO 5 I = 1,NUMBER                                              DSS00730
     27            5 READ(10,*) ID(I),JOB(I),OTH(I),DESC(I),DATE(I),IMP(I),COST(I),DSS00740
     28             1  EPI(I),PRI(I),LPR(I)                                      DSS00750
     29              WRITE(11,*)'==> DO YOU WANT TO SEE THE COMMAND UNFUNDED '     DSS00760
     30              WRITE(11,*)'    REQUIREMENTS PRIORITY LIST ?   (Y/N)    '     DSS00770
     31              READ (8,9) ANSW                                              DSS00780
     32              IF (ANSW.EQ.YES) THEN DO                                     DSS00790
     33                WRITE(11,*)'ID','  ','JOB',' ','OTH','      DESCRIPTION',  DSS00800
     34             1    '      DATE','  IMP','COST','   EPI',                    DSS00810
     35             2    '    PRI','  LPR'                                       DSS00820
     36                WRITE (11,*)'-------------------------------------------',DSS00830
     37             1    '-------------------------'                            DSS00840
     38                DO 10 J = 1,NUMBER                                        DSS00850
     39             10   WRITE(11,6) ID(J),JOB(J),OTH(J),DESC(J),DATE(J),IMP(J),EPI(J),DSS00860
     40             1    COST(J),PRI(J),LPR(J)                                  DSS00870
     41              6   FORMAT(1X,I2,2X,I5,2X,I2,2X,A22,2X,I4,2X,I2,2X,F4.1,2X,F6.0,DSS00880
     42             1    2X,F5.2,2X,I2)                                         DSS00890
     43              END IF                                                       DSS00900
     44              7 WRITE(11,*) ' '                                            DSS00910
     45                WRITE(11,*) ' '                                            DSS00920
     46                WRITE(11,*)'==> DO YOU WANT TO ADD A NEW REQUIREMENT ? (Y/N)'DSS00930
     47                READ(8,9) ANSW                                           DSS00940
     48                IF (ANSW.EQ.YES) THEN DO                                 DSS00950
     49                  NUMBER = NUMBER + 1                                    DSS00960
     50                  WRITE(11,*)'==> THE IDENTIFICATION NUMBER OF THE NEW'  DSS00970
     51                  WRITE(11,*)'    REQUIREMENT WILL BE ',NUMBER           DSS00980
     52                  ID(NUMBER) = NUMBER                                    DSS00990
     53                  WRITE(11,*) ' '                                        DSS01000
     54                  WRITE(11,*)'==> ENTER THE JOB ORDER NUMBER     '       DSS01010
```

```
      READ (5,*) JOB(NUMBER)                                                    DSS01020
      WRITE (11,5)'==> ENTER THE OPERATING TARGET HOLDER'                       DSS01030
      READ(5,*)  OTH(NUMBER)                                                    DSS01040
      WRITE(11,*)'==> ENTER DESCRIPTION OF REQUIREMENT'                         DSS01050
      WRITE(11,*)'    THE DESCRIPTION MUST BE BETWEEN QUOTES'                   DSS01060
      WRITE(11,*)'FOR EXAMPLE :  ''MECHANIC PARTS'' '                           DSS01070
      READ (5,5) DESC(NUMBER)                                                   DSS01080
      WRITE(11,5)'==> ENTER DATE '                                              DSS01090
      READ(5,*)  DATE(NUMBER)                                                   DSS01100
      CALL SETINP                                                               DSS01110
      READ (5,*) INP(NUMBER)                                                    DSS01120
      WRITE(11,5)'==> ENTER COST OF THE REQUIREMENT '                           DSS01130
      READ (5,6) COST(NUMBER)                                                   DSS01140
      CALL COMPUT                                                               DSS01150
      CALL LISTP                                                                DSS01160
      GO TO 7                                                                   DSS01170
    END IF                                                                      DSS01180
    WRITE(11,*) ' '                                                             DSS01190
    WRITE(11,*)'==> DO YOU WANT TO CHANGE A REQUIREMENT ALREADY'                DSS01200
    WRITE(11,*)'    IN THE LIST ?  (Y/N)'                                       DSS01210
    READ (5,9) ANSW                                                             DSS01220
    IF(ANSW.EQ.YES) THEN DO                                                     DSS01230
      WRITE(11,*) ' '                                                           DSS01240
      WRITE(11,*)'==> THE ONLY PARAMETERS THAT ARE GOING TO BE '                DSS01250
      WRITE(11,*)'    USEFUL TO LEARN HOW TO OBTAIN A BETTER   '                DSS01260
      WRITE(11,*)'    PRIORITY IN YOUR REQUIREMENTS ARE :      '                DSS01270
      WRITE(11,*) '  '                                                         DSS01280
23    WRITE(11,*) '    1 = IMPACT ON MISSION          '                        DSS01290
      WRITE(11,*) '    2 = COST OF THE REQUIREMENT    '                        DSS01300
      WRITE(11,*) ' '                                                           DSS01310
      WRITE(11,*)'==> ENTER NUMBER DESIRED (1 OR 2)'                            DSS01320
      READ(5,*)  NUM1                                                           DSS01330
      GO TO (14,24),NUM1                                                        DSS01340
14    CALL IMPACT                                                               DSS01350
      CALL LISTP                                                                DSS01360
      GO TO 13                                                                  DSS01370
24    CALL COST1                                                                DSS01380
      CALL LISTP                                                                DSS01390
13    WRITE(11,*)'==> DO YOU WANT TO CONTINUE EVALUATING ?  (Y/N)'              DSS01400
      READ (5,9) ANSW                                                           DSS01410
      IF(ANSW.EQ.YES) GO TO 23                                                  DSS01420
    END IF                                                                      DSS01430
 9  FORMAT (A1)                                                                DSS01440
    STOP                                                                        DSS01450
    END                                                                         DSS01460
    SUBROUTINE COMPUT                                                           DSS01470
    INTEGER ID(30),JOB(30),OTH(30),DATE(30),INP(30),LPN(30)                     DSS01480
    REAL EPI(30),PRI(30),COST(30)                                               DSS01490
    CHARACTER*22 DESC(30)                                                       DSS01500
    REAL TEPI(5)                                                                DSS01510
    COMMON EPI,PRI,COST,ID,JOB,OTH,DATE,INP,LPN,DESC,TEPI,NUMBER                DSS01520
100 LPN(NUMBER)  = NUMBER                                                       DSS01530
101 EPI(NUMBER)  = TEPI(INP(NUMBER))                                            DSS01540
102 PRI(NUMBER)  = EPI(NUMBER)/COST(NUMBER)                                     DSS01550
103 CALL SORT                                                                   DSS01560
104 RETURN                                                                      DSS01570
105 END                                                                         DSS01580
106 SUBROUTINE LISTP                                                            DSS01590
107 INTEGER ID(30),JOB(30),OTH(30),DATE(30),INP(30),LPN(30)                     DSS01600
108 REAL EPI(30),PRI(30),COST(30)                                               DSS01610
109 CHARACTER*22 DESC(30)                                                       DSS01620
110 REAL TEPI(5)                                                                DSS01630
111 COMMON EPI,PRI,COST,ID,JOB,OTH,DATE,INP,LPN,DESC,TEPI,NUMBER                DSS01640
112 CHARACTER*1 YES                                                             DSS01650
113 DATA YES/'Y'/                                                               DSS01660
114 CHARACTER*1 ANSW                                                            DSS01670
115 WRITE(11,*)'==> DO YOU WANT TO SEE HOW THE PRIORITY LIST'                   DSS01680
116 WRITE(11,*)'    IS AFTER YOUR ADDITION/CHANGE ?  (Y/N)'                     DSS01690
117 READ(5,9) ANSW                                                              DSS01700
118  9  FORMAT (A1)                                                            DSS01710
119 IF(ANSW.EQ.YES) THEN DO                                                     DSS01720
120   WRITE(11,*)'ID',' ','JOB',' ','OTH',' ',     DESCRIPTION',               DSS01730
     1    '      DATE',' ','INP',' ','COST',' ',' EPI',                        DSS01740
     2    '      PRI',' LPN'                                                   DSS01750
121   WRITE (11,*)'-------------------------------------------------------',    DSS01760
     1    '-----------------------'                                           DSS01770
```

```
      DO 5 J = 1,NUMBER                                                 DSS01780
      WRITE(11,8) ID(J),JOB(J),OTH(J),DESC(J),DATE(J),IMP(J),EPI(J),    DSS01790
     1  COST(J),PRI(J),LPH(J)                                           DSS01800
    8 FORMAT(1X,I2,2X,I5,2X,I2,2X,A22,2X,I4,2X,I2,2X,F4.1,2X,F6.0,      DSS01810
     1  2X,F5.2,2X,I2)                                                  DSS01820
    5 CONTINUE                                                          DSS01830
      END IF                                                            DSS01840
      RETURN                                                            DSS01850
      END                                                               DSS01860
      SUBROUTINE IMPACT                                                 DSS01870
      INTEGER ID(30),JOB(30),OTH(30),DATE(30),IMP(30),LPH(30)           DSS01880
      REAL EPI(30),PRI(30),COST(30)                                     DSS01890
      CHARACTER*22 DESC(30)                                             DSS01900
      REAL TEPI(5)                                                      DSS01910
      COMMON EPI,PRI,COST,ID,JOB,OTH,DATE,IMP,LPH,DESC,TEPI,NUMBER      DSS01920
   15 IFLAG = 0                                                         DSS01930
      CALL CHEKID (IFLAG,I,ID,NUMBER)                                   DSS01940
      IF(IFLAG.EQ.1)THEN DO                                             DSS01950
        WRITE(11,*)'==> ENTER NEW IMPACT WANTED'                        DSS01960
        CALL SEEIMP                                                     DSS01970
        READ(8,*) IMP(I)                                                DSS01980
        EPI(I) = TEPI(IMP(I))                                           DSS01990
        PRI(I) = EPI(I)/COST(I)                                         DSS02000
        CALL SORT                                                       DSS02010
        RETURN                                                          DSS02020
      END IF                                                            DSS02030
      WRITE(11,*)'==> SORRY,THERE IS NOT SUCH ID,TRY AGAIN'             DSS02040
      GO TO 15                                                          DSS02050
      END                                                               DSS02060
      SUBROUTINE COST1                                                  DSS02070
      INTEGER ID(30),JOB(30),OTH(30),DATE(30),IMP(30),LPH(30)           DSS02080
      REAL EPI(30),PRI(30),COST(30)                                     DSS02090
      CHARACTER*22 DESC(30)                                             DSS02100
      REAL TEPI(5)                                                      DSS02110
      COMMON EPI,PRI,COST,ID,JOB,OTH,DATE,IMP,LPH,DESC,TEPI,NUMBER      DSS02120
    2 IFLAG = 0                                                         DSS02130
      CALL CHEKID(IFLAG,I,ID,NUMBER)                                    DSS02140
      IF (IFLAG.EQ.1)THEN DO                                            DSS02150
        WRITE(11,*)'==> ENTER COST DESIRED'                             DSS02160
        READ (8,*) COST(I)                                              DSS02170
        PRI(I) = EPI(I)/COST(I)                                         DSS02180
        CALL SORT                                                       DSS02190
        RETURN                                                          DSS02200
      END IF                                                            DSS02210
      WRITE(11,*)'==> SORRY,THERE IS NOT SUCH ID,TRY AGAIN'             DSS02220
      GO TO 2                                                           DSS02230
      END                                                               DSS02240
      SUBROUTINE CHEKID (IFLAG,I,ID,NUMBER)                             DSS02250
      INTEGER ID(30)                                                    DSS02260
      WRITE(11,*)'==> ENTER IDENTIFICATION NUMBER OF THE REQUIREMENT'   DSS02270
      READ(8,*) IDNUM                                                   DSS02280
      DO 5 I = 1,NUMBER                                                 DSS02290
        IF(IDNUM.NE.ID(I)) GO TO 5                                      DSS02300
        IFLAG = 1                                                       DSS02310
        GO TO 10                                                        DSS02320
    5 CONTINUE                                                          DSS02330
   10 RETURN                                                            DSS02340
      END                                                               DSS02350
      SUBROUTINE SORT                                                   DSS02360
      INTEGER ID(30),JOB(30),OTH(30),DATE(30),IMP(30),LPH(30)           DSS02370
      REAL EPI(30),PRI(30),COST(30)                                     DSS02380
      CHARACTER*22 DESC(30)                                             DSS02390
      REAL TEPI(5)                                                      DSS02400
      COMMON EPI,PRI,COST,ID,JOB,OTH,DATE,IMP,LPH,DESC,TEPI,NUMBER      DSS02410
      CHARACTER*22 CTEMP                                                DSS02420
   10 IFLAG = 0                                                         DSS02430
      NUD = NUMBER-1                                                    DSS02440
      DO 5 K = 1,NUD                                                    DSS02450
        IF(PRI(K).LT.PRI(K+1)) THEN DO                                  DSS02460
          ITEMP = ID(K)                                                 DSS02470
          ID(K) = ID(K+1)                                               DSS02480
          ID(K+1) = ITEMP                                               DSS02490
          ITEMP = JOB(K)                                                DSS02500
          JOB(K) = JOB(K+1)                                             DSS02510
          JOB(K+1) = ITEMP                                              DSS02520
          ITEMP = OTH(K)                                                DSS02530
```

```
                    OTH(K) = OTH(K+1)                                                   DSS02540
                    OTH(K+1) = ITEMP                                                    DSS02550
                    ITEMP = DATE(K)                                                     DSS02560
                    DATE(K) = DATE(K+1)                                                 DSS02570
                    DATE(K+1) = ITEMP                                                   DSS02580
                    ITEMP = INP(K)                                                      DSS02590
                    INP(K) = INP(K+1)                                                   DSS02600
                    INP(K+1) = ITEMP                                                    DSS02610
                    TEMP = EPI(K)                                                       DSS02620
                    EPI(K) = EPI(K+1)                                                   DSS02630
                    EPI(K+1) = TEMP                                                     DSS02640
                    TEMP = PRI(K)                                                       DSS02650
                    PRI(K) = PRI(K+1)                                                   DSS02660
                    PRI(K+1) = TEMP                                                     DSS02670
                    TEMP = COST(K)                                                      DSS02680
                    COST(K) = COST(K+1)                                                 DSS02690
                    COST(K+1) = TEMP                                                    DSS02700
                    CTEMP = DESC(K)                                                     DSS02710
                    DESC(K) = DESC(K+1)                                                 DSS02720
                    DESC(K+1) = CTEMP                                                   DSS02730
                    IFLAG = 1                                                           DSS02740
                  END IF                                                                DSS02750
          5     CONTINUE                                                                DSS02760
                IF(IFLAG.EQ.1) GO TO 10                                                 DSS02770
                RETURN                                                                  DSS02780
                END                                                                     DSS02790
                SUBROUTINE SEEINP                                                       DSS02800
                WRITE(11,*)' ==> ENTER CODE FOR IMPACT TO MISSION :'                    DSS02810
                WRITE(11,*)' '                                                          DSS02820
                WRITE(11,*)'     01 : SEVERE IMPAIRMENT TO OPS, MISSION'                DSS02830
                WRITE(11,*)'     02 : SEVERE IMPAIRMENT TO SUPP, MISSION'               DSS02840
                WRITE(11,*)'     03 : NORMAL IMPAIRMENT TO OPS, MISION '                DSS02850
                WRITE(11,*)'     04 : NORMAL IMPAIRMENT TO SUPP, MISSION'               DSS02860
                WRITE(11,*)'     05 : SLIGHT IMPAIRMENT TO EITHER      '                DSS02870
                RETURN                                                                  DSS02880
                END                                                                     DSS02890
                                                                                        DSS02900
          $ENTRY
STATEMENTS EXECUTED=     374
CORE USAGE       OBJECT CODE=    12152 BYTES,ARRAY AREA=     1764 BYTES,TOTAL AREA AVAILABLE=  322696
DIAGNOSTICS       NUMBER OF ERRORS=       0, NUMBER OF WARNINGS=       0, NUMBER OF EXTENSIONS=
COMPILE TIME=     0.13 SEC,EXECUTION TIME=     0.02 SEC,       3.16.09    SATURDAY     26 SEP 81
          C$STOP


    DO YOU WANT A PRINTED REPORT OF THIS
    BACKGROUND INFO ?   ( Y/N)
no

    WHEN DESIRED, OUTPUT IS UNDER HEADING :"PARHAM"
    DO YOU DESIRE MORE BACKGROUND INFO?
no
 ==> DO YOU WANT TO SEE THE COMMAND UNFUNDED
    REQUIREMENTS PRIORITY LIST ?    (Y/N)
yes
```

| ID | JON | OH | DESCRIPTION | DATE | IMP | EPI | COST | PRI | LPN |
|---|---|---|---|---|---|---|---|---|---|
| 5 | 20458 | 50 | LOSS OF PRIMARY RECVR | 8001 | 1 | 17.1 | 790. | 21.68 | 1 |
| 8 | 22108 | 20 | ELECTRONIC SPARE PARTS | 8001 | 1 | 17.1 | 1100. | 15.45 | 2 |
| 10 | 20108 | 40 | REPAIR IBAK ELEC STEN | 8001 | 2 | 7.6 | 500. | 15.20 | 3 |
| 8 | 20108 | 63 | REPR GALLEY DISHWASHER | 8001 | 2 | 7.6 | 900. | 8.44 | 4 |
| 7 | 20108 | 60 | LOSS OF ONLY FORKLIFT | 8001 | 2 | 7.6 | 1200. | 6.33 | 5 |
| 2 | 20164 | 20 | COMPUTER SPARE PARTS | 8001 | 3 | 6.7 | 968. | 6.85 | 6 |
| 3 | 30108 | 20 | MAIN IGNITER REPAIR | 8001 | 1 | 17.1 | 8632. | 3.69 | 7 |
| 15 | 20108 | 30 | OP TRNG MAIN MISSION | 8001 | 3 | 6.7 | 1400. | 3.35 | 8 |
| 20 | 20108 | 40 | REPR BACKUP FIRETRCK | 8001 | 4 | 2.0 | 950. | 2.10 | 9 |
| 19 | 20108 | 40 | REPAIR BACKUP FORKLIFT | 8001 | 4 | 2.0 | 1000. | 2.00 | 10 |
| 21 | 20108 | 18 | SKIRT THROWER | 8001 | 5 | 1.0 | 550. | 1.81 | 11 |
| 6 | 15656 | 10 | MAIN ADMIN COMPUTER RP | 8001 | 2 | 7.6 | 5300. | 1.43 | 12 |
| 1 | 20107 | 10 | MAIN OPS COMPUTER REP. | 8001 | 1 | 17.1 | 12000. | 1.43 | 13 |
| 24 | 20108 | 10 | TRN BULLETIN BOARD | 8001 | 5 | 1.0 | 1000. | 1.00 | 14 |
| 17 | 20108 | 64 | REP WORK FISCAL CALC | 8001 | 4 | 2.0 | 2100. | 0.95 | 15 |
| 22 | 20108 | 30 | DECORATE OPS OFFICE | 8001 | 5 | 1.0 | 1100. | 0.90 | 16 |
| 11 | 20158 | 30 | LOSS ONLY BACKUP RECVR | 8001 | 3 | 6.7 | 5500. | 0.85 | 17 |
| 9 | 20105 | 62 | LOSS OF MAIN FIRETRUCK | 8001 | 2 | 7.6 | 9000. | 0.84 | 18 |
| 25 | 30158 | 16 | RECREATION TRAMPOLINE | 8001 | 5 | 1.0 | 1300. | 0.76 | 19 |

```
 12   24104   30   LOSS ONLY BACKUP XMITR   8001    3    4.7    7300.    0.64   20
 13   20104   20   ELECTRONIC SPARE PARTS   8001    3    4.7    9400.    0.50   21
 18   24406   60   CONTR JANITORIAL SVC     8001    4    2.0    5000.    0.40   22
 14   31251   20   TEST EQUIPMENT PURCH     8001    3    4.7   15000.    0.31   23
 16   20104   10   REP WORK ADMIN WPE       8001    4    2.0    8000.    0.25   24
 23   42567   13   NEW CHAPEL CARPET        8001    5    1.0    6100.    0.16   25

 ==> DO YOU WANT TO ADD A NEW REQUIREMENT ? (Y/N)
yes
 ==> THE IDENTIFICATION NUMBER OF THE NEW
     REQUIREMENT WILL BE              26

 ==> ENTER THE JOB ORDER NUMBER
20100
 ==> ENTER THE OPERATING TARGET HOLDER
20
 ==> ENTER DESCRIPTION OF REQUIREMENT
     THE DESCRIPTION MUST BE BETWEEN QUOTES
 FOR EXAMPLE :  'MECHANIC PARTS'
'Civilian Wages'
 ==> ENTER DATE
8001
 ==> ENTER CODE FOR IMPACT TO MISSION :

      01 : SEVERE IMPAIRMENT TO OPS. MISSION
      02 : SEVERE IMPAIRMENT TO SUPP. MISSION
      03 : NORMAL IMPAIRMENT TO OPS. MISION
      04 : NORMAL IMPAIRMENT TO SUPP. MISSION
      05 : SLIGHT IMPAIRMENT TO EITHER
4
 ==> ENTER COST OF THE REQUIREMENT
10000
 ==> GIVEN THE ADDITION/CHANGE YOU HAVE ENTERED
     THE PRICRITY LIST WILL BE PER BELOW
 ID   JON    OH        DESCRIPTION          DATE   IMP EPI     COST      PRI   LPN
-----------------------------------------------------------------------------------
  5   20458   50   LOSS OF PRIMARY RECVR    8001    1   17.1     790.   21.68    1
  4   22104   20   ELECTRONIC SPARE PARTS   8001    1   17.1    1100.   15.45    2
 10   20104   40   REPAIR LPAK ELEC STRG    8001    2    7.6     500.   15.20    3
  8   20104   63   REPR GALLEY DISHWASHER   8001    2    7.6     900.    8.44    4
  7   20104   60   LOSS OF ONLY FORKLIFT    8001    2    7.6    1200.    6.33    5
  2   20164   20   COMPUTER SPARE PARTS     8001    3    4.7     968.    4.85    6
  3   30104   20   MAIN XMITTER REPAIR      8001    1   17.1    4632.    3.69    7
 15   20104   30   OP TRNG MAIN MISSION     8001    3    4.7    1400.    3.35    8
 20   20104   40   REPR BACKUP FIRETRCK     8001    4    2.0     950.    2.10    9
 19   20104   40   REPAIR BACKUP  FORKLIFT  8001    4    2.0    1000.    2.00   10
 21   20104   14   SKEET THROWER            8001    5    1.0     550.    1.81   11
  6   35656   10   MAIN ADMIN COMPUTER RP   8001    2    7.6    5300.    1.43   12
  1   20107   30   MAIN OPS COMPUTER REP.   8001    1   17.1   12000.    1.43   13
 24   20104   10   NEW BULLETIN BOARD       8001    5    1.0    1000.    1.00   14
 17   20104   64   REP WORK FISCAL CALC     8001    4    2.0    2100.    0.95   15
 22   20104   30   DECORATE OPS OFFICE      8001    5    1.0    1100.    0.90   16
 11   20154   30   LOSS ONLY BACKUP RECVR   8001    3    4.7    5500.    0.85   17
  9   20105   42   LOSS OF MAIN FIRETRUCK   8001    2    7.6    9000.    0.84   18
 25   30154   14   RECREATION TRAMPOLINE    8001    5    1.0    1300.    0.76   19
 12   24104   30   LOSS ONLY BACKUP XMITR   8001    3    4.7    7300.    0.64   20
 13   20104   20   ELECTRONIC SPARE PARTS   8001    3    4.7    9400.    0.50   21
 18   24406   60   CONTR JANITORIAL SVC     8001    4    2.0    5000.    0.40   22
 14   31251   20   TEST EQUIPMENT PURCH     8001    3    4.7   15000.    0.31   23
 16   20104   10   REP WORK ADMIN WPE       8001    4    2.0    8000.    0.25   24
 26   20100   20   CIVILIAN WAGES           8001    4    2.0   10000.    0.20   25
 23   42567   13   NEW CHAPEL CARPET        8001    5    1.0    6100.    0.16   26
 ==> DO YOU WANT TO STORE THE CHANGED PRIORITY LIST
     IN A DISK FILE TO BE PRINTED LATER ? (Y/N)
no

 ==> DO YOU WANT TO ADD A NEW REQUIREMENT ? (Y/N)
no

 ==> DO YOU WANT TO CHANGE A REQUIREMENT ALREADY
     IN THE LIST ?  (Y/N)
yes

 ==> THE ONLY PARAMETERS THAT ARE MEANINGFUL
```

```
     INSOFAR AS ITS EFFECT ON THE CURRENT
     PRIORITY OF YOUR REQUIREMENTS ARE :

     1 = IMPACT ON MISSION
     2 = COST OF THE REQUIREMENT

 ==> ENTER NUMBER DESIRED (1 OR 2)
1
 ==> ENTER IDENTIFICATION NUMBER OF THE REQUIREMENT
30
 ==> SORRY,THERE IS NO SUCH ID,TRY AGAIN
 ==> ENTER IDENTIFICATION NUMBER OF THE REQUIREMENT
26
  CURRENT   INFORMATION
 ID    JON    CH        DESCRIPTION          DATE  IMP EPI    COST     PRI  LPN
 26  20100   20  CIVILIAN WAGES              8001   4   2.0   10000.   0.20   25
 ==> ENTER NEW IMPACT WANTED
 ==> ENTER CODE FOR IMPACT TO MISSION :

      01 : SEVERE IMPAIRMENT TO OPS. MISSION
      02 : SEVERE IMPAIRMENT TO SUPP. MISSION
      03 : NORMAL IMPAIRMENT TO OPS. MISSION
      04 : NORMAL IMPAIRMENT TO SUPP. MISSION
      05 : SLIGHT IMPAIRMENT TO EITHER
2
 ==> GIVEN THE ADDITION/CHANGE YOU HAVE ENTERED
     THE PRICRITY LIST WILL BE PER BELOW
 ID    JON    OH        DESCRIPTION          DATE  IMP EPI    COST     PRI  LPN
 ---------------------------------------------------------------------------
  5  20454   50  LOSS OF PRIMARY RECVR       8001   1  17.1     790.  21.64    1
  4  22104   20  ELECTRONIC SPARE PARTS      8001   1  17.1    1100.  15.45    2
 10  20104   40  REPAIR LEAK ELEC STRM       8001   2   7.6     500.  15.20    3
  8  20104   63  REPR GALLEY DISHWASHER      8001   2   7.6     900.   8.44    4
  7  20104   60  LOSS OF ONLY FORKLIFT       8001   2   7.6    1200.   6.33    5
  2  20164   20  COMPUTER SPARE PARTS        8001   3   4.7     968.   4.85    6
  3  30104   20  MAIN XMITTER REPAIR         8001   1  17.1    4632.   3.69    7
 15  20104   30  OP TRNG MAIN MISSION        8001   3   4.7    1400.   3.35    8
 20  20104   40  REPR BACKUP FIRETRCK        8001   4   2.0     950.   2.10    9
 19  20104   40  REPAIR BACKUP FORKLIFT      8001   4   2.0    1000.   2.00   10
 21  20104   14  SKEET THROWER               8001   5   1.0     550.   1.81   11
  6  35656   10  MAIN ADMIN COMPUTER RP      8001   2   7.6    5300.   1.43   12
  1  20107   30  MAIN OPS COMPUTER REP.      8001   1  17.1   12000.   1.43   13
 24  20104   10  NEW BULLETIN BOARD          8001   5   1.0    1000.   1.00   14
 17  20104   64  REP WORN FISCAL CALC        8001   4   2.0    2100.   0.95   15
 22  20104   30  DECORATE OPS OFFICE         8001   5   1.0    1100.   0.90   16
 11  20154   30  LOSS ONLY BACKUP RECVR      8001   3   4.7    5500.   0.85   17
  9  20105   42  LOSS OF MAIN FIRETRUCK      8001   2   7.6    9000.   0.84   18
 25  30154   14  RECREATION TRAMPOLINE       8001   5   1.0    1300.   0.76   19
 26  20100   20  CIVILIAN WAGES              8001   2   7.6   10000.   0.76   20
 12  24104   30  LOSS ONLY BACKUP XMITR      8001   3   4.7    7300.   0.64   21
 13  20104   20  ELECTRONIC SPARE PARTS      8001   3   4.7    9400.   0.50   22
 18  24406   60  CONTR JANITORIAL SVC        8001   4   2.0    5000.   0.40   23
 14  31251   20  TEST EQUIPMENT PURCH        8001   3   4.7   15000.   0.31   24
 16  20104   10  REP WORN ADMIN HPE          8001   4   2.0    8000.   0.25   25
 23  42567   13  NEW CHAPEL CARPET           8001   5   1.0    6100.   0.16   26
 ==> DO YOU WANT TO STORE THE CHANGED PRIORITY LIST
     IN A DISK FILE TO BE PRINTED LATER ? (Y/N)
no
 ==> DO YOU WANT TO CONTINUE EVALUATING ? (Y/N)
yes

     1 = IMPACT ON MISSION
     2 = COST OF THE REQUIREMENT

 ==> ENTER NUMBER DESIRED (1 OR 2)
2
 ==> ENTER IDENTIFICATION NUMBER OF THE REQUIREMENT
26
  CURRENT   INFORMATION
 ID    JON    OH        DESCRIPTION          DATE  IMP EPI    COST     PRI  LPN
 26  20100   20  CIVILIAN WAGES              8001   2   7.6   10000.   0.76   20
 ==> ENTER THE NEW COST
2000
 ==> GIVEN THE ADDITION/CHANGE YOU HAVE ENTERED
     THE PRIORITY LIST WILL BE PER BELOW
 ID    JON    OH        DESCRIPTION          DATE  IMP EPI    COST     PRI  LPN
```

```
 5   20454   50   LOSS OF PRIMARY RECVR      8001   1   17.1     790.   21.68    1
 4   22104   20   ELECTRONIC SPARE PARTS     8001   1   17.1    1100.   15.45    2
10   20104   40   REPAIR LEAK ELEC STRN      8001   2    7.6     500.   15.20    3
 8   20104   63   REPR GALLEY DISHWASHER     8001   2    7.6     900.    8.44    4
 7   20104   60   LOSS OF ONLY FORKLIFT      8001   2    7.6    1200.    6.33    5
 2   20164   20   COMPUTER SPARE PARTS       8001   3    4.7     968.    4.85    6
26   20100   20   CIVILIAN WAGES             8001   2    7.6    2000.    3.80    7
 3   30104   20   MAIN EMITTER REPAIR        8001   1   17.1    4632.    3.69    8
15   20104   30   OP TRNG MAIN MISSION       8001   3    4.7    1400.    3.35    9
20   20104   40   REPR BACKUP FIRETRCK       8001   4    2.0     950.    2.10   10
19   20104   40   REPAIR BACKUP FORKLIFT     8001   4    2.0    1000.    2.00   11
21   20104   14   SKEET THROWER              8001   5    1.0     550.    1.81   12
 6   35656   10   MAIN ADMIN COMPUTER RP     8001   2    7.6    5300.    1.43   13
 1   20107   30   MAIN OPS COMPUTER REP.     8001   1   17.1   12000.    1.43   14
24   20104   10   NEW BULLETIN BOARD         8001   5    1.0    1000.    1.00   15
17   20104   64   REP WORN FISCAL CALC       8001   4    2.0    2100.    0.95   16
22   20104   30   DECORATE OPS OFFICE        8001   5    1.0    1100.    0.90   17
11   20154   30   LOSS ONLY BACKUP RECVR     8001   3    4.7    5500.    0.85   18
 9   20105   42   LOSS OF MAIN FIRETRUCK     8001   2    7.6    9000.    0.84   19
25   30154   14   RECREATION TRAMPOLINE      8001   5    1.0    1300.    0.76   20
12   24104   30   LOSS ONLY BACKUP EMITR     8001   3    4.7    7300.    0.64   21
13   20104   20   ELECTRONIC SPARE PARTS     8001   3    4.7    9400.    0.50   22
18   24406   60   CONTR JANITORIAL SVC       8001   4    2.0   50000.    0.40   23
14   31251   20   TEST EQUIPMENT PURCH       8001   3    4.7  150000.    0.31   24
16   20104   10   REP WORN ADMIN WPE         8001   4    2.0    8000.    0.25   25
23   42567   13   NEW CHAPEL CARPET          8001   5    1.0    6100.    0.16   26
==> DO YOU WANT TO STORE THE CHANGED PRIORITY LIST
    IN A DISK FILE TO BE PRINTED LATER ? (Y/N)
no
 ==> DO YOU WANT TO CONTINUE EVALUATING ? (Y/N)
no
STATEMENTS EXECUTED=     2573
R; T=0.46/1.74 16:57:01
cp spool con stop close
```

# V. FIELD TESTING

## A. GENERAL

The basic purpose of the test procedures outlined below is to establish the acceptability and applicability of the resource allocation model presented in Chapter IV to the budget execution process at operating United States Navy shore commands. In this regard, the test procedures define if the model helps test commands relate their command-wide goals and objectives to their budget execution process. The test uses questionnaires keyed to the management techniques and perceived benefits of the model in order to gauge the overall command reaction to the model as a management tool and to identify the relative strong and weak aspects of the model, if any. In addition to narrative comments on the model, test command personnel were requested to rate the five parts of the model and the total model on a numerical scale to facilitate comparison. Thus, the scale provides a standard of comparison among commands.

The testing process specifically solicits recommendations regarding the perceived benefits of the model from tested command authorities, i.e., the commanding officer, executive officer and civilian deputies down to the line manager working level, i.e., department heads and cost center supervisors. Such recommendations were sought in a manner which had as its objective improving the model so that it might be employed

not only at the test commands, but also at many USN shore commands.

## B. TEST METHODOLOGY

The model presented in Chapter IV is designed to help USN shore commands improve their budget execution and resource allocation processes. The need for the model is suggested by the results of Donnelly's survey of budget execution at USN shore commands as outlined in Chapter III. Because the model incorporates five generally accepted management concepts (from Chapter II) which the authors suggest will generate five perceived benefits, it was felt that the model should be tested using an analysis at several USN shore commands of varied type, size and mission. The authors intended to increase the potential applicability of the test results within the USN shore establishment by varying the selection of test commands in this manner. The test procedures, outlined below, involved relatively extensive face-to-face contact with several key personnel involved in the budget execution process at each command. For this reason, test shore commands were selected from within California to facilitate multiple visits to each of the five commands selected.

## C. TEST COMMANDS (ACTIVITIES)

The five USN shore commands selected for detailed on-site test of the model were:

| COMMAND | BRIEF DESCRIPTION |
|---|---|
| Naval Air Station | Carrier oriented |
| Naval Air Station | Anti-submarine warfare |
| Naval Supply Center | Relatively large Supply Center |
| Naval Support Activity for Naval Shipyard | Typical Naval Shipyard Support Activity |
| Naval Station | Medium sized Naval Station |

D. TEST PROCEDURES

Each field test of the model consisted of four phases. The initial phase involved obtaining a basic assessment and analysis of the test command's current budget execution procedures. This was accomplished by having the test command's comptroller complete a survey type questionnaire (Appendix A to this chatper). This questionnaire was based on the information in Chapter III of this thesis and was used to give the authors a preliminary impression of how budget execution was conducted at the test command, particularly with respect to the five "critical few" management concepts upon which the model in Chapter IV is based. During this phase, the comptroller was pre-briefed on the model when requested.

The second phase of each field test consisted of a 30 minute briefing to test command authorities and working level managers. The briefing consisted of three parts, the first of which was a short introduction to several generally accepted management concepts for budget execution (from

Chapter II). The second part was a brief summary of how budget execution is currently being accomplished at USN shore commands. This information was drawn from Chapter III of this thesis which is based on Donnelly's findings. The third part of the briefing consisted of a detailed presentation of the five parts of the budget execution model from Chapter IV, stressing the five "critical few" management concepts and their perceived benefits.

The third phase of each test immediately followed the briefing. The attendees were asked for their reactions to the model in terms of its perceived potential applicability and utility at their command. In order to achieve a measure of standardization of responses between tested commands, a second questionnaire, which appears as Appendix B to this chapter, was used. The intended purpose of this questionnaire was to assess the overall worth of the model and obtain constructive criticism of it from a local operational perspective in terms of specific recommendations for addition and deletion. The questionnaire attempts to solicit responses which distinguish or differentiate between the specific management concept addressed by the model and the technique employed in the model for carrying it out. These responses are solicited in the form of narrative comments and a numerical evaluation using a one to five scale as explained in Appendix B.

The test plan also provided for a fourth phase which consisted of a brief recapitualtion and documentation of

significant questions and points raised during the test process.

CHAPTER APPENDIX A: RESOURCE ALLOCATION AT YOUR COMMAND

For the Comptroller:

1. a. Does your comamnd utilize centralized, decentralized or a mixed technique for funds control?

b. Is there a Resource Allocation Board, Budget Execution Committee, Resource Utilization Council or similar activity in use at your command? What is its title?

2. Who, at your comamnd, is responsible for relating the command's overall goals and objectives to financial terms and considerations?

a. Are department heads and/or line managers required to promulgate their own goals and objectives and relate them to financial/budgetary considerations within the command?

b. Is a prioritized list of command-wide unfunded requirements maintained at the command level?

1) Is a list of unfunded requirements maintained at the department or cost center level?

2) Is the unfunded requirements list checked whenever a new departmental request is received so a comparison of priorities can be made?

3) Does the budget committee periodically review, update and reprioritize the list of unfunded requirements?

4) Is continuous justification for all unfunded requirements within the command maintained?

3. a. Within your command is there a formal reporting mechanism which:

1) Requires explanations for variances from the budget?

2) Provides causes/effects of variances?

3) Contains revised estimates when actual results differ substantially from anticipated results?

4) Forecasts needs and anticipated results through the end of the budget period?

b. With respect to variances:

1) Is corrective action initiated or recommended every time there is a significant variance?

2) Is any formal follow-up conducted to verify implementation of reported corrective actions?

c. Does your command's control system provide for fixing responsibility for deviations from established standards or variations from budget?

1) Is the information officially fed back to department heads and/or line managers?

2) Is such information considered as part of the area of personnel performance evaluation?

4. Does your command's financial control system provide feedback of information for use in a continuous evaluation and validation of variance standards?

5. What form does the majority of your command's financial management guidance take:

Written Intructions?

Written Notices?

Memoranda?

Budget Meetings?

Verbal Instructions?

a. Assuming your command utilizes written financial management guidance, does it contain:

1) Measurement criteria?

2) Management control systems or procedures?

3) Standardization of record keeping at the OPTAR holder/cost center/department level?

4) Standardization of internal reporting?

5) Requirements for external reporting?

6) How to glean required management information from financial reports?

Information About Your Command

For the Comptroller:

1. Type of Command (NAVSTA, NAVSHPYD, etc.):

2. Name of Major Claimant:

3. Size of O&MN Appropriation (direct):

4. Do you consider your staff to be adequate for your budget execution function?

a. How many cost centers are assigned?

b. 1) On an annual basis, what approximate % of staff time is spent on budget formulation?

2) On budget execution/monitoring?

## CHAPTER APPENDIX B: QUESTIONNAIRE

Based upon the briefing you just received regarding budget execution at U.S. Navy Shore commands, we solicit your comments for each of the five "critical few" management concepts and related techniques as presented in our model:

1. Perceived Benefit: Participative Management
   Management Technique: (Model): Resource Allocation Board (RAB)

   A. Compared to your current procedures, do you agree that there are potential benefits from employing participative management in the budget execution process at your command?

      1) If yes, what benefits do you perceive?

      2) If no, is it because:

         a) You do not believe that participative management offers desirable benefits? Why not?

         b) You do not agree that the model technique will obtain the stated benefits for your command? What would be a better technqiue?

         c) Other comments on this aspect of the model:

   B. Using the numerical scale which follows, rate the relative acceptability and applicability (A/A) of the above perceived benefit and management technique at your command:

| No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |

For example, if you rate the above benefit and technique as of medium acceptability and poor applicability, you would rate it as 3/2.

2. Perceived Benefit: Accountability For Variances
Management Technique (Model): Variance Explanation Form

A. Compared to your current procedures, do you agree that there are potential benefits from employing accountability for variances in the budget execution process at your command?

1) If yes, what benefits do you perceive?

2) If no, is it because:

a) You do not believe that accountability for variances offers desirable benefits? Why not?

b) You do not agree that the model technique will obtain the stated benefits? Why not?

c) Other comments on this aspect of the model:

B. Using the numerical scale which follows, rate the relative acceptability and applicability (A/A) of the above perceived benefit and management technique at your command:

| No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |

3. Perceived Benefit: Continual Evaluation
Management Technique (Model): Prioritization Instruction

A. Compared to your current procedures, do you agree that there are potential benefits from employing

continual evaluation in the budget execution process at your command?

1) If yes, what benefits do you perceive?

2) If no, is it because:

a) You do not believe that continual evaluation offers desirable benefits? Why not?

b) You do not agree that the model technique will bring about its stated benefits? Why not? Is there a better technique?

c) Other comments on this aspect of the model:

B. Using the numerical scale which follows, rate the relative acceptability and applicability (A/A) of the above perceived benefit and management technique at your command:

No A/A Poor A/A Medium A/A Good A/A Excellent A/A

1 2 3 4 5

4. Perceived Benefit: Goals and Objectives

Management Technique (Model): Mission Definition Questionnaire

A. Compared to your current procedures, do you agree that there are potential benefits from employing specific goals and objectives in the budget execution process at your command?

1) If yes, what benefits do you perceive?

2) If no, is it because:

a) You do not believe that specific goals and objectives offer desirable benefits? Why not?

b) You do not agree that the model technique will obtain stated benefits? Why not? Is there a better technique?

c) Other comments on this aspect of the model:

B. Using the numerical scale which follows, rate the relative acceptability and applicability (A/A) of the above perceived benefit and management technique at your command:

No A/A Poor A/A Medium A/A Good A/A Excellent A/A

1 2 3 4 5

5. Perceived Benefit Support Rather Than Replace Managers

Management Technique (Model): Benchmark Priority

A. Compared to your current procedures, do you agree that there are potential benefits from employing a concept of "Support Rather Than Replace Managers" in their decision making process of budget execution at your command?

1) If yes, what benefits do you perceive?

2) If no, is it because:

a) You do not believe that such a concept offers desirable benefits? Why not?

b) You do not agree that the model technique will obtain its stated benefits? Why not? Is there a better technique?

c) Other comments on this aspect of the model:

B. Using the numerical scale which follows, rate the relative acceptability and applicability (A/A) of the above perceived benefit and management technique at your command:

No A/A Poor A/A Medium A/A Good A/A Excellent A/A

1 2 3 4 5

6. What is your overall reaction to this model in terms of its potential acceptability and applicability in the budget execution process:

A. At your command?

1) Using the numerical scale which follows, rate the relative acceptability and applicability (A/A) of the entire model at your command.

No A/A Poor A/A Medium A/A Good A/A Excellent A/A

1 2 3 4 5

B. At other U.S. Navy Shore Commands?

1) Please estimate the overall acceptability and applicability of the model for other USN shore commands:

No A/A Poor A/A Medium A/A Good A/A Excellent A/A

1 2 3 4 5

Please describe your job title in the command. (Example: Comptroller, Chaplain, CO, XO, Assnt security officer).

---

THANK YOU

# VI. TEST RESULTS

## A. GENERAL

As outlined in Chapter I there were three objectives in this thesis. The first was an examination of the need to improve budget execution at USN shore commands and was dealt with in Chapters II and III. The second objective, that of developing a model to improve shore command budget execution, was the focus of Chapter IV. The third objective was to determine by field testing whether the model offered possible improvements and had potential acceptability and applicability for USN shore command (field) use. It is the purpose of this chapter to report the results of the field tests in the format outlined in Chapter V of this thesis. These field tests were carried out in four phases at each of the five test commands. These test phases were:

PHASE I. A basic assessment/analysis of the test command's budget execution procedures as determined from the comptroller's responses to Appendix A to Chapter V. The purpose of this phase was to give the authors a preliminary impression of budget execution at the test command and to facilitate comparison of the model's procedures with those currently in effect at the test command. During this phase, each test command was initially visited using the command's comptroller as the point of introduction.

PHASE II. A 30 minute briefing of the model, presented in Chapter IV, and outlined in Chapter V. This briefing was conducted during the second visit to each command and was given to key cost center managers at each test command.

PHASE III. Questions and responses to the briefing as solicited by Appendix B to Chapter V. The purpose of soliciting these responses was to assess the overall worth of the model and obtain constructive criticism of it from a local operational perspective in terms of specific recommendations for addition and deletion.

PHASE IV. Recapitulation and documentation of significant questions and points raised during the test process.

All four phases were employed in testing the model at four of the five test commands. The authors were forced to abandon full testing at the fifth command due to the local comptroller's reluctance to proceed with full testing. This reaction was taken by the authors as a valid field response to the model. A summary of this reaction is presented in a separate section of this chapter. Results in this section and all others in this chapter are presented without inference as to the meaning of the results. Inferences for all sections of this chapter are addressed in Chapter VII, the final chapter of this thesis.

The remaining sections of this chapter are briefly described below:

Section B--ABBREVIATED TESTING AT ONE COMMAND. This section summarizes the discussion among the authors and the comptroller at the one command which did not allow full scale testing of the model.

Section C--GENERAL DESCRIPTION OF THE TEST COMMANDS. This section presents a general description of the four fully cooperative test commands. This section addresses areas such as size of funding authority, number of cost centers, etc. It does not describe commands' existing procedures vis-a-vis the budget execution model proposed in this thesis. Such a comparison is addressed in the following sections of this chapter.

Section D--TEST RESULTS: THE RAB AND PARTICIPATIVE MANAGEMENT. This section presents the first of the test results specifically relating to the model. Subsequent sections address the other four techniques and "critical few" concepts incorporated in the model. These sections are all organized as follows:

Subsection 1. Current Procedures. This subsection presents responses to questions that describe the test command's existing budget execution procedures in the applicable topical area (e.g., RAB and Participative Management). These results were obtained during Phase I of the testing procedures.

Subsection 2. Respondents' Reaction to the Model as an Improvement Over Current Procedures. The focus of this subsection is upon the following question:

> Compared to your current procedures, do you agree that there are potential benefits from employing the model in the budget execution process at your command?

Responses are summarized by presenting the total number of YES and NO answers for each of the four test commands as well as a total for all test commands. Respondents' comments as to why they believed there were or were not benefits to employing the model were extensive and are therefore included in the Appendix to this chapter. The authors believe that these comments are constructive and useful and utilized them to make inferences regarding the "worth" of the model in Chapter VII. The sheer volume of the comments, however, does not lend itself to presentation within the main text. The reader is encouraged to "scan" the comments included in the Appendix to gain a better appreciation of respondents' perceptions of the model's potential benefits.

Subsection 3. Acceptability and Applicability of the Model. These results are summarized via a frequency distribution displaying the number of respondents rating the model in each category of a numerical scale. The scale previously presented in Chapter V is illustrated below:

| No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |

The median ("the middle value") and the mode ("the category containing the most responses") allow a general categorization of the model's acceptability and applicability.

Section E--TEST RESULTS: VARIANCE EXPLANATION FORM AND ACCOUNTABILITY FOR VARIANCES.

Section F--TEST RESULTS: PRIORITIZATION INSTRUCTION AND CONTINUAL EVALUATION.

Section G--TEST RESULTS: MISSION EFFECTIVENESS QUESTIONNAIRE AND GOALS/OBJECTIVES.

Section H--TEST RESULTS: BENCHMARK PRIORITY AND SUPPORT NOT REPLACE THE MANAGER.

Section I--TEST RESULTS: OVERALL MODEL. The organization for this section differs from the preceding test results of the components of the model. This section presents the results of respondents' overall reaction in terms of its potential acceptability and applicability both at their own command and other Navy commands. Many respondents elected not to comment on this portion of the model testing. For this reason, there are fewer responses included in this section.

B. ABBREVIATED TESTING AT ONE COMMAND

The number of fully participating test commands was unexpectedly reduced from 5 to 4 as a direct result of the model pre-briefing and coordination carried out during phase I of the test process. After initially agreeing to participate in the test process during early telephonic coordination, one Naval Air Station's comptroller withdrew from the test after receiving a pre-briefing on the model. His rationale, stated after approximately two hours of discussion and coordination has been paraphrased by the authors who were both present during the discussion. The paraphrase follows:

> We have a centrally-organized budget execution process here. We also have some very strong-willed cost center/line managers. Although I recognize

the potential benefits of participative management, I am very reluctant to introduce the concept in budget execution here as it would tend to disrupt the tranquility we have now. I like the basic idea, however. I'm new at this comptroller job. On my way to this job, one of my friends, also a comptroller at a naval station in the Far East, reommended that I institute a resource allocation board to enhance budget execution at my new command if one did not already exist. But, since taking the job, I have determined that there is too much risk involved. Some of my cost center managers are too strong-willed. I'm leaning toward your ideas and your test. I'll get back to you on this. Thank you for coming by.

About one week later, both authors received a letter expressing the comptroller's best wishes and confidence "that alternative facilities are available that will enable you to achieve your objectives."

The authors believe that the above reaction to the model represents one valid, if not altogether positive or cooperative, reaction from the field to a model that recommends management changes. This point is discussed in greater depth in Chapter VII.

## C. GENERAL DESCRIPTION OF THE TEST COMMANDS

The results of the questionnaire are presented below without comment or inferences by the authors.

Information about your command

Type of command:

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Naval Station | Naval Support Activity | Naval Supply Center | Naval Air Station |

Name of major claimant

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Commander in Chief, US Pacific Fleet (CINCPACFLT) | Chief of Naval Operations Director, Field Support Activities (OP-09EF) Change to COMNAVLOGPAC 1 JAN 1982 | Naval Supply Systems Command (NAVSUP) | CINCPACFLT |

Size of O&MN Appropriation (direct)

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| $10,059,000 | $6,700,000 plus approximately $2 million unfunded | $57,500,000 | $21,456,000 |

Do you consider your staff to be adequate for your budget execution function?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes | Marginally | Yes | No |

How many cost centers are assigned?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| 23 departments | 27 | 107 | 30 |

On an annual basis, what approximate percent of staff time is spent on budget formulation?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| 25% | 25% | 25% | 35% |

On an annual basis, what approximate percent of staff time is spent on budget execution/monitoring?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| 75% | 40% | 75% | 65% |

D. TEST RESULTS: THE RAB AND PARTICIPATIVE MANAGEMENT

In the same manner as previous sections and throughout this chapter results are presented without comments by the authors.

1. Current Procedures

Does your command utilize centralized, decentralized or a mixed technique for funds control?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Centralized in comptroller's department | Essentially centralized--Fiscal branch provides budget guidance to fund managers who "track" against these control figures | Decentralized Department OPTARS | Mixed technique |

Is there a Resource Allocation Board, Budget Execution Committee, Resource utilization Council or similar activity in use at your command? What is its title?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| No | No | No | No, General Purpose Station Planning Board |

2. Respondents' Reaction to the Model as an Improvement Over Current Procedures

Perceived Benefit: Participative Management
Technique (Model): Resource Allocation Board (RAB)

Compared to your current procedures, do you agree that there are potential benefits from employing participative management in the budget execution process at your command?

| NAVSTA | NAVSUPPACT | NSC | NAS | TOTAL |
|---|---|---|---|---|
| Yes--18 | Yes--16 | Yes--7 | Yes--26 | Yes--67 |
| No-- 1 | No-- 0 | No --0 | No -- 1 | No -- 2 |

3. Acceptability and Applicability of the Model

Number of respondents from each test command rating the acceptability (Accept.) and applicability (Applic.) of the RAB and Participative Management are presented below without commentary.

| | No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|---|
| NAVSTA | | | | | |
| Accept. | 0 | 2 | 5 | 9 | 2 |
| Applic. | 0 | 0 | 5 | 10 | 3 |
| | | | | Accept. | Applic. |
| Median | | | | 4 | 4 |
| Mode | | | | 4 | 4 |
| NAVSUPPACT | | | | | |
| Accept. | 0 | 1 | 8 | 6 | 1 |
| Applic. | 0 | 1 | 5 | 9 | 1 |
| | | | | Accept. | Applic. |
| Median | | | | 3 | 4 |
| Mode | | | | 3 | 4 |
| NSC | | | | | |
| Accept. | 1 | 1 | 2 | 2 | 1 |
| Applic. | 0 | 1 | 0 | 5 | 1 |
| | | | | Accept. | Applic. |
| Median | | | | 3 | 4 |
| Mode | | | | 3 and 4 | 4 |
| NAS | | | | | |
| Accept. | 0 | 4 | 9 | 12 | 1 |
| Applic. | 0 | 2 | 8 | 14 | 2 |
| | | | | Accept. | Applic. |
| Median | | | | 4 | 4 |
| Mode | | | | 4 | 4 |
| TOTAL | | | | | |
| Accept. | 1 | 8 | 24 | 29 | 5 |
| Applic. | 0 | 4 | 18 | 38 | 7 |
| | | | | Accept. | Applic. |
| Median | | | | 4 | 4 |
| Mode | | | | 4 | 4 |

E. TEST RESLTS: VARIANCE EXPLANATION FORM AND ACCOUNTABILITY FOR VARIANCES.

1. Current Procedures

Within your command, is there a formal reporting mechanism which:

Requires explanations for variances from the budget?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Informal | No, informal via telephone with fund manager | Yes | Yes |

Provides causes/effects of variances?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Informal | Yes, in budget analysis, monthly or semi-monthly | Yes | Yes |

Contains revised estimates when actual results differ substantially from anticipated results?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Informal | Yes | Yes | Yes |

Forecasts needs and anticipated results through the end of the budget period?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Informal. Comptroller department constantly monitors funds--may reprogram in fourth quarter if funds allocated are not spent | Yes | Yes | Yes |

With respect to variances:

Is corrective action initiated or recommended every time there is a significant variance?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Verbally | Verbally | Yes, if required | Depends on the area and the cause |

Is any formal follow-up conducted to verify implementation of reported corrective actions?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| No | Yes, by review of obligation rates | Yes | Yes |

Does your command's control system provide for fixing responsibility for deviations from established standards or variations from budget?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Dept. head notified if OPTAR exceeded | Can be done when required. Generally, deviations are obvious on the face of current requirements or operations | Yes | Responsibility can be placed as necessary |

Is the information officially fed back to department heads and/or line managers?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes | When required | Yes | Yes, as appropriate |

Is such information considered as a part of the area of personnel performance evaluation?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Not by comptroller department | Not observed (by comptroller) | Yes | Personnel performance evaluation is administered by each department and standards may differ widely |

Does your command's financial control system provide feedback of information for use in a continuous evaluation and validation of variance standards?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes | No answer | Yes | Yes |

2. Respondents' Reaction to the Model as an Improvement Over Current Procedures

Perceived Benefit: Accountability for Variances
Management Technique: Variance Explanation Form

Compared to your current procedures, do you agree that there are potential benefits from employing accountability for variances in the budget execution process at your command?

| NAVSTA | NAVSUPPACT | NSC | NAS | TOTAL |
|---|---|---|---|---|
| Yes--18 | Yes--14 | Yes--7 | Yes--24 | Yes--63 |
| No -- 1 | No -- 2 | No --0 | No -- 3 | No -- 6 |

3. Acceptability and Applicability of the Model

Number of respondents from each test command rating the acceptability and applicability of the Variance Explanation Form and Accountability for Variances are presented below without commentary.

| | No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|---|
| NAVSTA | | | | | |
| Accept. | 0 | 3 | 5 | 7 | 3 |
| Applic. | 0 | 1 | 5 | 9 | 3 |
| | | | Accept. | | Applic. |
| Median | | | 4 | | 4 |
| Mode | | | 4 | | 4 |
| NAVSUPPACT | | | | | |
| Accept. | 0 | 2 | 8 | 5 | 1 |
| Applic. | 0 | 2 | 5 | 7 | 2 |
| | | | Accept. | | Applic. |
| Median | | | 3 | | 4 |
| Mode | | | 3 | | 4 |
| NSC | | | | | |
| Accept. | 0 | 0 | 6 | 1 | 0 |
| Applic. | 0 | 0 | 2 | 4 | 1 |
| | | | Accept. | | Applic. |
| Median | | | 3 | | 4 |
| Mode | | | 3 | | 4 |
| NAS | | | | | |
| Accept. | 1 | 3 | 11 | 9 | 2 |
| Applic. | 1 | 1 | 7 | 15 | 3 |
| | | | Accept. | | Applic. |
| Median | | | 3 | | 4 |
| Mode | | | 3 | | 4 |

| TOTAL | | | | | |
|---|---|---|---|---|---|
| Accept. | 1 | 8 | 30 | 22 | 6 |
| Applic. | 1 | 4 | 18 | 35 | 9 |

| | Accept. | Applic. |
|---|---|---|
| Median | 3 | 4 |
| Mode | 3 | 4 |

F. TEST RESULTS: PRIORITIZATION INSTRUCTION AND CONTINUAL EVALUATION

1. Current Procedures

Is a prioritized list of command-wide unfunded requirements maintained at the command level?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes | Yes--Developed several times per year | Yes | Yes |

Is a list of unfunded requirements maintained at the department or cost center level?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes, departments retain copies | Yes, although not formulated, developed on request | Department level | Yes, however the Budget Officer maintains the master list |

Is the unfunded requirements list checked whenever a new departmental request is received so a comparison of priorities can be made?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes | Yes, at year end | No answer | Yes |

Does the budget committee periodically review, update and reprioritize the list of unfunded requirements?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| No, comptroller department performs | No, no such committee | No, no such committee | Yes |

Is continuous justification for all unfunded requirements within the command maintained?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes, occasionally by some department | No, a justification is formalized on determination of requirement | Semi-annual update | Yes |

2. Respondents' Reaction to the Model as an Improvement Over Current Procedures

Perceived Benefit: Continual Evaluation
Management Technique (Model): Prioritization Instruction

Compared to your current procedures, do you agree that there are potential benefits from employing continual evaluation in the budget execution process at your command?

| NAVSTA | NAVSUPPACT | NSC | NAS | TOTAL |
|---|---|---|---|---|
| Yes--16 | Yes--15 | Yes--7 | Yes--22 | Yes--60 |
| No -- 2 | No -- 1 | No --0 | No -- 4 | No -- 7 |

3. Acceptability and Applicability of the Model

Number of respondents from each test command rating the acceptability and applicability of the Prioritization Instruction and Continual Evaluation are presented below without commentary.

| | No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|---|
| NAVSTA | | | | | |
| Accept. | 1 | 3 | 3 | 7 | 3 |
| Applic. | 0 | 2 | 4 | 6 | 5 |
| | | | Accept. | Applic. | |
| Median | | | 4 | 4 | |
| Mode | | | 4 | 4 | |
| NAVSUPPACT | | | | | |
| Accept. | 1 | 2 | 9 | 4 | 0 |
| Applic. | 1 | 2 | 6 | 6 | 1 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 3 | |
| Mode | | | 3 | 3 and 4 | |

| | | | | | |
|---|---|---|---|---|---|
| NSC | | | | | |
| Accept. | 0 | 0 | 4 | 3 | 0 |
| Applic. | 0 | 0 | 1 | 5 | 1 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 | 4 | |
| NAS | | | | | |
| Accept. | 1 | 3 | 10 | 12 | 0 |
| Applic. | 1 | 2 | 8 | 14 | 1 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 4 | 4 | |
| TOTAL | | | | | |
| Accept. | 3 | 8 | 26 | 26 | 4 |
| Applic. | 2 | 7 | 18 | 31 | 8 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 and 4 | 4 | |

G. TEST RESULTS: MISSION EFFECTIVENESS QUESTIONNAIRE AND GOALS/OBJECTIVES

1. Current Procedures

Who, at your command, is responsible for relating the command's overall goals and objectives to financial terms and considerations?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| CO, XO and Comproller | Divisions submit requirements. CO, advised by comptroller decides | CO, based on comptroller recommendations which are based on departmental justification | Budget officer with guidance/ concurrence of the comptroller |

Are department heads and/or line managers required to promulgate their own goals and objectives and relate them to financial/budgetary considerations within the command?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Department heads. They submit new requirements for consideration | Not formally, although to some extent on budget requests. Yes in the case of new | No | Yes, via the Budget Call |

(Cont'd)

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| and priority for quarterly submission to (NAV) LOGPAC | programs or unfunded requirements | | |

2. Respondents' Reaction to the Model as an Improvement Over Current Procedures

Perceived Benefit: Goals and Objectives
Management Technique (Model): Mission Definition Questionnaire

Compared to your current procedures, do you agree that there are potential benefits from employing specific goals and objectives in the budget execution process at your command?

| NAVSTA | NAVSUPPACT | NSC | NAS | TOTAL |
|---|---|---|---|---|
| Yes--16 | Yes--14 | Yes--6 | Yes--25 | Yes--61 |
| No -- 1 | No -- 2 | No --1 | No -- 2 | No -- 6 |

3. Acceptability and Applicability of the Model

Number of respondents from each test command rating the acceptability and applicability of the Mission Effectiveness Questionnaires and Goals/Objectives are presented below without commentary.

| | No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|---|
| NAVSTA | | | | | |
| Accept. | 1 | 1 | 5 | 8 | 2 |
| Applic. | 0 | 1 | 6 | 6 | 4 |
| | | | Accept. | | Applic. |
| Median | | | 4 | | 4 |
| Mode | | | 4 | | 3 and 4 |
| NAVSUPPACT | | | | | |
| Accept. | 1 | 1 | 8 | 4 | 2 |
| Applic. | 1 | 2 | 4 | 6 | 3 |
| | | | Accept. | | Applic. |
| Median | | | 3 | | 4 |
| Mode | | | 3 | | 4 |

| | | | | | |
|---|---|---|---|---|---|
| NSC | | | | | |
| Accept. | 1 | 0 | 3 | 3 | 0 |
| Applic. | 0 | 1 | 0 | 5 | 1 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 and 4 | 4 | |
| NAS | | | | | |
| Accept. | 2 | 4 | 9 | 9 | 3 |
| Applic. | 2 | 1 | 5 | 16 | 3 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 and 4 | 4 | |
| TOTAL | | | | | |
| Accept. | 5 | 6 | 25 | 24 | 7 |
| Applic. | 3 | 5 | 15 | 33 | 11 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 | 4 | |

H. TEST RESULTS: BENCHMARK PRIORITY AND SUPPORT NOT REPLACE THE MANAGER

1. Current Procedures

What form does the majority of your command's financial management guidance take?

Written Instructions?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes | No | No | Used |

Written notices?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes | No | No | Used |

Memoranda?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes | 60% (of total) | Yes | Used |

Budget Meetings?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Mentioned at weekly staff meetings | 5% (of total) | No | Used |

Verbal Instructions?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Telephone to Dept. Heads | 35% (of total) | No | Used |

Assuming your command utilizes written financial management guidance, does it contain:

Measurement criteria?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Nc | Some | Yes | Yes |

Measurement control systems or procedures?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Comptroller personnel get copy of each obligation document | No | Yes | Yes |

Standardization of record keeping at the OPTAR holder/cost center/department level?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Keep memorandum records and reconcile with comptroller | Yes | No | No |

Standardization of internal reporting?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| All documents forward to AAA* NSC Oakland. Standardized system of document transmittal form for reconciliation purposes | Yes | Yes | Yes |

---

*AAA is the acronym for the Authorization Accounting Activity.

Requirements for external reporting?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Standardized reports prepared as required | Some, generally verbal | Yes | Yes |

How to glean required managment information from financial reports?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| From AAA reports | No, generally verbal | Yes | Yes |

2. Respondents' Reaction to the Model as an Improvement Over Current Procedures

Perceived Benefit: Support Rather Than Replace Managers
Management Technique (Model): Benchmark Priority

Compared to your current procedures, do you agree that there are potential benefits from employing a concept of "Support Rather Than Replace Managers" in their decision making process of budget execution at your command?

| NAVSTA | NAVSUPPACT | NSC | NAS | TOTAL |
|---|---|---|---|---|
| Yes--16 | Yes--13 | Yes--7 | Yes--25 | Yes--61 |
| No -- 0 | No -- 1 | No --0 | No -- 2 | No -- 3 |

3. Acceptability and Applicability of the Model

Number of respondents from each test command rating the acceptability and applicability of the Mission Effectiveness Questionnaire and Goals/Objectives are presented below without commentary.

| | No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|---|
| NAVSTA | | | | | |
| Accept. | 0 | 2 | 4 | 7 | 2 |
| Applic. | 0 | 2 | 3 | 7 | 3 |

| | Accept. | Applic. |
|---|---|---|
| Median | 4 | 4 |
| Mode | 4 | 4 |

| | | | | | |
|---|---|---|---|---|---|
| NAVSUPPACT | | | | | |
| Accept. | 1 | 0 | 7 | 6 | 1 |
| Applic. | 1 | 0 | 4 | 7 | 3 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 | 4 | |
| NSC | | | | | |
| Accept. | 1 | 0 | 3 | 3 | 0 |
| Applic. | 0 | 1 | 0 | 4 | 2 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 and 4 | 4 | |
| NAS | | | | | |
| Accept. | 0 | 5 | 7 | 11 | 3 |
| Applic. | 0 | 3 | 5 | 14 | 4 |
| | | | Accept. | Applic. | |
| Median | | | 4 | 4 | |
| Mode | | | 4 | 4 | |
| TOTAL | | | | | |
| Accept. | 2 | 7 | 21 | 27 | 6 |
| Applic. | 1 | 6 | 12 | 32 | 12 |
| | | | Accept. | Applic. | |
| Median | | | 4 | 4 | |
| Mode | | | 4 | 4 | |

I. TEST RESULTS: OVERAL MODEL

1. At the Test Command

What is your overall reaction to this model in terms of its potential acceptability and applicability in the budget execution process at your command?

| | No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|---|
| NAVSTA | | | | | |
| Accept. | 0 | 3 | 1 | 11 | 1 |
| Applic. | 0 | 1 | 1 | 12 | 2 |
| | | | Accept. | Applic. | |
| Median | | | 4 | 4 | |
| Mode | | | 4 | 4 | |
| NAVSUPPACT | | | | | |
| Accept. | 1 | 0 | 10 | 3 | 1 |
| Applic. | 1 | 0 | 7 | 5 | 2 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 3 | |
| Mode | | | 3 | 3 | |

| | | | | | |
|---|---|---|---|---|---|
| NSC | | | | | |
| Accept. | 1 | 1 | 4 | 0 | 1 |
| Applic. | 0 | 0 | 4 | 2 | 1 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 3 | |
| Mode | | | 3 | 3 | |
| NAS | | | | | |
| Accept. | 0 | 3 | 14 | 6 | 2 |
| Applic. | 0 | 2 | 8 | 12 | 3 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 | 4 | |
| TOTAL | | | | | |
| Accept. | 2 | 7 | 29 | 20 | 5 |
| Applic. | 1 | 3 | 20 | 31 | 8 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 | 4 | |

2. Navy-Wide

What is your overall reaction to this model in terms of its potential acceptability and applicability (A/A) in the budget execution process at other U.S. Navy Shore Commands?

| | No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|---|
| NAVSTA | | | | | |
| Accept. | 0 | 2 | 1 | 9 | 1 |
| Applic. | 0 | 1 | 1 | 9 | 2 |
| | | | Accept. | Applic. | |
| Median | | | 4 | 4 | |
| Mode | | | 4 | 4 | |
| NAVSUPPACT | | | | | |
| Accept. | 1 | 0 | 8 | 2 | 1 |
| Applic. | 1 | 0 | 5 | 4 | 2 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 3 | |
| Mode | | | 3 | 3 | |
| NSC | | | | | |
| Accept. | 0 | 1 | 2 | 1 | 1 |
| Applic. | 0 | 0 | 2 | 3 | 0 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 | 4 | |

| | | | | | |
|---|---|---|---|---|---|
| NAS | | | | | |
| Accept. | 0 | 4 | 11 | 5 | 2 |
| Applic. | 0 | 2 | 8 | 9 | 3 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 | 4 | |
| TOTAL | | | | | |
| Accept. | 1 | 7 | 22 | 17 | 5 |
| Applic. | 1 | 3 | 16 | 25 | 7 |
| | | | Accept. | Applic. | |
| Median | | | 3 | 4 | |
| Mode | | | 3 | 4 | |

## CHAPTER APPENDIX: ANECDOTAL RESPONSES

NOTE: When a respondent indicated his or her function within the command, it is indicated immediately following the quote.

QUESTION 1 Perceived Benefit: Participative Management Management Technique (Model): Resource Allocation Board (RAB)

Compared to your current procedures, do you agree that there are potential benefits from employing participative management in the budget execution process at your command?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes--18 | Yes--16 | Yes--7 | Yes--26 |
| No -- 1 | No -- 0 | No --0 | No -- 1 |

If yes, what benefits do you perceive?

NAVSTA

Department heads have better knowledge of overall command goals and capabilities if they have participated in budget decisions. Decisions should be better if everyone (dept. heads) has an input. [Commanding Officer]

I currently have no input into the budget process. It would give me a chance to plan for needed replacement of equipment to upgrade the level of services we provide the command. [Legal Officer]

More even distribution to needs. [Chaplain]

Department heads would be aware of command's needs. [Comptroller]

Better priority for funds. Opportunity to express long range plans. [Support Services Supervisor--Admin. Dept.]

Everyone has equal opportunity to sell their needs and outcome would reflect command's best interest overall. [Brig Officer]

Internal communication in the grab for bucks.

All hands are informed about budget and the confinements of budgets. [Special Services Officer]

Better money management. [Fire Chief]

Allows more input than presently possible. [CAAC Director]

Current input to budget doesn't always allow a smooth progression to solve budget shortfalls. [Service Craft Officer]

Department heads should have input to resource allocation. [Civilian Personnel Director]

Total visibility of each requirement to be prioritized.

Needs/desires of all concerned are discussed and classified. [Family Service Center Director]

Under present system, I do not have any input. [Admin. Officer]

More individual input into department budget execution; more knowledge of overall command operations.

CO gets broad-based recommendations. Department heads get a better feel about what's going on within the command, both problem and money-wise. [Staff Judge Advocate]

NAVSUPPACT

A potential for more efficient management. [Executive Officer]

More overall effective use of funds. [Public Affairs Officer]

The exchange of information and needs in a regular forum. [Staff Judge Advocate]

Managers know their business better than the comptroller. [Chaplain]

This technique would enable the entire command (department heads) to understand the need for unpopular budget decisions and importance of achieving overall command goals. [Comptroller]

Identifies the needs at the operational level. [Fire Chief]

Better assignment of priorities/better understanding by fund managers of reasons for priorities assigned. [Operations Officer]

It gives you more input to budget planning and make desirable fund allocations. [Food Service Chief of Enlisted Dining Facility]

Not previously included in the total command function can cause misconceptions of importance among other requirements of the command. [Commanding Officer's Secretary]

A more tailored-to-need budget for each department. [Management Analyst, Administration Officer]

This would result in better communication. [Budget Analyst, Public Works]

People implementing budget should be involved in creating the budget; therefore, more accurate budgets. [Military Administrative Assistant]

Access to first-hand knowledge of specific managers. [Budget Analyst]

By use of a resource allocation board, you would get more participation of responsible personnel involved in the budgeting process. Presently, the budget decisions are made by the Comptroller's Dept. (and) then approved by (the) CO. This method would assist budget preparers and give (the) CO a better management tool. [Budget and Accounting Officer]

Participative management has potential benefits: (1) Subordinate managers may have better ideas or input. The broader the knowledge or experience base used in making the decision, the greater the potential for a better decision. (2) Programs which subordinate managers had a hand in developing will be better supported by those managers. They will want to make it work. [Special Assistant to the CO]

NSC

The key personnel will become more aware of problems/responsibilities of other key personnel in (the) command--through the answers given why projects are given the higher or lower EPI ratings--it does appear, as you suggest, that this would take a small amount of time from each key person and yet provide them with very helpful management decision making information. [Budget Analyst, Data Processing Dept.]

Control over specific un-funded projects.

Management participation enables them (managers) to become more aware of various costs of operations involved within the command. [Budget Analyst, Facilities Division]

Systematic and predictable prioritization of unfunded projects. [Senior Facilities Distribution Specialist]

Reduces the spoils system. Provides general knowledge to all of requirements. [Deputy Director, Physical Distribution Dept.]

Requires focus on command requirements vs. departmental requirements by key managers. Structures unfunded requirements at command level in priority sequence. Enables more rapid response to claimant request for information on requirements. [Comptroller]

Involvement of command and responsible parties. Less argument and disagreement relative to items funded or unfunded. [Budget Officer]

NAS

Continuity in planning at command level. Improved command responsiveness and mission readiness. Mutual understanding of department/command problems. Better resource management. [Commanding Officer]

All requirements of the command should be made known.

Will promote a better understanding of the system. [Legal Officer]

It will involve the managers first-hand and help them to obtain a better perspective of other manager's needs in relation to their own. [Planning Supervisor]

All management will know the budget. Managers talking to solve budget problems. [Director, Counseling and Assistance Center]

Model would enhance understanding of relative importance of departments within activity's mission in operational as well as financial terms. The idea is good--but instead of a separate committee/separate meeting, coordinate within activity planning meetings. [Assistant Public Affairs Officer]

Relevant communication. [Deputy Comptroller]

More involvement of managers from all areas.

Utilizes the knowledge and abilities of the ones who must implement the budget. [Resident Management Officer]

If I have a say in how the funds are spent, I should be knowledgeable of how the budget is equated. [Control Division Officer--Supply Dept.]

All requirements of all departments could be considered. [Aviation Support Division Officer]

Better allocation of funds--better use of available excess funds. [Supply Officer)

Find out problems through communication with persons that work with you. [Food Service Officer]

Could produce a logically derived priority list for the obligation of end year sweep up of funds. [Admin. Officer/Director Family Service Center]

More knowledge of operational level problems. [Budget Analyst]

Greater understanding of mission of base from each department. [Chaplain]

Improve readiness at the command with input from all departments. [Supply Petty Officer]

Yes. Constant and never ending transfers of managers causes varying responses and ofttimes snap decisions to influence and entire year's budget process. [Comptroller]

Increased information available to line managers. [Chief of Employment, Civilian Personnel Office]

The needs of each department would be better understood. [O&MN Budget Clerk--Chaplain's Office]

Coordinated decision making. [Facilities Management Office]

Better understanding of other departments requirements. [Budget Analyst, Facilities Management Office]

Having key personnel involved/responsible for their fiscal actions. [Deputy Director, Family Service Center]

END OF COMMENTS FOR THOSE RESPONDENTS WHO ANSWERED THEY AGREED THERE WERE BENEFITS FROM EMPLOYING PARTICIPATIVE MANAGEMENT COMPARED TO THEIR CURRENT PROCEDURES.

If you do not agree that there are potential benefits from employing participative management in the budget execution process at your command, is it because:

a. You do not believe that participative management offers desirable benefits? Why not?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| "Junior department heads would lose out." [Security Officer] | No responses | No responses | "This technique as presented, may not keep up with a high speed goal-oriented management style." [Public Affairs Officer] |

b. You do not agree that the model technique will obtain the stated benefits for your command? What would be a better technique?

No responses submitted by any commands.

c. Other comments on this aspect of the model:

No responses submitted by any commands.

QUESTION 2 Perceived Benefit: Accountability for Variances

Management Technique (Model): Variance Explanation Form

Compared to your current procedures, do you agree that there are potential benefits from employing accountability for variances in the budget execution process at your command?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes--18 | Yes--14 | Yes--7 | Yes--24 |
| No -- 1 | No -- 2 | No --0 | No -- 3 |

If yes, what benefits do you perceive?

NAVSTA

Better allocation of unfunded requirement resources since requirements are tabbed (and researched) on a regular basis. [Commanding Officer]

Will cause managers to be more conscious of their material management and will make for more realistic budget estimates in future. [Legal Officer]

More even distribution of funds to needs. [Chaplain]

Each department would be responsible for its spending. [Comptroller Dept.]

Fiscal Responsibility. [Comptroller]

More conscientious effort on conserving funds. [Support Services Supervisor--Admin. Dept.]

Agree only for major variances, benefit would be more equitable allocation of funds. [Brig Officer]

Cut down on strong individuals getting lion's share--less waste.

Each participant will be aware of the variances. [Special Services Director]

Again, better money management. We at the fire department are continually over budget. [Fire Chief]

The recognition of a shortfall or overbudget condition as early as possible would assure timely expenditure with minimum constraint on all department heads. [Service Craft Officer]

Changes in program requirements could be adjusted more efficiently. [Civilian Personnel Director]

Requires analysis and study of specific problems.

Periodic review of impacts on budget. [Family Service Center Director]

Provides more effective management tool. [Admin Officer]

More control of spending.

Good way of ensuring initial accuracy of budget pitch and provides incentive for good money management. [Staff Judge Advocate]

Draws all departments into the comptroller business. [Security Officer]

NAVSUPPACT

Improved planning and accountability. [Executive Officer]

Managers will maintain own status of funds more regularly. [Public Affairs Officer]

Accountability will keep department heads and others continually aware and conscious of budgetary needs and constraints. [Staff Judge Advocate]

Flexiblity--needs change over the year. [Chaplain]

More enthusiasm and interest by fund managers in maximization of resource employment and increase cost/benefit ratios. Forces managers to manage and get involved in control of budget execution. [Comptroller]

Cost savings--only if participation is done with sincere interest. [Fire Chief]

Yes. Small budget variances currently are not explained. Significant variances are adequately covered, however. [Operations Officer]

It benefits your future planning. [Food Service Chief--Enlisted Dining Facility]

Better management control--evaluation of manager's ability. [CO's Secretary]

Responsibility for variances rests where variance occurred. [Management Analyst--Admin. Office]

Better utilization of funds. [Budget Analyst--Public Works]

Provides C.O. with necessary information during execution of budget and makes all concerned aware of problems in timely manner. [Military Admin. Assistant]

Produces immediate identification of problems. [Budget Analyst]

The fund manager should be accountable for the funds allocated and the CO should be provided a written report/explanation of variances between plan and execution. This technique might make the fund managers more aware of their responsibilities. [Budget and Accounting Officer]

NSC

While we currently hold people accountable for budget variances, the proposed system has potential for increasing attention to variances and reasons for the variances. [Comptroller]

Improves fund status reporting--raises problem areas early-on. Assists in programming of available funds. [Budget Officer]

Knowing results can enhance decision making for future gain. Eliminates non-productive effort. Determines needs for planning and execution data. [Deputy Director, Physical Distribution Department]

Accountability for specific variances already done here. [Senior Facilities Distribution Specialist]

The benefit is for the manager's use and can be an asset in the future. [Budget Analyst--Facilities Division]

When variances are reviewed, this will determine if funds are required, return excess funds or bring out new areas of charges that have never been brought to light.

Department Directors have greater opportunity to communicate either simple under/over budget variances (for which they have no control) or more complex problems. In explaining these more complex variances, steps are often taken to try to correct them sooner in the fiscal year. [Budget Analyst, Data Processing Department]

NAS

Continuity in planning at the department level. Reactions to unforseen developments. [Commanding Officer]

Need for additional funds can be justified. Excess funds can be made available for other projects.

Increased productivity. [Officer-in-Charge of Operational Force]

It could serve to highlight critical problems. [Planning Supervisor]

It would keep command more closely appraised of what is happening in various departments. It would ensure that the comptroller processes results (monthly-quarterly)

more rapidly so as to get accurate input from departments. [Director, Counseling and ASsistance Center]

It provides the means to restructure the 'on going' budget to identify the need for reclama or to cover shortfalls in critical areas. Recommend all variances plus or minus 5 percent be analyzed. [Deputy Comptroller]

Provides systematic method for control of significant variances. Provides feedback information on good and bad management practices. Should be structured in a way to prevent undue and unnecessary paperwork. [Environmental Protection Officer]

More accurate record keeping.

Brings accountability more directly to the manager. [Resident Management Officer]

Accounting for variances would preclude possible repetitive problems in future budget executions. [Control Division Officer--Supply Dept.]

It would help to ensure that all managers actually manage their funds. [Aviation Support Division Officer]

Departments/shops not requiring current funding levels have funds redistributed early in the fiscal year. [Supply Officer]

Money is not wasted. [Food Service Officer]

I believe that all managers should be responsible for variances, other than minor. [Budget Officer]

A more complete budget and necessity of all items in it. [Chaplain]

A little closer look at department budgets throughout the year for control of funds. [Supply Petty Officer]

Benefits derived by manager's awareness would give command a more comfortable feeling, or assurance throughout the year. It might reduce or eliminate the likelihood of surprises. [Comptroller]

Better budget information available quicker. [Chief of Employment Division, Civilian Personnel Office]

Each budget manager would be involced with the overall total dollar amount. [O&MN Budget Clerk, Chaplain's Office]

Fund managers are already held accountable for variances. [Facilities Management]

Accountability. This aspect rates higher than the others, in my opinion. [Budget Analyst, Facilities Management Office]

You know where you stand and what modifications, if any, need to be made. [Deputy Director, Family Service Center]

I think this is a good idea to keep the system and managers accountable--so long as it does not become the driving force. My question here would be, do the variances dictate or control the budget or is the budget pre-planned so as to be flexible enough to handle variances? [Public Affairs Officer]

END OF COMMENTS FOR THOSE RESPONDENTS WHO ANSWERED THEY AGREED THERE WERE BENEFITS FROM EMPLOYING ACCOUNTABILITY FOR VARIANCES COMPARED TO THEIR CURRENT PROCEDURES.

If you do not agree that there are potential benefits from employing accountability for variances in the budget execution process at your command, is it because:

a. You do not believe that accountability for variances offers desirable benefits? Why not?

NAVSTA

No responses

NAVSUPPACT

Variances are mostly caused by requirements outside the control of the manager. Holding managers accountable for costs over which they have little control will generate dissatisfaction and frustration. Decision making with regard to daily expenditures must be at the manager level before the manager could be held accountable for variances. [Special Assistant to the C.O.]

NSC

No responses

NAS

No responses

b. You do not agree that the model technique will obtain the stated benefits? Why not? Is there a better technique?

NAVSTA

No responses

NAVSUPPACT

Maintenance budget is determined from past performance and best guess of what will be required in forthcoming years. Variances are common and frequent. Too much time would be required to continuously justify changes. [Director, Facilities Management Division]

NSC

No responses

NAS

Too many reasons that are real to the execution problem exist. Could become a drill for all that would lead to either bad management, e.g., "spend it so we look good" or "spend it so we don't lose it." Implies a lack of control at the line level. If I don't stay on the spending line, the CO will spend for me. [Admin. Officer]

There are accountability checks and balances within the system that appear to be accurate when put into operation. Getting cooperation through "participative management" would enable the present means of accountability to be more effective. [Asst. Public Affairs Officer]

Because variances with respect to my Dept. are based on inadequate funds, plus it generates additional unwanted paperwork. [Legal Officer]

c. Other comments on this aspect of the model:

NAVSTA

By the example provided, "within budget" may not require an explanation but the inference is that a negative report is required therefore more paperwork.

No responses received from other test commands.

QUESTION 3. Perceived Benefit: Continual Evaluation

Management Technique (Model): Prioritization Instruction

Compared to your current procedures, do you agree that there are potential benefits from employing continual evaluation in the budget execution process at your command?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes--16 | Yes--15 | Yes--7 | Yes--22 |
| No -- 2 | No -- 1 | No --0 | No -- 4 |

If yes, what benefits do you perceive?

NAVSTA

Better internal communication driven by more complete knowledge of dollar allocation. Requires better budget preparation on the part of department heads. [Commanding Officer]

Enhanced efficiency in use of funds. [Legal Officer]

Better distribution of funds. [Chaplain]

Department heads will understand shortfalls. [Comptroller]

Better handle on long range planning--the crisis management that exists when a windfall occurs at the end of the fiscal year would be avoided. [Support Services Supervisor--Admin. Dept.]

Avoids wasteful spending and would hopefully better inform managers of various funding sources available. [Brig Officer]

Review to ensure maximum efficiency.

In a day to day operation, one should know how the budget stands. [Special Services Director]

Benefits derived from continual evaluation will help the manager. [Fire Chief]

Variances change on a continuous basis, thus requiring a continuous review and adjustment of priorities which will assure up-to-date information for decision making. [Service Craft Officer]

Changing requirements or unprogrammed requirements can be managed better. [Civilian Personnel Director]

Brings the budget process to the working level.

Enables manager to have the opportunity to discuss unfunded and unannounced requirements. [Admin Officer]

For myself more knowledge.

A better handle on what I'm getting or not getting and why. [CAAC Director]

NAVSUPPACT

Improved future planning; better current usage. [Executive Officer]

Eliminates surprises. [Chaplain]

Would require management to systematically review and update requests. [Staff Judge Advocate]

Cost savings/potential to acquire items due to priority approach, as a whole. [Fire Chief]

Provides better working data for Resource Allocation Board use. [Operations Officer]

Awareness of what is necessary in order of priority. [Food Service Chief--Enlisted Dining Facility]

Unsure that the method of developing prioritization will always prove true. Other than that it seems that this will aid the command in knowing where it stands and what problems can be expected--both short and long range. [CO's Secretary]

As requirements change, budget can be changed. [Management Analyst, Admin Office]

Basic technique is being used. [Budget Analyst, Public Works]

Seems necessary for control of budget. [Military Admin. Assistant]

Flexibility to respond to changed conditions is enhanced. [Budget Analyst]

This method would provide an up-to-date effective means to know your exact status in a given area. Given the number of employees in this command, it doesn't seem that it could be completed on an ongoing basis. [Budget and Accounting Officer]

Maybe. Facility maintenance projects currently number over 300. Prioritization and continual re-evaluation would be too time consuming. [Director, Facilities Management Division]

Yes. However, believe that the subjective nature of importance to individual command priorities in relation to RANK structure may prove to be unworkable. An item may clearly be more numerically important--however, subjective evaluation by a commander, executive officer or department head may artificially inflate its value and thereby funding of it. Once this occurs, the model deteriorates. [Comptroller]

NSC

Provides for periodic reassessment of priorities, and should ensure funding to items with a current high rating and not items that had a high priority in the past and are not now high priority requirements [Comptroller]

Improves fund status reporting--raises problem areas early-on. Assists in reprogramming of available funds. [Budget Officer] Note: This comment same for Question 2.

Tracking is the only way to know where you are going. Prevents surprises. Helps prevent waste/non-productive effort. [Deputy Director, Physical Distribution Department]

Keeps continuous visability of various projects before Command. Depending on how often evaluation is made, this could be difficult for departments lacking staff-type personnel to be responsible for continuous review and evaluation. [Senior Facilities Distribution Specialist]

In Facility Dvisiion, continual evaluation is necessary due to the time that is required to complete a project. Completion of projects requires inspections, designs, and contracts before a job is actually started. This could take as long as a year or two. Continual evaluation would be an asset in cases like this. [Budget Analyst, Facilities Division]

Continuous evaluation will reveal if we actually need to fund the specific program or could it be handled in some other way. By special funding or after evaluation, we may cancel due to other funding.

Basically, continuous evaluation is beneficial because, as you mentioned, things do change as time goes on. Likewise so must priorities and costs. [Budget Analyst, Data Processing Dept.]

NAS

Timely resolution of problems in short term. Better programming prioritization. [Commanding Officer]

Excellent means to develop and maintain an unfunded requirements list. However, there is a drawback--this is very time consuming unless it is maintained on an automated system.

Increased state of readiness of operational commands through proper financial management. [Officer-in-Charge of Operational Force]

It will help assure that budget estimates/allocations are reasonable and working. [Planning Supervisor]

Fits into the philosophy of increment/decrement lists, the only good thing that came out of ZBB. It keeps our total needs in mind whether or not they are fundable. [Deputy Comptroller]

Systemizes continuous prioritization. [Environmental Protection Officer]

Keeps you abreast of all situations.

Responsiveness to changing conditions. [Resident Management Officer]

Department and Station goals are constantly changing and the personnel responsible for allocating funds need to be aware of the changes. [Aviation Support Division Officer]

Review process will eliminate waste and identify needs. [Food Service Officer]

Information more current and keeps up with constant changes. [Budget Analyst, Comptroller Dept.]

No surprises at the end of the fiscal year. [Chaplain]

The very thought of not being solely responsible for these decisions as comptroller is appealing. [Comptroller]

Lets support departments know where they stand. [Chief of Employment Division, Civilian Personnel Office]

Needs do change--sometimes within a short period of time. [O&MN Budget Clerk--Chaplain's Office]

Allows for changing priorities. Meet quarterly or monthly. [Facilities Management]

Revision of priorities as they occur. [Budget Analyst, Facilities Management Office]

Continual evaluation is a basic necessity. You have to know where you stand fiscally at all times. [Deputy Director, Family Service Center]

In a high speed goals-oriented situation, priorities need to be closely monitored for efficiency. [Public Affairs Officer]

Just (if only) keeping track of changes in prioritization. [Assistant Public Affairs Officer]

END OF COMMENTS FOR THOSE RESPONDENTS WHO ANSWERED THEY AGREE THERE WERE BENEFITS FROM EMPLOYING CONTINUAL EVALUATION COMPARED TO THEIR CURRENT PROCEDURES.

If you do not agree that there are potential benefits from employing continual evaluation in the budget execution process at your command, is it because:

a. You do not believe that continual evaluation offers desirable benefits? Why not?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| "It would seem that many long (days) hours would be required to support your department needs." | No response | No response | No response |

b. You do not agree that the model technique will bring about its stated benefits? Why not? Is there a better technique?

NAVSTA

Department heads may participate cooperatively in meetings to evaluate other department requirements. [Comptroller Dept.]

NAVSUPPACT

The example given explained that improvements in an area would be retained by job order or account number. This hides information in a large file of data. When

improvements are found, they should be incorporated into "lessons learned" of the operating instructions and guidelines for the job. This will provide a more accessible reference for the worker. [Special Assistant to the CO]

NSC

No responses

NAS

Because human influence will play a big factor--people have prejudices concerning what has more priority. Would have to work past the "my area is more important" syndrome. [Director, Counseling and Assistance Center]

Events require a more rapid continuous evaluation system than was presented. [Supply Officer]

Too time consuming, would have to validate all responses. [Admin. Officer/Director, Family Service Center]

It will become buried along with other paperwork associated with budgeting. [Legal Officer]

c. Other comments on this aspect of the model:

No responses received to the question from test commands

QUESTION 4. Perceived Benefit: Goals and Objectives

Management Technique (Model): Mission Definition Questionnaire

Compared to your current procedures, do you agree that there are potential benefits from employing specific goals and objectives in the budget execution process at your command?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes--16 | Yes--14 | Yes--6 | Yes--25 |
| No -- 1 | No -- 2 | No --1 | No -- 2 |

If yes, what benefits do you perceive?

NAVSTA

Ensures better use of scarce funds. With goals and objectives well stated and understood, priorities tend to fall out more rapidly--hence better utilization of funds. [Commanding Officer]

Prioritization of disparate and competing goals. [Legal Officer]

Better distribution of funds. [Chaplain]

Assists in budget execution. [Comptroller]

Makes better managers become competitive. [Support Services Officer--Admin Dept.]

Best represents overall command interest. The use of specific goals and objectives in budget execution would certainly be a must. [Brig Officer]

There should be long range goals and objectives in the budget process--participants can observe the goals and objectives. [Special Services Director]

Better management of the budget. [Fire Chief]

The concept of management by goals and objectives assures a structured format that, when placed in print, creates the stimulus to keep management involved in adjustment to accommodate variance and assure critical items are attended to. [Service Craft Officer]

Objectives will have a better chance to be achieved or shifted when changes occur. [Civilian Personnel Director]

Defines command direction in determination of resources.

A more realistic approach versus padding last year's figures. [Admin. Officer]

Puts things in order of priority. [Staff Judge Advocate]

Goals are good. [Comptroller Dept.]

NAVSUPPACT

Improved coordination between departments and therefore better overall fund expenditures. [Executive Officer]

MBO helps justify expenditures and really meet critical needs. [Chaplain]

Managers will be more specific and keep clearly in mind what money they will use. I see a potential problem in that it is sometimes impossible to project specifics. [Public Affairs Officer]

A solid look at the needs at the line level. [Fire Chief]

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O/MN BUDGET EXECUTION AT U.S. NAVAL SHORE ACTIVITIES: A MODEL F--ETC(U)
DEC 81 J L PARHAM, M HARDCASTLE-TAYLOR

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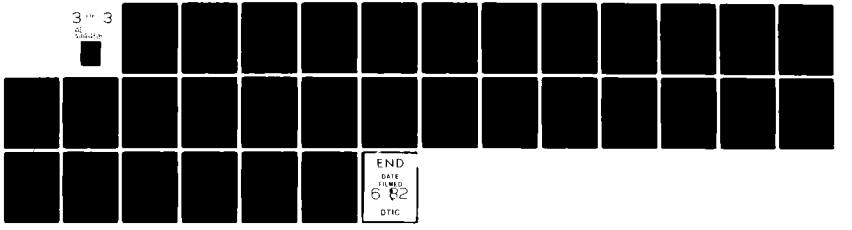

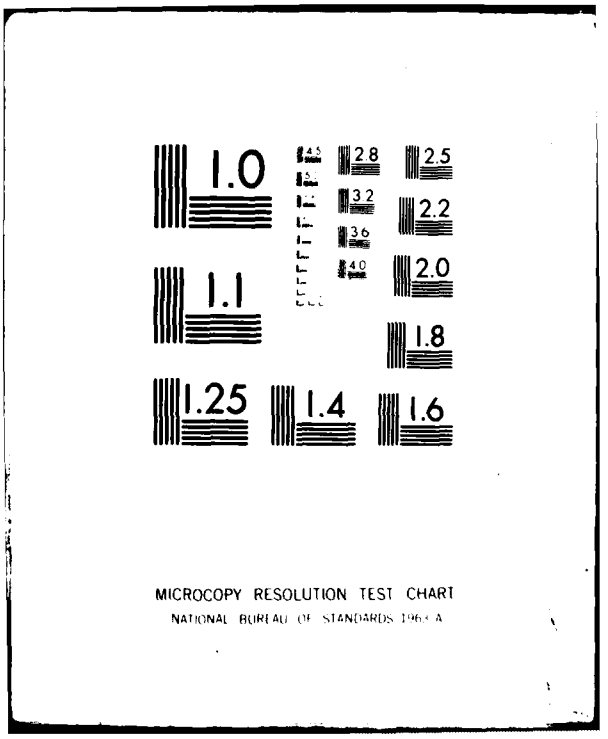
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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963 A

It gives an overview of what is to be accomplished first in order of importance--an awareness of what action is to be taken next. [Food Services Chief--Enlisted Dining Facility]

Cost savings. With goals/objectives adequately defined, there is less chance to lose track of the real purpose of any certain area in the command. [CO's Secretary]

A specific goal is more likely to be achieved. [Management Analyst--Admin. Dept.]

Yes, but will require training. [Military Admin. Assistant]

Yes, but assumes attention to requests which could defeat principal mission objectives. [Budget Analyst]

Provides a better management tool. [Budget and Accounting Officer]

It is most beneficial to determine goals in facility maintenance management, but room has to remain to be flexible for unpredictable changes. They will occur. [Director, Facilities Management Division]

To enable better application of resources to requirements, you have to define the problem of budget execution (i.e., what is important to achieve) before you can solve or attempt to solve it with application of financial resources. However, it is generally very hard to get succinct definitions of goals from command. Sometimes, they are not well-definable. This situation causes a breakdown of the model. [Comptroller]

NSC

It will force reality (financial) into the goals and objective setting process. [Comptroller]

Fits into the current goals/objectives program. Defines specificity to the money supply. Gives probability of funding, i.e., low priority programs have low opportunity. [Deputy Director, Physical Distribution Dept.]

Broader understanding of needs and requirements, both up and down the chain of command. [Budget Officer]

I believe this would be a tool for management to learn of different tasks or projects they are not aware of and to determine what priority as to the mission of the command. It also provides a means of justifying the

priority if the board does not agree in arriving at an equal decision.

Shared understanding of goals and objectives by key personnel creates more time for thought and creates a cleaner decision making process in defining and prioritizing goals and objectives. [Budget Analyst--Data Processing Dept.]

NAS

Commonality/standardization where applicable to department programs. Better understanding of problems (department). Increased emphasis/credibility in having command support--part and parcel of command MBO program. [Commanding Officer]

There can be no question as to what is important to the command's mission. Money will be spent on requirements supporting those goals rather than nice to haves--helps eliminate waste and abuse.

Will help highlight the most important areas/programs.

Systematic means of prioritizing goals and objectives. [Environmental Protection Officer]

Gives you something to work toward and maintain.

The station's funds could be prioritized so that the most important objectives are completed. [Aviation Support Division Officer]

Set goals will smooth your operation. [Food Services Officer]

More effective management. [Budget Analyst--Comptroller Dept.]

I believe in specific goals and objectives but do not know how this compares with the present system. [Budget Officer]

Greater understanding of all in the departments as to what is priority and necessity of what is full support to the task, dollar-wise. [Chaplain]

Every manager needs goals and objectives. We have none at this time. [Supply Petty Officer]

The relative ease of deciding for or against a project arising at mid-year by your plan seems worth implementation. [Comptroller]

Refinement of present MBO process to let departments know probability of action on desired objectives. [Chief of Employment Division--Civilian Personnel Office]

Quite often different departments are unaware of the needs of the other departments. Requests for money should also have a negative impact statement. [O&MN Budget Clerk--Chaplain's Office]

Defines and redefines goals and objectives. Not all decisions are money decisions. [Facilities Management]

Without setting goals and objectives, the budget process would be highly ineffective. [Public Affairs Officer]

Systematic and simplified manner of arriving at priorities. Seems useful in decision making--placing emphasis on an "objective" numerical scale. [Assistant Public Affairs Officer]

Unified, directed use of funds; anonymity enhances people choosing honestly. Only problem is that it is time consuming. [Director, Counseling and Assistance Center]

Relates unfunded requirements to approved goals. [Supply Officer]

There could be benefits, but C.O. must be the decision maker. Review inputs yes, but ultimately, he is the one who must establish goals. [Admin. Officer-Director, Family Service Center]

Employing goals and objectives will ensure that priority items are accomplised. [Legal Officer]

A better picture is derived as to what each department's requirements are as far as unfunded requirements are concerned. [Control Division Officer--Supply Dept.]

While not totally familiar with current procedures, I feel strongly that goals/objectives must be a part of the budget execution process.

END OF COMMENTS FOR THOSE RESPONDENTS WHO ANSWERED THEY AGREED THERE WERE BENEFITS FROM EMPLOYING GOALS/OBJECTIVES COMPARED TO THEIR CURRENT PROCEDURES.

If you do not agree that there are potential benefits from employing specific goals and objectives in the budget execution process at your command, is it because:

a. You do not believe that specific goals and objectives offer desirable benefits? Why not?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| "Diversity of various departments as to their mission compared to command's mission." | No responses | No responses | No responses |

b. You do not agree that the model technique will obtain the stated benefits? Why not? Is there a better technique?

NAVSTA

No responses

NAVSUPPACT

The numerical technique employed is very arbitrary and subject to manipulation by managers who understand the method of the decision of where the money will be spent. Goals should be prioritized in relation to their support of the command mission; however, the five categories are subject to vast interpretation. No method is established for integration of various departments within the command. [Special Assistant to the C.O.]

NSC

No responses

NAS

Not a separate goals and objectives program. I believe the budget process takes care of goals and objectives as it goes along. I think, however, that all managers should be trained to think in terms of goals and objectives, as part of their subconscious. I do not favor a paper work reporting plan like MBO. [Deputy Comptroller]

c. Other comments on this aspect of the model:

NAVSTA

No responses

NAVSUPPACT

No, desired goals are currently met by existing system. [Operations Officer]

NSC

What of department manager's right to make decisions regarding his department's direction. Managers will perceive this as a reduction of their management authority and prerogatives. [Senior Facilities Distribution Specialist]

NAS

Too time consuming. [Budget Analyst, Facilities Management Office]

QUESTION 5. Perceived Benefit: Support Rather Than Replace Managers

Management Technique (Model): Benchmark Priority

Compared to your current procedures, do you agree that there are potential benefits from employing a concept of "Support Rather Than Replace Managers" in their decision making process of budget execution at your command?

| NAVSTA | NAVSUPPACT | NSC | NAS |
|---|---|---|---|
| Yes--16 | Yes--13 | Yes--7 | Yes--25 |
| No -- 0 | No -- 1 | No --0 | No -- 2 |

1) If yes, what benefits do you perceive?

NAVSTA

Managers have got to know their goals and objectives and therefore their decision making cannot be replaced. The R.A.B. is effective as a communication exchange so that proper and effective priorities can be established. Managers must make decisions but those decisions should be much more enlightened. [Commanding Officer]

Improves morale and makes most efficient use of funds in accomplishing mission. [Legal Officer]

More even distribution of funds. [Chaplain]

Knowledge of all station operations. [Comptroller]

Be constantly aware of how my department is competing for funds. [Support Services Supervisor--Admin. Dept.]

Better use of managerial tools would result in more conscientious decision making. [Brig Officer]

Constant replacement of personnel can be confusing. This would help. [Special Services Director]

Managers will have more input into budget. [Fire Chief]

Fulfillment of the manager's goals is often the most significant reward for his or her position. To assure the continuance of a positive attitude toward goal accomplishment, support of the manager becomes a key motivator. [Service Craft Officer]

Managers must have some input during the budget process. This concept will support the manager. [Civilian Personnel Director]

Total budget validity requires all levels of management participation and input.

Yes, I believe you could better support the manager's priorities. [Admin. Officer]

It allows mistakes to be corrected rather than repeated. [CAAC Director]

Can't live without them.

NAVSUPPACT

Fosters improved trust, morale and cooperation throughout the chain of command. [Executive Officer]

It is a better leadership technique, utilizing expertise, eliminating the authoritarian model. [Chaplain]

It can help all people involved with funding understand why the funds are being used for different things. Overall priorities are established. [Public Affairs Officer]

The "Support" concept again fosters an atmosphere of communication. [Staff Judge Advocate]

A more positive feeling by those that continually submit. [Fire Chief]

Higher morale, better attitude among managers. [C.O.'s Secretary]

Employs the full capacity of managers to assist in accomplishmnet of the principal mission. [Budget Analyst]

Allows managers to see the priorities assigned and the basis for setting the priorities. [Budget and Accounting Officer]

Decisions are being made by those most knowledgeable of requirements. You cannot meet the individual command needs by a blanket decision for all Navy. [Director, Facilities Management Division]

The manager's decisions are made inside policy or regulation constraints and are tied to achieving mission goals. [Comptroller]

NSC

Will force better justification for requirements, managers will think more about why the requirement should be higher or lower than others. [Comptroller]

Participation in the process should be the goal. Otherwise the "numbers" take over. Providing specifics for the decision process can enhance the manager's success rate. [Deputy Director, Physical Distribution Dept.]

Increased participation by the players in understanding of the priorities assigned. [Budget Officer]

Will give an overall view. Seems like it would be a tool for management.

Again, this gives a good technique for managers to enhance their goals and objectives. [Budget Analyst, Data Processing Dept.]

Provides a systematic method of prioritization; however, I question whether or not the manager is truly in control of departmental destiny. [Senior Facilities Distribution Specialist]

NAS

This is answered in the affirmative but with some reservations when compared with existing practices and concepts. The intent is always to support well defined programs. Any interpretation to circumvent or replace managers in the scheme of operations is not desired or suggested. [Commanding Officer]

It will build confidence in the managers that they truly are an important part of the process. [Planning Supervisor]

Provides a rational means of quantifying and ranking budget requirements. [Environmental Protection Officer]

It will make managers more responsible and think more.

Enhances managerial responsibility at levels where management can be effective. However, it appears to me that the weakness in your Benchmark Priority List example is the failure to add the element of continuity/time. Thus, a medium priority item of long standing with higher cost would never be funded while many low priority/low cost short time needs would be funded and completed. [Resident Management Officer]

It would at least help assure that the managers actually try to manage their funds. [Aviation Support Division Officer]

Justification, thereby controlling spending. [Food Service Officer]

It would provide benefits if managers are trained and responsive. [Budget Analyst, Comptroller Dept.]

I agree that benefits will be realized but I also see a potential problem with the Benchmark Priority list; this being that quantity and cost may replace priority. [Officer-in-Charge of the Operational Force]

Continuous evaluation of costs and priorities in inventory will give departments and command better fiscal management. [Chaplain]

The difficult task of prioritizing, when reduced to the application of your formula, becomes less painful and more easily defended. [Comptroller]

Objective goal setting; realistic definition of individual priorities. [Chief of Employment Divisiion, Civilian Personnel Office]

Yes, I see benefits, provided that the managers are properly trained. [O&MN Budget Clerk, Chaplain's Office]

Any manager ready to give up his budget decision making will not be a manager for long. Of course managers will choose support rather than replace. [Public Affairs Officer]

Enhances teamwork and gets managers more aware of the budget execution process. Also encourages a wider view of relationships between departmental/activity mission. [Assistant Public Affairs Officer]

Takes cost and necessity of purchase into account. Would also work well for a department to use internally. [Director, Counseling and Assistance Center]

This provides an objective view (priority system) as to which unfunded requirements are most important in relation to funds available. [Supply Officer]

Could have some benefits but I am concerned about the relation of cost to E.P.I. I feel that the E.P.I. should be the larger or only consideration. [Admin. Officer/ Director, Family Service Center]

This will serve as a morale booster for the manager and his subordinates. [Legal Officer]

I think the process you outlined would be extremely helpful. [Deputy Director, Family Service Center]

May be of some help in some decisions. [Budget Analyst, Facilities Management Office]

If you do not agree that there are potential benefits from employing a concept of "Support Rather Than Replace Managers' in their decision making process of budget execution at your command, is it because:

a. You do not agree that such a concept offers desirable benefits? Why not?

No responses by the test commands.

b. You do not agree that the model technique will obtain its stated benefits? Why not? Is there a better technique?

NAVSTA

No responses

NAVSUPPACT

This method requires spending money on the lower priorities that have lower cost. The higher priorities get omitted if the lower cost, lower priorities are considered. This model attempts to quantify how a manager should manage his money. This method is not appropriate to military commands since the higher priorities must be dealt with first. [Special Assistant to the C.O.]

NSC

No responses

NAS

Don't think the reporting will keep pace with the actual change in needs. [Deputy Comptroller]

Not convinced it would be a true measure of what's important to the command. [Facilities Management]

c) Other comments on this aspect of the model:

No responses received from the test commands.

QUESTION 6

What is your overall reaction to this model in terms of its potential acceptability and applicability in the budget execution process at your command?

NAVSTA

Good [Chaplain]

Good [Special Services Director]

Good [Fire Chief]

Good [Comptroller Dept.]

NAVSUPPACT

Acceptability and applicability would be extremely contingent on individuals explaining, supporting and driving the system during the initial implementation phase. Once working satisfactorily, system would present no ongoing problems. [Executive Officer]

I think I do not have a clear enough understanding of the model to make that conclusion. [Public Affairs Officer]

I believe that the command is open to any means of guidance which will produce effective savings. [Fire Chief]

Depends on size of command and amount of time required to implement and maintain. [C.O.'s Secretary]

In concept the model is fine. Change always finds resistance. [Budget and Accounting Officer]

Good; however, it may take much time (another resource in short availability) of key personnel. [Comptroller]

NSC

Most favorable. [Comptroller]

I do not know all procedures on the budget but believe this would be a benefit in the preparation.

The usual problem is always "time"; however, it does seem to work to me. [Budget Analyst, Data Processing Dept.]

Current trends seem to favor central management. As data flows more easily to the top, micro-management tends to take over. Your concept is good but is going against the trend. [Deputy Director, Physical Distribution Dept.]

NAS

How time consuming is the effort overall? Is the concept a radical change to existing practices/programs regarding fiscal management objectives and sound stewardship? [Commanding Officer]

May be of use in some areas.

Has good possibilities but would require more time and deadlines for requirements. [Budget Analyst, Comptroller Dept.]

Model has some value; favorable comparison with PWC construction planning board. Believe most fixed cost departments would see little benefit. [Chief of Employment Division, Civilian Personnel Office]

This process as stated would work well in MBO. It would take some rework if other management styles are to be employed. [Public Affairs Officer]

The only question I have with the model is that it is one set of paperwork to an already over-burdened with paperwork group of individuals. Perhaps after it was in use for a while, this would slow. But I imagine it would be a problem in acceptance. [Director, Counseling and Assistance Center]

Should be implemented partially. [Budget Analyst, Facilities Management Office]

Don't recommend it for the field level. However, I think it might receive a "4" at the major claimant level. Maybe a "5". I think the model has its best applicability at the major claimant level. [Deputy Comptroller]

What is your overall reaction to this model in terms of its potential acceptability and applicability (A/A) in the budget execution process at other U.S. Navy Shore Commands?

NAVSTA

I feel that the acceptability in any command will never be "5" due to inertia associated with implementing a new idea. [Legal Officer]

Good. [Special Services Director]

Good. [Fire Chief]

Management Navy-wide should have the opportunity to participate in the budget process. [Civilian Personnel Director]

The mix of civilian and military personnel could be a drawback for acceptability. Intrenched attitudes/ procedures and the variety of missions for various departments could also present problems. "I'll get my job done and Smith can worry about his" type of attitude could hurt.

NAVSUPPACT

Larger commands would benefit more because they need a good management tool and would have the staff to execute and maintain. [C.O.'s Secretary]

Changes in methods presently used will meet with resistance. [Budget and Accounting Officer]

I don't think I understand the problems or the model well enough to speculate. [Public Affairs Officer]

NSC

No responses

NAS

So many monies are constrained that overall value may be limited. [Chief of Employment Division, Civilian Personnel Office]

Depends on management style.

# VII. CONCLUSIONS AND RECOMMENDATIONS

## A. GENERAL

This final chapter of the thesis focuses upon the authors' inferences of the test results which were presented without interpretation in Chapter VI. Inferences are based upon respondents' assessments of the model's benefits compared to existing budget execution procedures at the test commands and respondents' ratings of the model's acceptability and applicability in accordance with the scale previously presented in Chapter VI:

| No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |

Additionally, the authors paid particular attention to cost center managers' comments regarding the model, both those written (see Appendix to Chapter VI) and those orally mentioned by managers preceding and following the briefing (Phases I and IV of the test procedures). Key cost center managers' comments are relevant because the model requires that these persons participate in the implementation of the model; additionally managers' comments elaborate and explain why they rate the model as useful or not.

The test results lead to conclusions and recommendations which are presented within the same format used throughout most of this thesis. Organization of this final chapter is as follows:

B. THE RAB (RESOURCE ALLOCATION BOARD) AND PARTICIPATIVE MANAGEMENT

C. VARIANCE EXPLANATION FORM AND ACCOUNTABILITY FOR VARIANCES

D. PRIORITIZATION INSTRUCTION AND CONTINUAL EVALUATION

E. MISSION EFFECTIVENESS QUESTIONNAIRE AND GOALS/ OBJECTIVES

F. BENCHMARK PRIORITY AND SUPPORT, NOT REPLACE THE MANAGER

G. OVERALL MODEL

## B. THE RAB AND PARTICIPATIVE MANAGEMENT

When asked whether or not the RAB and Participative Management would yield potential benefits as compared to their existing procedures described in Chapter VI, 67 respondents answered yes and two answered no.

The benefits of adhering to the concept were described in Chapters II and IV. The authors offer a representative comment from a test command that tends to support the premise broached in the previous chapters of the thesis.

> Department heads have better knowledge of overall command goals and capabilities if they have participated in budget decisions. Decisions should be better if everyone (dept. heads) has an input. [Commanding Officer]

Disadvantages of participative management were also dealt with in Chapter II. As a representative negative comment regarding participative management, the comptroller's comments at the command where abbreviated testing was conducted is believed to be quite applicable:

> We have a centrally-organized budget execution process here. We also have some very strong-willed cost center/line managers. Although I recognize the potential benefits of participative management, I am very reluctant to introduce the concept in budget execution here as it would tend to disrupt the tranquility we have now.

Weighing both the positive and negative responses related to benefits of the RAB and Participative Management, the authors view the endorsement by 67 of 69 respondents of the model's potential benefits as a very positive indication that the concept is worthwhile for use in budget execution. The fact that the acceptability and applicability of the model are rated as Good by both the median and mode indications for all commands offers support to the authors' conclusion. Indeed, this area of the model is the one most strongly favored by respondents.

Accordingly, it is recommended that a RAB/Participative Management process be utilized in budget execution at USN Shore Commands.

## C. VARIANCE EXPLANATION FORM AND ACCOUNTABILITY FOR VARIANCES

When asked whether or not the Variance Explanation Form and Accountability for Variances would yield potential benefits as compared to their existing procedures described in Chapter VI, 63 respondents answered yes and six answered no. The benefits of adhering to the concept were described in Chapters II and IV. Again, the authors offer one representative comment from a test command that tends to support the premise broached in the previous chapters of the thesis.

> The fund manager should be accountable for the funds allocated and the CO should be provided a written report/explanation of variances between plan and execution. This technique might make the fund managers more aware of their responsibilities. [Budget and Accounting Officer]

Disadvantages of the Variance Explanation Form and Accountability for Variances were not dealt with specifically in this thesis. As a representative negative comment regarding accountability for variances, the following is presented:

> Maintenance budget is determined from past performance and best guess of what will be required in forthcoming years. Variances are common and frequent. Too much time would be required to continuously justify changes. [Director, Facilities Management Division]

The authors acknowledge that the negative comments regarding time and accurate budgetary estimates in the model are indeed meaningful. Accountability for Variances will require managerial time and effort. However, the amount of time to be expended in this area is a local management decision which should be tailored to the amount of benefit which is expected to accrue. In this regard the size of the variance which must be explained and the frequency of explanation may be adjusted accordingly as was pointed out in Chapter IV when variations of the model were discussed. Furthermore, the model is only designed for use in spending decisions over which managers have control.

Weighing both the positive and negative responses related to benefits of using the Variance Explanation Form to account for variances, the authors view the endorsement by 63 out of 69 respondents as a very positive indication that

the concept is worthwhile for use in budget execution. The fact that the acceptability and applicability of the model are rated as Medium in terms of acceptability and good in terms of applicability offers support to the authors' conclusion.

Accordingly, it is recommended that variance explanation, preferably using the Variance Explanation Form contained in Chapter IV of this thesis, be utilized in the budget execution process of USN Shore Commands such as those tested in this thesis.

## D. PRIORITIZATION INSTRUCTION AND CONTINUAL EVALUATION

When asked whether or not the Prioritization Instruction and Continual Evaluation would yield potential benefits as compared to their existing procedures described in Chapter VI, 60 respondents answered yes and seven answered no. The benefits of adhering to the concept were described in Chapter II and Chapter IV. A representative comment from a test command that tends to support the premise broached in the previous chapters of the thesis is presented below:

> Tracking is the only way to know where you are going. Prevents surprises. Helps prevent waste/non-productive effort [Deputy Director, Physical Distribution Department]

Disadvantages of the Prioritization Instruction and Continual Evaluation were not dealt with specifically in this thesis. A representative negative comment regarding the Prioritization Instruction and the concept of Continual Evaluation follows:

Too time consuming, would have to validate all responses. [Admin. Officer Director, Family Service Center]

Again, the authors submit that Continual Evaluation, preferably using a prioritization concept such as was presented in Chapter IV, should be employed only insofar as it provides a meaningful aid in the requirement prioritization process. Accordingly, the frequency of this process should be determined in accordance with local requirements.

Weighing both the positive and negative responses related to benefits of using the Prioritization Instruction to carry out continual evaluation of unfunded requirements, the authors view the endorsement by 60 out of 67 respondents as a positive indication that the concept is worthwhile for use in budget execution. The fact that the acceptability and applicability of the model are rated as Medium in terms of acceptability and Good in terms of applicability offers support to the authors' conclusion.

Accordingly, it is recommended that continual evaluation, preferably using the Prioritization Instruction contained in Chapter IV of this thesis be utilized in the budget execution process of USN Shore Commands such as those tested in this thesis.

## E. MISSION DEFINITION QUESTIONNAIRE AND GOALS/OBJECTIVES

When asked whether or not the Mission Definition Questionnaire as used in the formulation of command goals and objectives would yield potential benefits as compared to their existing procedures described in Chapter VI, 61

respondents answered yes and six answered no. The benefits of adhering to the concept were described in Chapters II and IV. The authors now offer a representative comment from a test command that tends to support the premise broached in the previous chapters of the thesis.

> The concept of management by goals and objectives assures a structured format that, when placed in print, creates the stimulus to keep management involved in adjustment to accommodate variance and assure critical items are attended to. [Service Craft Officer]

A disadvantage of the Mission Definition Questionnaire used in the formulation of command goals and objectives is shown in the following comment:

> The numerical technique employed is very arbitrary and subject to manipulation by managers who understand the method of the decision of where the money will be spent. Goals should be prioritized in relation to their support of the command mission; however, the five categories are subject to vast interpretation. No method is established for integration of various departments within the command. [Special Assistant to the C.O.]

The summarized negative response to this aspect of the model is that it is subjective in terms of defining command missions. The authors acknowledge that definition of command missions is, by its very nature, a highly subjective, though necessary process. Furthermore, the explicit definition of goals and objectives can be a time consuming process. However, the authors believe that a conscious, written goals and objectives definition process is a virtual necessity that need not be frequently repeated. Moreover, it will enhance awareness at the line level of the overall command goals and objectives. In this regard, it is considered

worth the investment of managerial time, especially when the process results in higher quality budget execution decisions.

Both the positive and negative responses related to using the Mission Definition Questionnaire to define command goals and objectives in written form were assessed. The authors view the endorsement by 61 out of 67 respondents as to the model's potential benefits as a positive indication that the concept is necessary to high quality budget execution. The fact that the acceptability and applicability of this aspect of the model are rated as Medium in terms of acceptability and Good in terms of applicability offers support to the authors' conclusion.

Accordingly, it is recommended that USN Shore Command Goals and Objectives be determined in writing and quantified whenever possible to facilitate measurement of performance and variance analysis. Preferably the Mission Definition Questionnaire presented in Chapter IV of this thesis should be used.

## F. BENCHMARK PRIORITY AND SUPPORT, NOT REPLACE THE MANAGER

When asked whether or not the Benchmark Priority Technique used to Support, Not Replace Managers would yield potential benefits as compared to their existing procedures described in Chapter VI, 61 respondents answered yes and three answered no. The benefits of adhering to the concept were described in Chapter II and Chapter IV. The authors

again offer a representative comment from a test command that tends to support the premise presented in the thesis.

> Will force better justification for requirements, managers will think more about why the requirement should be higher or lower than others. [Comptroller]

Disadvantages of the Benchmark Priority Technique and the "Support, Not Replace" concept were not specifically addressed previously in this thesis. As a representative negative comment regarding the Benchmark Priority Technique applied in Support of Managers, the authors offer the following:

> This method requires spending money on the lower priorities that have lower cost. The higher priorities get omitted if the lower cost, lower priorities are considered. This model attempts to quantify how a manager should manage his money. This method is not appropriate to military commands since the higher priorities must be dealt with first. [Special Assistant to the C.O.]

The negative responses to this aspect of the model can best be summarized as "focusing upon cost vice effectiveness," and "incomplete in regard to the factors that determine priorities." The authors concur that there are many other factors that impact upon the prioritization of unfunded requirements. However, it is reasserted that two very important ones are mission effectiveness and cost.

It should also be noted that using the EPI/COST to prioritize within mission impairment categories to achieve a benchmark priority is quite compatible with the premises of the model. Utilizing the EPI/COST as anything more than a rough guide or using "one dimensional prioritizing" with no

regard to cost (see Chapter IV) is not compatible with the model.

Considering both the positive and negative responses related to using the Benchmark Priority Technique in support of managers in their budget execution decisions, the authors view the endorsement by 61 out of 64 respondents as to the model's potential benefits as a positive indication that the concept is highly favorable in budget execution. The fact that the acceptability and applicability of this aspect of the model are rated as Good in terms of acceptability and applicability offers support to the authors' conclusion.

Accordingly, it is recommended that USN Shore Command managers involved in budget execution be supported by an appropriate local application of the Benchmark Priority technique, preferably using the Benchmark Priority technqiue as it was presented in Chapter IV of this thesis.

## G. THE OVERALL MODEL

Each respondent at each command where the model was fully tested was asked to give an overall reaction to the model in terms of its acceptability and applicability. This reaction was solicited in two forms. The first was an overall reaction to the model for use at the local (test) command; and the second was an estimate of the model's potential acceptability and applicability in the budget execution process at other USN Shore Commands. Comments on these aspects were also solicited.

Comments relating to the applicability and acceptability of the model at the respondents' own command were generally favorable, but reflected concern with the issue of time. A few of the comments extracted from the Appendix of Chapter VI make the point:

> Good; however, it may take much time (another resource in short supply) of key personnel. [Comptroller, NAVSUPPACT]
>
> Has good possibilities but would require more time and deadlines for requirements. [Budget Analyst, Comptroller Dept.]
>
> How time consuming is the effort overall? Is the concept a radical change to existing practices/programs regarding fiscal management objectives and sound stewardship? [Commanding Officer]
>
> The usual problem is always "time"; however, it does seem to work to me. [Budget Analyst, Data Processing Dept.]

The authors have already acknowledged the management trade-off in terms of potential benefits of the model against the use of time earlier in this chapter. Despite this misgiving, the authors recommended use of the technique and the concept it was designed to encourage in every part of the model. Respondents' strong endorsements regarding the model's potential benefits and a "Good" applicability of the model led to the authors' recommendations. Additionally, the authors cited variations of the model and the fact that the parts of the model could be tailored for individual commands as reasons that would override the disadvantages cited by the few (about one in ten) respondents who did not believe the model offered potential benefits compared to existing procedures. The authors infer that the increased concern with

time regarding the overall model leads to the recommendation that commands can best implement the model by focusing on those techniques that appear to be least costly in terms of time. As mentioned often throughout this thesis, which technique or type of variation to employ is an individual command's prerogative.

The statistical results relating to the overall model and the respondents' comments relating to implementing the model Navy-wide lead to a similar conclusion as will be shown. Acceptability and applicability of the overall model both at the test command and Navy-wide is presented below.

OVERALL REACTION TO THE MODEL
AT YOUR COMMAND

| Total | No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|---|
| Accept. | 2 | 7 | 29 | 20 | 5 |
| Applic. | 1 | 3 | 20 | 31 | 8 |

| | | | | |
|---|---|---|---|---|
| Median | Accept. | Medium | Applic. | Good |
| Mode | | Medium | | Good |

OVERALL REACTION TO THE MODEL'S
POTENTIAL FOR USE NAVY WIDE (SHORE)

| Total | No A/A | Poor A/A | Medium A/A | Good A/A | Excellent A/A |
|---|---|---|---|---|---|
| Accept. | 1 | 7 | 22 | 17 | 5 |
| Applic. | 1 | 3 | 16 | 25 | 7 |

| | | | | |
|---|---|---|---|---|
| Median | Accept. | Medium | Applic. | Good |
| Mode | | Medium | | Good |

As with all the parts of the model, respondents' ratings for acceptability of the model were consistently less favorable than the model's applicability. The written comments addressing the acceptability and applicability of the overall model on a Navy-wide basis provide a possible reason for the difference:

> Changes in methods presently in use will meet with resistance. [Budget and Accounting Officer]
>
> The mix of civilian and military personnel could be a drawback for acceptability. Intrenched attitudes/ procedures and the variety of missions for various departments could also present problems. "I'll get my job done and Smith can worry about his".
>
> In concept the model is fine. Change always finds resistance. [Budget and Accounting Officer]
>
> Changes in methods presently used will meet with resistance. [Budget and Accounting Officer]

These comments coupled with those of the comptroller who declined to participate fully in the testing process, indicate a resistance to the change associated with the model. This may account for the fact that respondents believe the model has Good applicability and only Medium acceptability. The authors infer that this resistance to change is indeed the case.

The authors view this resistance to change as an endorsement of the premise presented in Chapter II, i.e., that many activities do not currently subscribe to the critical few concepts that from the basis of the model. Moreover, the authors believe that the model itself deals with the problem of resistance to change by specifying participative management as its foundation. As pointed out in Chapter II, the concept of participative management can enhance the acceptability and applicability of a process.

In closing, the authors are certain that there is definitely a lack of awareness of techniques to effectively implement O&MN budget execution at USN field commands. Based on the

results of this thesis and the authors' experience, the authors are quite confident that implementing the model will yield benefits to USN Shore Commands in the O&MN budget execution process. Models such as the one in this thesis need to be made available to commands for tailoring to specific command's needs; they should not be promulgated to commands as mandatory in specific formats and methods. This preferred method of implementation is compatible with the fifth concept embodied in the model: Support Managers in the Decision Making Process, Do not Replace Them.

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