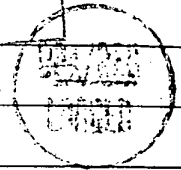


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SUBJECT: (Optional)				
FROM: R. M. Huffstutler Deputy Director for Administration 7D-24 Headquarters		EXTENSION	NO. DDA 88-1819	DATE 25 August 1988
TO: (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
	RECEIVED	FORWARDED		
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2. D/OF 1212 Key Bldg.				
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5. D/QMS 1D4061 Hqs Bldg.				
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DDA 88-1819
25 August 1988

MEMORANDUM FOR: [redacted]
Planning Officer, Management Staff/DA
FROM: R. M. Huffstutler
Deputy Director for Administration
SUBJECT: Performance Measurement and Status Reporting

I find your paper thoughtful and provocative. I was also interested in the excellent comments from [redacted] I would like to proceed with a discussion of several hours duration which addresses the issue--"Are there ways to improve DA performance measurement on contract programs?" I want you to take the lead with an introductory briefing but I would also like to hear structured comments from [redacted] and other interested parties. Subsequent to that, I think we should have an open discussion. Please set this up with [redacted] and invite interested parties.

[redacted signature box]

R. M. Huffstutler

cc: DA Office Directors w/report
DA/CMS w/report

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DA 88-1667
8 August 1988

MEMORANDUM FOR: R. M. Huffstutler
Deputy Director for Administration

FROM:
Planning Officer, DA/Management Staff

SUBJECT: Performance Measurement & Status Reporting

1. In response to your tasking, I have conducted a preliminary survey of the methods of monitoring, reporting, analyzing and managing project performance, within the Directorate of Administration (DA). The insights and assessments presented in this report are based on my previous experience as well as a review of contractor reporting and interviews with Contracting Officers (CO) and Technical Representatives (COTR), within the Offices of Communications, Information Technology and Logistics. I have coordinated the results of the survey with the Deputy Directors of these offices as well as the Procurement Executive and senior procurement Group Chiefs.

2. OBSERVATIONS: Following are the key general observations derived from the survey:

a. No consistent approach to measuring, reporting or analyzing contract/program performance currently exists within the DA. Responsible COTRs either:

- * Track technical requirements and deliverables against schedule milestones and determine whether monthly expenditures are within the stated projections of the initial proposal or, if present, parameters of the established program plan;
- * Track monthly expenditures in costs and manpower while allowing the contractor to determine the level of technical functionality to be delivered within given time or cost constraints; or,
- * Track milestone deliveries and monthly expenditures, giving limited attention to establishing the basis upon which an acceptable level of functionality can be demonstrated.

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SUBJECT: Performance Measurement Survey

b. Existing performance measurement methodologies treat cost, schedule and technical baselines as three independent components and focus on quantitative rather than qualitative measurement. As a result, it is extremely difficult to determine the actual technical, schedule and cost status of a program initiative and to address contractor accountability.

c. Existing performance measurement techniques do not produce the reliable or qualitative data necessary to formulate independent Government Cost Estimates (IGCEs) to evaluate Engineering Change Proposals (ECPs) and develop program budget projections on the basis of programmatic data unique to the DA or Agency.

d. With rare exception, the reporting provided by contractors is narrowly focused, incomplete and does not offer an analysis of the technical, cost or schedule parameters involved. Further, the data necessary to accurately assess the value of the work being performed is seldom collected and, if so, the contractor rather than the Agency defines the metrics used.

e. No structured reporting channel exists for a COTR to report program progress or concerns to the appropriate management level on a regular and timely basis. Consequently, problems generally surface too late to effectively develop and implement an approach or enable management to consider alternatives which could either avoid, overcome or minimize expected budget shortfalls, technical deficiencies or schedule delays.

f. COs and COTRs generally acknowledge the deficiencies in current performance measurement practices and recognize a need for a more informed understanding and application of alternative methodologies. However, most are also pessimistic with respect to establishing a clear and open means of communication with contractors through the consistent definition of terms and application of performance measurement techniques.

3. CONCLUSION: Existing performance measurement practices neither foster nor force the discipline, accountability, and communications necessary to evaluate and manage programs with the reliable, qualitative and timely information necessary to achieve optimum technical results with minimum impact on budget and/or schedule constraints. To ensure that we evaluate contract

SUBJECT: Performance Measurement Survey

performance effectively, make management decisions based on timely, reliable and insightful information, and use increasingly scarce resources efficiently, I believe that Directorate level action must be taken to turn the uncertainty of the existing methods around by establishing a performance measurement system involving well defined methodologies with standards for application and more structured reporting channels. The system should:

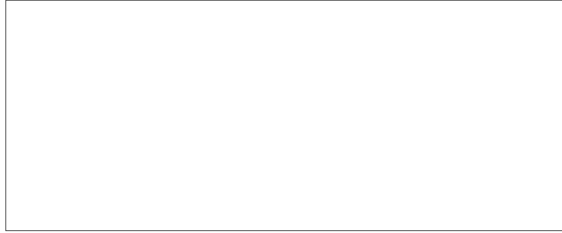
- * Accommodate both contractor and program variances;
- * Address the definition, integration and management of technical, cost and schedule baselines;
- * Hold contractors accountable for their efforts by objective measurements of performance;
- * Define and establish a consistent set of technical, cost and schedule metrics to be applied within a given environment;
- * Be applied consistently throughout the Directorate, and possibly the Agency;
- * Encourage and ensure open, timely and clear communications;
- * Provide informed analysis and produce reliable and useful data;
- * Involve periodic management-level participation and review;
- * Promote early problem identification and analysis from a cost, technical, schedule and management standpoint; and,
- * Provide responsible COTRs and managers with Directorate level support that recognizes and acknowledges "effective" management techniques and decision making.

Although implementation of the system outlined above may be resisted, either because ongoing initiatives may be either too far advanced in their activities or entrenched in their methods to enable significant programmatic changes, I believe that the benefits to be realized by efforts made to secure more insightful, objective, reliable and timely information will more than offset any implementation costs incurred by the DA. When entering what is believed to be a period of budget austerity, the question we should ask is not whether we can afford to place more emphasis on management techniques to measure performance but rather how can we afford not to. Clearly, the only way to do more with the same or perhaps less is through better management of budgeted resources during the execution year.

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SUBJECT: Performance Measurement Survey

4. RECOMMENDATION: The technical means and expertise needed to define such a system are readily available and I recommend that we contract for an independent "needs assessment" which will require approximately [redacted] [redacted] and 4 - 6 months to complete, depending on scope, and will provide the DA with well defined alternatives and specific recommendations regarding implementation. The duration and expense of the follow-on "implementation" effort will depend upon the ~~alternative selected~~ but will not be unreasonable, as the objective is to balance a wheel not to invent one.



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OFFICE OF COMMUNICATIONS

11:24 AM -- 21 July 1988

NOTE TO:

FROM:

SUBJECT: Performance Measurement

I have reviewed the draft you left and am in general disagreement with it. I will key my response to your draft:

1. I am not aware of which OC officers were interviewed.

2.a. There is consistent reporting within OC, OIT, and OL on program performance. I have served in all three so I have direct knowledge. All receive reports on cost, schedule, and performance. What you note as inconsistency is the real world differences among programs, i.e., some are dollar driven, some are schedule driven, and some are requirement driven.

2.b. PM methodologies do treat cost, schedule, and performance as independent measures. But the methodology is not the management, the management is the human judgement and interpretation of the measurements. That is the program manager's role and the quality of management will vary with the program manager. Let me add that I know of no technical office in the Agency today that lacks for people trained in program/project management. I am quite aware that there has been and continues to be a problem among Agency procurement officers and program managers(and/or COTR's). Procurement officers are legally liable and everyone understands that. However, too many procurement officers translate that into a management style that insists that they make all judgements rather than rely on the advice of the program manager. It is the general support issue of who supports whom.

2.c. I agree that there is a problem here but I disagree with the cause. The cause is our preoccupation with contracting out literally every piece of substantive work in the Agency. We have placed ourselves in the position of total reliance on the contracting world to tell us what is reasonable. There is little or no internal capability to make informed judgements about the real world level of effort required to achieve a new capability. The database is strictly based on previous contracting experience. The algorithm has become, " If it cost A to do B last year, then it will probably cost C to do D this year". This has led us into the wonderful new world of consultants and SI's who are increasingly the "shadow managers" of the Agency.

2.d. The Golden Rule is "you gets what you pays for". If you are smart enough to know what metrics you will need at the front end of a contract, they are specified and delivered. The problems arise when you hit an unexpected deviation in mid-stream. At that point the metrics may or may not give you the insight you would like to have. In any case, it is not the contractor who attaches value to the work. It is the customer who must assess value.

2.e. Totally disagree. Putting PM aside, there are any number of reporting channels in any organization that allow a PM to surface issues/problems. The common problem is that the PM underestimates the significance of an issue and

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is motivated to exercise macho-management on the local level before conceding need for assistance. Said more kindly, the PM frequently overestimates his/her ability to contain the issue within the defined program envelope. It's akin to trying the fire extinguisher before calling the fire dept.

2.f. All I would add at this point is that it is comfortable for an officer to blame the system for shortfalls rather than admit that judgement is not always what it should be.

3. My conclusion: PM practices are understood within the Agency, produce the desired results when conscientiously applied, but vary in effectiveness because of the uneven importance attached to them by Agency managers. Attempting to "standardize" the implementation of PM at a Directorate or Agency level suggests prescribing procedures at a level of detail that makes no sense when considering the diversity of size, scope, and substance of Agency activities.

4. My recommendation: Don't hire yet another contractor to tell us how to manage the Agency- we know. Have Senior Agency management advertise their concerns and policies and then hold managers accountable for effective use of PM.

Those who know me know I don't come out of the box too often. When I do it is because of personal conviction, not parochialism. I believe the paper as it exists creates an issue by overgeneralization.

CC:

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