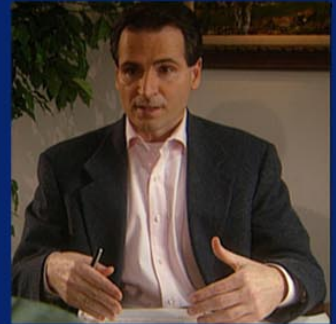
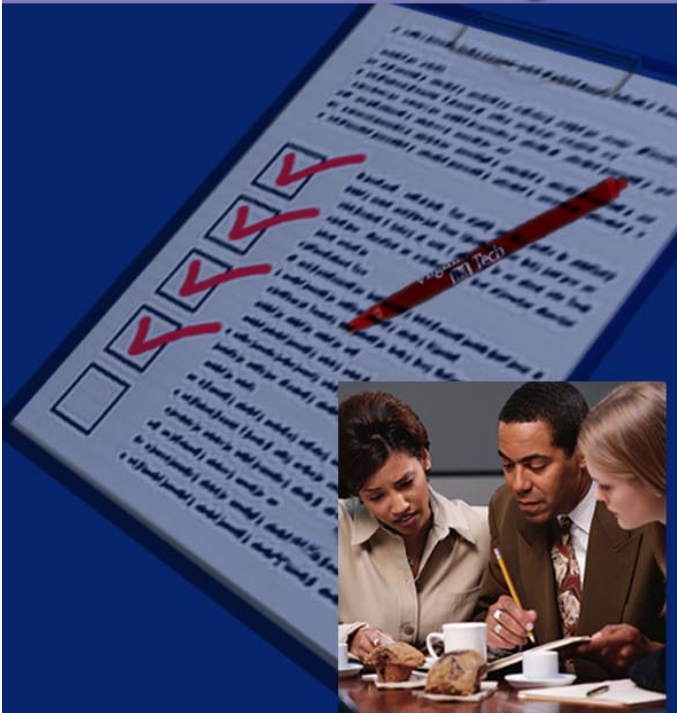


DoD Civilian Acquisition Workforce Personnel Demonstration Project

JULY 2003

Interim Evaluation Report

Volume I—Management Report



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VOLUME I—MANAGEMENT REPORT

A. Overview

This report provides the interim evaluation of the effectiveness of the Department of Defense (DoD) Civilian Acquisition Personnel Demonstration Project (AcqDemo) and recommendations on its future direction. The report covers the period February 2000 through December 2002 and actions which have occurred through June 2003. The period that includes planning and preparation for AcqDemo through the initial implementation and the first year of operation was previously covered in the *Baseline/Implementation Report*, submitted by the AcqDemo Program Office (PO) in August 2000 and approved by the Office of Personnel Management (OPM) on August 7, 2001. This report is organized into three Volumes:

- Volume I—Management Report
- Volume II—Technical Report
- Volume III—Appendices (complete databases, for reference)

1. Purpose of the Report

According to the *OPM Demonstration Projects Evaluation Handbook*, an interim report must be submitted prior to termination of the project “from which decisions about the project’s future will be made.” The report is to be submitted in two parts: a Management Report and a Technical Report. The Management Report “presents summary information and critical results (referenced to the Technical report as necessary) to be used to decide if the project will be made permanent, extended for another period of time, continued until the original expiration date, or terminated early;” the Technical Report “will contain complete information as the public record of the project to this point, and supporting information for decision makers.”

The AcqDemo Evaluation Plan (July 14, 1999) states that “An Interim Decision Report will be completed 48 months after implementation to enable an informed decision by policy makers in DoD and OPM on the fate of the project (continuation, modification, termination, or expansion).” In short, the interim report is intended to assist senior decision-makers in determining the future of the demonstration project.

In the case of AcqDemo, this original intent is no longer entirely relevant. The *National Defense Authorization Act for Fiscal Year 2003* extended the original authority to conduct AcqDemo to September 30, 2012. There is therefore no requirement for a decision on the future of AcqDemo upon submission of this report—although other decisions are currently pending which will have a significant impact on the shape and duration of this demonstration project (see A3—Potential Impacts).

Notwithstanding the extension to 2012, the Program Office has determined that an interim evaluation report is necessary at this time to document successes, capture lessons learned, identify

barriers, and provide recommendations to facilitate transition to a single DoD-wide personnel system. The revised purposes of this report are to:

- Analyze progress to date in achieving the expected outcomes of AcqDemo;
- Capture lessons learned from this unique project that may be used to enhance the implementation and procedures currently in use in AcqDemo, and can be applied to future demonstration projects and Department-wide or government-wide personnel systems;
- Help shape the parameters for future (extended) evaluation of AcqDemo and other alternative systems;
- Identify barriers to expansion of AcqDemo and other alternative systems to coverage of entire organizational populations; and
- Capture data collected during course of the evaluation to provide lessons-learned for future demonstration projects.

2. Background

AcqDemo is the largest and most diverse personnel demonstration project authorized to date, including approximately 9,000 federal acquisition and support employees—both union and non-union—from the Office of the Secretary of Defense and its Agencies; the United States Army; the United States Navy; the United States Marine Corps; and the United States Air Force.

Section 4308 of Public Law 104-106, the National Defense Authorization Act for Fiscal Year 1996, encouraged the Department of Defense, with the approval of OPM, to conduct a demonstration project with the Department’s civilian AT&L workforce.¹ AT&L workforce employees are defined as those individuals serving in acquisition positions within the Department of Defense, as designated in Section 1721 (a) of title 10, United States Code. Also included in AcqDemo are support personnel, defined in Section 845 of Public Law 105-85 as those assigned to work directly with the acquisition workforce in a team of personnel where more than half of the team consists of members of the acquisition workforce. With authority to grow to 95,000 participants within boundaries permitted by the FY98 National Defense Authorization Act and the January 8, 1999 *Federal Register*, DoD’s project through the 4th cycle covered 5,568 employees in the AT&L workforce and supporting personnel located at more than 60 locations. Approximately 3,500 employees have entered AcqDemo since this last cycle.² Barriers to greater employee expansion are addressed specifically in Section C. Future expansion will be determined by the

¹ Within the Department of Defense the term “acquisition workforce” has been replaced by the term “acquisition, technology and logistics (AT&L) workforce” to more accurately reflect the breadth of the types of functions and duties performed by employees currently in positions designated as acquisition positions. This change in terminology does not change or expand the scope of the workforce as defined in section 1701 of Title 10, United States Code.

² This number includes Missile Defense Agency and several U.S. Army organizations for which all preparatory training and implementation actions had been completed. All organizations entering AcqDemo after July 2003 will be under the Best Practices Initiative (see paragraph A3).

outcomes and direction of current DoD efforts to establish a Department-wide alternative personnel system. (See A3)

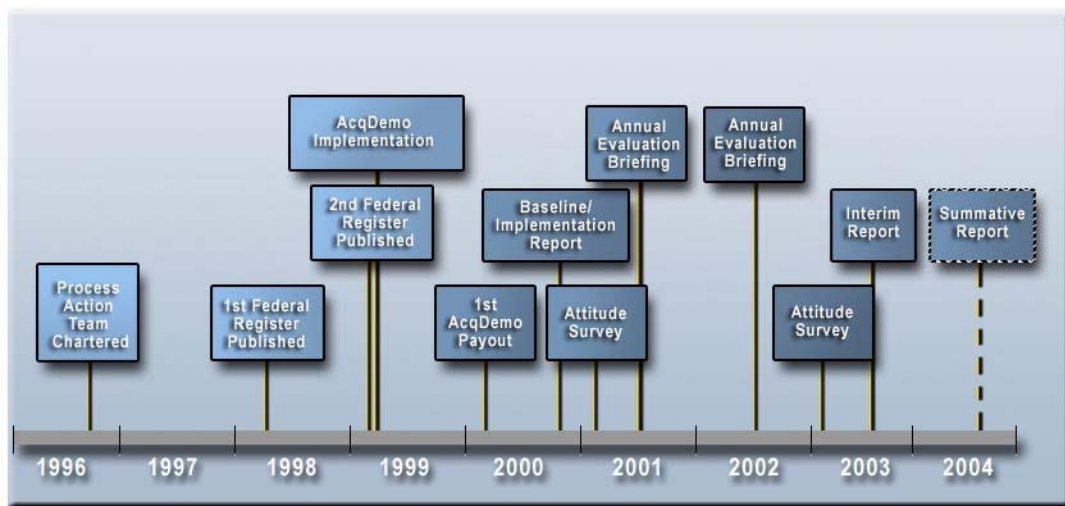
The purpose of AcqDemo is to demonstrate that a flexible and responsive personnel system will enhance DoD's ability to attract, motivate, and retain a high quality AT&L workforce. AcqDemo includes eleven personnel system interventions designed to overcome limitations of the Title 5 system. Through these interventions, AcqDemo seeks to show that the effectiveness of DoD acquisition can be enhanced by allowing greater managerial control over personnel processes and functions and, at the same time, by expanding opportunities available to employees through a more responsive and flexible personnel system.

The personnel system changes (interventions) provided in the AcqDemo project are:

- Simplified, accelerated hiring
- Contribution-based Compensation and Appraisal System (CCAS)
- Appointment authority
- Simplified classification system
- Academic degree and certificate training
- Expanded candidate selection process
- Extended probationary period
- Broadbanding
- Simplified modified RIF
- Sabbaticals
- Voluntary emeritus program

The chart below illustrates the major milestones achieved in the development and implementation of the AcqDemo evaluation through early 2003:

Chart 1
Milestones



3. Potential Impacts to Future of AcqDemo

At present there are—in addition to the FY03 legislation that extended AcqDemo to 2012—two major actions pending that could have significant impact on the future of AcqDemo.

- **Personnel Demonstration Project Best Practices Initiative.** In March 2002, building on the Department of Defense (DoD) Civilian Acquisition Workforce Personnel Demonstration Project (AcqDemo) and experimental authority within the community of Defense laboratories and centers, the Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) directed the establishment of the DoD Human Resources Best Practices Task Force. The Task Force, consisting of representatives from both the human resources and functional communities, was chartered to review all demonstration projects in the Federal government, plus alternative personnel systems.

The resulting Personnel Demonstration Project Best Practices Initiative is a compilation of personnel practices that show promise in terms of DoD's civilian human resources strategy and that can be used across the Department in all demonstration projects and Alternative Personnel Systems for hiring, assigning, assessing, and compensating employees. The USD(P&R) and USD(AT&L) communities are now working together to broadly apply the Personnel Demonstration Project Best Practices across the Department's personnel demonstration projects. The AcqDemo Project Office and OUSD(AT&L) will develop a transition plan to incorporate the Personnel Demonstration Project Best Practices into AcqDemo policies and procedures and to fully train all AcqDemo stakeholders.

As of April 2003, a pre-draft of a *Federal Register* notice that would modify AcqDemo to conform to Best Practices has been circulated for comment. While the details may change in coordination, the most significant difference between AcqDemo and Best Practices is the elimination of AcqDemo's pay-for-contribution system; instead, a pay-for-performance appraisal system featuring "shares" would be substituted.

The AcqDemo Program office is currently developing a plan to transition to the Best Practices initiatives; upon publication of the new AcqDemo/Best Practices *Federal Register* notice, this plan will be initiated. While the plan is not complete, the organizations now part of AcqDemo will continue to operate under the current design until transitioning to Best Practices, while new organizations that join will enter under the new Best Practices design.

- **National Security Personnel System (NSPS).** In April 2003, Secretary of Defense Donald Rumsfeld forwarded a bill to Congress for consideration that would overhaul the civil service system DoD-wide, replacing it with a new system that would implement Best Practices. NSPS, if passed by Congress as submitted and signed by the President, would be outside OPM oversight.

B. Outcomes Analysis

1. Evaluation Methodology Overview

Data from AcqDemo have been collected and analyzed over time and compared with similar data from a comparison group. The comparison group selected was the Air Armaments Center at Eglin Air Force Base, an acquisition organization with similar functional and demographic characteristics to the AcqDemo workforce.

Perceptual and objective data were used in the evaluation:

- **Attitude Surveys:** Three attitude surveys have been conducted to date, beginning in the summer of 1998 (prior to the start of the demo); another more limited survey in February of 2001; and a complete survey covering the full range of items in the 1998 survey in February of 2003.
- **Focus Groups:** Focus Groups are used for in-depth examination of the implementation and effects of specific AcqDemo interventions. A total of 32 focus group sessions were conducted at 13 sites—some organizations were visited more than once—in all the participating components.
- **Site Historian Reports:** Site historian logs are an important dimension of AcqDemo because they provide a geographic- and organization-specific context for the analysis of statistical data. The purpose of having a site historian is to capture "history" or intervening events that are important to the evaluation, but that are not normally recorded or kept in the usual databases. Site historian logs—in MS Access format—are submitted quarterly by participating organizations and sites (see Appendix III E).
- **Workforce Data:** The Defense Manpower Data Center (DMDC) provided a complete personnel history on each AcqDemo participant from December 31, 1998 through December 31, 2002. In addition, DMDC provided a sample of historical workforce data for selected AcqDemo organizations for the calendar year (1998) prior to AcqDemo startup.
- **Contribution-based Compensation and Appraisal System Data:** The CCAS data is provided by the contractor supporting CCAS software and spreadsheets, and includes such elements as basic pay, general pay increase, contribution rating increase, contribution award, and contribution factor scores for each participant. Annual analyses of CCAS data include descriptive statistics on pay adjustments and awards, trend analyses, and equity studies that examine the impact on various demographic groups.
- **Personnel Office Data:** This is information that is essential to the evaluation of AcqDemo, but is not available from normal automated systems and surveys. It includes hiring timeliness, classification time and paperwork information, and data on grievances, appeals, and formal complaints.

Information from all these sources was integrated to provide a comprehensive evaluation of AcqDemo's effects, as described in the sections below.

Both descriptive and inferential statistics were used to evaluate the impact of the demonstration project. Employee perceptions were examined by calculating the percent of respondents endorsing survey questions and by testing the significance of mean differences in responses by sub-groups. The responses of AcqDemo and comparison group employees were evaluated by race/ethnicity, gender, and supervisory status. Workforce data were examined using frequencies and by testing for significant differences using the t-test.³

2. Analyses of Expected Outcomes

The 1999 *Federal Register* that authorized implementation of AcqDemo stated that “The evaluation will attempt to link the demo project effects and outcomes to organizational outcomes such as mission accomplishment and productivity.” In practice, the measurement of such organizational outcomes as mission accomplishment, productivity, and organizational effectiveness has proven difficult if not impossible, as few participating organizations have systems in place to assess these dimensions. However, one organization (Naval Sea Systems Command’s PEO Carriers) has implemented such a scheme (see description on I-20) that indicates that AcqDemo is a tool that can enhance organizational effectiveness systems.

Data were collected from numerous sources throughout the life of AcqDemo. While it is difficult to assign direct causality to some of the observed effects, gathering the same type of data across different methods throughout the project provides some confidence that findings are the results of the interventions and not the method of data collection. Additionally, multiple methods of data collection provide more than one perspective on the effectiveness of AcqDemo.

The principal focus of this part is the analysis of the success of AcqDemo in achieving the five expected outcomes identified in the 1999 *Federal Register* notice:

- Increased quality of the acquisition workforce and the products it acquires
- Increased timeliness of key personnel processes
- Higher retention rates of excellent contributors and separation rates of poor contributors
- Increased satisfaction of serviced DoD customers with the acquisition process and its products
- Increased workforce satisfaction with the personnel management system

This section will analyze the data collected since the inception of the AcqDemo evaluation and gauge the degree to which the expected outcomes have been realized. It will additionally identify those lessons-learned from evaluation results and implementation experience.

³ The t-test assesses whether the means of two groups are statistically different from each other. This analysis is appropriate whenever you want to compare the means of two groups. The t-test gives the probability that the difference between the two means is caused by chance. It is customary to say that if this probability is less than 0.05, the difference is 'significant'; i.e., the difference is not caused by chance.

a. Increased quality of the acquisition workforce and the products it acquires

What Was Done—

Interventions contributing to this outcome include simplified, accelerated hiring; Contribution-based Compensation and Appraisal System; academic degree and certificate training; extended probationary period; sabbaticals; and the voluntary emeritus program.

- Simplified, accelerated hiring: Three changes were made to the Title 5 recruitment and selection procedures to enhance the AT&L workforce’s ability to compete with the private sector in attracting highly qualified new hires to increase the quality of the workforce:
 - Competitive examining authority for the hiring and appointment of candidates into permanent and non-permanent positions was delegated to the Components. The Components could, in turn, re-delegate to lower levels.
 - Eligible candidates are placed into three quality groups (basically qualified, highly qualified, or superior) instead of consideration according to the “rule of three.” After assignment to a quality group, any applicable veterans’ preference points are added, preserving veterans’ preference eligibility.
 - Scholastic Achievement Appointment Authority was added to facilitate the rapid appointment of degreed candidates to positions in broadband level II with positive education requirements.

Degree of Implementation: Hiring flexibilities were implemented at some level across all participating components. The Air Force, with nearly 2,000 AcqDemo participants, most systematically and forcefully managed this intervention.

- Contribution-based Compensation and Appraisal System: CCAS measures employee contribution to the mission and goals of the organization, rather than job performance as defined by a job description and performance standards. The purpose of CCAS is to provide an equitable and flexible method for appraising and compensating the AT&L workforce and to motivate employees to improve their contributions (thereby improving the overall quality of the workforce). Contribution is measured by using a set of factors, discriminators, and descriptors, each of which is relevant to the success of a DoD acquisition organization. Each factor has multiple levels of increasing contribution and contains descriptors for each respective level within the relevant career path. Annual Objectives are jointly developed by the employee and supervisor. These Objectives are tied directly to the mission of the organization. Employees are assessed on accomplishment of these objectives and their contributions in each of the six factors. An overall contribution score (OCS) is derived and is used by a panel of managers and a pay pool manager to determine pay increases and contribution awards. Under CCAS, the annual general pay increase is not automatic, and the funds for this increase as well as those for step increases and awards are distributed among all participants according to their contribution. More detailed descriptions of CCAS, as well as the results of four annual payouts, are included in Volume II—Technical Report.

Degree of Implementation: CCAS was fully implemented across all participating components, and received the majority of the time and resources devoted to AcqDemo implementation.

- Academic degree and certificate training: The Defense Acquisition Workforce Improvement Act (DAWIA) authorized degree and certificate training for DAWIA coded positions through the year 2001. AcqDemo extended this authority for the duration of the project to all employees in acquisition support positions identified in the project. This should help improve the quality of the workforce through increased training opportunities. Funding for academic degree and certificate training, while potentially available from numerous sources, is the responsibility of the participating organization.

Degree of Implementation: This intervention was implemented by all components, but with relatively limited intensity, due primarily to funding constraints.

- Extended probationary period: This provision applies only to the Business Management and Technical Management Professional career path (NH). Often new hires in this career path are required to attend extensive training and educational assignments away from their normal work site and outside the review of their supervisors. An extension of the probationary period can be equal to the length of any educational/training assignment that places the employee outside normal supervisory review. This should improve workforce quality by ensuring that only those judged fully capable—through longer probation—are brought into the workforce.

Degree of Implementation: This intervention has not been implemented by any participating organization to date.

- Sabbaticals: Sabbaticals are designed to help employees participate in study or work experience that benefits the organization and acquisition community and contributes to their development and effectiveness. The sabbatical provides opportunities to acquire knowledge and expertise that employees could not get in the standard work environment. As a program requirement, a sabbatical must result in a product, service, report, or study that will benefit the acquisition community as well as increase the employee's individual effectiveness. Approval by the activity's Executive Director or equivalent is required.

Degree of Implementation: This intervention was implemented on a limited basis, with only seven instances of use during from 1999 through 2002, again due primarily to resource constraints (based on managers and supervisors focus groups).

- Voluntary emeritus program: This program allows AcqDemo organizations to accept the gratuitous services of retired or separated employees. It will be beneficial to workforce quality during personnel reductions as skilled acquisition professionals accept retirement and return to provide corporate knowledge and mentoring to less experienced employees. Voluntary emeritus assignments are not considered federal employment, and therefore do not affect an employee's entitlement to buy-outs, severance pay, or retirement payments based on earlier separation from federal service. This program may not be used to replace civilian employees occupying regular positions required to perform the mission of the command.

Degree of Implementation: This intervention was implemented on a limited basis, with only six instances of use from 1999 through 2002.

Expected Effects—

Intended results of the interventions described above include:

- Increased quality of new hires, as measured by manager, supervisor, and employee perceptions;
- Increased retention of high contributors and increased turnover of low contributors;
- Increased employee career progression, as indicated by employee and management satisfaction with training and sabbaticals.
- Encouraging retirees to mentor junior professionals through the Voluntary Emeritus program, as indicated by the frequency of use.

Results to Date—

- The survey results show a statistically significant increase in the perceived quality of new hires in AcqDemo versus the comparison group. Specifically, on a composite of survey questions related to satisfaction with new hire competence, favorable responses from AcqDemo employees and managers grew from 62% to 73% over the period 1998 to 2003. In the comparison group, the favorable response rate remained at 66% throughout the period.

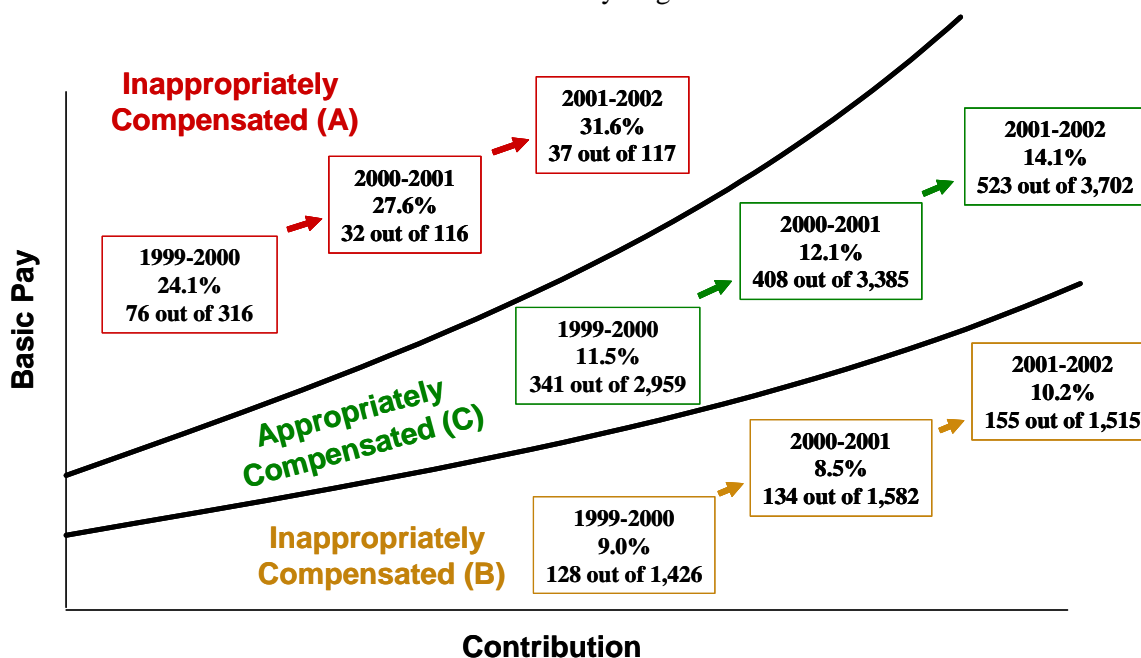
A case study of the external hiring process conducted in 2002 (see Appendix III F) provided further evidence that managers perceived the process to be producing a larger number of candidates to consider, which together with the pay-setting flexibility of the CCAS system, enabled them to attract candidates that would previously have accepted jobs with other employers. Many supervisors and managers participating in focus groups expressed similar sentiments, especially in 2002 and early 2003.

It could be argued that the ability to attract higher quality candidates is attributable to the national economy and labor market demand, which declined overall over the past three years. While it is possible that labor market conditions did have some effect on these outcomes, the fact that there was essentially no change in the perceptions at the comparison group site (which is in the Florida panhandle, with a somewhat stagnant labor market) provides a persuasive case that the change was attributable to AcqDemo interventions.

- Survey respondents increasingly agreed that high contributors tend to stay with the organization, while low contributors tend to leave. This perception is borne out by objective data (loss rates by region) from the CCAS system displayed in the chart below:⁴

⁴ Employees whose compensation is considered greater than their contributions (as measured in their Overall Contribution Scores) are in Region A—Inappropriately Compensated (Above the Rails); those who are considered under-compensated compared to their compensation are in Region B—Inappropriately Compensated (Below the Rails); those whose compensation matches their contributions are in Region C—Appropriately Compensated (Between the Rails).

Chart 2
Loss Rates by Region



- With regard to manager/employee satisfaction with academic degree and certificate training opportunities, there was not a significant difference between 2003 survey responses from the AcqDemo population and those of the comparison group.⁵ Focus group results and personnel office data both indicate that Academic Degree and Certificate training was not widely implemented, and DAWIA training was already available to many AcqDemo participants—two factors that help explain why there was no change in this indicator. Sabbaticals were not widely implemented either, and survey results show no noticeable change in perception of opportunities to take sabbaticals, or the value of sabbaticals to the organization, between 1998 and 2003.

Overall Conclusions and Lessons Learned—

While the evaluation methodologies provide no basis to judge the quality of the products acquired by the workforce, it is clear that AcqDemo has had a positive impact overall on workforce quality. The combined weight of survey results, focus groups, and objective retention data strongly support this conclusion.

The lesson learned is that improving the quality of the workforce alone cannot guarantee better organizational results and better products. Future evaluation:

- must better capture the impact of environment, processes, resources;
- must better capture the AcqDemo impact on workforce quality by tracking both utilization and effectiveness of training opportunities and new hires; and
- must better capture the impact of workforce quality on the organization and its mission.

⁵ There has been no attempt to date to measure the *effectiveness* of training, rather than *increased opportunity*; this could become an additional focus of future AcqDemo evaluation efforts.

b. Increased timeliness of key personnel processes

What Was Done—

Interventions contributing to this outcome include simplified, accelerated hiring (discussed above); appointment authority; simplified classification system; and broadbanding.

- **Appointment Authority:** Under AcqDemo, there are three appointment options: permanent, temporary-limited, and modified term. The permanent and temporary-limited are the existing title 5 authorities. The new, modified term appointment authority provides the ability to expand and contract the workforce and adapt to variable workloads and mission changes. Under the modified term option, appointments may be made for a period that is expected to last longer than one year, but not to exceed five years, with an option for one additional year when the need for an employee's service is not permanent. After two years under this appointment, an employee may be converted to permanent status through internal merit promotion procedures without further competition.

Degree of Implementation: This intervention was implemented on a relatively limited basis, with approximately 40 modified term appointments being made each year.

- **Simplified Classification System:** Under AcqDemo, commanders (or equivalent) may re-delegate classification authority to subordinate management levels, at least one level above the first-line supervisor (except commander's direct reports). Contribution-based Compensation and Appraisal System descriptors are used for broadband level determination, instead of OPM standards. A new, simple Position Requirements Document (PRD) replaces the normal position description form. The PRD combines position information, staffing requirements, and contribution expectations into a single document. It includes job specific information and reference to the CCAS level descriptors.

Degree of Implementation: This intervention was implemented by all components, with widespread use of the delegation of classification authority.

- **Broadbanding:** The broadbanding system replaces the GS grade structure. Acquisition occupations with similar characteristics are grouped together into three career paths with broadband levels designed to facilitate pay progression and internal assignment of duties, and to allow for more competitive recruitment of quality candidates at differing pay rates. The three career paths are Business Management and Technical Management Professional (NH); Technical Management Support (NJ); and Administrative Support (NK). There are four broadband levels covering GS grades 1 through 15.

Chart 3
Broadband Levels

CAREER PATHS	BANDS														
	I				II					III			IV		
Business Management and Technical Management Professional (NH)	I				II					III			IV		
Technical Management Support (NJ)	I				II			III			IV				
Administrative Support (NK)	I				II			III							
GS Grades	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Degree of Implementation: This intervention was fully implemented by all components, and is an integral part of the CCAS system.

Expected Effects—

The intended outcomes for these interventions include:

- Improved hiring process, as measured by greater flexibility and authority to hire, improved ease of hiring, and time savings;
- Simplified classification procedures, and reduced administrative workload due to broadbanding, as indicated by perceived flexibilities in classification, fewer position documents, and staff time and paper savings.

Results to Date—

- With regard to timeliness, the record is mixed. The tables below show the average number of days from the receipt of a personnel action request to three important points in the hiring process: issuance of a referral list; selection of a candidate; and entry on duty (EOD) of the new employee.

Based on the data shown in Tables 1-3 below:

- The Air Force has substantially reduced the number of days required to bring on board a new AcqDemo employee—from more than 150 days in 1999, to only 67 days in 2001, and rising to 71 days in 2002.
- Hiring timeliness for the Comparison Group has not shown a similar improvement, and in fact has worsened somewhat (130 days to EOD in 1999 to more than 152 days in 2001 and to 188 days in 2002).
- Navy timeliness has also improved substantially between 2001 and 2002; however, the participating Navy AcqDemo organizations hired only 22 employees during that period, while the Air Force hired over 200.

- While complete data for the other components are not available for the entire 4-year period, it appears that timeliness has improved only slightly.

Table 1
Hiring Timeliness, CY 1999-2002: Days to Referral List

	Air Force	Army	AT&L	Navy	USMC	Comp Group
1999	56.2	N/A	89.9	N/A	N/A	63.1
2000	69.0	90.0	103.9	60.0	63.5	69.0
2001	32.0	63.3	66.0	39.0	69.0	81.0
2002	32.3	54.4	44.8	28.0	67.4	120.6

Table 2
Hiring Timeliness, CY 1999-2002: Days to Selection Made

	Air Force	Army	AT&L	Navy	USMC	Comp Group
1999	119.9	N/A	119.1	N/A	N/A	93.1
2000	81.0	133.0	133.8	74.0	101.1	106.0
2001	47.0	122.4	98.0	79.0	91.0	112.8
2002	50.8	99.1	75.2	47.5	95.8	154.4

Table 3
Hiring Timeliness, CY 1999-2002: Days to Entry on Duty

	Air Force	Army	AT&L	Navy	USMC	Comp Group
1999	150.1	N/A	123.6	N/A	N/A	130.0
2000	106.0	168.0	140.3	90.0	122.5	126.0
2001	67.0	163.2	109.0	113.0	114.0	151.5
2002	71.0	154.3	110.4	61.0	140.1	187.7

- A more flexible hiring process may also contribute to improved timeliness. Survey results show that AcqDemo supervisors increasingly believe they have greater personnel management system flexibility. On a composite of flexibility-related questions, 43% of supervisors gave favorable responses in 2003, as compared to only 19% favorable in 1998. Supervisors' satisfaction with the process to fill vacancies also increased, from 27% in 1998 to 46% of responding supervisors in 2003.
- With regard to classification, survey results show that supervisors increasingly believe the AcqDemo classification intervention has greater flexibility than the Title 5 system. On a composite of related questions, only 12% of AcqDemo supervisors gave favorable responses in 1998, while 45% were favorable in 2003. Furthermore, there is a statistically significant difference between AcqDemo responses and those from the comparison group on the 2003 survey, strongly suggesting that AcqDemo interventions were responsible for the positive change.
- Another expected benefit of simplified classification and broadbanding is the ability to assign an employee to new duties without creating a new position description and/or processing a formal personnel action. Focus group results indicate that both employees and supervisors

understand this flexibility is available and observe that it has been used frequently in some organizations.

The AcqDemo project is clearly achieving expected outcomes in the classification area, as further demonstrated by available objective data. The Marine Corps, Air Force, Navy, and AT&L conducted mini-case studies to measure the before-and-after values of two measures of classification efficiency: pages per position description/position requirements document (PD/PRD), and staff time required to create and classify a PD/PRD. The table below shows the average results for these two measures across all AcqDemo components.

Table 4
Simplified Classification Results

Measure	1998 (Pre-demo)	2000	2001	2002
Pages per PD/PRD	7.0	4.2	4.2	3.7
Average Staff Hours per PD/PRD	9.2	2.6	2.6	2.7

Current Best Practices—

While classification and broadbanding have been used extensively and successfully, the results of new hiring interventions have been mixed. With that in mind, the Air Force's success provides a best-practice example that might be useful to the other components as they go forward. The text box below summarizes the Air Force experience.

Air Force Hiring Process

Between 1999 and 2001, the Air Force dramatically improved the timeliness of the external staffing process in participating AcqDemo organizations. Before the demo project began, it took an average of 150 days from the time a request to fill a job was received in the HR office to the entry on duty of the new Air Force employee. This figure was consistent with the experience of the other DoD components participating in AcqDemo. By the end of calendar year 2001, the Air Force had reduced AcqDemo hiring time by more than half, taking only 67 days to get the employee on board.

How did the Air Force accomplish this feat? The Air Force units participating in the demonstration project took full advantage of AcqDemo hiring interventions, including:

- **Delegated Examining:** Competitive examining authority for the hiring and appointment of candidates into permanent and non-permanent positions was delegated to the Components, which could, in turn, re-delegate to lower levels.
- **Categorical Ranking:** Categorizing eligible candidates into three quality groups (basically qualified, highly qualified, or superior), instead of consideration according to the "rule of three." This grouping still incorporates veterans' preference eligibility, similar to that used in normal staffing processes.
- **Simplified Classification System:** Standardized Position Requirements Documents simplify position information and recruitment requirements into a single document.

The following factors contributed to the Air Force's success: (1) Acceptance of and support for AcqDemo provisions by line managers and HR staff; (2) the creation of a designated HR team that is responsible for knowing and using AcqDemo hiring procedures; (3) on-site Delegated Examining Units (DEU); and (4) the application of Acq Demo flexibilities to career program positions. This combination has allowed the Air Force to create a staff that both specializes in and champions the AcqDemo process within the component.

Overall, the principal reason that hiring is faster is that the Air Force has dedicated an HR team to support AcqDemo. The Air Force has trained staff at the Air Force Personnel Center (AFPC) to be responsible for all AcqDemo personnel actions as part of their day-to-day duties, and also has on-site DEUs at Edwards AFB, California, and the Pentagon. The majority of the Air Force hiring under AcqDemo has been at Edwards, and most Edwards AFB positions are in the AcqDemo project. The combination of focused HR teams (AFPC and on-site HR DEU staffs) places responsibility for these processes in a specific place, and creates a team of HR staff with complete knowledge of the program and local managers' needs.

The results show that AcqDemo hiring flexibilities have been successfully incorporated into participating units of the Air Force. Air Force HR staffs report that line managers are more satisfied with the process, demonstrate more ownership of the process, and perceive real value in the flexibilities they are afforded. In addition to the reduction in hiring cycle time, categorical ranking gives Air Force managers more applicants from which to choose qualified employees. Finally, managers cite AcqDemo's pay setting flexibility as critical in attracting highly qualified applicants.

Overall Conclusions and Lessons Learned—

The data support the conclusion that improvements in classification timeliness are at least in part attributable to AcqDemo; the Air Force experience indicates that, when AcqDemo procedures are fully implemented, hiring timeliness can also be significantly improved.

- Best results are achieved when authorities are fully and consistently utilized by committed, knowledgeable, and cooperative management and human resource personnel.
- Operation of multiple personnel systems has a negative impact on effectiveness.
- Flexibility in alternative systems is best managed by identifying drivers behind success and failure and communicating best practices.

c. Higher retention rates of excellent contributors and separation rates of poor contributors

What Was Done—

The following interventions were intended to improve the overall quality of the AT&L workforce by more closely linking monetary awards to employee contribution, thereby encouraging excellent contributors to stay with the organization: Contribution-based Compensation and Appraisal System, broadbanding, and sabbaticals (described above).

In addition, a simplified, modified RIF process was established, under which employees in AcqDemo within a given Component and located in the same commuting area are placed in a different competitive area from employees not covered by AcqDemo. Employees are entitled to additional years of retention service credit based on appraisal results.

Degree of Implementation: The simplified modified RIF process has been implemented only by the Air Force, for a small unit at Edwards AFB.

Expected Effects—

The following outcomes are expected:

- Higher retention of excellent contributors and separation rates of poor contributors,
- Increased pay-contribution link, as measured by survey results and compensation data,
- Improved contribution feedback to employees, based on survey and focus group responses,
- Faster career progression and higher starting salaries, as indicated by compensation data and employee perceptions of satisfaction with advancement and pay, both of which should improve overall employee satisfaction, thereby helping to improve retention rates.

Results to Date—

- In the 2003 attitude survey, AcqDemo respondents answered positively to survey questions about the link between contribution and compensation, showing an increase over the 1998

survey. The table below illustrates this result, and separates the responses of supervisors and non-supervisory employees.

Table 5
Survey Results

Percent Favorable Responses				
Survey Item	1998		2003	
	Employees	Supervisors	Employees	Supervisors
Pay Raises Linked To Contribution	20%	19%	57%	68%
Cash Awards Linked To Contribution	57%	59%	53%	66%

These data show a noticeable increase in employee and supervisor perceptions regarding the link between contribution and pay raises, but little change in regard to cash awards. Other survey questions, including “Under the present system, financial rewards are seldom related to employee contribution,” were rated similarly in that favorable responses increased noticeably between 1998 (Title 5) and 2003 (AcqDemo).

- With regard to contribution feedback, employees in AcqDemo showed some improvement in their perceptions. In 1998, 55% of survey respondents agreed that “My supervisor gives me adequate feedback on how I am contributing,” while in 2003, 61% agreed with that statement. In addition to these data, the focus group results indicate that the quality of supervisors’ feedback, while still a concern to many employees, has been improving gradually over time. This is especially true in those organizations that devoted time and resources to training supervisors in coaching, counseling, goal setting, whether developed by the organization or the PO.
- In 1998, AcqDemo participants agreed at a rate of 49% that “All in all, I am satisfied with my pay.” By 2003, the favorable response rate had increased to 57%. The 2003 result was not significantly different from the comparison group. However, objective data (see Table 7) indicate that AcqDemo participants, on average, were better off than a comparable General Schedule population. In addition, in a related question, “I am satisfied with my chances for advancement,” AcqDemo participants’ agreement increased from 31% in 1998 to 45% in 2003. During the same period, comparison group respondents’ agreement went from 27% to 33%.
- In the first table below, CCAS data show the average percentage and dollar increases (contribution rating increases and awards) for each component over the life of the demo project. The second table, based on a study conducted in 2002, shows the history of pay growth in AcqDemo as compared to the General Schedule through FY01. The General Schedule pay growth rates were developed using data from GS populations in the same occupational series as the AcqDemo population.

Table 6
Contribution Rating Increases and Awards

Contribution Rating Increase \$				
All Participants				
	FY 1999	FY 2000	FY2001	FY2002
AcqDemo	\$1,399 (2.74%)	\$1,396 (2.57%)	\$1,545 (2.72%)	\$1,395 (2.37%)

Contribution Award \$				
All Participants				
	FY 1999	FY 2000	FY2001	FY2002
AcqDemo	\$1,008 (1.81%)	\$1,263 (2.07%)	\$1,426 (2.24%)	\$1,386 (2.11%)

Table 7
Pay Growth

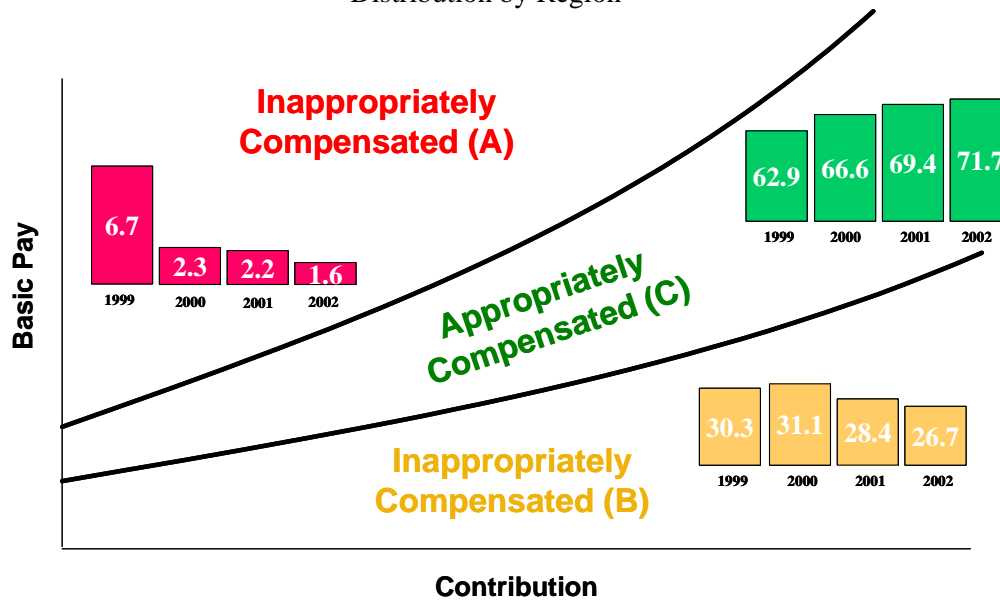
	Total AcqDemo Base Pay Growth				
	Sep-99	Sep-00	FY00 % Change	Sep-01	FY01 % Change
NH - Actual AcqDemo	\$60,825	\$63,852	4.98%	\$67,348	3.21%
NH - Estimated GS	"	\$63,057	3.67%	\$65,882	2.24%
NJ - Actual AcqDemo	\$39,558	\$41,593	5.14%	\$42,749	2.78%
NJ - Estimated GS	"	\$40,796	3.13%	\$41,702	2.22%
NK - Actual AcqDemo	\$28,483	\$29,895	4.96%	\$31,338	3.48%
NK - Estimated GS	"	\$29,500	3.57%	\$30,337	1.52%
All - Actual AcqDemo	\$54,357	\$57,402	5.60%	\$61,080	4.19%
All - Estimated GS	"	\$56,689	4.29%	\$59,706	3.16%
	Excludes OSD			Includes OSD	
	AcqDemo vs. Title 5			1.31%	1.03%

- An important question in regard to this desired outcome is employee perceptions of fairness. The data in the outcome below (*increased workforce satisfaction with the personnel management system*) indicate that AcqDemo has achieved the outcome of rewarding and retaining higher contributors without damaging employees' overall sense of fairness. Focus group results bear out this finding, but revealed that upon initial implementation, there was a substantial perception of unfairness in that employees did not understand how pay decisions were being made. Later focus groups showed that as organizations gained experience with CCAS, and more communication occurred, perceived fairness began to improve.
- Although the retention rates for over-contributors continue to be substantially higher than the retention rates for under-contributors (see chart, page I-9), there is evidence that some organizations may be increasingly reluctant to spread overall contribution ratings across the regions. As the chart below shows, the percent of participants identified as Inappropriately Compensated (Above the Rails) has dropped from 6.7% to 1.6% over four pay cycles, while

the percent of those identified as Appropriately Compensated has grown commensurately. Similarly, supervisor and manager focus groups indicate that supervisors and pay pool panels increasingly avoid giving overall contribution scores that will trigger a requirement for a Contribution Improvement Plan (17 total in 1999, 12 in 2002).

An important objective of AcqDemo is to ensure that employees are fairly compensated for their contributions. The chart below shows that fewer employees are rated as Inappropriately Compensated and more as Appropriately Compensated each year. It may be that CCAS is better motivating under-contributors to improve their contribution and better compensating over-contributors, as intended. Nevertheless, over time, these trends may erode the benefits accruing from CCAS such as favorable retention and employee motivation. As part of the extended (future) evaluation (see D3—Future Evaluation), it may be useful to compare organizations that continue to spread the ratings with those organizations that compress ratings, looking at such issues as employee satisfaction and retention.

Chart 4
Distribution by Region



Overall Conclusions and Lessons Learned—

These data document the achievement of higher retention rates of excellent contributors and separation rates of poor contributors. AcqDemo has succeeded in rewarding and retaining higher contributors; it has provided the average employee with better compensation than under Title 5; and it has done so without damaging employees’ overall sense of fairness.

In the extended evaluation, AcqDemo should:

- track and understand where people that leave AcqDemo are going and why they are leaving;
- better understand what our measurements are telling us; and
- shift from tracking results to identifying the drivers of those results.

d. Increased satisfaction of serviced DoD customers with the acquisition process and its products

What Was Done—

One overarching goal of AcqDemo is increasing customer satisfaction, and several interventions relate directly to this desired outcome. In addition to increasing workforce quality as described on page I-6, these are:

- Appointment authority,
- Broadbanding, and
- Simplified, modified RIF.

Expected Effects—

The results expected from these interventions include:

- Increased capability to expand and contract the workforce, as measured by the number and percentage of contingent (temporary and term) employees and the rate of conversions from non-permanent to permanent employment status.
- Increased organizational flexibility and effectiveness, as measured by survey responses.
- Increases in perceived customer satisfaction, based on survey results and focus groups.

Results to Date—

- The number of non-permanent employees in AcqDemo has remained generally constant at about 1% of the workforce. Approximately 40 modified term appointments have been made each year, and through 2002, conversions to permanent employment status were running at an average rate of about 40.
- Attitude survey results do not show a discernible trend in perceptions of organizational effectiveness or customer satisfaction. The following table, with results from the 1998, 2001, and 2003 surveys displays the relevant information.

Table 8
Perceived Organizational Effectiveness

Survey Item	1998	2001	2002
Perceived Effectiveness	71%	70%	72%
Perceived Customer Satisfaction	74%	76%	74%

There are several factors hindering the ability to evaluate this outcome. First, this outcome is susceptible to contextual effects to a greater extent than other expected outcomes. Second, little or no actual customer service data can be obtained because most AcqDemo participating organizations have not been systematically collecting customer service data. Third, employee perceptions may not accurately reflect customer perceptions. Finally, customer satisfaction improvement is a more long-term effect, requiring more time for direct impact of AcqDemo interventions than personnel system effects.

Current Best Practices—

On the other hand, from the limited information available, it does appear that AcqDemo's contribution-based approach not only supports, but also provides a better environment for, organizational improvements. The case study below illustrates this point.

PEO Carriers Management Operating System

Among the outcomes desired from AcqDemo is improved organizational effectiveness. The Naval Sea Systems Command's Program Executive Office, Aircraft Carriers (NAVSEA, PEO Carriers) has implemented a Management Operating System that both complements, and is supported by, the AcqDemo's Contribution-based Compensation and Appraisal System. PEO Carriers has developed and implemented a carefully crafted system to measure effectiveness in accomplishing its mission. As a result, PEO Carriers has improved its program management focus, segmenting long-term (often seven-plus years) projects into weekly, monthly, and yearly tasks that align with schedule, cost, and performance goals. In addition, the organization has increased its customer service focus, providing timely and accurate information and support to the Fleet and other customers such as Navy and DoD staffs, Congress, and the general public.

Under PEO Carriers' management operating system, each element of work is defined and measured. Data are collected weekly and reports prepared that allow both managers and employees to see how well they are doing, identify non-value added work, and quantify the cost of unplanned or unscheduled work ("churn") that often eats into the time needed to meet organizational priorities.

The use of this process leverages AcqDemo's Contribution-based Compensation and Appraisal System (CCAS) in that:

- CCAS rewards individuals not just for doing a defined job, but also for contributing to the organization's mission. By creating individual metrics, PEO Carriers can quantify each person's contribution to the mission.
- Because there is a direct link between each weekly, monthly, and yearly task, and schedule, cost and performance goals, employees can be completely clear about what is expected of them and how their work contributes to the mission of the organization.
- The data produced by the management operating system take the subjectivity out of the appraisal process, to include pay pool panel deliberations, and also provide employees information for use in writing their own annual self-assessments.
- As part of the management operating system, team leaders and supervisors hold "huddles" with their staff at least 2-3 times per week to provide informal feedback on progress and problems. Consequently, problems are identified and corrective actions can be taken quickly. (This is in addition to the mid-year reviews for formal feedback to employees.)

An additional benefit of the management operating system is that it has surfaced shortfalls in skill sets, allowing the organization to deal with training and/or placement issues based on actual data, thereby improving the likelihood of increased organizational effectiveness. AcqDemo complements this feature because broad banding allows greater flexibility in personnel utilization, not requiring a detailed job description change and/or a formal personnel action each time a new set of duties is assigned.

At the bottom line, PEO Carriers leadership believes that it is more effective because of these measures: the organization is meeting its cost, schedule, and performance goals, and it is meeting these goals more consistently and with significantly fewer staff than before. These leaders also believe that AcqDemo reinforces the behavior needed to reach these goals and allows them to reward employees appropriately for meeting them.

Overall Conclusions and Lessons Learned—

Indirect measures (attitude surveys and focus groups) indicate high levels of customer satisfaction. However, few participating organizations have developed direct measures of customer satisfaction; those few measures available have not been consistently utilized. It may be unrealistic to expect a personnel demonstration project alone to achieve the goal of improved customer satisfaction, as there are so many other variables affecting this outcome.

Future evaluation:

- should focus on case studies in organizations that measure customer satisfaction or other indicators of effectiveness;
- should also identify the processes that link AcqDemo outcomes to customer satisfaction; and
- must capture AcqDemo impact on mission, goals, objectives.

e. Increased workforce satisfaction with the personnel management system

What Was Done—

The eleven interventions (see page I-2) that comprise AcqDemo were implemented.

Expected Effects—

Taken together, all eleven interventions and the manner in which they were implemented should result in increased workforce satisfaction with the system. A related goal is to ensure that employees are treated fairly and that their perceptions of fairness and satisfaction with the system at least do not decrease in the course of the project.

Specific effects that are used to assess this outcome include:

- Perceived fairness in pay, award and promotion opportunities, and trust in supervision, based on attitude surveys
- Grievance and appeal rates, from personnel office data
- Turnover rates by ethnicity, gender, and other demographic characteristics
- Actual distributions of pay and awards by ethnicity, gender, and other characteristics.

Results to Date—

- Based on survey responses, shown in the table below, AcqDemo participants' views of fairness on a variety of dimensions remained the same or increased slightly over the life of AcqDemo. In addition, significance tests did not reveal a meaningful difference among responses based on race/ethnicity or gender.

Table 9
Perceived Fairness Questions, AcqDemo Participants' Responses

Survey Question	1998	2003
Pay is administered fairly in this organization	40%	39%

Survey Question	1998	2003
I am satisfied with my chances for advancement	31%	45%
CCAS is administered without regard to gender, ethnic origin, or age	52%*	62%
Supervisors are fair in recognizing individual contributions	46%	50%
Supervisors are fair in recognizing team contributions	41%	51%
Pay pools are fair in recognizing individual contributions	25%*	37%
Promotion opportunity—best qualified applicant is chosen	27%	35%
Competition for jobs is fair and open	27%	41%
Gender, race, national origin, age, cultural background, or disability do not affect advancement opportunities	64%	67%

* Responses from 2001 survey

Although highly subjective in nature, the information gathered from focus groups also indicates that participants are somewhat more confident in the fairness of AcqDemo and its administration in 2003 than they were in 2000 and 2001.

- One measure of employees' views of the personnel system, and its administration by managers and supervisors, is the proportion of grievances and appeals filed. Based on data from the annual AcqDemo data call, the participating organizations report that AcqDemo employees are no more likely to file grievances, formal complaints, or appeals than persons in non-AcqDemo organizations. Even with an initial surge of grievances after the first Contribution-based Compensation and Appraisal System payout in 2000, AcqDemo grievance rates are comparable to, or even lower, than those of a comparable organization.

Table 10
Grievance and Appeal Rates

	2000	2001	2002
AcqDemo	2.2%	1.3%	1.6%
Comparable Non-Demo Organization	2.6%	2.5%	5.6%

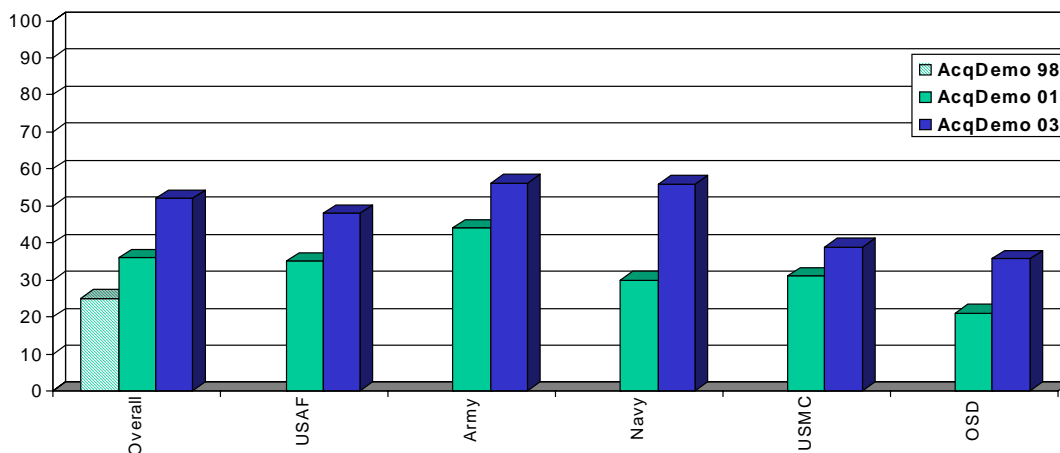
- Another indicator of potential problems with fairness, and an indicator of satisfaction with the personnel system is turnover—separations from the Federal workforce—for particular demographic groups. There were a negligible number of involuntary separations (terminations during probationary period and separations for cause). An examination of voluntary separation rates for both minorities and women indicates that, for both groups, separation rates were significantly higher in the comparison group than for AcqDemo participating organizations. In fact, the comparison group experienced twice as many separations as one would expect for a comparable population.

Table 11
Turnover Data—Minorities and Women

	Separation Rate- Total	Separation Rate- Minority	Separation Rate- Women
AcqDemo	3.0%	2.7%	3.2%
Comparison Group	7.3%	7.1%	6.7%

- In order to explore the possibility of any perceived bias against women or minorities, statistical tests on survey data were run on the basis of gender and race/ethnicity. Comparisons of women’s and minorities’ responses to fairness-related questions showed no significant differences from those of men and non-minorities. In addition, there was a positive difference in favor of both women and minorities in their responses to questions regarding links between pay/awards and contribution.
- Finally, the attitude surveys show a major positive trend in overall workforce approval of AcqDemo. In response to the statement “I am in favor of the demonstration project for my organization,” the overall favorable response rate increased from 25% (in 1998) to 52% and every component showed a large increase in favorable responses by participants. By way of comparison, the U.S. Navy’s China Lake personnel demonstration project also took five years after implementation to reach a 51% favorable response rate.

Chart 5
AcqDemo Approval



Overall Conclusions and Lessons Learned—

“The purpose of the project is to demonstrate that the effectiveness of DoD acquisition can be enhanced by allowing greater managerial control over personnel processes and functions, and at the same time, expand opportunities available to employees through a more responsive and flexible personnel system.” This sentence, from the introduction section of the 1999 *Federal Register*, describes the umbrella under which implementation actions were taken. The data show that there has been a positive shift in favor of workforce satisfaction with the personnel system.

AcqDemo:

- must involve (train and communicate) all stakeholders—employees, supervisors, managers, human resources personnel, and unions—to obtain complete organizational buy-in and ensure all interventions are properly implemented; and
- should shift the evaluation focus from straight measurement of program success to the identification of what is/is not working, and best practices must be communicated to all organizations to maximize program benefits.

C. Demonstration Project Management

The AcqDemo was chartered in September 1999 to implement and manage an Acquisition, Technology and Logistics (AT&L) wide experiment with new and different personnel management concepts. Under this charter, the AcqDemo Program Manager is granted full line authority to manage the Program and reports through the Executive Agent, the Assistant Secretary of the Army (Acquisition, Logistics and Technology), to the Director, Defense Procurement and Acquisition Policy, and the Under Secretary of Defense (AT&L). Also established was an Executive Council (EC) chaired by the PM and comprised of representatives from each Service/Agency participating in the Program.

As the largest, most diverse, and geographically most widely-spread personnel demonstration project, the management of AcqDemo offers very valuable lessons for organizations seeking to establish their own personnel demonstration projects or alternative personnel systems.

Perhaps the single most valuable lesson learned has been the need for managerial flexibility. The AcqDemo Program Office has evolved dynamically as needed over the period of the project—in terms of its internal organization, its programs and policies, and its management style—to meet a changing environment and new challenges.

Unlike other personnel demonstration projects, AcqDemo spans many organizations and several departments. As the Program has matured, the PM has evolved a management style centered on consensus building, inclusiveness of all shareholders, communication and training, and the extensive use of information technology—all without impinging upon the implementation flexibilities intentionally built into the demo.

1. Implementation

The Baseline/Implementation Report (August 2000) described in detail the actions taken prior to and during the first 18 months of the AcqDemo project. Since then, the AcqDemo Program Office has focused its further implementation efforts in three areas: policy development (including revision of operating procedures and issuances of *Federal Register* notices to accomplish needed modifications); expansion of AcqDemo to additional acquisition organizations; and the impact of the Defense-wide Best Practices Task Force and subsequent proposals to change the personnel system.

Policy Development Effort (PDE) and Best Practices Task Force: In January 2002, the AcqDemo program office established a working group with representatives from all participating components, as well as civilian personnel policy and general counsel, with a three-fold purpose:

- Coordinate all policy issues under AcqDemo,
- Provide policy advice and guidance to AcqDemo participants, and
- Maintain the *Federal Register* notice and Operating Procedures.

By August of 2002, the group had updated the Operating Procedures to improve and clarify language regarding such issues as pay pool panel processes, promotions, and Contribution-based Compensation and Appraisal System eligibility. In September 2002, the group identified several policy issues necessitating *Federal Register* changes, some of which were needed to mirror proposed Best Practices Task Force policies. These included direct hire authority, clarification

and expansion of pay-setting authority, and removal of limits on promotion-related pay increases. To date, only one *Federal Register* amendment has been issued—amending the minimum time required in AcqDemo for a contribution rating from 180 days to 90 days.

Subsequently, the Policy Development Effort was subsumed into actions related to the implementation of a Best Practices personnel system, to include drafting of a new *Federal Register* notice that will incorporate into AcqDemo the provisions of the proposed National Security Personnel System (NSPS). While the proposed NSPS legislation would apply to all of DoD, the *Federal Register* would allow implementation of most NSPS features under the Department's existing AcqDemo authority.

Expansion: Sustained growth of the AcqDemo participant population within the 95,000 ceiling established by the FY98 National Defense Authorization Act is to date a singular and significant failure. As of the end of the 1st cycle in FY99, 4700 personnel received CCAS payouts. After the last cycle in FY02, 5568 personnel received payouts. While AcqDemo continued to grow slowly during this period, the FY02 total was reduced by reorganizations in which the resulting new organizations fell below the 51% acquisition workforce threshold. Additionally, a resurgence of interest in AcqDemo in CY02 with the potential of adding 26,000 employees was not achieved. Several significant barriers to AcqDemo expansion have been identified.

- The FY98 National Defense Authorization Act and resulting *Federal Register* notice establishing AcqDemo reaffirm recognized bargaining unit rights under Chapter 71 of Title 5, United States Code. Represented employees cannot be included as part of AcqDemo unless the exclusive representative and the agency have entered into a written agreement. Negotiating the agreement of local bargaining units to join AcqDemo has been cooperative but difficult. This has been exacerbated by the decision of many local unions to base their decision on a vote of only dues-paying members, instead of the total represented group. In places where union locals have agreed to participate in 2003, the decision was based on a vote by the total represented group. Of the 5,568 participants in the last CCAS cycle, only 323 were part of a recognized bargaining unit.

Many of the organizations currently in AcqDemo chose to include only their headquarters units where represented employees were few. Many organizations chose not to enter AcqDemo because they did not want to operate two separate personnel systems. The impact of this barrier can be easily seen in the following example:

Two major Army commands, one major Air Force command, and one Defense agency—currently scheduled to join AcqDemo—have a combined workforce of over 26,000 employees. Without union agreements at all locations, only 5,975 management personnel will enter the program, less than 20% of the potential total.

- Another significant barrier to AcqDemo expansion has been the “51% Rule.” Current law limits participation in the demonstration project to the acquisition workforce or team that consists of more than half acquisition workforce personnel and those that directly support them. Because of this restriction, organizations desiring to participate are often ineligible or are forced to operate multiple personnel systems—one for eligible units and another for those not eligible. This rule has affected the eligibility status of organizations that are reorganized after entry into AcqDemo. If, following internal reorganization, the resulting organization does not meet the 51% rule, it is no longer eligible for demonstration participation and must

- revert to Title 5. During calendar year 2002, approximately 600 Navy personnel were forced to leave AcqDemo as a result of internal reorganization.
- As addressed above, the barriers of obtaining local bargaining unit agreement and the 51% Rule often force an organization to choose between staying in Title 5 or operating two distinct personnel systems concurrently with entry into AcqDemo. In addition to increasing costs and draining resources, this has the consequence of forcing management to treat employees in the same organizations differently.
 - Finally, as discussed in Section A.3, in 2002 DoD leadership made the decision to develop and implement a single set of Best Practices to be applied across all the Department's personnel demonstration projects. This and the subsequent decision to seek Congressional authority for the National Security Personnel System resulted in an unintended barrier to AcqDemo expansion. At the same time, AcqDemo was actively planning to convert approximately 15,000-25,000 new participants into the project. However, organizations have understandably delayed or placed on hold final conversion until they fully understand the ramifications of these important personnel policy changes.

2. Staffing

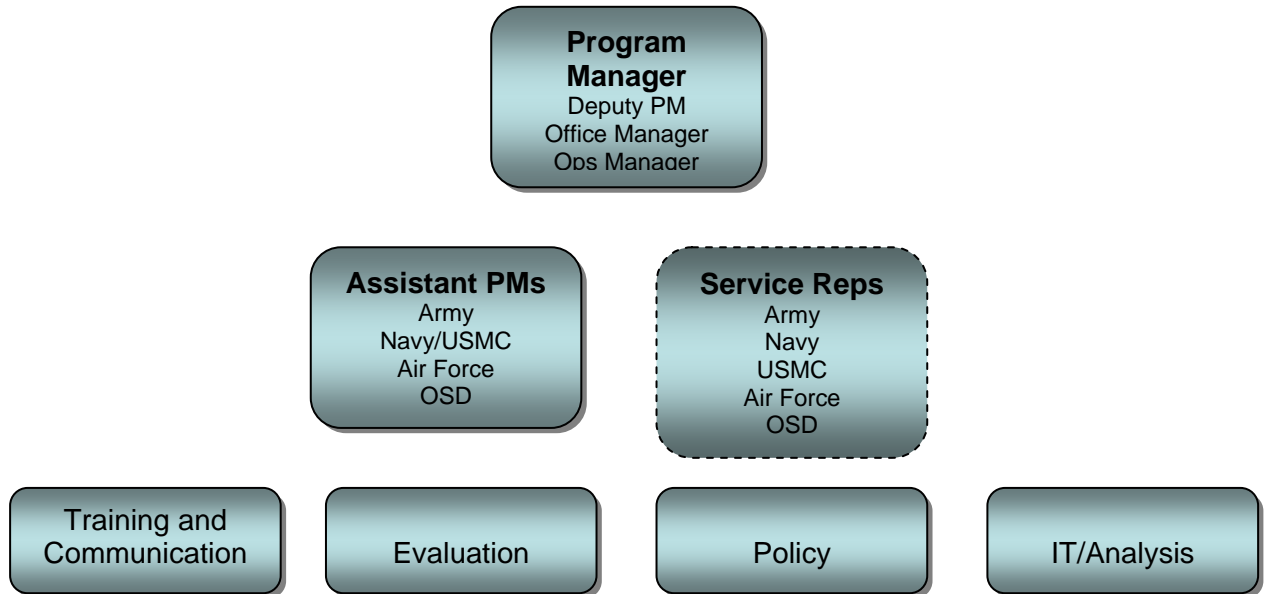
Staffing of a Program Office (PO) to coordinate direction of such a diverse and spread-out personnel demonstration project is key to the successful realization of expected outcomes.

Initially, in 1999, the PO was established with a PM, Deputy PM, and two contractor support personnel for information technology and administration. However, following the administration of an online attitude survey to AcqDemo participants in February 2001—the survey strongly indicated the need for additional training of both leadership and workforce—the Under Secretary of Defense (Acquisition, Technology, and Logistics) directed expansion of AcqDemo to the maximum practical extent. A training and support budget was established and supported by senior leadership, and the Services were tasked to provide full-time personnel support to the PO (or equivalent funding):

- During 2001, seven new personnel were brought on board full time in the PO: two Government and five contractor. The contractor personnel are primarily dedicated to developing the training curriculum, training courses, and supporting training delivery; they also provide additional expertise in IT, human resources, and policy development.
- In 2002, the PM established the Assistant Program Manager (APM) structure with Government APMs assigned dual responsibilities for each Service and a specific Program Management function (Policy, Training, Budget, Evaluation). Defense agencies assigned two additional government personnel to flesh out the APM structure.

As of this report, the PO is organized as shown below (note: several personnel have two or more responsibilities).

Chart 6
Program Office Organization



3. Training and Communication

The Process Action Team (now the Executive Council and PO) instituted a comprehensive training program prior to and coinciding with project implementation—see Section B1, Baseline/Implementation Report. However, the Program Manager recognized in late 2000 and early 2001—following focus group reports, personal visits to organizations, and survey data—that additional assistance would be necessary for new organizations joining AcqDemo as well as sustainment training in those organizations that had previously joined but now faced personnel turnover challenges.

Although training was and remains fundamentally an organizational responsibility, the PM moved to centralize training assets and provide much greater support to organizations in the field:

- In 2001, the PM expanded Program Office’s training capability by contracting three support personnel to develop and conduct AcqDemo training programs, and establishing an Assistant Program Manager to oversee all training efforts.
- In 2002, the PO developed five new training/orientation programs to address the needs of specific stakeholders, e.g., human resources management professionals, union representatives, managers, agency training staff, and others. Training approaches included platform, on-line, video, and web-based training.
- Methods have been developed better to evaluate training effectiveness, including course critiques, survey questions, and the use of the Return On Investment analysis.

- PO staff was cross-trained to enable them to conduct courses in a variety of subject matter areas, and an administrative process was established for scheduling all training activities.
- The PO developed a “Train-the-Trainer” concept to identify organizational trainers and provide them with instruction, materials, and periodic updates.

Communications with AcqDemo participants and new organizations has also been facilitated by the establishment and continual improvement of an AcqDemo web site (<http://www.acq.osd.mil/acqdemo/>). The web site is the starting point for both individual participants and organizations in accessing training resources, evaluation information, human resources particulars, key documents such as the establishing *Federal Register* and AcqDemo *Operating Procedures*, and the Assessment Tool (see discussion under Information Technology below). The PO also started an informative newsletter, the *AcqDemo Memo*, to enhance communications further.

4. Information Technology

Since the inception of AcqDemo, the Program Office has made extensive use of information technology (IT) to support the assessment and payout processes (CCAS) and project evaluation, communicate with participating organizations and individuals, and support administrative processes—see the Baseline/Implementation Report, Section B4-Information Technology Support. The CCAS software has been continuously enhanced, and the PO has also automated uploading the results to Defense Civilian Personnel Data System and assessing the preparation of new organizations to implement AcqDemo.

- CCAS has evolved from a series of standalone Excel spreadsheets in 1999 and 2000 to several iterations of on-line Oracle applications and advanced-functionality standalone CCAS spreadsheets in 2003. Organizations may choose the solution that best fits their needs and IT structure; both solutions provide features such as support for the Pay Pool Manager in the management of his/her pay pool panel, assignment of scores, calculation of payouts, and export of results.
- In early January each year, after the closeout of the CCAS cycle, the results are now uploaded to the Defense Civilian Personnel Data System (DCPDS) through the Civilian Personnel Management Service at Randolph AFB. Each employee’s pay for the new year, contribution award, and information about the rating are included in the upload.
- In 2001, following USD (AT&L) direction to expand AcqDemo, the Program Manager recognized the need to assess and track the preparation of new organizations to join AcqDemo. He directed the development of a web-based set of Implementation and Assessment Tools to support new organizations in this preparation. The tools, available on the AcqDemo home page, include planning checklists in six functional areas; sample planning documents, including marketing materials; an online attitude survey to be administered to the joining organizations’ personnel; and an Implementation Assessment tool that automates an organization’s inventory of progress towards implementation and provides a color-coded rating—red for not ready, yellow for almost ready, and green for fully ready—for use by organizational and PO leadership.

D. Conclusions and Recommendations

1. Conclusions

For purposes of clarity and consistency, evaluation conclusions are arrayed below against the expected outcomes and the overall purpose of AcqDemo:

Achievement of Expected Outcomes

As shown in part B (above), AcqDemo has made substantial progress in achieving the outcomes expected in its design but has not expanded participation to a significant cross-section of the AT&L community:

Increased quality of the acquisition workforce and the products it acquires

- While the evaluation methodologies provide no basis to judge the quality of the products acquired by the workforce, it is clear that AcqDemo has had a positive impact overall on workforce quality. The combined weight of survey results, focus groups, and objective retention data strongly support this conclusion.

Increased timeliness of key personnel processes

- The data support the conclusion that improvements in classification timeliness are at least in part attributable to AcqDemo; the Air Force experience indicates that, when AcqDemo procedures are fully implemented, hiring timeliness can also be significantly improved.

Higher retention rates of excellent contributors and separation rates of poor contributors

- These data document the achievement of higher retention rates of excellent contributors and separation rates of poor contributors. AcqDemo has succeeded in rewarding and retaining higher contributors; it has provided the average employee with better compensation than under Title 5; and it has done so without damaging employees' overall sense of fairness.

Increased satisfaction of serviced DoD customers with the acquisition process and its products

- Few participating organizations have developed direct measures of customer satisfaction; those few measures available have not been consistently utilized.
- However, indirect measures (attitude survey and focus groups) indicate high levels of customer satisfaction.
- It may be unrealistic to expect a personnel demonstration project alone to achieve the goal of improved customer satisfaction, as there are so many other variables affecting this outcome.
- Future evaluation should focus on case studies in organizations that measure customer satisfaction or other indicators of effectiveness, and should also identify the processes that link AcqDemo outcomes to customer satisfaction.

Increased workforce satisfaction with the personnel management system

- The data show that there has been an increase in workforce satisfaction with the personnel system.

Overall Purpose

“The purpose of the project is to demonstrate that the effectiveness of DoD acquisition can be enhanced by allowing greater managerial control over personnel processes and functions and, at the same time, expand the opportunities available to employees through a more responsive and flexible personnel system.” (Federal Register, January 8, 1999)

The evaluation to date provides evidence that AcqDemo has effectively provided greater managerial control and flexibility by:

- Delegating and streamlining position classification and assignment processes
- Giving managers a wider range of applicants to choose from and the ability to set pay to match market requirements
- Providing an assessment system that links employee pay and awards to employee contribution to the mission
- Facilitating the reward and retention of the best contributors, while encouraging poor contributors either to improve or seek other opportunities

Similarly, AcqDemo has provided opportunities to employees by:

- Extending the salary ranges and allowing rapid advancement without formal promotion procedures through broadbanding
- Offering higher average compensation (salaries and awards)
- Linking employee work assignments to the mission of the organization
- Expanding opportunities for training and development

These accomplishments have been made without any apparent evidence of compromise of merit systems principles or perceived fairness.

2. Recommendations

- Transition to Best Practices and/or NSPS.
- Work with OUSD(P&R) to:
 - Develop coordinated transition plans for AcqDemo and S&T Labs.
 - Partner with all stakeholders to develop a single set of Best Practices Operating Procedures.
 - Incorporate AcqDemo lessons-learned into Best Practices—
 - Training-
 - Adapt AcqDemo Training/ communication strategy to Best Practices.

- Incorporate linkages between pay-for-performance and organization mission, goals and objectives into Best Practices training.
- Evaluation-
 - Complete the original five-year evaluation as planned, culminating in the Summative Report in May 2004.
 - Shift focus from evaluating effectiveness of interventions to improving program implementation and applications and identifying how system flexibilities are best managed.
 - Release existing evaluation control group (Air Armaments Center, Eglin AFB). Comparisons will be made to existing AcqDemo evaluation results and Title 5 data.
 - Incorporate principles of the Human Capital Strategic Scorecard into the evaluation process to provide consistency across federal agencies and with the President's Management Agenda.
 - Continue to assess fairness and monitor costs.
- IT Infrastructure-
 - Capture existing demonstration projects lessons-learned and incorporate into new system software interfaces with DCPDS.