NAVAL POSTGRADUATE SCHOOL
Monterey, California

THESIS

ASSESSING THE OUTCOMES OF REGIONALIZATION IN THE NAVY REGION, SOUTHWEST

by

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and
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June 2001

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Regionalized base operating support management was implemented in the Navy Region Southwest on 1 October 1998, as part of a Navy-wide plan to reduce infrastructure costs and improve services. Due to the scope of this reorganization, the full effect of the change in terms of measurable cost-savings and improved customer service will not be realized for at least five years. However, interim effects may be analyzed.

This study conducts a mid-transition review and analysis of the current outcomes in terms of cost savings and level of service in the Navy Region Southwest to evaluate the effectiveness of the regionalization process. Specifically, the study examines the strengths and weaknesses of regionalization to determine if the goals set forth in the Chief of Naval Operations Strategic Plan when restructuring began are being met: to apply state-of-the-market business practices and reduce infrastructure costs to improve efficiency and increase customer service quality. Findings indicate that, although the Region faces budgetary challenges, the processes established through regionalization are reducing costs and improving the overall level of service for customers throughout the Region.

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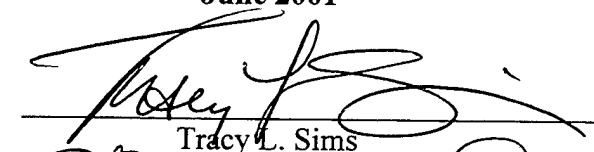
Authors: 
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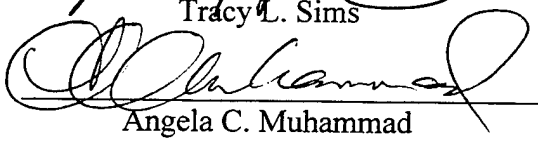
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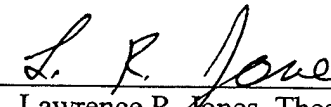
Approved by: 
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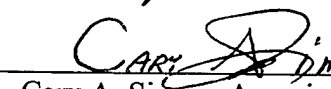
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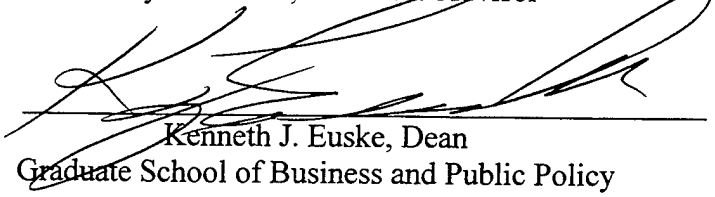
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ABSTRACT

Regionalized base operating support management was implemented in the Navy Region Southwest on 1 October 1998, as part of a Navy-wide plan to reduce infrastructure costs and improve services. Due to the scope of this reorganization, the full effect of the change in terms of measurable cost-savings and improved customer service will not be realized for at least five years. However, interim effects may be analyzed.

This study conducts a mid-transition review and analysis of the current outcomes in terms of cost savings and level of service in the Navy Region Southwest to evaluate the effectiveness of the regionalization process. Specifically, the study examines the strengths and weaknesses of regionalization to determine if the goals set forth in the Chief of Naval Operations Strategic Plan when restructuring began are being met: to apply state-of-the-market business practices and reduce infrastructure costs to improve efficiency and increase customer service quality. Findings indicate that, although the Region faces budgetary challenges, the processes established through regionalization are reducing costs and improving the overall level of service for customers throughout the Region.

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I. INTRODUCTION

A. PURPOSE

This thesis will assess the outcomes of regionalization in the Navy Region Southwest (NRSW). The goal is to determine if the implementation has met the objectives of regionalization set forth in the Chief of Naval Operations (CNO) Shore Infrastructure Strategic Plan: apply state-of-the-market business practices and reduce infrastructure costs to increase efficiency and improve customer service. Research consisted of: (1) a review of defense business reform initiatives, (2) a review of regionalization history in the NRSW, (3) a review of the regionalization process in the NRSW, (4) a review of strategic analysis literature, and (5) synthesis of literature and application of theory to assess the outcomes of regionalization in the Navy Region Southwest.

B. BACKGROUND

Regionalized base operating support management was implemented in the Navy Region Southwest on 1 October 1998, as part of a Navy-wide plan to reduce infrastructure costs and improve services. Due to the scope of this reorganization, the full effect of the change in terms of measurable cost-savings and improved customer service will not be realized for at least five years. Nevertheless, a mid-transition review and analysis of the current outcomes in terms of cost savings and level of service is important for evaluating the interim effectiveness of the regionalization process.

The timing of the study also allows the researchers to interview regional staff members who still retain corporate knowledge of the legacy structure, were involved in

the transition, and have now worked with the new structure for over eighteen months. Their insight and experience are vital for an effective qualitative analysis.

A related issue is examination of the role of Naval Air Forces Pacific (CNAP) in regionalization with respect to restructuring of the Aviation Intermediate Maintenance Depot, North Island. Specifically, the research will examine the decisions that led to the transfer of resource management authority from CNAP to CNRSW, and the circumstances resulting in its transfer back to CNAP.

C. RESEARCH QUESTIONS

1. Primary Research Question

Has regionalization in the Navy Region Southwest achieved the goals set forth in the Chief of Naval Operations Strategic Plan when restructuring began, namely apply state-of-the-market business practices and reduce infrastructure costs to improve efficiency and increase customer service?

2. Secondary Research Questions

- Have significant cost savings been achieved through regionalization? Are these cost savings measurable and have they been measured?
- Have the level, quantity, and quality of service to regional commands improved as a result of regionalization? Are there measurable indicators for these variables?
- Are there commonalities across programs in cost savings and/or quality of service? If so, what are the commonalities and have they been exploited for cost reduction and improved service provision?
- What were the factors involved in the assignment and reassignment of AIMD resource management authority and responsibility in implementation of regionalization?

D. SCOPE

The scope of this thesis will focus on the outcomes of regionalization in the Navy Region Southwest. It will include (1) a quantitative analysis of the financial outcomes across the programs; (2) a qualitative analysis of the quality of service across the

programs, (3) an analysis of the strengths and weaknesses associated with the regionalization in meeting the objectives of the CNO, and, (4) an analysis of the impact of restructuring on AIMD resource management. This thesis will not provide a final assessment of regionalization in NRSW nor make recommendations based on findings, as the process is in a continual state of refinement and improvement.

E. METHODOLOGY

The methodology used for this research is divided into six steps: (1) review of pertinent literature, (2) collection of data, (3) interviews with regional and tenant staff members, (4) summarization of information, (5) data analysis to identify strengths and weaknesses, and (6) assessment of outcomes of regionalization.

- Literature: A review of the literature was conducted on defense business reform initiatives, Navy regionalization, and strategic analysis methods. The literature was used to establish a foundational understanding of the process that lead to the decision to regionalize, to explain the regionalization process in NRSW, and to select the most appropriate method to assess the outcomes of regionalization in NRSW.
- Data: Data were collected from NRSW, AIRPAC, and OPNAV N46. These data included organizational structures, standards of service, personnel and cost data, budget data, customer and employee survey results, and local lessons learned.
- Interviews: CNRSW staff members, CNAP staff members, and tenant command staff members were interviewed.
- Summarization of information: Information obtained in (2) and (3) above have been summarized for content and compiled into relevant data in preparation for analysis.
- Data analysis: Data compiled in (4) above is analyzed to identify the strengths and weaknesses of the regionalization process.
- Assessment of outcomes: Analysis conducted in (5) above is used to assess the outcomes of regionalization in the NRSW.

F. ORGANIZATION

Chapter II explains the reasons behind the defense management reform process that began in the last decade in an attempt to curb infrastructure spending and reviews the major defense initiatives that laid the framework for infrastructure reform in the Navy.

Chapter III describes the regionalization process in Navy Region Southwest, details the implementation process, and describes the change in leadership roles and responsibilities resulting from regionalization.

Chapter IV presents an analysis of data collected through interviews and document review. The chapter explains the purpose of the analysis and the methodology, describes the interview and data collection process, and presents the data analysis, identifying strengths and weaknesses of the regionalization process in the NRSW.

Chapter V provides conclusions, answers research questions, and identifies areas for further research.

G. BENEFITS OF STUDY

Regionalization of infrastructure support services within a geographic region such as Navy Region Southwest has broad fiscal, readiness, and quality of life implications for the commands served by the Region. To date, no analysis has been conducted to determine the primary strengths and weaknesses of the process. By identifying and summarizing these strengths and weaknesses, this research may help refine the process in the Region. It will also highlight factors involved in AIMD resource management to enable improved financial management procedures.

II. DEFENSE MANAGEMENT REFORM INITIATIVES

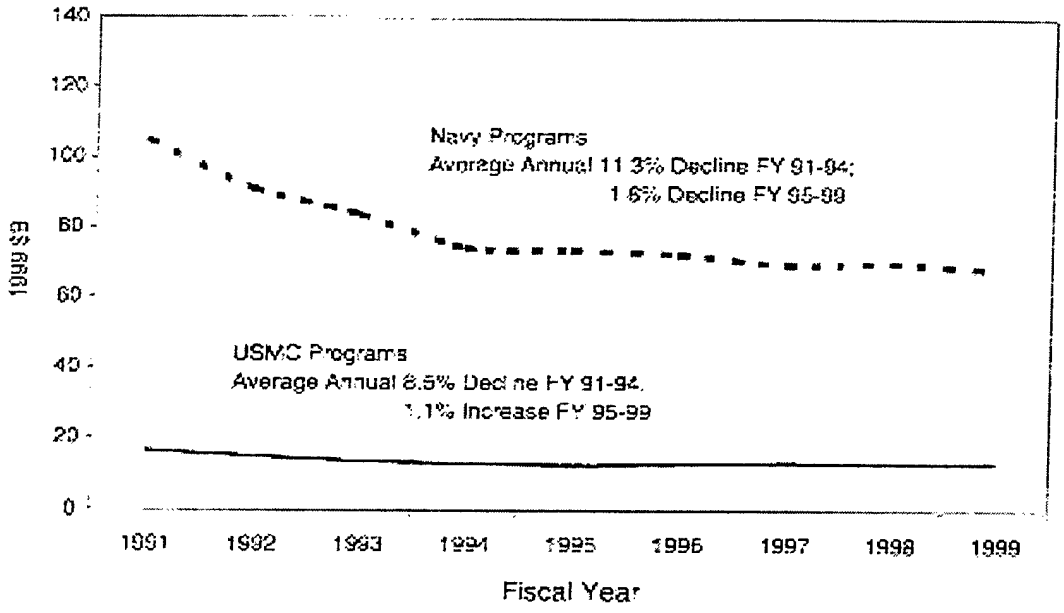
A. CHAPTER INTRODUCTION

This chapter discusses the reasons behind the defense management reform process that began in the last decade in an attempt to curb infrastructure spending. It then reviews the major defense initiatives that laid the framework for infrastructure reform in the Navy. Finally it describes actions taken by the Department of the Navy to implement regionalization as a means to reduce infrastructure costs.

B. DEPARTMENT OF DEFENSE INITIATIVES

The 1990s marked a decade of severe budget reductions for the Department of Defense. The post-cold war era ushered in a policy of force drawdown and reduced defense spending. The Navy's budget, exclusive of the Marine Corps, was reduced 35 percent over the course of the decade, from $105 billion in 1991, to $68.3 billion in 1999 [Figure 2.1].

As the decade began, the new fiscal environment indicated that the Department of Defense (DoD) needed to reform its management policies. DoD examined successful private sector policies and looked to current academic publications of public management scholars such as Jones and Thompson for direction. Drawing from private sector economic strategies, Jones and Thompson recommended reinventing and reengineering as means to improve public management. Their concept of public sector management reform identified the goals of these processes as "increased customer satisfaction and improved service quality combined with greater efficiency" [Jones and Thompson 1999]. In retrospect, these goals would become cornerstones of the Navy Region Southwest's mission.



FY	1991	1992	1993	1994	1995	1996	1997	1998	1999
Navy	105.0	91.0	83.6	74.2	73.5	72.4	69.5	70.0	68.3
USMC ———	16.4	14.8	13.5	12.8	12.5	12.8	13.2	13.0	13.2
Total	121.4	105.8	97.1	87.0	86.0	85.2	82.7	83.0	81.5

Figure 2.1. Funding for U.S. Navy Programs, 1991-1999 [From NSB 1998].

Acknowledging the need for management reform in the face of strict fiscal constraints, the Department of Defense, heeding the advice of management experts, launched three major defense reviews to assess force and infrastructure requirements: the 1991 Base Force Review, the 1993 Bottom-Up Review, and the landmark Quadrennial Defense Review, completed in 1997. Infrastructure, as defined by the Office of the Secretary of Defense, is comprised of acquisition, central logistics, central personnel, communications, force management, installations, medical functions, quality of life, science and technology, and training.

The Base Force Review and the Bottom-Up Review both determined that the Department of Defense (DoD) had excessive infrastructure and, as a result, was unable to fund readiness and modernization requirements. Because of these findings, Congress

established the Commission on Roles and Missions of the Armed Forces in the National Defense Authorization Act for Fiscal Year 1994. The Commission was tasked to review force structure and make recommendations for changes [GAO 1999].

During its review, the Commission noted that infrastructure accounted for over half the defense budget. As part of its conclusions to decrease infrastructure spending, the Commission recommended reengineering DoD support organizations and functions. It also established the Quadrennial Defense Review (QDR), which required each new administration to conduct a comprehensive strategy and force review. The first QDR was completed in May 1997. The QDR conclusions were based on its findings that "DoD could not achieve its modernization and readiness goals without a concerted effort to reduce infrastructure costs" [GAO 1997]. To achieve this end, the QDR made four recommendations, the latter two representing a major departure from traditional defense organizational principles and becoming the catalyst to regionalization.

- Continue reductions in civilian and military personnel associated with infrastructure
- Complete two additional rounds of base realignments and closures (BRAC)
- Implement major initiatives to reengineer and reinvent DoD support functions
- Increase emphasis on using the private sector to perform non-warfighting support functions [GAO 1999]

Subsequent to the QDR recommendations, the Secretary of Defense commissioned the Defense Reform Task Force. The Task Force's purpose was to review departmental procedures and discover ways to streamline functions and improve efficiency. The Task Force published its report, the Defense Reform Initiative (DRI), in

November 1997, in response to the QDR call for reduced infrastructure. The DRI findings built on the QDR results, establishing four pillars of major reform efforts:

- Reengineer defense business and support functions, primarily by adopting and applying the private sector's best practices
- Reorganize and reduce the size of DoD headquarters elements and Defense agencies, including the Office of the Secretary of Defense
- Expand the use of competitive sourcing to open DoD's commercial activities to competition from the private sector
- Conduct two additional base realignment and closure (BRAC) rounds and eliminate other facilities that are no longer needed and/or drain resources [GAO 1999]

The DRI began what was termed a Revolution in Business Affairs (RBA) by the Secretary of Defense. The RBA instituted a new philosophy toward DoD management. For the first time, the management emphasis shifted to increasing efficiency by redefining and streamlining business functions and performance. However, the DRI clearly indicated effectiveness in traditional military support functions should not be degraded to achieve efficiency. This emphasis on efficiency and effectiveness would become a focal point of the regionalization process in the Navy Region Southwest.

Because of the importance of these terms in not only regionalization, but throughout new DoD management, an understanding of their definitions is appropriate. Roberts defines the terms efficiency and effectiveness in *Organizational Configurations*:

> Efficiency refers to the capacity to produce results with minimum expenditure of time, money, or materials. Efficiency thus focuses on the input-output ratio. To be efficient is to do things well, to attend to the internal organization by refining, routinizing, formalizing, elaborating on existing knowledge, and making short-run improvements. Effectiveness, on the other hand, is defined as productive of results. The focus is on doing the right thing and it is determined by an absolute level of either input acquisition or outcome attainment [Roberts 2000].

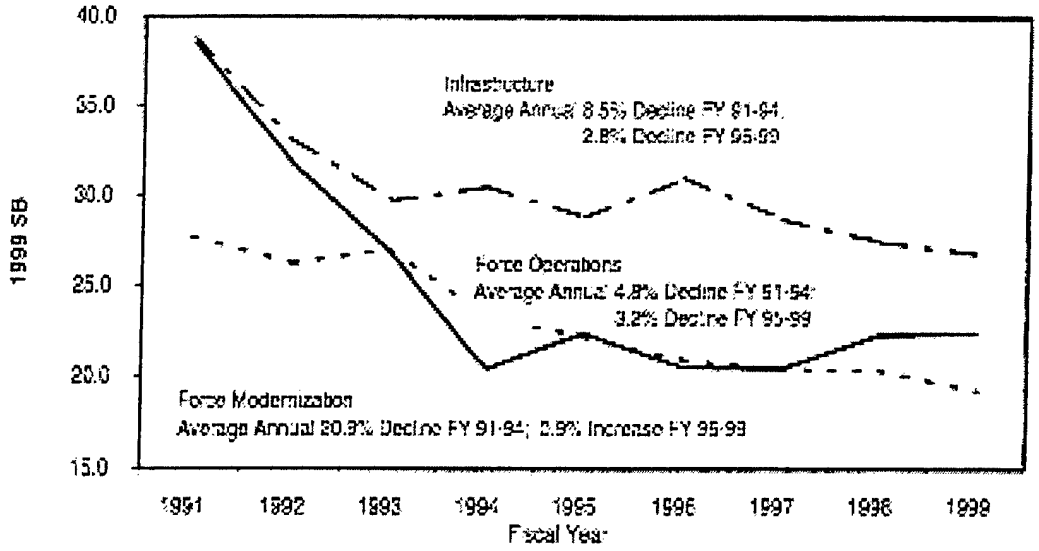
Increasing efficiency requires an in-depth understanding of internal operations, while effectiveness requires the ability to understand and interpret the external environment and to adapt to its requirements.

The new DoD management philosophy sought to achieve maximum efficiency without sacrificing effectiveness. In government terms, the focus was to maintain, or improve, readiness while reducing the infrastructure budget. Regionalization of the Navy's shore installation infrastructure was a direct result of the new management philosophy and implemented in accordance with recommendations made in these reviews and initiatives.

C. DEPARTMENT OF THE NAVY INITIATIVES

In 1996, the Department of Defense identified an additional annual budgetary requirement of $3.5 to 5 billion to fund force recapitalization and modernization in the Navy, while maintaining fleet readiness [GAO 1997]. They identified infrastructure savings as the source for this funding requirement that, at the time, accounted for approximately 40 percent of the annual Navy budget. Figure 2.2 breaks down Navy program funding.

Streamlining the business practices of shore installation support functions through regionalization was seen as one of the means to achieve the necessary savings. The Committee on Shore Installation Readiness Management summarized the perception. "Pressures to [regionalize] come from competition between the need to maintain force readiness for the present and the need to modernize systems and technology for the fleet of tomorrow." [NSB 1998] At the time, installations accounted for almost twenty percent of the Navy's infrastructure, or $5.6 billion, as Figure 2.3 illustrates.



Fiscal Year	1991	1992	1993	1994	1995	1996	1997	1998	1999
Modernization	38.6	31.7	25.8	20.4	22.4	22.5	20.4	22.3	22.4
Operations	27.7	25.2	27.0	23.3	22.2	20.9	20.4	20.5	19.2
Infrastructure	38.7	33.1	28.7	30.5	28.8	31.0	28.7	27.4	26.7
Total	105.0	91.0	81.5	74.2	73.4	74.4	69.5	70.0	68.3

Figure 2.2. Funding for U.S. Navy Programs [From NSB 1998].

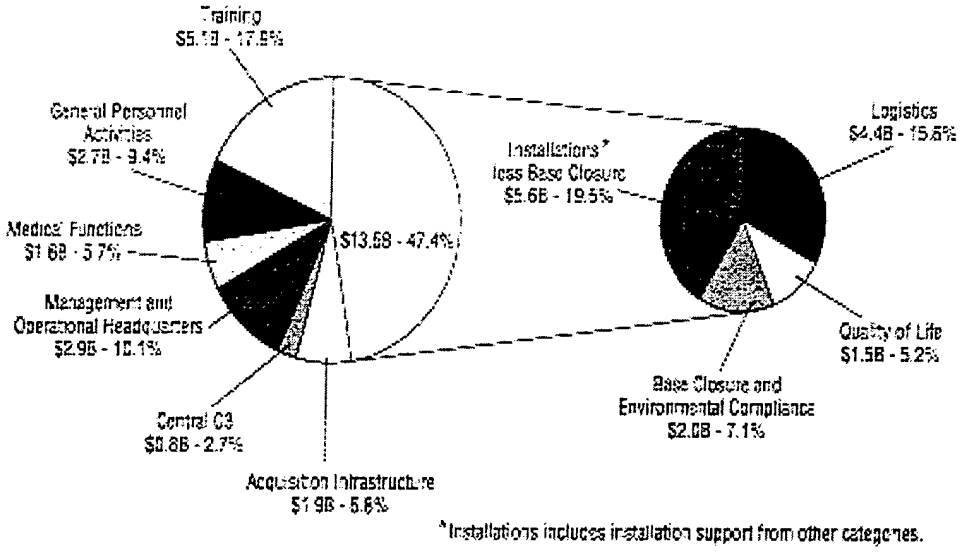


Figure 2.3. Navy Infrastructure by Functional Categories [From NSB 1998].

Responding to the need to reduce infrastructure spending, the Chief of Naval Operations (CNO) initiated a major organizational restructuring of naval shore installations. On 23 June 1997, the CNO issued NAVOP 004/97, directing installation claimant consolidation and regionalization of installation management functions. The CNO's order set the direction for Navy shore installation management for the twenty-first century. It is repeated below in its entirety:

> P 232110Z JUN 97
>
> FM: CNO WASHINGTON DC ORIG N00
>
> Subject: REGIONALIZATION//
>
> UNCLAS PERSONAL FOR COMMANDERS, COMMANDING OFFICERS, AND OFFICERS IN CHARGE //N04000//
>
> NAVOP 004/97
>
> MSGID/GENADMIN/CNO N00//
>
> SUBJ/REGIONALIZATION//
>
> RMKS/1. AS WE GO FORWARD, ONE OF OUR PRIMARY OBJECTIVES MUST BE TO REDUCE THE COST OF OPERATING THE NAVY SHORE ESTABLISHMENT SO WE CAN USE THOSE SAVINGS FOR PEOPLE/QUALITY OF LIFE, READINESS, AND MODERNIZATION. THIS INITIATIVE BEGAN WITH OUR REGIONAL MAINTENANCE CONCEPT OF TWO YEARS AGO. WE'RE JUST STARTING TO SEE THOSE EFFORTS COME TO FRUITION, AND IT'S TIME NOW TO AGGRESSIVELY AND COLLECTIVELY WORK TOGETHER ON OVERALL REGIONALIZATION. THE SAVINGS FROM REDUCED INFRASTRUCTURE COSTS ARE AN INTEGRAL PART OF THE PLAN FOR THE FY99 BUDGET, AND SUCCESSFUL EXECUTION OF THE PLAN WILL BE DEPENDENT ON THIS INITIATIVE.
>
> 2. WE HAVE MUCH TO DO AND OUR APPROACH TO INFRASTRUCTURE COST REDUCTION SHOULD CENTER ON TWO FUNDAMENTALS:
>
> A. REGIONALIZING INSTALLATION MANAGEMENT (IM) FUNCTIONS IN SHORE CONCENTRATION AREAS: BY SO

DOING, WE WOULD ELIMINATE REDUNDANT FUNCTIONS/ORGANIZATIONS AND STREAMLINE REMAINING FUNCTIONS THROUGH STANDARDIZATION, CONSOLIDATION, AND ELIMINATION OF UNNECESSARY OVERHEAD COSTS. ALSO, WE COULD IDENTIFY THOSE REQUIREMENTS THAT ARE ESSENTIAL TO MISSION SUCCESS AND MEET THOSE REQUIREMENTS THROUGH OPTIONS THAT RESULT IN BEST VALUE FOR NAVY. IN IDENTIFYING OPPORTUNITIES TO REGIONALIZE, WE MUST TAKE A BROAD VIEW OF IM, INCLUDING SUCH FUNCTIONS AS AIR OPERATIONS, PORT SERVICES AND ADP, IN ADDITION TO BASE OPERATING SUPPORT (BOS) SERVICES SUCH AS REAL PROPERTY MANAGEMENT, BACHELOR QUARTERS, AND SECURITY.

B. REDUCING THE NUMBER OF CLAIMANTS IN THE IM BUSINESS: CLAIMANT CONSOLIDATION WOULD ALLOW SMALLER CLAIMANTS TO FOCUS ON THEIR PRIMARY MISSION WHILE LARGER CLAIMANTS, INCLUDING THE FLEETS, WOULD PROVIDE IM SERVICES TO TENANT ACTIVITIES WITHIN A REGION. INSTALLATION CLAIMANT CONSOLIDATION WOULD FACILITATE REGIONALIZATION AND REDUCE

ECHELON ONE AND TWO IM STAFFS. SUCH REALIGNMENTS WOULD ALSO ALLOW THE REMAINING CLAIMANT SERVICE PROVIDERS TO BE MORE COMPETITIVE AS WE EXPLORE OUTSOURCING AND PRIVATIZATION OPTIONS.

3. THERE IS NO SINGLE SOLUTION WHICH WOULD RESULT IN THE TOTAL COST SAVINGS NEEDED TO SUPPORT OUR FORCE STRUCTURE. MANY POTENTIAL SOLUTIONS LIE OUTSIDE OUR PURVIEW. WE CAN ACHIEVE NEEDED SAVINGS ONLY THROUGH REGIONALLY FOCUSED ANALYSES DEVELOPED THROUGH THE ACTIVE AND COLLABORATIVE PARTICIPATION OF REGIONAL COMMANDERS, LOCAL COMMANDING

OFFICERS, LEAD FLEET/MAJOR CLAIMANTS AND OPNAV. AS THE RESULT OF ONE SUCH EFFORT, CINCPACFLT AND COMNAVBASE SAN DIEGO ARE NOW IMPLEMENTING IM REGIONALIZATION IN SAN DIEGO. CINCLANTFLT, CINCPACFLT AND CNET REGIONALIZATION ANALYSES ARE ALSO ONGOING AT OTHER LOCATIONS. SIGNIFICANT POTENTIAL SAVINGS ARE BEING IDENTIFIED PARTICULARLY WHEN BOS SERVICE PROVIDERS ARE CONSOLIDATED.

4. OUR GUIDING PRINCIPLES FOR REGIONALIZATION ARE CLEAR:

- NO TENANT SHOULD DO WHAT A HOST COMMAND CAN DO.

- NO HOST SHOULD DO WHAT A REGIONAL COMPLEX CAN DO.

- NO REGIONAL COMPLEX SHOULD DO WHAT THE SURROUNDING COMMUNITY CAN DO MORE COST EFFECTIVELY.

- THE NUMBER OF HOST COMMANDS AND TENANTS PROVIDING SERVICES SHOULD BE REDUCED TO THE MINIMUM.

5. INITIATIVES TO REDUCE INFRASTRUCTURE ARE SENSITIVE ISSUES BOTH HERE IN WASHINGTON AND IN LOCAL COMMUNITIES, THUS IT IS IMPORTANT THAT WE CAREFULLY ARTICULATE THESE CONCEPTS. WE MUST BE CAREFUL TO ENSURE THAT A CLEAR DISTINCTION IS MADE BETWEEN "LOOKING AT/STUDYING/ANALYZING" A PARTICULAR IM FUNCTION, AND "EXECUTING/REALIGNING/RESTRUCTURING". CONFLICTING INFORMATION PROVIDED AT DIFFERENT LEVELS OF THE CHAIN OF COMMAND CAUSES SERIOUS CONFUSION AND MAY DELAY IMPLEMENTING THE INITIATIVES SUPPORTED BY OUR ANALYSIS. ALL LEVELS OF THE CHAIN OF COMMAND SHOULD BE SUPPORTING THESE EFFORTS FOR ALL THE SAME REASONS, AND GUIDANCE MUST BE CLEAR AND PROPERLY COORDINATED. AT THE SAME TIME, SENIOR LEADERS WITHIN EACH REGION MUST ENSURE THAT PRINCIPALS WITHIN THE LOCAL COMMUNITIES ARE INFORMED AND INVOLVED IN CREATING A MORE COST EFFECTIVE INFRASTRUCTURE. IT MUST BE UNDERSTOOD THAT THERE IS STRENGTH IN REGIONALIZATION. THE MORE EFFICIENT AREAS ARE, THE MORE SOLID THEIR FOUNDATION.

6. WE MUST BUILD UPON THE SUCCESSES OF OTHER REGIONAL EFFORTS SUCH AS IN MAINTENANCE AND FISC PARTNERING. HOWEVER, THROUGHOUT THE PROCESS, WE MUST CONSIDER THE EFFECTS OF REGIONALIZATION INITIATIVES ON HOMEBASING, SEA/SHORE ROTATION AND OTHER PROGRAMS CRITICAL TO THE RETENTION OF OUR HIGHLY TRAINED AND SKILLED PERSONNEL, ENSURING THAT OUR EFFORTS DO NOT RESULT IN OUR SAILORS OR CIVILIANS BEING ASKED TO DO MORE WITH LESS. I ASK FOR THE ACTIVE PARTICIPATION AND SUPPORT OF ALL COMMANDS AS WE WORK TOGETHER TO REALIGN SHORE INFRASTRUCTURE WHERE IT MAKES SENSE. YOUR ACTIVE SUPPORT AND BEST EFFORTS WILL BE CRITICAL TO OUR SUCCESS.

7. RELEASED BY ADMIRAL JAY L. JOHNSON, CNO.// [CNO 1997]

In his message to Navy leadership, the CNO established two goals that would fundamentally change the traditional shore infrastructure organization: regionalize installation management (IM) functions in shore concentration areas; and, reduce the number of claimants in the IM business. Four guiding principles of regionalization were established and quickly became the regionalization watchwords: "no tenant should do what a host command can do; no host should do what a regional complex can do; no regional complex should do what the surrounding community can do more cost effectively; and, the number of host commands and tenants providing services should be reduced to a minimum" [CNO 1997]. Having established the goals and the principles by which regional commanders were to operate, the CNO clearly indicated that regionalization should strive to accomplish cost savings through increased efficiency, but not at the expense of readiness or personnel quality of life.

Immediately following the implementation message, the Office of the Chief of Naval Operations published the *21st Century Shore Support Infrastructure Vision & Strategic Plan* (SSVIP) [Appendix A] that provided the framework for regionalization:

> Over the past 20 years, the changing international geopolitical and threat environment has prompted considerable shifts in the size and structure of our military forces. The prevalent philosophy of streamlining and realigning has worked its way through the Services: more weapons systems are operated by leaner, more efficient, and cost-effective infrastructure. We must learn to run our "businesses" much as the private sector does – with a minimum of duplication and red tape and a maximum of service and responsiveness. To date, although we have been successfully streamlining our force structure, the same cannot be said for the associated infrastructure. One cannot move ahead while the other lags behind [SSIVSP 1997].

The CNO's strategic plan identified two strategic issues: apply state-of-the-market business practices and reduce infrastructure cost; and the accomplishments, goals and objectives with which to address them. Appendix A lists the strategic plan in its entirety.

Having set the direction for BOS regionalization, the CNO delegated responsibility for implementation to the regional officers. Because San Diego area installation leaders had already begun coordinating the regionalization of common support functions as early as 1996, Navy Region Southwest became the Navy pilot site for BOS regionalization. The following chapter discusses the implementation process in the Navy Region Southwest.

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III. NAVY REGION SOUTHWEST

A. CHAPTER INTRODUCTION

This chapter describes the regionalization process in Navy Region Southwest and the goals of the Region's leadership. It details the implementation process, and then describes the current state of the Region. It concludes with a description of the change in leadership roles and responsibilities in the Region resulting from regionalization.

B. NAVY REGION SOUTHWEST (NRSW)

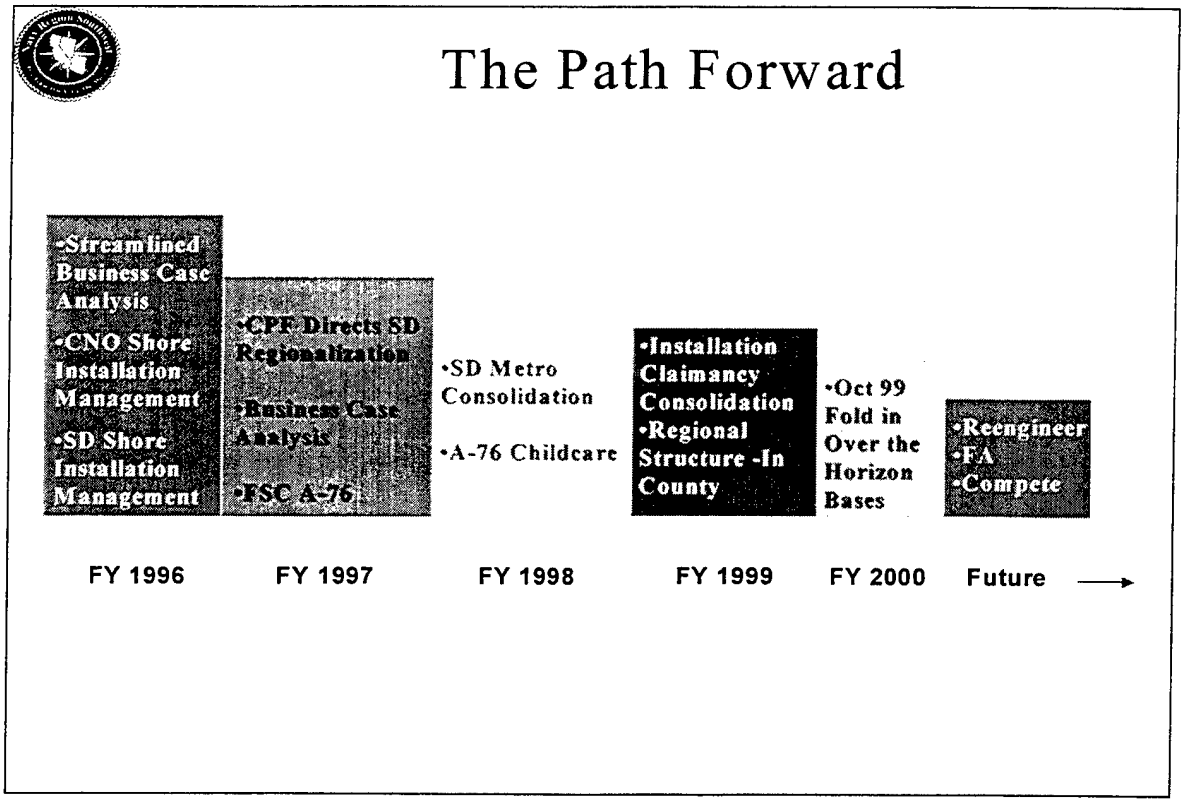

Figure 3.1. Regionalization Timeline in NRSW [From CNRSW 2001].

1. Regionalization Background

As shown in Figure 3.1, installation leaders in the San Diego fleet concentration area began examining the possibility of regionalizing support functions as early as 1996.

As a means of identifying potential functions to be consolidated, installation leaders conducted several Streamlined Business Case Analyses (SBCA), identifying 34 functions, or business lines, in shore installation management (i.e., Port Operations, Air Operations, Housing, Logistics, Food Services, etc.) that could achieve significant savings through regional consolidation of specific functions [CNRSW 2001]. The findings were reported to the Deputy CNO for Logistics (OPNAV N4), who approved the recommendations contained in the SBCA for immediate implementation in the San Diego region on 10 October 1996.[1]

OPNAV N4 designated the Commander-in-Chief, U.S. Pacific Fleet (CINCPACFLT), to lead the implementation and directed the following geographic consolidation for the San Diego Metro area:

- Creation of three geographic hosts: Mainside, Point Loma, and Coronado
- Transfer of all installation management functions to the three geographic hosts
- Designation of CINCPACFLT hosts for each of the three geographic hosts
- Transfer of all class 1 and 2 real property ownership in San Diego to CINCPACFLT
- CINCPACFLT to develop specific staffing requirements for the reorganization [DCNO 1996]

Additionally, OPNAV N4 directed that the following functions be either regionalized or consolidated in the San Diego Metro area [DCNO 1996]. Regionalization was directed for Bachelor Quarters; Base Security; Environment, as long as no commanding officer was placed in legal jeopardy; Food Services (galleys); and Safety, as long as responsibility versus control issues could be addressed. Consolidation was

[1] Appendix B lists a completed SBCA for Base Security as reference.

directed for Freight Transportation, Mail Services, and Resource Management (comptrollers).

Having previously determined a need to streamline business functions throughout the region, and with several specific functions already regionalized or consolidated, when the CNO's directive to regionalize BOS functions was issued, San Diego installations already had the processes in place to aide in the transition. On 1 October 1998, Commander Naval Base, San Diego, became Commander Navy Region Southwest.

2. Regional Area

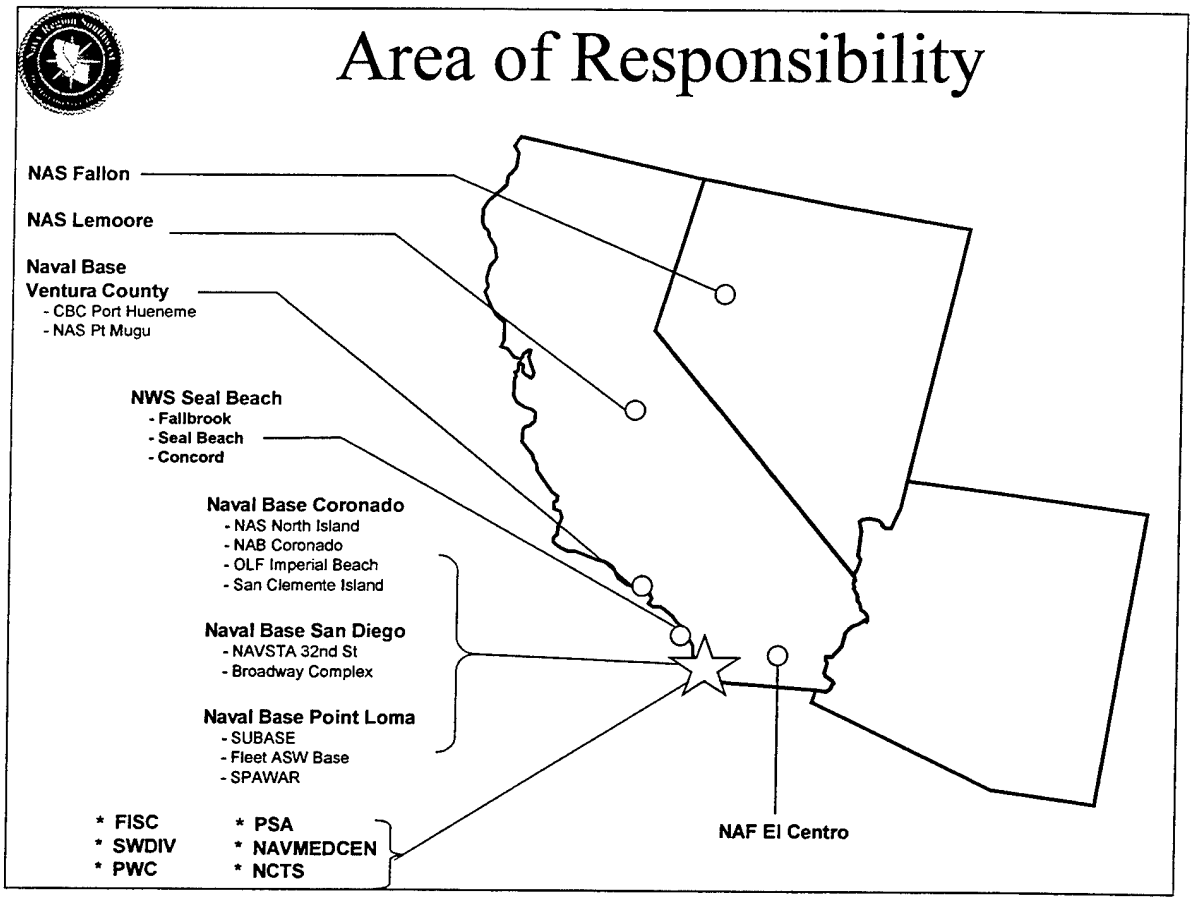

Figure 3.2. Southwest Region Area of Responsibility [From CNRSW 2001].

The Navy Region Southwest headquarters is located in San Diego, California, and includes the states of California, Arizona, and Nevada. Figure 3.2 summarizes the geographic area of responsibility. Regional bases are divided into two "sub-regions," Metro and Over-the-horizon (OTH). Metro, as is indicated by the star in Figure 3.2, consists of three "megabases," Naval Base Coronado, Naval Base Point Loma, and Naval Base San Diego and was the focus of the initial regionalization process in October 1998. OTH includes all bases that are not located in the San Diego metropolitan area, including two "megabases," Naval Base Ventura County, and Naval Weapons Station Seal Beal, as well as Naval Air Facility El Centro, Naval Air Station Lemoore, and Naval Air Station Fallon, NV. OTH bases were brought into the region beginning October 1999. Three California-based naval activities were not incorporated into the Southwest Region: Naval Postgraduate School (NPS) Monterey, NAWS China Lake, and NAWS Corona. However, these bases do receive regional support from the Human Resources Support Center (HRSC), located in San Diego. The asterisks in Figure 3.2 indicate other commands that also receive regional support.

3. Regionalized Support Functions

Regional management in the NRSW realigned base operating support (BOS) from geographical footprints (installations) to functional areas managed across the entire region. The NRSW provides coordination of base operating support functions for operating forces throughout the region, providing expertise in areas such as port services, air services, family services, environmental, logistical services, bachelor quarters, family housing, medical and security. The purpose of consolidating common support functions was to reduce regional infrastructure costs through scale economies, scope economies, redundancy elimination, and market leverage [NSB 1998].

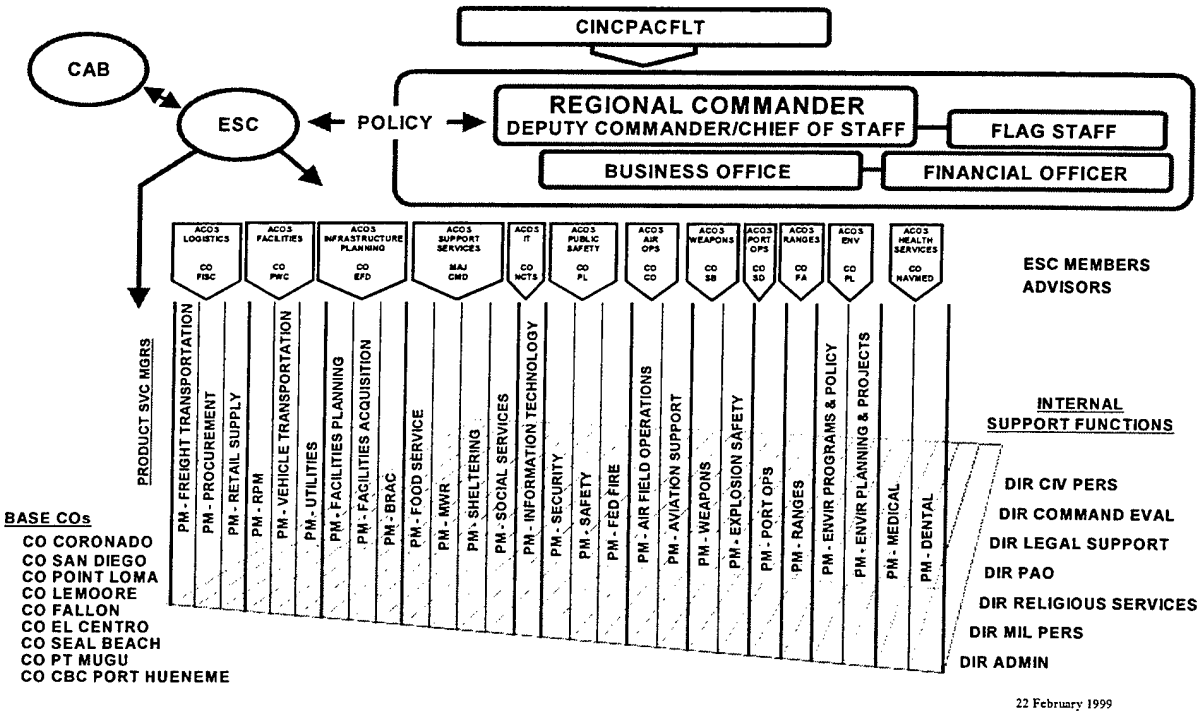

Figure 3.3. The Galactic Radiator [From CNRSW 2001].

4. Regional Matrix Organization

Commander, Navy Region Southwest (CNRSW), is tasked to provide consolidated base operations support as defined by the Core Business Model; to own and provide facility and land space management within its designated region and Navy concentration area; to exercise coordination and command of assigned shore organizations; to provide support to home ported and transient ships, submarines and aircraft, afloat and ashore tenants, and military personnel and family members [SORM 1999]. To facilitate accomplishing these missions, the region adopted a Matrix Organizational Structure, shown in Figure 3.3.

The NRSW matrix organization was designed to conform to CNO N46 installation management accounting project (IMAP) core business model guidelines.

Termed the "Galactic Radiator" by regional personnel, the three-dimensional matrix model departed from traditional Navy organizational structure by adopting a business orientation towards shore infrastructure management.

C. GOALS

In order to accomplish the CNO's strategic goals for regionalization, CNRSW established the primary regional goal: achieve ME^2O – Most Efficient & Effective Organization. The following excerpts from the Navy Region Southwest Standard Organization and Responsibilities Manual (SORM) outline the mission, vision, and guiding principles for the region and how they may serve to accomplish ME^2O:

COMNAVREGSW MISSION STATEMENT

MISSION, VISION AND GUIDANCE. WE ARE A REGIONAL TEAM DEDICATED TO PROVIDING THE HIGHEST LEVEL OF BASE OPERATING SUPPORT AND QUALITY OF LIFE SERVICES FOR ALL OPERATING FORCES AND SHORE ACTIVITIES IN THE NAVY SOUTHWEST REGION.

COMNAVREGSW VISION STATEMENT

WE WILL BE RECOGNIZED AS THE LEADER IN SHORE INSTALLATION MANAGEMENT. ONE TEAM, ONE VOICE, ONE MISSION.

COMNAVREGSW GUIDING PRINCIPLES

1. WE ARE A TEAM:

As a team, we maintain a regional perspective. In a spirit of cooperation, we pool our resources and direct investment effectively to meet the needs of our customers and stakeholders region-wide.

2. WE ARE BOUND BY PARTNERSHIPS:

Our team is founded on partnerships and the continuous, effective communication that these partnerships foster. Communication is an essential element to resolve cross-functional issues and to effect improvement and change.

3. WE VALUE OUR CUSTOMERS AND OUR STAKEHOLDERS:

We maintain strong partnerships with our customers and stakeholders. We request customer feedback and measure customer satisfaction. We are friends with our communities and to the environment. We respect our employees, train them well, and empower them to perform their duties.

4. WE ARE DEDICATED TO QUALITY AND BEST VALUE:

We respond to customer feedback to provide the best quality service at the best price. We set high standards. We measure our costs and continuously seek ways to provide better value. We compete and privatize services that can be performed better and at lower cost outside of our organization.

5. WE EMBRACE CONTINUOUS IMPROVEMENT AND CHANGE:

We embrace change that benefits our organization and our customers. We benchmark and employ private business practices that make us a better organization. We seek and employ those technologies that allow us to perform most efficiently and effectively [SORM 1999].

D. ROLES AND RESPONSIBILITIES

1. Chain of Command

Under the matrix organizational model, BOS and internal support functions are managed regionally in support of the CNRSW mission. While the matrix organization is a non-linear structure, with members sharing common goals throughout the region, leadership roles are well defined. Many regional staff members at all management levels throughout the organization are dual-hatted, having regional duties as well as installation duties. This is most visible at the functional program level.

Assistant Chiefs of Staff (ACOS), most of whom are also installation commanding officers (CO), direct regional general policy, plans and resource allocation for functional programs under their cognizance, as well as performing their assigned CO duties. Regional ACOS include: ACOS Logistics, also CO Fleet Industrial Supply Center (FISC) and regional Business Manager; ACOS Facilities, also CO, Public Works Command; ACOS Infrastructure Planning, also CO, Engineering Field Division (EFD);

ACOS Support Services; ACOS Information Technology (IT), also CO, Naval Computer and Telecommunications Station; ACOS Force Protection, also CO, NAF El Centro; ACOS Air Operations, also CO, NAS Lemoore; ACOS Weapons, also CO, NWS Seal Beach; ACOS Port Operations, also CO, NB San Diego; ACOS Ranges, also CO, NAS Fallon; ACOS Environment/Safety, also CO, NB Point Loma; ACOS Medical, also CO, Naval Medical Center; and ACOS Dental, also CO, Naval Dental Center.

Program Managers (PM) set requirements, policies and plans for each functional program within ACOS jurisdiction. The region has established 27 programs, as listed in Figure 3.3. Program Site Managers manage functional programs locally at the installations, working for both the PM and the installation CO as storefront managers. The CO exercises local operational control of Program Site Managers, who report Additional Duty (ADDU) to the CO, and directs the efforts of local functional programs, consistent with policies set by the ACOS, to achieve the mission and support requirements of the installation. Coordination of BOS functions occurs at each installation under the auspices of the installation CO, however, the CO no longer controls allocation of resources or levels of service for BOS functions. This represents a significant change in Navy organizational culture. The CO has remained the direct link to the customer at their respective installations [SORM 1999]. Figure 3.4 highlights the interconnectivity of the ACOS/PM, CO, and site managers under the region's "balanced approach" to shore installation business management.

Directors (Admin, PAO, etc., see Figure 3.3) manage regional programs for their respective support functions, providing internal support to the organization. The Regional Business Manager monitors, facilitates and promotes business process

reengineering within the region and, with the assistance of the Financial Officer, oversees regional resource management [SORM 1999].

The regional Executive Steering Committee (ESC) is similar in structure and function to a corporate board, evaluating and recommending policy and plans to the regional commander.[2] The Customer Advisory Board (CAB) is an executive link to stakeholders and customers within the region and provides a forum to address customer issues.[3]

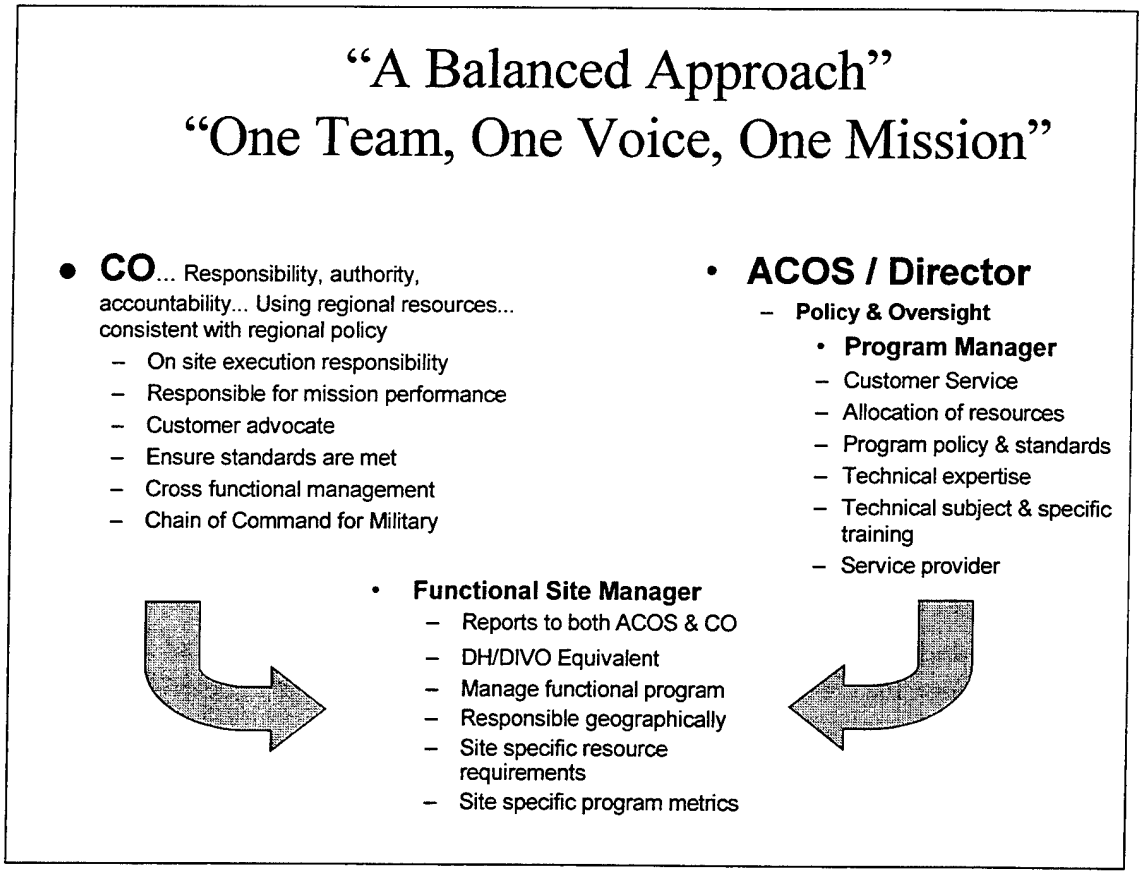

Figure 3.4. The Balanced Approach [From CNRSW 2001].

[2] ESC consists of CNRSW, Deputy CNRSW, Business Manager, Comptroller, ACOS's, installation COs, and Directors.

[3] CAB consists of senior regional representatives and major stakeholders (AIRPAC, SURFPAC, etc) and customers.

2. Resource Management

Due to the nature of the Navy's mission, most naval bases and facilities are geographically collocated in a few coastal regions. Prior to regionalization, each base operated independently of each other, facilities were subordinate units of parent commands, and most maintained independent financial accountability for budget allocation, often providing all infrastructure support internally.

Decades of this independent organizational structure led to the development of a financial mindset termed a "rice bowl mentality." Bases commanders submitted their annual budget requirements directly to CINCPACFLT and made autonomous decisions as to how the funds received would be distributed, regardless of requirements or shortfalls at other bases in the region. In short, they were only concerned with the rice in their own bowls.

Financial restructuring under regionalization consolidated and standardized the flow of BOS funding under CNRSW, as depicted in Figure 3.5. NRSW receives BOS funding for all activities in the region from CINCPACFLT. Accountability and responsibility for expenditure under the new organization shifted from the installation COs to the Regional Commander. CNRSW assumed 31 U.S. Code Anti-deficiency Act Section 1517 authority and became personally accountable for over obligation of funds.

Operational funding was not affected and still flows directly to deployable units via Type Commanders. A notable exception is Aviation Intermediate Maintenance Department (AIMD) funding. CINCPACFLT provides AIMD funding to Commander, Naval Air Force, U. S. Pacific Fleet (CNAP). CNAP retains Anti-deficiency Act Section 1517 authority for these funds, but must transfer funds to CNRSW for distribution, as

AIMD is considered an infrastructure support function. Figure 3.6 summarizes the relationship.

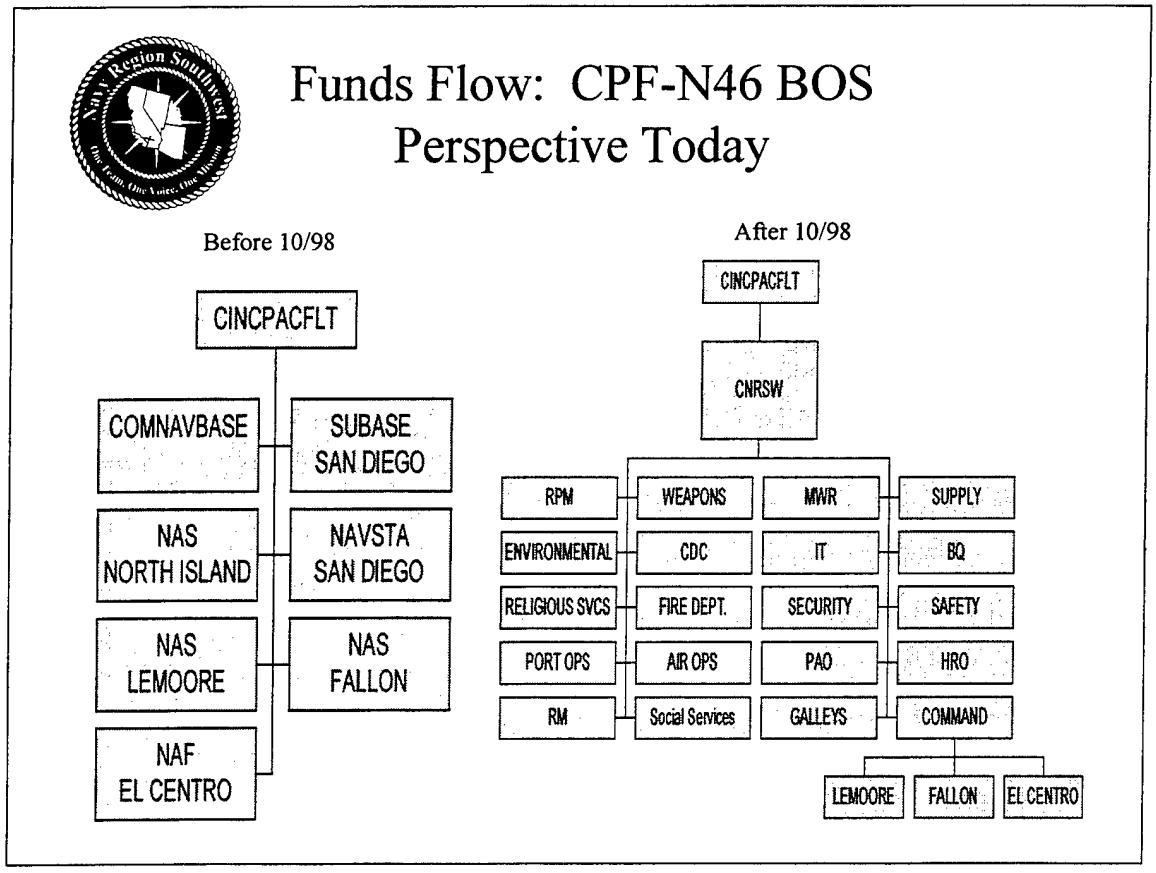

Figure 3.5. BOS Funding Flow [From CNRSW 2001].

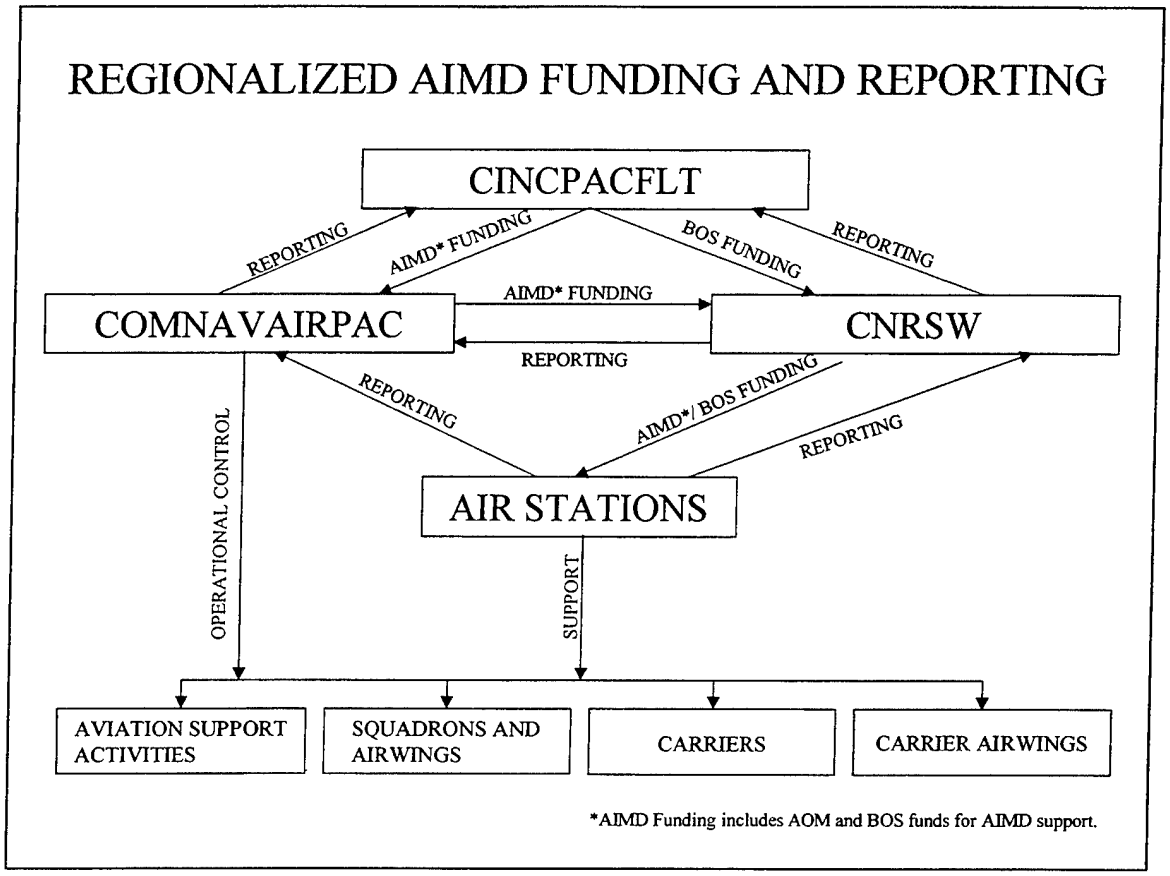

Figure 3.6. AIMD Funding and Reporting Diagram [From Interview 15].

E. CURRENT STATUS

As stated earlier in the chapter, regionalization of infrastructure support functions sought to reduce costs through increased leverage and economies and reduced redundancies. Consolidating all installation support function funding under regional control gathered all the separate rice bowls into one common bowl, providing over $650 million in market leverage. Regional financial personnel determined additional savings of at least $40 million could be realized through the efficiencies provided by the streamlined funding flow [NSB 1998]. In an effort to assess the outcomes of the regionalization process in the Navy Region Southwest, in terms of cost savings and

increased efficiencies, the following chapters present a data analysis of the current status of regionalization.

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IV. METHODOLOGY AND DATA ANALYSIS

A. CHAPTER INTRODUCTION

This chapter presents an analysis of data collected through interviews and document review. It explains the purpose of the analysis and the methodology, describes the interview and data collection process, and presents the data analysis.

B. PURPOSE OF THE ANALYSIS

The top leader of an organization is responsible for relating an organization to its external environment and vice versa [Thompson 1967]. While most organizations are, to some degree, adept at internal assessments, rarely are senior leadership or employees effective at external scanning. "As a result, most organizations are like ships trying to navigate treacherous waters without the benefit of human lookouts, radar, or sonar" [Bryson 1995]. An analysis of strengths, weaknesses, opportunities, and threats (SWOT) provides a simple tool to effectively assess both the environment within the organization and the external environment facing the organization. As Bryson states:

> Any effective response to threats and opportunities must be based on an intimate knowledge of the organization's strengths and weaknesses. Effective responses build on strengths and minimize or overcome weaknesses in order to take advantage of opportunities and minimize or overcome threats.

Strengths and weaknesses are typically internal and refer to the present state of the organization. Opportunities and threats are typically external and future-oriented in nature. However, when examining an organization's SWOT, it is important to remember that the distinctions between internal, external, present and future-oriented are fluid [Bryson 1995].

SWOT analysis allows leaders to understand their internal and external contexts to make effective strategic decisions about their future. It is essential that organizational leaders understand how they have arrived at their current organizational state in order to accurately determine the appropriate actions to take to ensure they achieve their future goals. SWOT analysis provides the tool to accomplish this. Strategic planners examine past organizational performance over a specific period and then identify the strengths and weaknesses surrounding that performance. Once the strengths and weaknesses are defined, the teams identify the potential opportunities and threats facing the organization. This method allows the teams to more accurately determine the issues facing their organization and the appropriate actions to ensure the proper future course to achieve their goals.

In the case of NRSW, the strategic issues were established by the CNO in his 21st Century Shore Support Infrastructure Vision and Strategic Plan [Appendix A]: apply state-of-the-art business practices and reduce infrastructure costs. As stated in Chapter I, the focus of this research is to assess the current status of the NRSW. Identifying threats and opportunities facing the Region and developing strategies to manage them are beyond the scope of this thesis. Therefore, a modified SWOT analysis was performed, examining the current state of the Region by identifying the strengths and weaknesses of the Region's performance over the 18 months following the Chief of Naval Operations mandate to regionalize shore installation management functions. By examining the strengths and weaknesses of the regionalization process, as viewed by key senior regional managers, the analysis is able to determine if the NRSW has met the objectives set forth by the CNO to reduce infrastructure costs through increased efficiency.

C. SWOT DATA COLLECTION Methodology

1. Interview Protocol

The interview protocol was designed to allow maximum flexibility to both the researchers gathering the data and to the interviewees. The quantity and quality of the corporate knowledge resident in the senior staff of both the CNRSW and CNAP is exceptional. With that in mind, interviews were conducted that would allow a free flow of information, and not constrain the regionalization process experts to a small set of questions. This gave the respondents the opportunity to discuss topics they felt were most important. In this way, a wide range of data was collected related to the regionalization process, including successes and issues.

2. Interview and SWOT Methodology

Semi-structured interviews were conducted with 14 CNRSW and CNAP personnel, 10 regional staff members and four AIRPAC staff members. The average interview time was two hours, with both researchers present at all interviews. The interview group included eight senior naval officers, Commanders and Captains, with an average of over twenty years of service, and six senior civilian Government Service (GS) personnel, GS-14 and GS-15, each with over 25 years of experience in public service, and at least 15 years working for the Navy in the San Diego Metro area.

Informal interviews were conducted with 12 mid-level civilian and military staff members, who worked at tenant commands, but also performed regional staff duties, as their Commanding Officers were also Assistant Chiefs of Staff. These interviews were conducted both in small groups and singularly and included two junior military officers, and ten mid-level civilians, GS-8 to GS-11.

Upon completion of the interviews, the information was reviewed for relevance, key points were transcribed, then applicable regional literature and financial data were gathered to aid in a thorough content analysis. A response was deemed relevant if at least seventy-five percent of the respondents highlighted similar issues, or if regional literature consistently supported or reinforced information gathered in the interviews. During the content analysis phase, the interview and document data were grouped into strengths and weaknesses, that were further organized into common themes that the Southwest Region leadership faces in order to accomplish its mission.

D. DATA ANALYSIS

1. Presentation Format

The data analysis presented below is organized first into two main categories: strengths and weaknesses. The main categories are then further organized into four common themes: Matrix Organizational Structure, Leadership and Communication, Measuring Infrastructure Cost Savings, and Customer Service. An additional theme is added to weaknesses to address a specific research issue: NAS North Island AIMD Budget Base Transfer. Each category begins with interview comments in italics, summarized and edited for presentation purposes, then presents supporting documentary data.

2. Strengths

a. Matrix Organizational Structure

Regional Staff comments:

> Prior to regionalization, San Diego had 32 Fort Apaches. After the restructuring, all the bases in the Region are learning to cooperate and support one another.
>
> The matrix is adaptable. We can rearrange or realign reporting relationships as the Region evolves.

> Program Managers have become a regional auditing arm of sorts, overseeing base expenditures in their programs to ensure funds are spent wisely.
>
> As an ACOS and a CO, it is my responsibility not only to ensure my base receives the support it needs, but also to ensure that all bases throughout the Region receive the support they need from my Program Managers.

Installation CO comments:

> Commanding Officers are now more powerful...we make decisions that influence policy across the entire Region.
>
> Regional BOS support through program managers is a paradigm shift for COs who are used to [as operational commanders] being responsible for every single aspect of their command. With time, the reporting relationships under the matrix organization will be viewed as standard operating procedure at shore installations.

Figure 4.1 depicts the new regional structure. According to a regional staff member, this new structure was adopted in response to feedback from COs. The realignment moves COs to the top of the matrix and the ACOS to the side, bringing all COs into the regional organization. In the previous structure, depicted in Figure 3.3, only those COs who were ACOS were integrated into the Region, the remaining COs were considered customers. The staff member noted that this simple change in an organizational chart weaves the COs into the matrix, rather than listing them as outliers on the old chart.

In discussing the auditing aspect of program managers, a regional official cited the example of a small, over-the-horizon base that had enjoyed a $40,000 travel budget prior to regionalization. After the base was integrated into the Region and the travel budgets were consolidated, base officials submitted a $7000 travel request to send a member, who was not a cook, to a New York culinary school. The PM denied the request, citing unjustified use of funds.

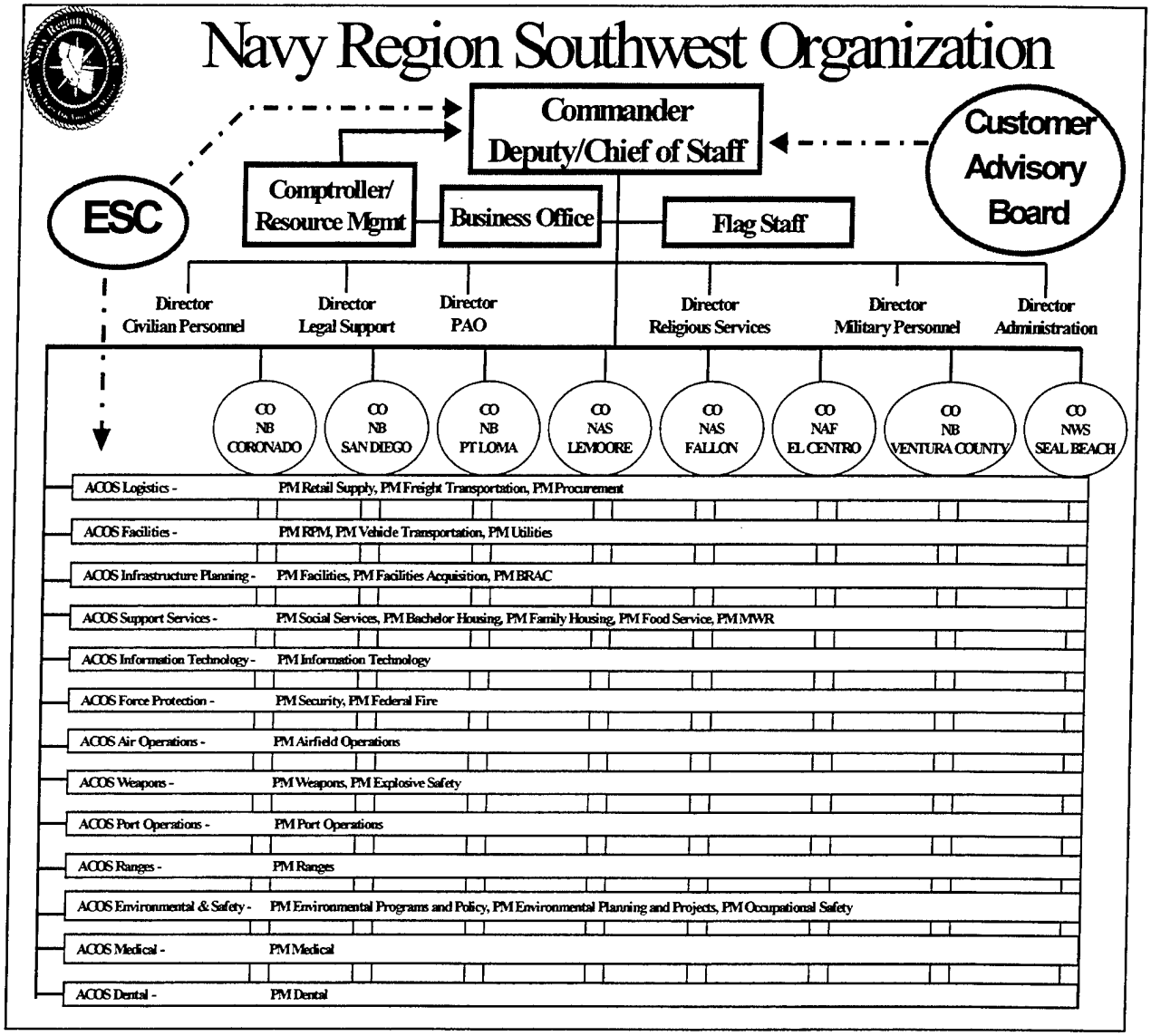

Figure 4.1. New Matrix Organization [From CNRSW 2001].

Assistant Chiefs of Staff are responsible for assessing the conditional readiness of the facilities under their cognizance and for prioritizing funding requirements across their programs. The cumulative result of ACOS prioritization of need within their programs is the Integrated Priority List (IPL). The IPL sets regional priorities for funding, by determining urgency of need.

One regional official highlighted the benefits of the new organizational structure with the following example. Before regionalization, Naval Facility San Clemente Island's pier and several buildings had fallen into disrepair. San Clemente Island was considered an aviation activity and as such, funding priorities were given to aviation mission-related discrepancies. This year, San Clemente Island has been brought under the regional umbrella. ACOS Air Operations has assumed oversight for all aviation-related issues, however, since ACOS Port Operations is responsible to ensure that all piers throughout the Region are maintained properly and ACOS Facilities is responsible for all facilities, they now also must include San Clemente Island repairs when considering their list of priorities.

b. Leadership and Communication

Regional staff comments:

> This Region was spawned by good communication and now information technology and the World Wide Web are building on that foundation.
>
> Regional staff members are experts in shore installation management. Roles and responsibilities have been clearly defined. Communication in a matrix organization is crucial.

Examples of the Region's web-based information sharing and communication include the OPNAV-N46 Clearinghouse SIM Information Website, and the Region's new Knowledge Management (KM) portal. A contract was established with Oracle, Inc., to conduct region-wide Knowledge Management education and training and to integrate Advanced Information Technology (IT) Web applications into a Portal/Data Sharing Environment. Advanced IT has also provided video teleconferencing resources, allowing officials to communicate across regions and to address common issues.

The Region has adopted a Balanced Approach concept discussed in Chapter III, that established and defined operating and reporting relationships between COs, ACOS/PMs, and Functional Site Managers (Figure 3.4).

The Region's Executive Steering Committee provides a monthly forum for senior regional staff to discuss issues and formulate strategies and has been likened to a corporate board meeting, by several regional staff members. The Customer Advisory Board is a similar body that provides for communication between senior regional officials and key stakeholders and customers throughout the Region.

c. Measuring Infrastructure Cost Savings

Regional Staff comments:

> Comptroller reorganization into one regional office provides budgetary oversight across the Region and more accurate control of BOS funds.
>
> Prior to regionalization, fences prevented economies of scale.
>
> We have closed a base without a BRAC.[4] That is a documented cost saving.
>
> TREX will give the Region the ability to track every dollar.

Several officials noted that with BOS funds controlled at the regional level, they were able to achieve economies of scale through consolidation of redundant base support service contracts into a single regional contract. Examples of consolidated contracts include food service for galleys and clubs, dog food for military working dogs, chapel bulletin software, and gym equipment.

[4] BRAC: Base Realignment and Closure.

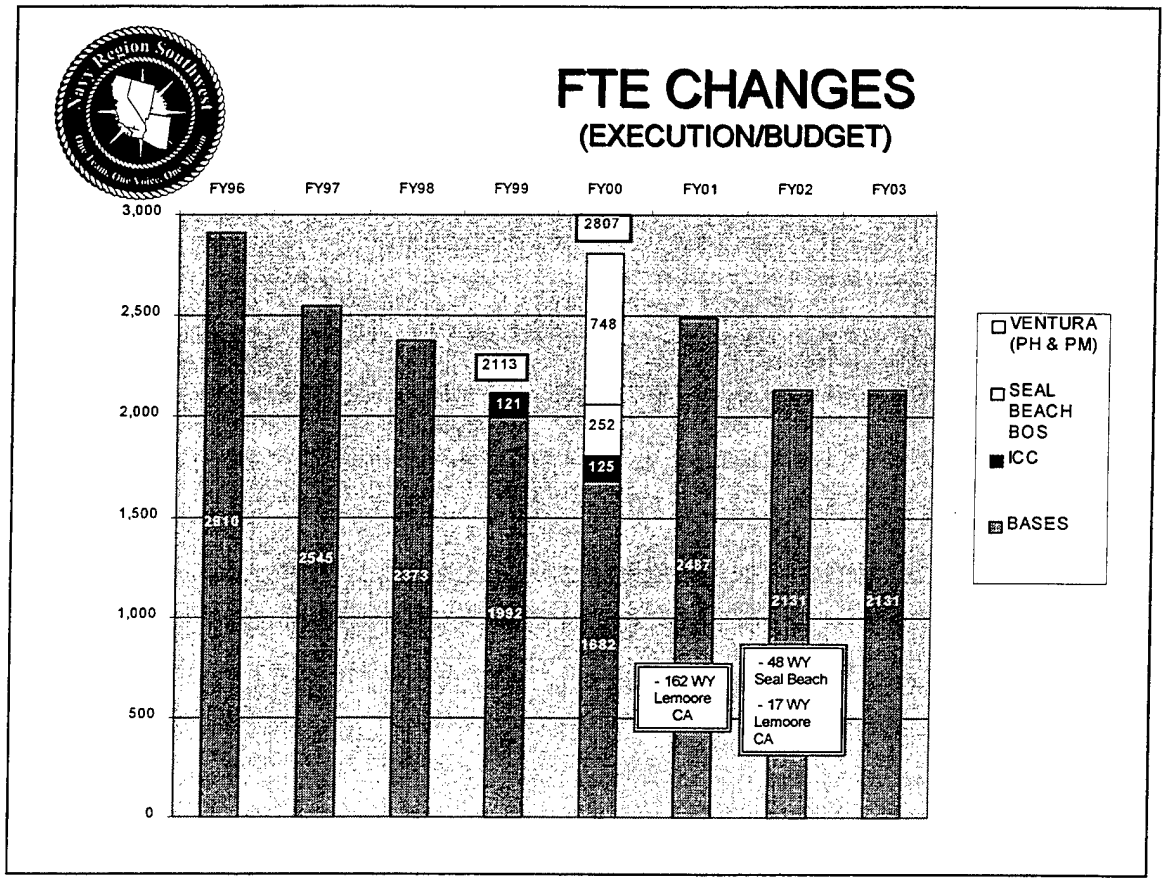

Figure 4.2. FTE Reductions [From CNRSW 2001].

Due to Office of Personnel Management reporting requirements, civilian personnel cost savings can be captured accurately by measuring Full Time Equivalents (FTE). Figure 4.2 indicates that from FY96 to FY00, FTE were reduced by 1103. In FY00, Seal Beach and Ventura were added to the Region, increasing the FTE by 1000, however, with the scheduled reductions, total FTE is forecast to be 2131, an overall reduction from FY96 of 779 FTE, despite the addition of the OTH installations. This demonstrates that, without a BRAC, through the regionalization process, the Region's total FTE elimination equates to the closure of an entire naval shore installation.

Regional savings in BOS direct funding totaled $20,465,000 in 2001 over the previous year [CNRSW RM 2001]. Specific savings include recurring savings of

over $4 million in both Port Ops and MWR as a result of FTE reductions and contract consolidations [Interviews 10 and 11].

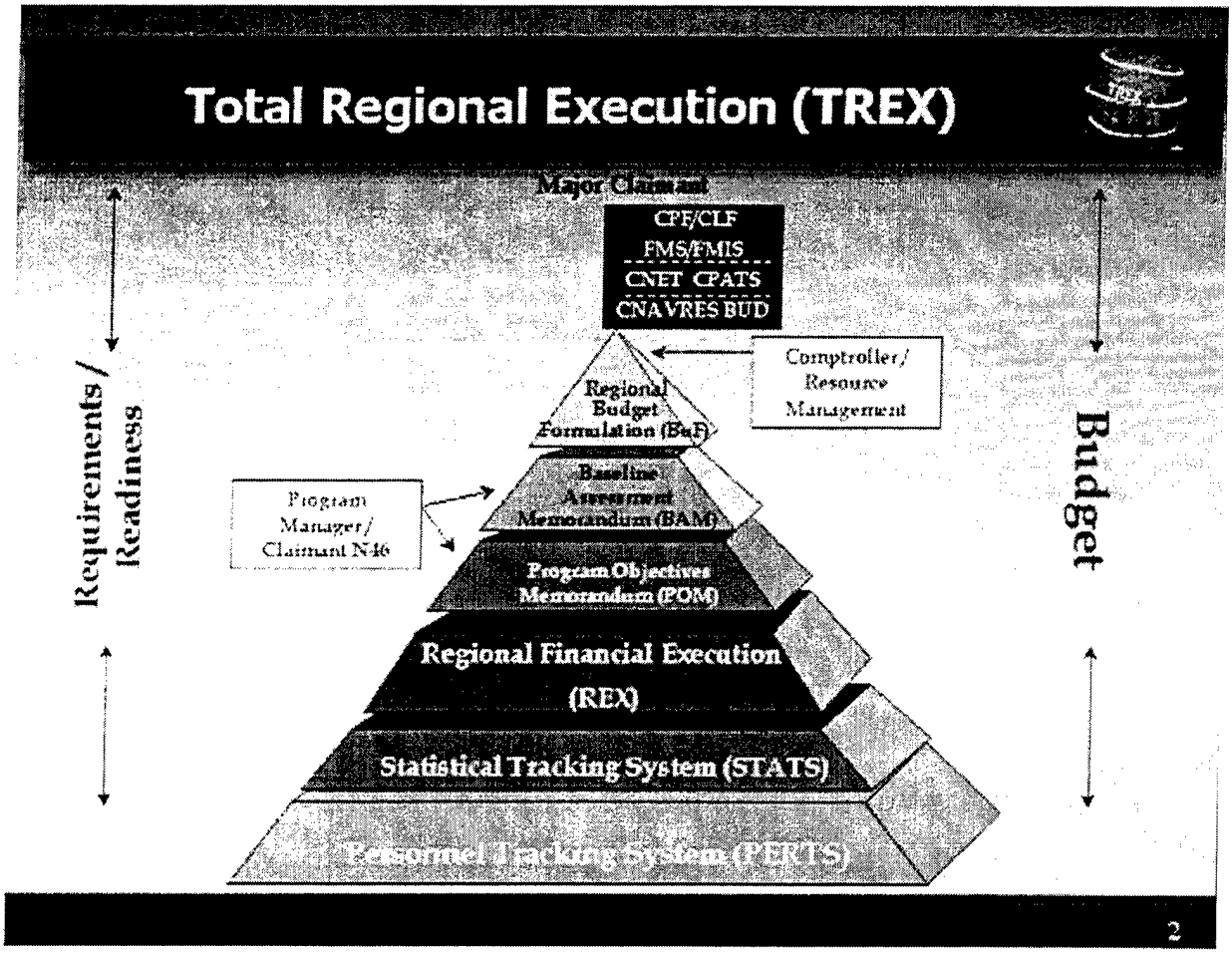

Figure 4.3. TREX System [From www.cnrsw.navy.mil].

NRSW staff developed the Total Region Execution System (TREX), a web-enabled knowledge management platform for financial, personnel, and business processes within the NRSW that provides a single source business application framework to assist in determining budgetary and readiness requirements (Figure 4.3).

d. Customer Service

Regional Staff comments:

> Having a regional office provides constancy of purpose to the programs. For example, a Sailor can walk into any club, BEQ, or port facility in the Region and expect the same level of service anywhere he goes.
>
> We are rapidly becoming experts at assessing customer satisfaction levels.
>
> Regionalization has allowed redistribution of wealth to the needy. The "Haves" are now sharing with the "Have-nots."

One regional official explained the redistribution of wealth concept with the following illustration. NAVBASE San Diego has traditionally been the highest grossing MWR facility in the Navy. Reorganization of the MWR assets under a regional MWR Program Manager has allowed a redistribution of funding to bases that lack sufficient MWR funds, ensuring all customers receive similar levels of service. A poignant example of this concept of the "haves" sharing with the "have-nots" is the reprogramming of funds from NAVBASE San Diego Golf Course profits to fund construction of a new youth center at NAS Lemoore. The new youth center will replace a building that was so small that a tent was erected next to it to handle the overflow of children. A fan was placed in the tent to provide cooling in the desert heat.

Regional staff members described numerous instances of constancy of purpose. Support Services personnel have established baseline criteria for customer service throughout their programs. Housing Office personnel ensure all houses offered to military members are of like quality independent of geographic location [Interview 9]. MWR personnel have standardized prices and food quality in clubs and galleys throughout the Region [Interview 10]. Customer satisfaction surveys conducted through Support Services indicate that customer satisfaction levels are high for these programs.

Customer satisfaction surveys are used to measure program effectiveness throughout the Region. Most programs conduct them quarterly. Program Managers are

accountable to their ACOS, as well as the Executive Steering Committee, whose members monitor and evaluate all customer feedback.

3. Weaknesses

a. Matrix Organizational Structure

Regional Staff comments:

> There is no feeling of ownership among the Commanding Officers...it will take two to three more COs before that changes.
>
> Accountability and responsibility are blurred in a matrix organization.
>
> Fences are organized along very archaic lines.
>
> The matrix organization, coupled with wide geographic dispersion, presents the greatest challenge. Coordination and teambuilding are complicated and time consuming.
>
> NPC can't understand this structure; they eliminated two of the Region's security chief billets that were essential to the commands.

Regional Tenant Command Staff comments:

> Regionalization institutionalized stovepiping.

Officials complained that reprogramming of funds, even as little as $100, is very difficult in the matrix organization. While the traditional Navy stovepipe structure has been eliminated, some feel the matrix structure creates its own program stovepipes. To move money from one program to another, the approval chain must flow through the Program Manager, to the ACOS, often up to the Admiral, then through the same chain in the program receiving funds. All officials must agree, or the reprogramming can experience serious delays, or be disapproved.

One official noted the problem of the performance appraisal reporting chain of command. In the matrix organization, many of the Functional Site Managers have two reporting seniors: the base CO and the ACOS/PM. The PM has additional duty

(ADDU) fiscal and policy control over the Site Managers, while the CO has physical, primary control (PRIDU). Supervisors of civilian and military personnel have a fiduciary responsibility to observe the performance of the individual prior to submitting performance appraisals. This has been difficult because of the geographic separation between the PMs and Site Managers. Initially, the base CO submitted input to the report to the ACOS/PM for final signature; however, recent changes have made the CO responsible for the final submission, with a concurrent report submitted by the ACOS/PM only if there is a difference of opinion between the two reporting seniors.

Naval Personnel Command (NPC) has been unable to adjust to regional matrix organizational personnel requirements. The new structure realigned billets under program unit identification codes (UICs) vice installation UICs. The NPC billet assignment process was not adjusted, causing erroneous billet reductions across the region. In one case, regional security had three E-7 security chief billets, one in Metro and two in over-the horizon locations. The NPC computer saw a two-billet surplus in the security program UIC and eliminated the two extra billets. NPC tracking programs do not have the capability to identify that the billets actually supported three separate geographic locations.

b. Leadership and Communication

Regional staff comments:

> The definition of regionalization is half the people doing four times the work, with a fraction of the money.
>
> Regionalization is a farce, we have to work two jobs, but aren't given the money to do even one properly. We have less money now than we did before regionalization, but our workloads have multiplied.

An employee satisfaction survey conducted in October 2000 indicated that the perceptions of supervisors and employees about the Region were not as favorable as those of senior leaders. The eight major categories of the survey were Work Team Functioning, Job Characteristics, Worker Motivation, General Organizational Climate, Leadership, Process Improvement, Support for Process Improvement, and Training Support. The survey results noted, "Survey questions do not reflect the working reality of the Region. The truth is in the comments." The following are excerpts from those comments [CNRSW 2000].

- Work Team Functioning

> We are cut and bleeding – cut to the bone and are then expected to meet the needs of the safety and welfare of a difficult population.
>
> We are tired, we are burned out, and we are spread too thin to get the job done.

- Job Characteristics

> Perhaps you should get the word out to the troops that you are not just some acronym, some set of initials. If you play such a large part in our lives, just who the heck are you?
>
> We are not a team. We do not have one voice. We had a mission once, but I'm not sure what the new one is supposed to be.

- General Organizational Climate

> When you have only one voice then all the little voices get muddled, then no communication is generated.

- Leadership

> I see your vision as Your Team. Your Voice. Your Mission.
>
> Someone needs to get down to the lower decks and talk to the working people.
>
> NRSW should communicate and reinforce its goals by personal visits. There is considerable opposition to regionalization. NRSW must sell the concept.

c. Measuring Infrastructure Cost Savings

Regional Staff comments:

> This IMAP thing is a charade. IMAP impacts organizational structure, not financial method.
>
> That's the problem; we can't capture specific cost savings right now, because the tools weren't in place to do that when the regionalization process began.
>
> It's hard to measure cost savings when your budget keeps getting cut and you are constantly in some sort of functionality assessment.

Several regional officials noted that, in preparing to regionalize, implementation did not include a process to adequately standardize financial reporting to enable regional managers capture, quantify, and document specific program costs or savings. As a result, capturing specific cost savings within programs is extremely difficult, or in most cases, impossible [Interviews 8 and 13].

While the Installation Management Accounting Project (IMAP) established the Installation Core Business Model that became the blueprint for the regional matrix structure, it also mandated standardized cost accounting codes across the regions in an attempt to accurately capture installation costs. No regional or tenant staff interviewed who were involved in financial management used IMAP as a costing tool.

d. Customer Service

Regional Staff comments:

> The problem is that the BOS budget cuts are now practically transparent to the base COs. All they know is that they aren't getting the money they want that they used to have.
>
> The customer needs to learn to separate shortfalls due to budget cuts from regionalization. If they had their BOS back, they still wouldn't have the funds they needed, they just can't see that now. They don't see the cuts and blame it on regionalization.

> We are $180 million short in critical RPM, BOS is funded at 72 percent, which calculates to a 40 percent cut in BOS in the last two years, and we've had a 30 percent reduction in personnel. It's hard to maintain service levels with cuts like that.

All regional officials indicated that budgetary shortfalls are impacting their customers' perceptions of customer service levels. There is a perception among tenant commands within the Region that regionalization is the cause of their lack of funds. Interviews with mid-level regional staff who are also tenant customers confirmed those views [Interviews 3 and 6].

Budgetary shortfalls have resulted in over $79 million in unfunded requirements, including $38.9 million in mission essential requirements, such as civilian salaries, which must be funded, or the Region will go into the red and be charged with an Anti-deficiency Act Section 1517 violation [CNRSW RM Brief 2001]. One official explained that when the Region is focused on trying to stay solvent, customer service suffers. The official noted that regional staff must focus their attention on keeping the Region out of the red and just do not have the time to reassure customers that they are getting all the money the Region can give [Interview 8].

e. NAS North Island AIMD Budget Base Transfer

Regional Staff comments:

> It's a turf war. AIRPAC doesn't share its knowledge and information, like SURFPAC does, to allow the Region to support it properly.
>
> We can't clearly articulate requirements, because we haven't defined the boundaries or the mission. At the start of this process we needed to sit down and draw the lines of responsibility.

AIRPAC Staff comments:

> This is an attempt to get discipline back into the system...to have the aviation experts making the aviation decisions.

> It's always a rice bowl issue...the decisions were made in vacuums – at all levels.
>
> Who holds the money is pretty transparent at the ground level in AIMD. This is really an attempt to align readiness providers with readiness users.

As discussed in Chapter II, the budget base for the NAS North Island Aviation Intermediate Maintenance Department (AIMD) was transferred to CNRSW for distribution, while CNAP maintained Anti-deficiency Act Section 1517 authority for the funds. Interviews with officials on both sides of the transfer have indicated that neither side felt the Region should be responsible for AIMD oversight, as the department's mission has a direct impact on aviation readiness [Interview 2]. Officials at all levels recognized early into the regionalization process the need for CNAP to regain control of the AIMD. As early as June 1999, efforts were begun to transfer all AIMD functions back under CNAP control. The following section includes excerpts from a "personal for" message sent by CNAP addressing the transfer.

> RMKS/1. COMMODORES, MY STAFF HAS BEEN WORKING CLOSELY WITH THE SOUTHWEST REGION, NAS LEMOORE AND NAS NORTH ISLAND IN DEVELOPING A PLAN TO TRANSITION THE AIMD... OPERATIONS OVER TO TYPE WING CONTROL.
>
> 2. THE CONCEPT OF MOVING...AIMD'S UNDER THE TYPE WING COMMANDER WAS BROUGHT FORWARD BY THE SKIPPERS FROM NASL (ACOS FOR AIR OPS NRSW) AND NASNI. A "CONCEPT OF OPS" BRIEF LAID OUT THE POAM WHICH IDENTIFIED DISTINCT ADVANTAGES TO THE ALIGNMENT. THESE ADVANTAGES INCLUDED:
>
> - ALIGNING AVIATION SUPPORT FUNCTIONS WITH THE CUSTOMER.
>
> - PLACING THE AIR TYCOM INTO A CLOSER ROLE OF PROVIDING DAY-TO-DAY GUIDANCE AND OVERSIGHT.
>
> - STANDARDIZING THE ORGANIZATION THROUGHOUT PACFLT.

TAKES ADVANTAGE OF THE ENHANCED "O" AND "I" LEVEL INTERFACE UNDER ONE OPERATIONAL COMMANDER.

3....EFFECTIVE 1 OCTOBER 1999,...AIMD OPERATIONS, AT THESE TWO ACTIVITIES [NAS LEMOORE AND NAS NORTH ISLAND], WILL TRANSITION FROM CNRSW TO CNAP (THROUGH THE DESIGNATED WING COMMANDER). DUE TO A NUMBER OF REQUIRED ADMINISTRATIVE ACTIONS AND INFORMATION TECHNOLOGY PROGRAMMING CHANGES, CERTAIN ADMINISTRATIVE/FINANCIAL TRANSITIONS WILL BE POSTPONED UNTIL 01 OCTOBER 2000[CNAP 1999].

AIMD and CNAP personnel involved in the transfer reported that it took place seamlessly [CNAP 2000]. The only outstanding issue was the financial transition that had been postponed until 1 October 2000. Resource Managers at CNAP were expecting a budget-base transfer from the Region of all AOM and AIMD (1A/3A) funds that had previously been managed by regional resource managers [Interview 5]. The transfer did not occur as scheduled on 1 October 2000, but instead was postponed until repeatedly until March 2001 due to conflicts over accountability for a $2 million funding shortfall. That issue was addressed, the budget-base transfer is now complete, and CNAP no longer routes any funds through the Region, but CNRSW continues to control BOS for the air stations. [Interview 15]. Figure 4.4 depicts the new flow.

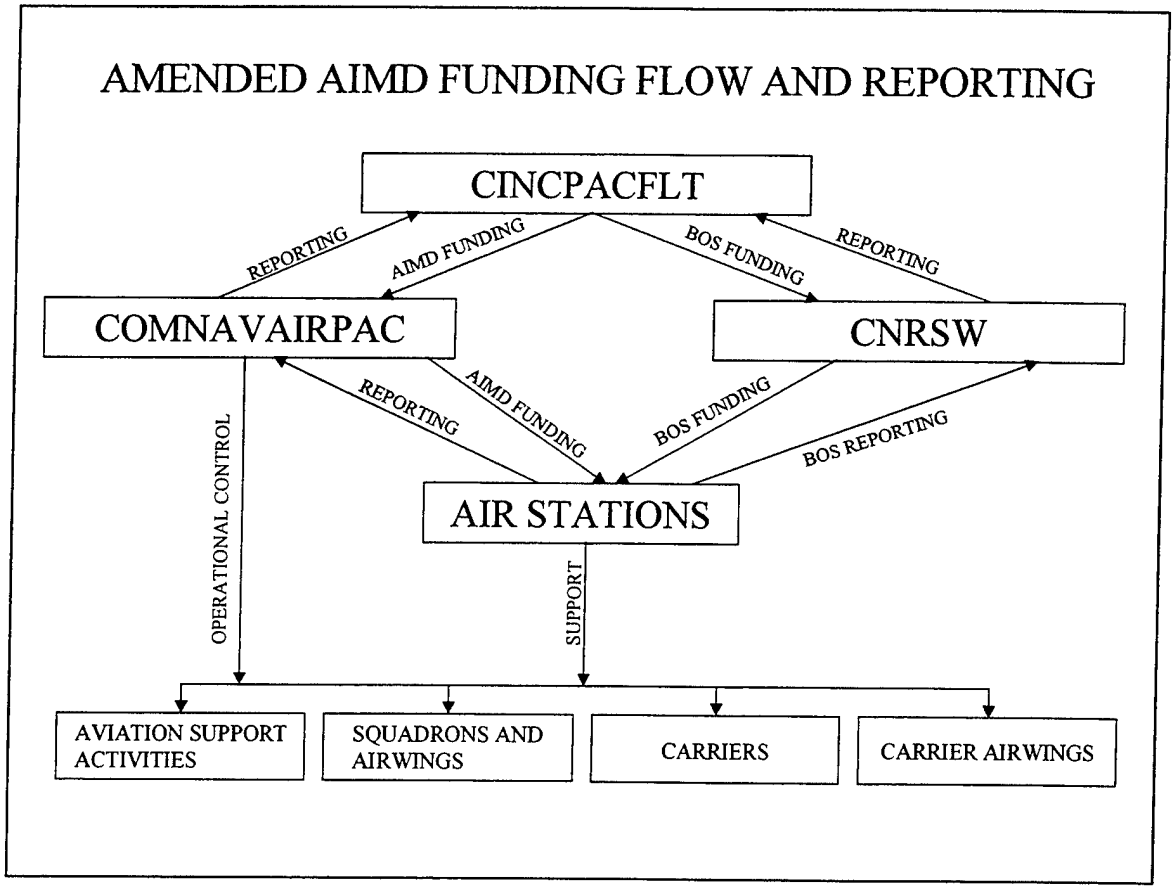

Figure 4.4. Amended AIMD Funding and Reporting [From Interview 15].

When asked about the difficulties encountered with the budget-base transfer, both CNRSW and CNAP staff indicated that the initial transfer of the AIMD should not have happened [Interviews 5 and 13]. At the beginning of the regionalization process, most commands considered to be infrastructure support services were swept up into the Region. The weakness in the process, explained one official, was that nobody sat down at the beginning with the stakeholders and defined the mission requirements and boundaries of infrastructure support. In this case, NASNI AIMD is primarily an operational support provider, although it is located on an air station [Interview 13].

E. SUMMARY

This chapter presented an analysis of the strengths and weaknesses of the Navy Region Southwest, determined through document reviews and interviews with key officials, in order to assess the outcomes of the regionalization process mandated by the Chief of Naval Operations in NAVOP 004/97. By highlighting regional issues and successes, the analysis provides the insight into the regionalization process in NRSW that enables the conclusions drawn in the following chapter.

V. CONCLUSIONS

A. INTRODUCTION

The purpose of this study was to assess the outcomes of regionalization in the Navy Region Southwest (NRSW). The Chief of Naval Operations (CNO) mandated regionalization of shore installations as a means to streamline shore installation business practices and reduce infrastructure costs. Having identified an annual budgetary shortfall of $3 to 5 billion to fund force recapitalization and modernization, Navy leadership determined significant savings could be realized through reorganization and restructuring of shore installation core business functions. "Pressures to [regionalize] come from competition between the need to maintain force readiness for the present and the need to modernize systems and technology for the fleet of tomorrow [NSB 1999]."

Responding to the CNO's mandate to regionalize, Commander, Navy Region Southwest (CNRSW) established the primary regional goal: achieve a ME^2O – Most Efficient & Effective Organization - in order to accomplish the CNO's strategic goals for regionalization [Appendix A]:

- Apply state-of-the-market business practices to create an organizational structure and process to accelerate positive changes and to manage installations with the business perspectives of efficiency, competition, and customer satisfaction
- Reduce infrastructure cost by reducing workforce costs, workforce-related expenses, including costs of goods and services, and reducing physical plant costs

This study examines the regionalization process in the Navy Region Southwest over the last two years in order to determine if the Region, in seeking to establish a ME^2O, has achieved the objectives of regionalization set forth by the CNO in his

strategic plan. The following conclusions are based on the results of the analysis performed in Chapter IV.

B. CONCLUSIONS

Upon examination of the Region's strengths and weaknesses, the data support the assertion that the regionalization process in Naval Region Southwest is meeting the objectives for regionalization established by the CNO. It is unreasonable to expect regionalization alone to provide the cost savings necessary to fund force modernization, however, reductions in infrastructure costs have been achieved and business processes have been streamlined through application of state-of-the-market business practices.

1. Strengths

Through the data analysis, it became apparent that the Region's two main strengths are leadership and the matrix structure. Senior leadership exhibits high levels of commitment and expertise and the matrix organization structure fosters strong communication across programs at the senior level. In recognition of superior leadership ability, CNRSW has received the annual CNO Installation Excellence Award for two consecutive years. Throughout the interview process it was apparent that the regional leaders were proactive, involved, and committed to continual improvement of the Shore Installation Management (SIM) process. One official explained that the regionalization process is complete, having met its objectives. They were now moving on SIM issues and focusing on streamlining business processes. Still another declared, "Regionalization has demanded cooperation, coordination, and consensus building. We must manage by example and not by edicts" [Interview 9].

Regional leaders have demonstrated keen insight in eliminating conflicts before they can develop into major barriers to achieving regional goals. They have recognized

that an organization's greatest strength can also be its greatest weakness. A good illustration is the Galactic Radiator organizational matrix discussed in Chapter III (Figure 3.3). This structure, which has been lauded as the organizational model for all Navy regions, is also perceived as a significant organizational weakness. While regional personnel find the structure effective in maintaining communication across programs, previous studies indicate that base COs feel the structure degrades their authority [Illar 1999]. Identifying this conflict, CNRSW, made adjustments to the Galactic Radiator matrix by placing all base CO's on top of the organization chart vice on the side. This simple change restored power to the COs by integrating all of them into the organizational structure, not just those assigned ACOS duties, thus eliminating a potential weakness in the structure.

The matrix structure provides regional program oversight, enabling program managers to prioritize distribution of funds as necessary to better serve all customers throughout the Region. This redistribution of wealth prevents the over-development of large commands at the expense of the smaller, less visible commands. Such a process can only increase the level of service the Region provides to the fleet, as all commands are brought up to a baseline material readiness standard. However, as stated previously, even obvious strengths harbor potential weaknesses. The redistribution of MWR funds from San Diego to Lemoore for a new youth center discussed in the previous chapter is a vivid illustration of this contradiction. Taking funds from the highest grossing Naval Station Golf Course in the Navy to move children from overflow tents to a new Youth Center is a definite strength of regionalization. However, one may note that redirecting profits from the organization that generated them could remove the incentive to improve

business practices to further increase profits. Regional leadership again identified this potential weakness. In an unprecedented move, CNRSW entered into a profit-sharing concept with COMNAVBASE San Diego. The MWR Program Manager agreed to allow NAVBASE San Diego to retain twenty-five percent of all MWR profits earned for its own projects, to stimulate the incentive for further business process improvements.

The realignment of like-functions under one program manager has also provided the flexibility to regionally prioritize program needs, as well as prioritize needs across programs through the use of Integrated Priority Lists (IPL). Traditionally, the large bases that had the ability to lobby for large budgets received the lion's share of funding for base improvements, while the smaller, low-visibility bases struggled with limited funding.

Regional prioritization of need has provided smaller bases the funding to complete needed projects, but has also reaped benefits on a larger scale. The use of the prioritized IPL has improved the budget formulation process because in the development of the IPL, installation Commanding Officers and Program Managers (PM) are required to provide data to justify their funding requirements over others that may appear more critical. Therefore, during the budget formulation process, regional leaders are confident that only *mutually agreed upon* and *relevant* projects are submitted into the next year's budget. As a result, the IPL process has improved installation managers' budget planning skills. These skills are crucial in the extremely competitive federal budgeting arena.

The success of the IPL process in NRSW is demonstrated in the CNO's 2003 prioritized military construction projects listing. Three CNRSW installation projects are

listed in the top 10 priorities, totaling $58.7 million, including the number one priority.[5] This collaboration between the leaders, who historically have competed for limited funds, to achieve regional objectives did not exist prior to regionalization because each command was focused on its own objectives.

There are numerous examples of the PMs balancing out the level of services to all the bases within the Region. In the aggregate, there has been overall improvement in the program standards, policy, and customer service.

2. Weaknesses

In analyzing the Region's weaknesses, the two main weaknesses are the lack of communication between senior leadership and regional employees and the Region's inability to capture specific cost savings. Another issue was addressed as a weakness, namely the factors surrounding the AIMD budget-base transfer of AOM and 1A/3A funding. However, a weakness that underlies the entire analysis and impacts all areas is the Region's inability to prevent continuing budget cuts past the fiscal requirements identified to achieve and sustain the ME^2O.

The data presented in the preceding chapter suggest that lower level regional employees, as well as mid-level managers are not as committed to the regionalization concept as is the senior leadership. The problem is common in organizations in transition, particularly in organizations whose personnel are disbursed over a large geographic area. The phenomena is best described by Henry Mintzberg's Theory of Detachment:

[5] NAF El Centro project was first priority, NF San Clemente Island was fifth priority, and NAS Lemoore was tenth priority.

> If the system does the thinking, to produce the strategies to be implemented, then...strategies [must be detached] from operations. In other words, managers are to manage by remote control, using processes that are essentially cerebral...senior managers [are positioned] together with planners on a hierarchical pedestal, sufficiently removed from the daily pressures of running the business...while everyone down below scurries around handling implementation details [Mintzberg 1994].

The predominant complaint among the lower level staff was lack of identification with the Region due to lack of communication from the top. However, even in this weakness, regional leadership has demonstrated a proactive stance through the use of the employee satisfaction survey.

The inability to identify or capture specific cost savings was due primarily to the lack of consistent standards that existed in base accounting methods prior to regionalization. Every Comptroller Office had developed its own accounting system, with independent databases, filing systems, and accounting code tracking systems. The lack of interoperability and accounting standards between bases initially created a nightmare when the bases were tasked to provide data calls to the Region. Again, however, regional leaders responded to the problem and have established the business application platform TREX: Total Regional Execution System that combines accounting software, data collection procedures, and budgeting tools into one system, in an attempt to consolidate regional resource management. The TREX platform was in the implementation stages during research, but has since been adopted by OPNAV N46 for application Navy-wide.

When addressing the NAS North Island AIMD budget-base transfer, Bryson's discussion of external stakeholders and performance perception succinctly explains the issue:

> Stakeholders will judge the worth of the organization by how well it meets the criteria for success the stakeholders have chosen. For external stakeholders in particular [such as CNAP], these criteria typically relate to performance. If the organization cannot demonstrate its effectiveness, then stakeholders are likely to withdraw their support [Bryson 1995].

This was exactly the case with CNAP and the AIMD budget-base transfer. Perceiving degradation in mission readiness (lack of performance) as a result of regional control of AOM and 1A/3A funds for NAS North Island AIMD, CNAP petitioned CINCPACFLT for, and received control of those funds back from the Region.

The underlying weakness of regionalization, which presents its greatest threat, is the inability of regional leadership to convince Navy policymakers that budget submissions are accurate assessments of need. The ME^2O concept, as designed and implemented by regional leadership, allows for minimal slack in the organization. Since efficiency is dependent on "focus, precision, analysis, repetition, sanity, discipline, and control" [Roberts 2000], this slack is primarily the assurance of funding for additional personnel needed during times of surge, heavy leave periods, or changes in mission when the personnel system cannot respond quickly enough to changing mission requirements.

If additional cuts continue at their current rate, the Region will be forced to decide between "most efficient" or "most effective." Regional officials argue that both are vital to mission success. If funding levels continue to be cut beyond the level needed to sustain ME^2O, the mission of the organization will be significantly degraded for both shore and fleet readiness – effectiveness will suffer. One regional official likened the delicate process of achieving ME^2O to the human body:

> The human body is most effective and performs most efficiently with strong bones and muscles, but also requires a small amount of fat for harsh winters, or lean months. Regions are like that. To be effective and

> efficient in meeting mission requirements, we must, above all else, protect the bone and preserve the muscle, because without them we cannot function. However, we also need a small amount of fat, to protect us when the lean times come [Interview 9].

NRSW has embraced the CNO mandate to streamline business practices and reduce costs to the lowest possible level and still maintain mission readiness. If, as NRSW approaches ME^2O, the mentality persists among senior Navy leaders that further cuts are always possible the Region will no longer be able to meet mission requirements.

C. ANSWERS TO RESEARCH QUESTIONS

- **Has regionalization in the Navy Region Southwest achieved the goals set forth in the Chief of Naval Operations Strategic Plan when restructuring began, namely apply state-of-the-market business practices and reduce infrastructure costs to improve efficiency and increase customer service?**

The CNO's goals are being achieved in the Navy Region Southwest. Regional leadership is continually identifying and adopting appropriate business practices that they determine will increase the efficiency and effectiveness of the Region through reduced costs and increased customer service. Chapter IV contains a detailed analysis of this topic.

- **Have significant cost savings been achieved through regionalization? Are these cost savings measurable and have they been measured?**

Cost savings have been achieved through regionalization, although not to the extent envisioned when the process was initiated. Specific cost savings have proven difficult to measure due to lack of standardized accounting and reporting software and methods. However, personnel costs savings are readily measured using Full Time Equivalents and have been consistently measured, as have economies of scale cost savings through contract consolidation. See Chapter IV, sections D.2.c and D.3.c for further information.

- **Have the level, quantity, and quality of service to regional commands improved as a result of regionalization? Are there measurable indicators for these variables?**

The data analysis presented in Chapter IV indicates that regionalization, in the aggregate, has improved the level, quantity, and quality of service provided to commands throughout the Region. Customer satisfaction surveys provide measurable indicators of these variables throughout the Region's programs. See Chapter IV, section D.2.d for a detailed explanation.

- **Are there commonalities across programs in cost savings and/or quality of service? If so, what are the commonalities and have they been exploited for cost reduction and improved service provision?**

Commonalities were observed across programs. Measurable cost savings were achieved through economies of scale and personnel reductions in most programs and are being exploited for increased cost reductions. A common problem across all programs was the inability to capture specific cost savings other that personnel reduction and contract consolidations. Regional leadership has developed the Total Regional Execution System to address that issue. Commonalities in quality of service include the establishment of baseline levels of service in each program for all commands throughout the Region, regardless of geographic location, to ensure continued improvement of service provision. See Chapter IV section D for further information.

- **What were the factors involved in the assignment and reassignment of AIMD resource management authority and responsibility in implementation of regionalization?**

The factors surrounding the AIMD resource management authority are explained in detail in Chapter III, section D.2, and Chapter IV, section D.3.e. The primary factor was determined to be the failure of leadership on both sides to clearly define the boundaries between operational and infrastructure support when regionalization began.

AIMD was viewed as infrastructure support; therefore resource management of AOM and AIMD BOS (1A/3A) funds was transferred to the Region from CNAP. Reassignment back to CNAP resource managers occurred when AIMD was redesignated an operational support facility.

D. SUGGESTED FURTHER STUDIES

This study has examined the outcomes of regionalization in the Navy Region Southwest. There are several areas that would provide an opportunity for research. Some of those areas include:

- A detailed analysis of the outcomes of regionalization in other regions
- A detailed comparison of successful cost saving or customer service initiatives across regions
- An examination of the impact of regionalization on operational command readiness
- An analysis of the effect of the Total Regional Execution System (TREX) on regional resource management

APPENDIX A. CHIEF OF NAVAL OPERATIONS' 21ST CENTURY SHORE SUPPORT INFRASTRUCTURE VISION AND STRATEGIC PLAN

Appendix A provides pertinent excerpts from the Chief of Naval Operations' 21st Century Shore Support Infrastructure Vision and Strategic Plan, including the purpose, vision, core values and strategic plan.

A. PURPOSE

The 21st Century Shore Support Infrastructure Vision and Strategic Plan portrays the strategic direction for the shore support infrastructure. This strategy has been defined to enable the shore infrastructure to meet the evolving needs of the naval forces of the 21st century. This strategic plan is required to reduce total Navy infrastructure costs in order to free resources for readiness and recapitalization.

B. VISION FOR THE 21ST CENTURY

The Navy is engaged in a comprehensive assessment of our operating forces, policies, and support structures to determine our capacity to meet our national obligations. Budget realities compel us to embrace real change and drastically reduce infrastructure costs in order to sustain quality battle forces for the future.

To reach this end, this is our vision for an optimal 21st century Navy infrastructure: We are focused on supporting fleet readiness. We operate in an environment that optimizes the mix of services that Government, industry, and the community provide. We provide the majority of shore support from regional complexes and other required supporting sites. Installations continue to provide inherently Governmental and other statutory requirements. They ensure access to services such as

recreational facilities, food, housing, clergy, child care, education, retail, and health care that are readily available within the surrounding community. Common services are executed by competing providers: the fleet concentration host, regional contractors, and the local community. Competition drives cost down and quality up. Installations are overseen by military and civilians specifically trained for regional city management; their focus is on long-range planning and development to meet emergent mission and budget requirements. The old culture of risk avoidance has been replaced with a policy of proactive risk management.

The 21st century Navy infrastructure is lean, focused, and supports the fleet effectively. It supports readiness with efficient waste-free application of resources. The efficiency of the infrastructure frees money for investment in force structure, a quality force, and enhancement of fleet readiness.

"Forward. . .from the Sea" **is** ***". . .Born Ashore."***

C. CORE VALUES

Our vision for the 21st century naval infrastructure and our core values go hand-in-hand. They are both focused on reducing costs through a leaner, more effective and efficient organization that does not duplicate services and does not sacrifice quality or availability. By streamlining our current mode of operations, we will be able to support our forces quickly, economically, and conveniently. This will free funds that we can invest in our forces and the services that support their families.

If an employee—military or civilian—must worry about the availability of services that we all take for granted, or how long it will take to get them, or how they will be paid for, that employee will not be as effective on the job. This lack of effectiveness

and concentration can have the same ripple effect as a pebble dropped in a pond: its impact keeps spreading until it noticeably affects the other areas and personnel. Therefore, we have established the following as our core values for implementation of this vision. We will not deviate from them. Without them, our vision has no merit.

- We will care for our military and civilian personnel and their families by providing an acceptable, affordable quality of life
- We will support the fleet effectively under all conditions at the lowest possible cost
- We will use resources efficiently

D. THE STRATEGIC PLAN

Strategic Issue 1: Apply state-of-the-market business practices

Key Accomplishment 1: *Create an organizational structure and process to accelerate positive changes.*

GOAL 1: OPTIMIZE MANAGEMENT STRUCTURE TO ENABLE EFFICIENT OPERATIONS.

Objective 1: Reduce the number of claimants who provide installation management policy and funding to an optimal number by eliminating management layers between claimants and installation managers, identifying opportunities for realignment in "stovepiped" organizations, and regionalizing base support functions.

Objective 2: Eliminate unnecessary inspections, reports, and other forms of oversight.

Objective 3: Determine and implement the most efficient organization based on a regional installation management concept.

Objective 4: Establish installation management career progression with associated multiyear curricula for professional development of military and civilian personnel. This curricula should include an internship with select city management.

Objective 5: Identify organization functions and training opportunities that the Reserve component can accomplish through peacetime contributory support.

GOAL 2: DEVELOP AND IMPLEMENT A PROCESS THAT MOTIVATES AND ACCELERATES POSITIVE CHANGE.

Objective 1: Eliminate policies, laws, and regulations that inhibit or restrict change and inflate costs. Take advantage of defense performance review concepts.

Objective 2: Designate regional commanders as reinvention labs to encourage the rapid generation of innovative ideas and approaches.

Objective 3: Promote the use of existing waiver programs to minimize overlapping policies and regulations and to eliminate outdated policies and regulations.

Objective 4: Provide incentives to Commanders by rewarding efficiencies; consider options such as a 25% return on savings generated.

Objective 5: Drive decisions to the lowest level by motivating and enabling commanders to make more of the decisions affecting their regional complexes and installations with a vision towards long-range goals as opposed to short-term objectives.

Objective 6: Provide incentives to tenants to streamline processes and operate in a cost-effective manner.

Objective 7: Review inter/intra-service support agreements (ISSAs) to ensure adequate cost visibility and accountability.

Key Accomplishment 2: Manage installations with the business perspectives of efficiency, competition, and customer satisfaction.

GOAL 1: IMPROVE THE QUALITY OF BUSINESS DECISIONS.

Objective 1: Develop a base accounting system in order to understand the real costs of doing business at the appropriate levels.

Objective 2: Restrict oversight and centralized control to regional managers.

Objective 3: Provide common function management tools that promote near- and long-term plans to assess the contribution of services to mission effectiveness.

Objective 4: Develop performance-based ISSAs that have adequate feedback mechanisms.

Objective 5: At the broadest level possible, obtain services from the most cost-effective sources and execute services in the most cost-effective manner to sustain readiness.

GOAL 2: DEVELOP AND USE MEASURES OF EFFECTIVENESS (MOES) AND MEASURES OF PERFORMANCE (MOPS) FOCUSED ON PERFORMANCE AND RESULTS, NOT INPUTS.

Objective 1: Develop benchmarks of world-class MOE tools, other metrics, and required operational capabilities and capacities (ROCCs).

Objective 2: Adopt state-of-the-market standards for commercially available services.

Objective 3: Obtain a cost accounting system that identifies the full cost of providing each service, utilizing commercial-off-the-shelf (COTS) software that is designed to aid the management process and encourage fiduciary responsibility.

GOAL 3: APPLY INFORMATION MANAGEMENT TECHNOLOGY TO REDUCE OTHER OVERHEAD AND FIXED COSTS.

Objective 1: Apply approved practices from the Navy Smart Base initiative, the shore installation equivalent of Smart Ship, to improve shore installation management and reduce overhead.

Objective 2: Exploit the use of COTS/GOTS technologies in order to improve the affordability of operations.

Objective 3: Evaluate and implement information management systems for reporting and tracking metrics for all levels.

Strategic Issue #2: Reduce infrastructure cost

Key Accomplishment 1: Reduce workforce cost

GOAL 1: REGIONALIZE OR CONSOLIDATE BASE OPERATING SUPPORT (BOS) FUNCTIONS IN FLEET CONCENTRATION AREAS (FCAS) AND STAND-ALONE AND OVERSEAS INSTALLATIONS TO ELIMINATE REDUNDANT OR EXCESS BILLETS FROM ACTIVITIES THAT PERFORM SIMILAR FUNCTIONS. CREATE REGIONAL/LOCAL POOLS FROM WHICH TENANT ACTIVITIES CAN OBTAIN COMMON SERVICES LESS EXPENSIVELY THAN IF THEY PERFORMED THOSE FUNCTIONS IN-HOUSE.

Objective 1: Conduct and implement regionalization analyses in FCAs, CONUS stand-alone installations, and overseas installations. Include all Services in the discussions. Make the analysis increasingly more sophisticated and complete. Conduct regional analyses at least once every 5 years.

Objective 2: Identify opportunities to consolidate higher level functions across regions using the N4 Optimizing Shore Support Infrastructure (OSSI) Model that focuses on cost rather than functions.

GOAL 2: IN CONJUNCTION WITH REGIONALIZATION/CONSOLIDATION ANALYSES, CONTINUE TO REDUCE OPERATING COSTS BY STREAMLINING OPERATIONS, DETERMINING THE RIGHT SOURCE (INCLUDING GOVERNMENT AND NON-GOVERNMENT SOURCES), AND ELIMINATING FUNCTIONS NO LONGER REQUIRED. ASK: "WHAT MUST THE GOVERNMENT OWN AND WHAT CAN IT RENT TO SUPPLY EFFECTIVE SHORE SUPPORT?". CHOOSE AND ACT ACCORDINGLY.

Objective 1: Review installation and tenant functions to identify opportunities to consolidate, realign, or eliminate functions available within the community or no longer required.

Objective 2: Perform functional analyses to ascertain which are inherently Governmental versus non-Governmental functions, then perform "make vs. buy" analyses to choose and buy non-Governmental functions from the right source. Use outsourcing, privitization, and dual use of facilities.

Objective 3: Determine the optimal process for executing Governmental functions by focusing on readiness and most efficient organizations.

GOAL 3: REGIONALIZE THE BASE INFRASTRUCTURE FOR THE BEST SERVICE INTEROPERABILITY AT THE LOWEST COST.

Objective 1: Site weapons systems and specialized or unique support infrastructure based on common equipment vice Service considerations (for example, Joint Advanced Strike Technology (JAST)-based aircraft). Default to a lead Service in the case of a Joint weapon system.

Key Accomplishment 2: *Reduce workforce-related expenses, including costs of goods and services.*

GOAL 1: INVEST IN INFORMATION TECHNOLOGY THAT ENABLES THE WORKFORCE TO PERFORM EQUAL OR BETTER SERVICE LESS EXPENSIVELY.

Objective 1: Establish virtual offices through telecommuting.

Objective 2: Develop information management systems for centralized planning capabilities.

Objective 3: Substitute teleconferencing for travel.

GOAL 2: REALIZE SAVINGS FROM WORKFORCE COST REDUCTION INITIATIVES.

Objective 1: Reduce consumption of materials and utilities.

Objective 2: Assess the savings from homebasing.

Objective 3: Optimize maintenance required for remaining facilities.

Objective 4: Outsource or "civilian substitute" heartland, stand-alone installations to eliminate the need for QOL support services required by military presence (e.g., galleys, housing, MWR).

GOAL 3: FIND MORE COST-EFFECTIVE WAYS TO PROVIDE PERCEIVED ENTITLEMENTS, BENEFITS, AND OTHER QOL SERVICES.

Objective 1: Partner with neighboring communities to eliminate duplicate functions inside the fence line.

Objective 2: Privatize, outsource, or civilianize where cost-effective.

Objective 3: Empower individuals to obtain entitlements, benefits, and other QOL expectations on their own.

Key Accomplishment 3: Reduce physical plant costs.

GOAL 1: REDUCE THE PROLIFERATION OF REDUNDANT FACILITIES WITHIN FCAS.

Objective 1: Consolidate the streamlined workforce into fewer facilities.

Objective 2: Perform regional planning for multipurpose or multicustomer facilities.

GOAL 2: MAINTAIN A MINIMAL INFRASTRUCTURE FOOTPRINT, BASED ON THE OUTYEAR PROJECTION OF UTILIZATION REQUIREMENTS.

Objective 1: Demolish unneeded, aging facilities that cannot be cost-effectively retrofitted for continued service.

Objective 2: Divest the service of excess infrastructure and property.

Objective 3: Outlease any excess, unused real property that is judged necessary for mobilization/surge capacity, both to ensure the property is maintained and to generate revenue for the installation.

GOAL 3: ESTABLISH LONG-TERM RELATIONSHIPS WITH THE PRIVATE SECTOR BY CAPITALIZING OR FUNDING INVESTMENT PROGRAMS THAT ARE INTEGRAL TO THE WAY WE OPERATE OUR PHYSICAL PLANTS FOR THE PURPOSE OF LONG-TERM PAYBACK.

Objective 1: Invest in energy conservation programs.

Objective 2: Invest in hazardous materials management programs.

Objective 3: Invest in waste management and recycling programs.

Objective 4: Invest in technology programs that increase efficiency and reduce manning requirements.

Objective 5: Invest in environmental restoration and cleanup programs.

GOAL 4: INCORPORATE LIFE-CYCLE COST (LCC) ANALYSES FOR ALL FUTURE ACQUISITIONS AND FACILITIES.

Objective 1: Develop a means to accurately predict LCC and projected return on investment.

Objective 2: Incorporate an LCC model into all acquisition/procurement or construction plans to ensure adequate design, construction, training, operation, maintenance, and final disposition support for the design life of the system.

Objective 3: Develop and implement an optimal maintenance program to enable systems, structures, and equipment to reach their design life.

Objective 4: Establish a culture that allows the return of a minimum of 2.5% of current plant value for maintenance.

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STREAMLINED BUSINESS CASE ANALYSIS REPORT

BASE SECURITY

October 1996

Table of Contents

1. Executive Summary

1.a Alternatives Explored
1.a.1. Regionalization of all security and law enforcement programs under regional coordinator.
1.a.2. Regionalization of specific security functions (i.e., MWD, investigations, training, dispatch, PASS & ID) and establishment of district patrol/guard detachments under the regional coordinator
1.a.3. Centralize specific security functions under lead activity(s)

1.b Analysis Team Proposed Concept of Operations
1.b.1. Current Concept of Operations: Commander in Chief, Pacific Fleet (CINCPACFLT) activities have the largest number of security personnel at four major stations, all operating independently. Naval Medical Center (NAVMEDCEN) and Naval Command, Control, and Ocean Surveillance Center (NCCOSC) maintain their own security organizations and make up the bulk of remaining manpower dedicated to security in the San Diego area.
1.b.2. Proposed Concept of Operations: Consolidate security operations under CINCPACFLT claimancy with the regional coordinator, Commander, Naval Base San Diego (COMNAVBASE SD), as the lead agency. Perform common service functions (MWD, investigations, PASS & ID, training, dispatching) from a regional team at COMNAVBASE SD. Daily security functions/services would be performed out of three detachments (North Island, Naval Station (NAVSTA), SUBASE Point Loma) whose Officers in Charge (OICs) would report to COMNAVBASE SD, ADDU to the installation CO where they are located.

1.c Anticipated Savings (all figures shown in FY98 $K)			
Current State	**Proposed State (Alt 1)**	**Annual Savings $**	**Annual Savings %**
$28,397	$22,528	$5,869	21%

1.d Staff Reductions			
Current State	**Proposed State (Alt 1)**	**# Reduction**	**% Reduction**
705	578	127	18%

1.e Review Group Recommendation
1.e.1.Implement the alternative. Security OICs would report, however, directly to the regional commanders and ADDU to COMNAVBASE SD rather than the reverse as described in the alternative.

1.f Review Group Alternative—estimate			
Current State	**Proposed State**	**Reduction/Savings**	**% Reduction/Savings**
Operating Costs			
$28,397	$22,528	$5,869	21%
Billets			
705	578	127	18%

1.g Additional Recommendations (if any)
• Charter a working group to study the potential reorganization of the PASS & ID system. • Revalidate the security post requirements at non-CINCPACFLT activities. (CINCPACFLT posts validated Jan/Feb 96)

1.h Business Case Analysis (BCA) Team Observations/Comments
• Improvements in communications, connectivity, and computer processing will be required to support regionalized dispatch, PASS & ID functions, and reporting requirements between site activities and the regional coordinator. • Military billets were already reduced in PR-97 (20%). Takes effect in FY97. These were not considered in the current state or as potential savings in this analysis. • NAVMEDCEN Efficiency Review (ER) Most Efficient Organization (MEO) reflects 77 manpower requirements currently proposed for its security department. These MEO requirements were used in the analysis as baseline requirements for NAVMEDCEN. When NAVMEDCEN security is brought into the San Diego regional security concept, an estimated 46 of 77 manpower requirements can be saved.

2. Objective/Scope of Analysis

The objective is to save money and reduce requirements by restructuring shore installation management functions and organizations in San Diego. This analysis focused on the potential regionalization of all security functions in San Diego.

2a. Description/Definition of Functions

This functional analysis includes those billets associated with dispatch, physical security, police functions and guards, training, personnel, payroll, dog handlers, and kennels.

3. Assumptions

3.a. Standard Streamlined Business Case Analysis (SBCA) Assumptions

3.a.1. Activity commanders will retain the responsibility and authority for their primary mission functions. Activities whose primary mission functions cross over into installation management functions are considered in the SBCA.

3.a.2. Although the following may be constraints or impediments to implementing a proposed regional function, and as such need to be identified and costed (if possible), they are not considered in the *development* of the regionalized organization: current funding streams, current chain of command and claimant alignment, up-front costs, lack of current information network exchanges.

3.a.3. Workload is assumed to be steady between current and proposed organizations unless there is documented evidence to the contrary.

3.a.4. The SBCA focuses on regionalization. Revised work processes and alternate sources for the function were not considered in the analysis unless required by the proposed regional organization. However, when identifiable, these issues have been included in the narrative portion of the SBCA.

3.a.5. Non-Navy activities, including the USMC, were generally not included in the analysis.

3.a.6. The SBCA is based primarily on manpower savings obtained by changing from current organizational relationships to proposed (regional) organizational relationships. The SBCA used only that level of accuracy necessary to estimate savings and feasibility of the proposed organization. Billet reductions were estimated and FY98 programming composite salary rates were used for comparison and estimation purposes; wage and pay grade distributions were not identified.

3.a.7. No target reduction percentages were given.

3.a.8. Impact on ship-shore rotation, community management, and other initiatives (home basing) were not considered in the analysis.

3.a.9. This analysis assumes that billet reductions can be achieved through attrition and no reduction in force (RIF) is necessary. Should a RIF become necessary, the appropriate RIF costs should be factored in.

4. Current Concept of Operations

4.a. Results of the initial data call indicated that 28 San Diego commands under 11 claimants performed some security functions. 821 security billets were identified. A review of these billets by the BCA team revealed that 243 of those 821 billets should not be considered for consolidation/regionalization for one or more of the following reasons:

- Brig/TPU is a stand-alone evolution.
- Information security/automated data processing (ADP) security/special security should remain at individual commands, due to its unique nature.
- It was not clear how savings could be obtained through the reduction of contracted security services at Defense Business Operating Fund (DBOF) activities.
- Billets were at afloat/operational/deployable staffs.
- Single billets dedicated to internal security.

4.b. Considered in the BCA analysis were 9 physical security/law enforcement functions and some 578 billets at 12 commands under 5 claimants. The 127 positions at NCCOSC (DBOF) were not considered, but will be addressed separately focusing on reimbursable services provided to DBOF activities.

4.c. See attachments A and B for a current manpower list and organizational chart.

5. Proposed Concept of Operations

5.a. The proposed concept of operations for San Diego region security services consolidates all security and law enforcement operations (except NCCOSC) into three detachments located at Naval Air Station North Island (NAS North Island), Naval Station San Diego (NAVSTA SD), and Submarine Base San Diego (SUBASE SD). These detachments would be responsible for performing routine/daily law enforcement/security functions in designated geographical areas. Also, common services such as dispatching, investigations, training, MWD, and PASS & ID would be centralized under the regional coordinator. A total of 107 billets (19.7% of current force) would be saved. Detachments and command functions would be managed by the regional coordinator; however, detachment security officers would report ADDU to the station CO where they are located. See attachment C.

5.b. Timeline for implementation:

5.b.1. MWD regionalization could occur in FY97.
5.b.2. Training and investigations could occur in FY97 if space utilization is properly planned.
5.b.3. Detachments could be stood up in FY97 if computer data links occur.
5.b.4. Dispatch and PASS & ID requires technology review, funding, purchase, and installation of equipment. Estimate to be implemented during FY98 if funding provided.

5.c. Current initiatives that affect proposal:

5.c.1. CINCPACFLT funded study in March 1996 for INTEGRAPH Corp. to regionalize dispatch centers (security/fire/medical).
5.c.2. CINCPACFLT currently reviewing MWD program to regionalize greater San Diego kennels.

5.d. Initial savings will be accrued by the reduction of civilian billets. However, additional savings may be recognized in the area of equipment (i.e., vehicles, patrol equipment, communication base stations, etc.). Also, a consolidated dispatch center (security/medical/fire) may save personnel in other emergency services functions. The proposed concept of operations to staff dispatch centers with three personnel per shift will accommodate dispatching of the three services. See attachment D.

6. Barriers

6.a. There are not the compatible communications and intrusion detection systems/monitoring equipment necessary to centralize dispatch and security communication networks and information systems. Table 7.c, Implementation Costs, show an estimate of a one-time cost of $5M and recurring costs of $500K/yr.

6.b. Lines of authority must be redefined.

6.c. Activities must be convinced that an acceptable level of service and response will be maintained.

7. Cost Analysis

7.a Manpower/Cost Matrix (savings estimates are shown in FY98 $K)					
	Current Manpower	Current $	Proposed Manpower	Proposed $	Annual Savings $
Officer	8	635	7	556	79
Enlisted	316	10,607	274	9,198	1,409
Civilian	381	17,155	297	12,775	4,380
Contractor					
Total	705	28,397	578	22,528	5,869

7.b Implementation Costs (savings estimates are shown in FY98 $K)		
Description of Implementation Costs	One-Time Costs	Recurring Costs
Communications equipment and alarm panels for consolidated dispatch center	$5,000	$500
Computer hardware and software to link PASS & ID and other reporting systems	$200	$20
Relocation costs for office equipment, etc.	TBD	N/A
Total	$5,200	$520

8. Recommendations

8.a. Regionalize all security functions in the San Diego area.

8.b. Charter a team to review the PASS & ID organizational requirements.

8.c. Conduct detailed cost analysis on a centralized dispatch center (CINCPACFLT has in progress).

8.d. Implement MWD regionalization in FY97.

8.e. Consolidate all training, including small arms training, to a single regional unit.

9. Analysis Team Members

Name	Organization/Code	Phone
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Bill Craw	COMNAVAIRPAC	(619) 545-2829
James Arnold	Global Associates, Ltd.	(804) 428-4902
LCDR John Zelnik	Prospective COMNAVBASE Sec. Off. (currently at NAVSUPPACT Memphis)	(901) 873-5219

10. Review

10.a. Date Presented to Review Group

23 May 1996

10.b. Review Group Decision

Adopt the regionalization alternative modified to have the Security OICs report direct to the regional commanders and ADDU to COMNAVBASE SD.

10.c. Review Group Comments

- Agreed that day-to-day operations must remain under the control of the regional commanders rather than COMNAVBASE SD
- Expect significant efficiencies to be gained
- Although the transfer of DBOF billets is more complex, agreed that function must be transferred into new regionalized security network.

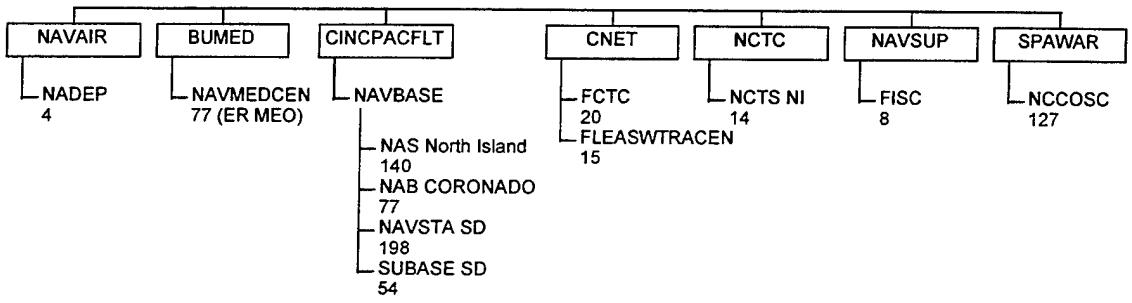
CURRENT FUNCTIONAL MANPOWER

Function	NAB Coronado	NAS North Island	NAVSTA San Diego	SUBASE San Diego	FCTC	FLTASW SCOL	NCCOSC	NADEP	FISC	NCTC	NAVMED CEN	Total	Grand Total
Police/Guard	10/6	33/38	43/81	27/-	3/-	8/-	-55			10/-	52/-	194/125	319
Police/Guard Sup.	7/2	3/22	10/21	9/-		3/-	-/5		-/1	-/1	5/1	37/47	85
PASS & ID	2/-	4/6	2/2	1/1	-/4	1/-	-/11				-/2	10/15	25
Dispatch	6/-	2/4	-/6	6/-	2/-	2/-	-/6				6/-	24/10	34
Investigations	1/-	2/3	1/5	2/-			-/1				3/-	9/9	17
Phys Security		-/2	-/2	2/-	-/1		-/43	-/4	-/6	-/1		2/16	18
MWD	2/-	4/-	13/2	2/-								21/2	23
Training	2/-	2/3	2/4	2/-		1/-	-/2			2/-	6/-	17/7	24
Admin Support	-/1	3/9	4/-	1/1	-/10		-/4		-/1		-/2	8/25	33

ATTACHMENT A

Current Organization: Base Security

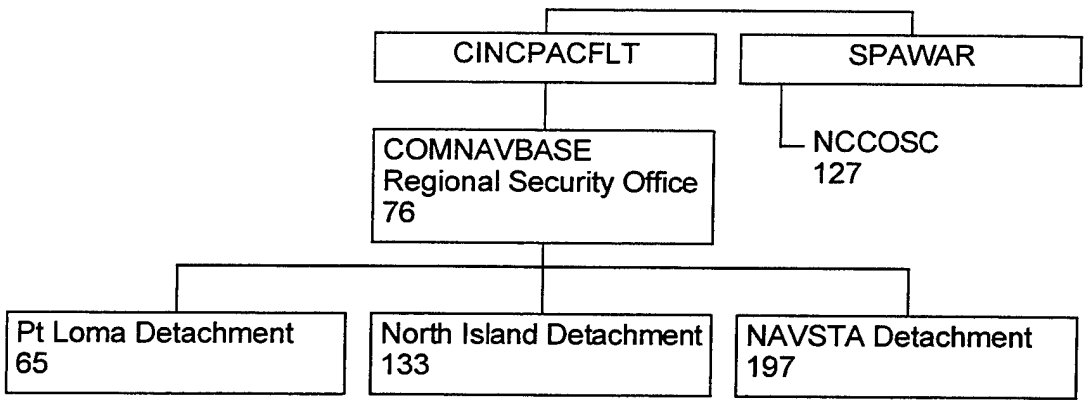
➢**Definition: Billets providing security and law enforcement operations including guards, master-at-arms, physical security, and police functions.**



734 total personnel, 7 claimants

Proposed Concept of Operations: Base Security

➢**Concept: Regionalized security administered by COMNAVBASE SD. NCCOSC would continue to provide its own security functions.**



598 total personnel, 2 claimants

CURRENT / PROPOSED END-STRENGTH by FUNCTION MATRIX

Functions	Current Sub-Totals Mil/Civ	Grand TOTAL	Proposed Manpower
Police/Guard	194/125	319	304
Police/Guard Supervisor	37/ 48	85	56
PASS & I.D.	10/ 15	25	18
Dispatching	24/ 10	34	18
Investigations	9/ 9	18	10
Physical Security (Info/Pers, AIS...)	2/ 16	18	10
Military Working Dog	21/ 2	23	15
Training	17/ 7	24	10
Admin. Support	8/ 24	32	30

Comparison Totals: 578 471

ATTACHMENT D

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