USDA United States Department of Agriculture
Farm Service Agency

The U.S. Department of Agriculture Farm Service Agency Organizational Assessment

BENCHMARKING
Findings and Recommendations

Final Report
May 30, 2008

KnowledgeBank

FEDERAL MANAGEMENT PARTNERS, INC.

APPENDIX 3: BENCHMARKING REPORT

1. BENCHMARKING APPROACH

1.1. Introduction

As part of the scope of the Farm Service Agency (FSA) organizational assessment, the KnowledgeBank/Federal Management Partners (KB/FMP) team conducted a high-level benchmarking study with the following federal agencies:

- United States Department of Agriculture Forest Service (FS)
- National Aeronautics and Space Administration (NASA)
- Small Business Administration (SBA)

These agencies were chosen and agreed upon by FSA project leadership based on outcomes from recent transformation efforts, or because of similar structures and lines of business (i.e. state structure and delivery of services to customers).

The following sections will provide more detail on the benchmarking scope and methodology for each organization benchmarked, and present the:

- Agency Profile
- Transformation Effort Description
- Results Achieved and Return on Investment
- Lessons Learned

1.2. Benchmarking Objectives

1.2.1. Benchmarking Scope

The scope of the benchmarking study is limited to federal agencies that have either undergone a recent transformation or are in the process of a significant reform agenda, for the purpose of improving organizational effectiveness, streamlining operations, and/or reducing costs.

The objective of this external environmental scan was to:

- Determine how other federal agencies are coping with the pressure of decreasing economic resources in the face of escalating fixed costs

- Identify best practices among other federal agencies that have delivered measurable improvements in efficiency, effectiveness, or economies of scale to their stakeholders

- Benefit from the past experiences and lessons learned of those agencies that have undertaken a significant reform agenda (i.e. learn what potential mistakes to avoid)

Interestingly, a high-level benchmarking analysis had previously been conducted with two of the agencies – the Forest Service and NASA – both of which are at the tail end of conducting a major, planned restructuring effort. Key staff in these agencies were interviewed to glean areas of commonality with FSA and in order to obtain information on possible approaches to process improvement and lessons learned. Current research confirms that both agencies have remained viable benchmarking resources. In fact, both FS and NASA have made significant investments in and commitments to shared service centers. The goal of shared services is to consolidate similar business activities within an organization to lower costs, achieve higher service levels, and enhance overall organizational value.

The third entity, the SBA, was selected on the basis of its agency-wide reform agenda and similarity in organizational structure and customer service delivery field model to FSA.

1.2.2. Benchmarking Methodology

The benchmarking process utilized a combination of data collection and analysis methods, including face-to-face and telephone interviews with agency leadership, documentation provided by individuals interviewed, where possible, and a systematic review of pertinent documents posted on agency websites. Documents obtained through research on the Internet (e.g. Congressional testimony) were also utilized, if deemed valuable to this effort.

A listing of the individuals interviewed by name and title is included in Section 6: "Study Resources", as well as a listing of the *primary* reference sources utilized during the benchmarking process.
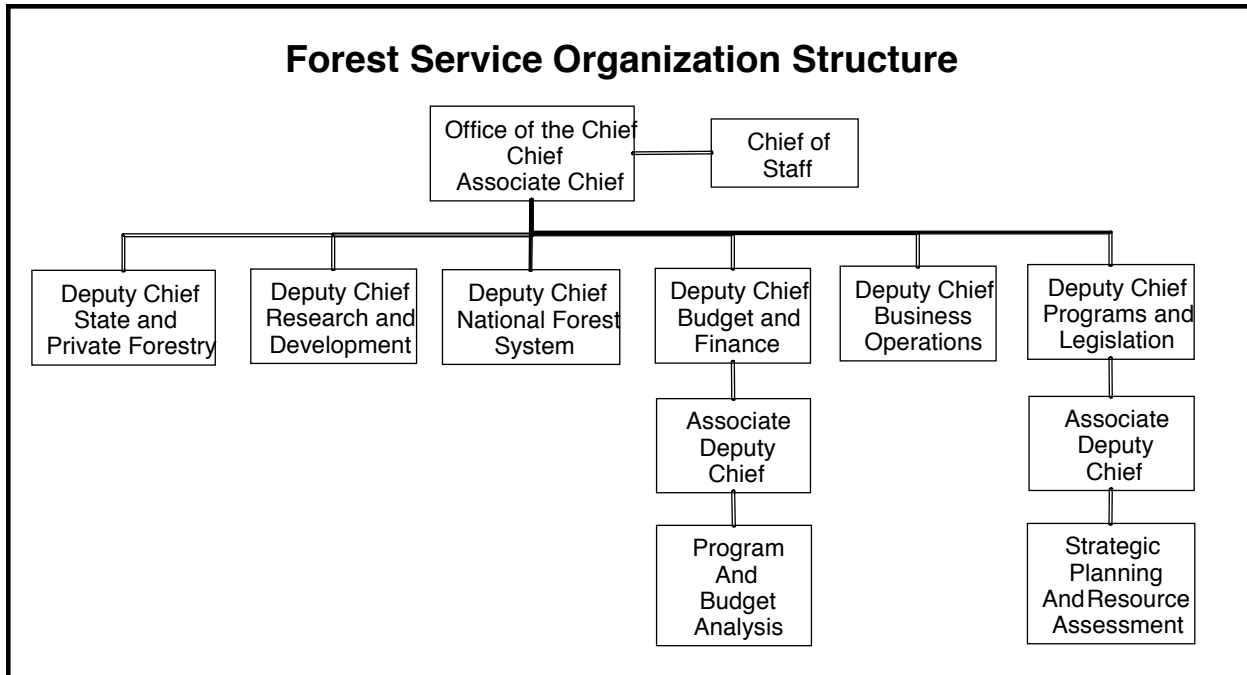
2. USDA FOREST SERVICE REPORT

2.1.   Agency Profile

The mission of the USDA Forest Service (FS) is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations. Established in 1905, the FS manages public lands, known collectively as the National Forest System, located in 44 States, Puerto Rico, and the Virgin Islands.

The FS employs approximately 39,000 people as of the date of this report.

2.2.   FS Organization

The Forest Service is organized into six areas, each headed by a Deputy Chief, who reports directly to the Chief of the Forest Service. These Deputy Chiefs are responsible for the National Forest System, State and Private Forestry; Research and Development; Budget and Finance; Programs, Legislation and Communications; and Business Operations (see organizational chart below).

Forest Service Organization Structure

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                        Office of the Chief
                              Chief                    Chief of
                        Associate Chief                 Staff

Deputy Chief    Deputy Chief    Deputy Chief    Deputy Chief    Deputy Chief    Deputy Chief
State and       Research and    National Forest Budget and      Business        Programs and
Private Forestry Development    System          Finance         Operations      Legislation

                                                Associate                       Associate
                                                Deputy                          Deputy
                                                Chief                           Chief

                                                Program                         Strategic
                                                And                             Planning
                                                Budget                          And Resource
                                                Analysis                        Assessment
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2.3.   Transformation Description

Confronted with rising operating costs and declining buying power, the FS introduced a major restructuring initiative called the Washington Office/Regional Office/ Northeastern Area Transformation, later renamed the Business Operations Transformation Program (BOTP). The primary objective of this effort was to centralize, streamline, and reengineer the following three FS divisions into a shared services center in one location, Albuquerque, New Mexico:

- Information Technology (IT)
- Budget and Financial (B&F)
- Human Resources (HR)

The vision for this effort was to:

- Create a centralized, efficient and effective administrative operation by January 2008
- Meet the President's Management Agenda goals in FY 2008
- Improve the ability of FS employees to meet the FS mission within the next five years

In 2006, FS Deputy Chief for Business Operations commissioned the Business Operations Transformation Team (BOTT) to lead the transition to new centralized systems in Budget and Finance, Human Capital Management, and Information Resources Management. Understanding this shift to centralized systems and services and providing an avenue for dialog about these changes are primary reasons for the teams' existence.

The BOTT was and continues to be directed from the Business Operations Deputy Chief's office and led by the Program Coordinator. Rather than creating a new staff, the team is comprised of members of various Enterprise Teams within the Forest Service, along with members from the Washington Office. The team worked closely with communications staff and others from Budget and Finance, Information Resources Management, and Human Capital Management to achieve the following outcomes from this transformation process:

- An agency that is able to address the global environmental concerns of today, and is able to respond efficiently to the issues of tomorrow

- An agency that is current and relevant; that optimizes new technologies and integrated systems; that responds to its stakeholders; and that meets the land management needs of the 21st Century

- An agency that has reduced operating costs in the Washington and Regional Offices and Northeastern Area by 25 percent (reduced from the FY 2006 baseline) by the end of FY 2009 (Note: total estimated five-year savings for the agency projected at $241 million)

The Albuquerque Service Center (ASC) first opened its doors in New Mexico in March 2005. The Information Resource Management (IRM) function was the first to transition due

to the need to establish the technology infrastructure. The Budget and Finance center followed second and was fully operational by February 2006. The Human Capital Management (HCM) function followed third and planned to transition its activities in staggered phases due to the number of systems, as well as the number of locations being consolidated:

- Deployment from field units occurred in FY 2007. Services for all Forest Service field and headquarters locations, with the exception of the Pacific Southwest Region (Region 5), are now being provided from the ASC. HCM work from Region 5 began migrating to the ASC in November 2007.

- National Finance Center (NFC) continued design and system testing to add Forest Service to EmpowHR, its Human Resource Information System

- Final project implementation was on track in Q1 FY 2008, and the agency was optimistic this goal would be met. Cost reductions realization may be pushed back to later in FY 2009 due to shift in final migration dates and development and deployment of the full use of NFC technology.

2.4. Overall Results Achieved by FS Functional Area / Return on Investment

Significant savings were forecasted as a result of the Forest Service (FS) Business Operations Transformation Program (BOTP) effort. The most recent (end of fiscal year 2007) numbers provided by the Forest Service are displayed below.

BOTP Cost Reduction Summary - Actuals/Budgeted FY06-08
(Dollars in Millions)

	FY 2005 Planned	FY 2005 Actuals	FY2006 Planned	FY2006 Actuals	FY2007 Actual	FY2008 Planned
FMIP						
Original Organization	$ 141.0	$ 141.0	$ 144.4	$ 144.4	$ 147.5	$ 150.6
Redesigned Organization	$ 136.8	$ 136.8	$ 109.1	$ 99.8	$ 107.8	$ 110.3
Implementation Cost	$ 45.2	$ 39.9	$ -	$ 11.5	2.7	
Cost Reduction	$ (41.0)	$ (35.7)	$ 35.3	$ 33.1	$ 37.0	$ 40.3

Staff Reductions (to date) 654

Implementation Costs (FY2005/2006) - $51.4 million - Payback by end of FY2006

	FY 2005 Planned	FY 2005 Actuals	FY2006 Planned	FY2006 Actuals	FY2007 Actual	FY2008 Planned
IT						
Original Organization	$ 78.2	$ 78.2	$ 80.2	$ 80.2	$ 82.1	$ 84.3
Redesigned Organization	$ 63.8	$ 55.0	$ 60.1	$ 60.1	$ 61.6	$ 63.1
Implementation Cost	$ 36.0	$ 12.0	$ 4.0	$ -	$ -	$ -
Cost Reduction	$ (21.6)	$ 11.2	$ 16.1	$ 20.1	$ 20.5	$ 21.2

Staff Reductions (to date) 554

Implementation Costs (FY2005/2006) - $12.0 million - Payback middle FY2006

	FY 2005 Planned	FY 2005 Actuals	FY2006 Planned	FY2006 Actuals	FY2007 Actual	FY2008 Planned
HCM						
Original Organization	$ 84.9	$ 84.9	$ 86.9	$ 86.9	$ 89.0	$ 91.1
Redesigned Organization	$ 56.5	$ 84.8	$ 56.2	$ 81.3	$ 64.7	$ 66.3
Implementation Cost	$ 60.5	$ 7.9	$ 13.3	$ 57.1	$ 15.7	$ 5.5
Cost Reduction	$ (32.1)	$ (7.8)	$ 17.4	$ (51.5)	$ 8.6	$ 19.3

Staff Reductions (to date) 296

Implementation Costs (FY2005/2006/2007) - $84.2 million - Payback middle FY2009

Note: Fully Implementing the redesigned HCM organization is dependent on development and deployment of NFC technology

	FY 2005 Planned	FY 2005 Actuals	FY2006 Planned	FY2006 Actuals	FY2007 Planned	FY2008 Planned
BOTP Total						
Original Organization	$ 304.1	$ 304.1	$ 311.5	$ 311.5	$ 318.6	$ 326.0
Redesigned Organization	$ 257.1	$ 276.6	$ 225.4	$ 241.2	$ 234.1	$ 239.7
Implementation Costs	$ 141.7	$ 59.8	$ 17.3	$ 68.6	$ 18.4	$ 5.5
Net Cost Reduction	$ (94.7)	$ (32.3)	$ 68.8	$ 1.7	$ 66.1	$ 80.8

Updated as of September 30, 2007

Implementation costs and status as of the end of fiscal year 2007 are also provided (Note: all dollars in thousands).

	Planned Costs	**FY05 Actual**	**FY06 Actual**	**FY 07 Actual**	**FY08 Planned**
IT	$36,000	$11,970	$0	$0	$0
FMIP	$45,200	$39,930	$11,504	$ 2,626	$0
HCM	$60,500	$ 7,945	$57,106	$15,677	$5,450

2.5. Information Resources Management Organization (former Information Technology Organization)

Following are specific highlights of the efficiencies and savings achieved by the IT transformation:

- **Agency MEO was awarded a Letter of Obligation to perform the work over a five year period for $294 million**
  o Has 499 employees currently onboard
  o 300 of the original selections were promotions
  o All initial selections were Forest Service employees
  o On-going labor cost reductions are estimated at close to $20 million per year

- **Initial reductions come from reduced labor costs for IT positions.**
  o Total permanent IT-related employment is down by 554 positions since July 2003, when the first data was collected for IT Study planning
  o 146 IT employee buyouts were approved

- **Additional reductions will be achieved through integrated business environment implementation and acquisition efficiencies**
  o Bulk purchases of replacement computers
  o Consolidation of Data Centers (10 to 3)
  o Department and Government-wide IT licensing agreements
  o Consolidation FS-wide of IT service contracts for computer systems, network, telephones, and radio
  o Consolidation from 150+ server locations to 10

IT Business Case Savings Analysis (as of September 30, 2007)	
Description	**Headcount**
Personnel Out of IT Organization	
Separations (Box 6 + Box 18)	302
Reclassifications (Box 5 + Box 14 + Box 17)	362
Out of IT sub-total	664
Personnel Additions to IT	
New Employees in ISO/IT Organization (Box 7 + Box 19)	75
New IT Series (332, 334, 335, 391, 856, 2210) not in ISO/IT (Box 20)	35
Into IT sub-total	110
Net IT Personnel Reductions Captured to Date	**554**

2.6.   Budget and Finance Organization

Following are the specific highlights of the efficiencies and savings achieved by the Budget and Finance transformation:

- **Albuquerque Service Center opened February 2005**
    - o 397 permanent FS employees at ASC as of September 30, 2007 (targeting 444 positions, fully staffed)
    - o Most initial selections were Forest Service employees, some contract assistance still in place and there are a few vacancies still remaining

- **All processes migrated to ASC**
    - o Incident Business initiated work at ASC in February 2006

- **Initial cost reductions comes from reduced labor costs for B&F activities**
    - o Total permanent B&F-related employment is down by 654 positions from the business case, when the first data was evaluated for the FMIP study
    - o 153 B&F employee buyouts were approved

- **Additional reductions will be achieved through reduction of part-time efforts on B&F activities**

FMIP Business Case Savings Analysis (as of September 30, 2007)	
Description	**Headcount**
Personnel Out of B&F Organization	
Separations (Box 6 + Box 9 + Box 15 + Box 18)	734
Reclassifications (Box 5 + Box 8 + Box 14)	260
Out of BF sub-total	994
Personnel Additions to B&F	
New Employees in B&F Organization (Box 5.1+8.1+ 14.1 + 20)	72
New GS-500 employees (Box 19)	268
Into BF sub-total	340
Net FMIP Personnel Reductions Captured to Date	**654**

2.7.   Human Resources Organization

According to the benchmarking analysis conducted with FS, it was noted that the HR transformation was by far the most difficult in transition. This was partly due to customers across the various units having to shift from a "personal touch" type customer service to a "hotline" approach. This required a major shift in the culture within FS. In addition, FS had significant problems ensuring that the proper HR systems were in place to support the centralization efforts. The lessons learned from the difficulty they faced are noted in the "Lessons Learned" section below.

We understand that although they ran into difficulty which caused them to spend more resources upfront than initially planned, they are now on target to finalize the implementation. They believe that once fully implemented, they will realize savings.

Following are the highlights of the efficiencies and savings achieved by the HR transformation:

- **Consolidation of services**
    - o Services for all Forest Service field and headquarters locations, with the exception of the Pacific Southwest Region (Region 5), are now being provided from the ASC
    - o HR work from Region 5 began migration to the ASC in November 2007

- **Completed design of future-state business processes**
    - o National Finance Center (NFC) continues design and system testing to add Forest Service to EmpowHR, its Human Resource Information System
    - o Standardization of key HRM processes and procedures, and centralization of policy administration
    - o Improvement of program efficiency through process automation
    - o Centralization of all HRM transactional activities at ASC, NM
    - o Empowerment of managers and employees through the use of self-service; supported by a contact center and centralized customer service delivery

- **Implemented workforce transition plan**
    - o Focusing on VERA/VSIP to draw-down existing organization. The agency had approved 197 buyouts through September 2007.

- **Of the 470 total FTEs targeted for the organization, 360 will be based out of Albuquerque (14 located at the WO and 91 will be detached from the ASC-HCM).**
    - o BPR expected to save approximately $32M per year once fully operational. Most cost reductions are in personnel costs due to reduced headcount. A reduction of 296 captured to date.

- **25% of the current ASC-HCM workforce is from local hires**

- **Final project implementation on track and the agency is optimistic this goal will be met**
  - Cost reductions realization may be pushed back to later in FY 2009 due to shift in final migration dates and development and deployment of the full use of NFC technology

HCM Business Case Savings Analysis (as of September 30, 2007)	
Description	**Headcount**
Personnel Out of HCM Organization	
Separations (Box 6 + Box 9)	346
Reclassifications (Box 5.1)	135
Out of HCM sub-total	481
Personnel Additions to HCM	
New Employees in HCM Organization (Box 10)	176
New HCM Series (200s except 260s) not in HCM Organization (Box 11)	9
Into HCM sub-total	185
Net HCM Personnel Reductions Captured to Date	**296**

2.8.   Lessons Learned

The following lessons learned were shared with the KB/FMP Team during telephone interviews with FS top executives and senior managers who were key in driving and managing the transformation initiatives:

- You must have substantive, measurable data to build a business case before you begin the full planning efforts

- It is critical to engage subject matter experts in the early stages of the process. At the same time, this is a management driven process, so care must be taken to ensure that the right mix of talent is selected to participate on the project, i.e. "the people selected need to be able to see the bigger picture."

- Make sure you have done your homework in terms of benchmarking. You must be able to articulate what you want to do and get buy in "up-front" from both management and employees.

- The transition to EmpowHR has not been successful and has been placed on hold indefinitely as of February 2008. FS reports that it is currently using an internal Web-52 system as a short-term alternative for the processing of all personnel related actions. This represents a serious setback for FS HRM from a shared services perspective, as FS has 39,000 employees and the HR service delivery model is contingent on an integrated HRIS application that runs efficiently and effectively. The Department must be committed to deliver a well-functioning automated system for HR **prior** to implementation. "Don't implement until you have it".

- Communication and Change Management strategies and planning are critical and key; **be prepared to invest in communication and change management**. Effective communication across the organization is absolutely essential if the change management initiative is to remain on schedule and be successful.

- The agency needs to be clear, purposeful, and precise about what it wants to achieve. Forest Service spent a lot of time talking about saving money, and they technically are saving money. However, this does not mean that anyone "has a lot of extra change in their pockets." You must be explicit in your messaging.

- Once you make your decision to move forward, you need to have the stamina and discipline to stick to it no matter what. In other words, be prepared to put a phased plan in place, and do not deviate from it. For example, Forest Service chose to make the HCM transition over a three year period. They literally changed the HR service delivery model for almost 40,000 people in 36 months.

- Ensure that your HRIS service provider has the experience and the track record to support an implementation and transformation effort of the magnitude planned

- Have a recovery plan. NASA developed a plan, which proved beneficial as they navigated the transformation. When something happens, it is critical to have a recovery

plan. A recovery plan should include a Plan B, as you may not be able to fully realized implementation.

- It is critical to have some form of "cradle to grave" oversight – start to finish case management oversight process is key. We initially organized in such a compartmentalized way, and we did not have "case managers" to oversee it. We did not have a point person that was looking at the problems and managing them start to finish. This is key, particularly when you move to a "hotline" service approach or virtual approach.

- Accountability is key when you move to a service center so that our service hotline employees are equally visible and accountable. Initially we did not have names associated with our hotlines, so the ability of people in Albuquerque to hide behind the "1-800 number" was clear. Now we have a directory list with names of accountable employees, so everyone in the field knows who is accountable for what. Now there is a personal approach when talking to someone for service.

- The HR transition has by far been the toughest we have taken on, particularly because you lose the "one-on-one" approach with people. Categorically our service has not improved. We have seen significant improvements in Budget and IT, however HR has been slower to gain efficiencies. We had developed service level standards, but we have had so many challenges getting on the ground that I have only focused on the call center metrics. We were getting a 30% call abandonment rate in our call center with an average wait time of 10 min, sometimes up to 45 min for customers calling in to get assistance from HR. This was a top priority to correct and we took immediate action to correct it.. Since then, we have significantly improved the call abandonment rate and we are on track. The abandonment rate has dropped down to 2-3%, with our average wait time of 2-3 min.

- Right now, we are in the middle of the toughest time of all with our HR transition. We incrementally started moving people to the Albuquerque, New Mexico Center about one year ago. We have migrated all but our final region (CA). We basically just stopped until we could get things fixed. There have been huge upfront costs just to get stuff done. It is costing us significantly more than what we realized. What is not working right now is the staffing activity, classification, certificates issued. We need to fix this; our customers are not being serviced like they should be. This is a top priority for us to fix; we will get there.

- In Budget and Finance, we had huge problems one year into the transformation (similar to what we are having with HRD- just part of the initial "pain"). The one benefit with this piece is that the system is much smoother; we don't have the issues we have had with EmpowHR. The consolidation of our Budget and Finance operation has been a clear success. It took us three years to get there, but after about two years we knew it was going to be a success. Any agency looking to centralize has to have a clear, firm commitment to stick it out and see it through. It does take working through frustrations to get there. We did not see a return on our investment in the Budget and Finance piece for almost two years. Now in our third year, it is much clearer, and we have realized significant return.

3. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) REPORT

3.1. Agency Profile

The agency employs approximately 18,500 employees.

NASA's mission is to pioneer the future in space exploration, scientific discovery, and aeronautics research. NASA has 18,000 FTEs nationwide, with a much larger contractor workforce.

NASA HQ in Washington, DC provides overall guidance and direction to the agency, under the leadership of the Administrator. Ten field Centers (Regional Centers) and a variety of installations conduct the day-to-day work in laboratories, on air fields, in wind tunnels, and in control rooms.

The ten NASA Centers are:

- Ames Research Center- CA
- Dryden Flight Research Center - CA
- Glenn Research Center – OH
- Goddard Space Flight Center – MD
- HQ Ops- DC
- Johnson Space Center – TX
- Kennedy Space Center – FL
- Langley Research Center – VA
- Marshall Space Flight Center – AL
- Stennis Space Center – MS

3.2.   Transformation Description

As with all government agencies, NASA is confronted with limited resources but an ambitious agenda. If it wished to forge ahead with its immediate goals and objectives for space exploration, scientific discovery, and aeronautics research, it needed to identify ways to reengineer and gain efficiencies from the existing resources at its disposal. Implementation of an integrated enterprise management solution in Fiscal Year 2002 created the platform and impetus for NASA to investigate a consolidated shared services model.

In 2002, NASA formed a cross-functional team to assess the shared services concept in earnest and soon realized that mission support could be improved by co-locating certain administrative and business activities into a new shared services organization. To be successful, NASA recognized that disparate activities from across the agency would have to be transitioned and transformed into standardized processes that were highly focused on the services provided to its customers.

NASA's decision to move toward a shared services approach was based on the conviction that certain transactional activities, as well as certain highly specialized functional activities, in financial management, human resources, procurement, and IT would be more effectively and efficiently performed in a consolidated organization. At the time of this decision, these functions were provided primarily by relatively small, single-function business organizations located and integrated into the ten NASA Centers. The basic concept included consolidating key business services and then integrating agency information systems and technologies into a single service center to provide them with the infrastructure and support required to succeed.

NASA completed the site nomination guidelines and requirements criteria in December 2003. NASA then issued a public announcement that it would hold an A-76 public-private competition, a process guided by the OMB circular A-76. An A-76 competition pits private sector proposals against a government team proposal for the right to perform work outlined in a Request for Proposal (RFP).

Shortly after NASA officially established the National Shared Services Center (NSSC) in January of 2004, NSSC issued a call for site proposals to all interested NASA Centers; six of the nine centers responded. The list was ultimately culled to three serious contenders: Marshall Flight Space Center (MFSC) in Huntsville, Alabama; Glenn Research Center located in Cleveland, Ohio; and Stennis Space Center (SSC) in Mississippi. All three States offered very competitive and similar proposals based on the opportunity to bring new jobs and a diverse array of businesses and suppliers to their struggling State economies. However, SSC was ultimately chosen as the new home of NSSC. The total package offered by the State of Mississippi for the building and grounds was $35 million. This incentive is not included in the return on investment (ROI) numbers provided in the following sections and is an added bonus for NASA NSSC in evaluating its true return on investment for this project.

The establishment of a shared services center at Stennis Space Center in Mississippi did not happen overnight. This effort took a full five years to accomplish, and three NASA Administrators came and went during the intervening period. This fact complicated an

already difficult process because all aspects of this venture had to be revisited and re-justified with each change in leadership.

The NSSC officially opened for business in 2006. NSSC is an innovative public-private partnership between NASA, the States of Mississippi and Louisiana, and a service provider, Computer Sciences Corporation (CSC). The NSSC offers high-quality support services to NASA in the areas of financial management, human resources, information technology, and procurement.

The NSSC is an integrated service organization. This means that its workforce is comprised of a mix of both civil service employees (33%) and service provider contractors (67%). The center is expected to be fully staffed by the end of October 2008, when all activities will have transitioned in from the field.

The NSSC interacts with its six identified customer groups (NASA Centers, NASA headquarters (HQ), employees, vendors, grantees, and the general public) via the Customer Contact Center (CCC) and/or via a self-service website. An NSSC customer is able to contact the NSSC with a question or issue, and the NSSC reciprocates by either answering the question/resolving the issue or by escalating it to the next level. Complicated issues/questions that are not able to be resolved by a customer support representative are forwarded to subject matter experts and, finally, to an inherently governmental (IG) subject matter expert.

Center liaisons are the focal point between the Center customers and the NSSC, and they manage the relationship between the two. They are an important conduit to the NSSC from the customer regarding NSSC performance, completion of activities, and customer satisfaction. Center liaisons ensure efficient and effective administration of NSSC services and work to improve performance and customer service.

Customer Service at the NSSC
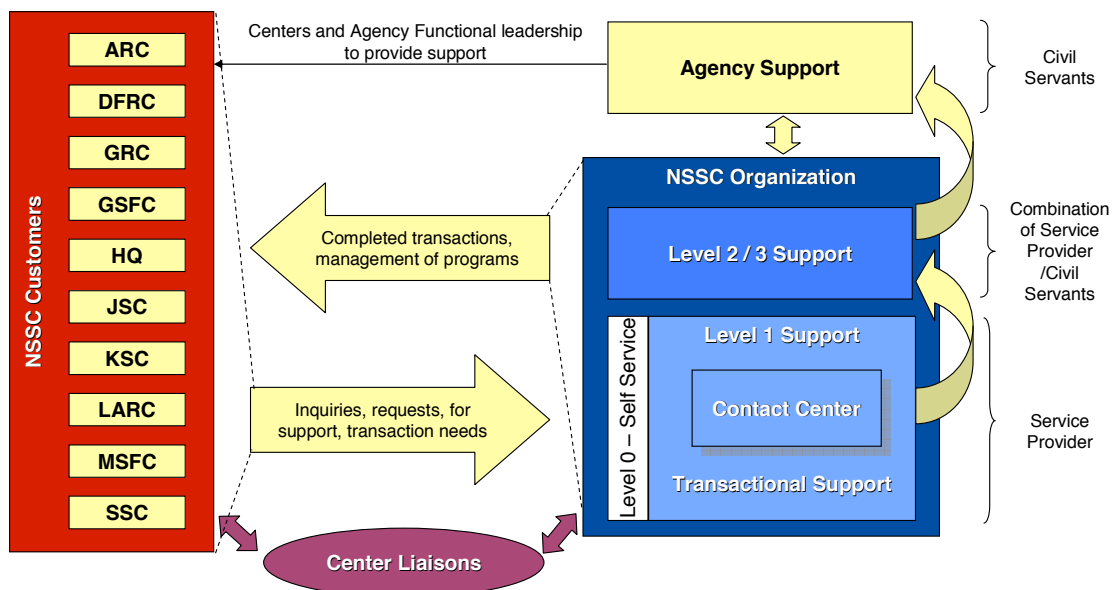
3.3.   Sample Allocation Variables

The NSSC allocation variable is the basis for billing used by the NSSC to track work accomplished, to track cost, and to monitor Service Level Agreements (SLAs). Sample allocation variables for select business and technical services are provided below:

Financial Management

Service	Unit of Measure
Domestic Travel	# of Domestic Voucher Payment
Foreign Travel	# of Foreign Voucher Payments
Payroll & Time Attendance Processing	# of W-2s
Accounts Payable	# of Invoices & IPAC Payments
Accounts Receivable	# of Billings & Collections

Human Resources

| Service	Unit of Measure
Support of Personnel Programs	# of W-2 Forms
SES Case Documentation	# of SES Appointment/Nomination Packages Released
Employee Benefits	# of W-2 Forms
Recruiting Event Logistics	# of Recruiting Events
Personnel Action Processing and Record Keeping	# of Personnel Actions and Record Keeping Transactions

Procurement

Service	Unit of Measure
Agency Procurement Services	# of W-2 Forms
Grants	# of Grants Awarded

Training Purchases

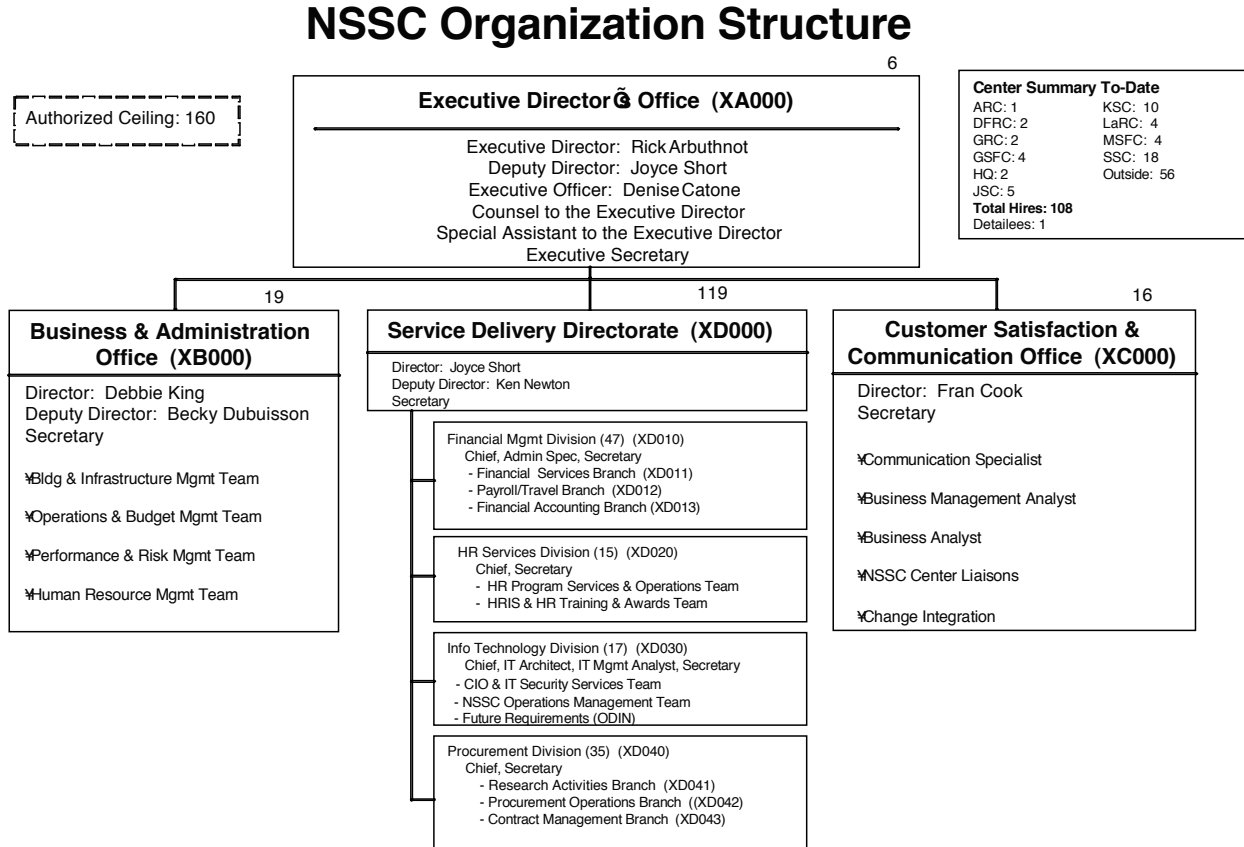| Service	Unit of Measure
Payment of Training Purchases (On-site/Off-site)	$1 of Training Cost
Training Purchases (Off-site)	# of Individual Registrations Resulting is a Purchase: 1. Purchases < or = $2500, 2. Purchases > $2500 and < $25,000, 3. Purchases = or > $25,000 of Training Classes Resulting in a Purchase: 1. Purchases < $25,000 (COTS Only), 2. Purchases = or > $25,000 and all Non-COTS
Training Purchases (On-site)	

3.4.   NASA Organizational Chart

The NASA Shared Services Center (NSSC) can be located under Mission Support Offices, under the Institutions and Management Branch.
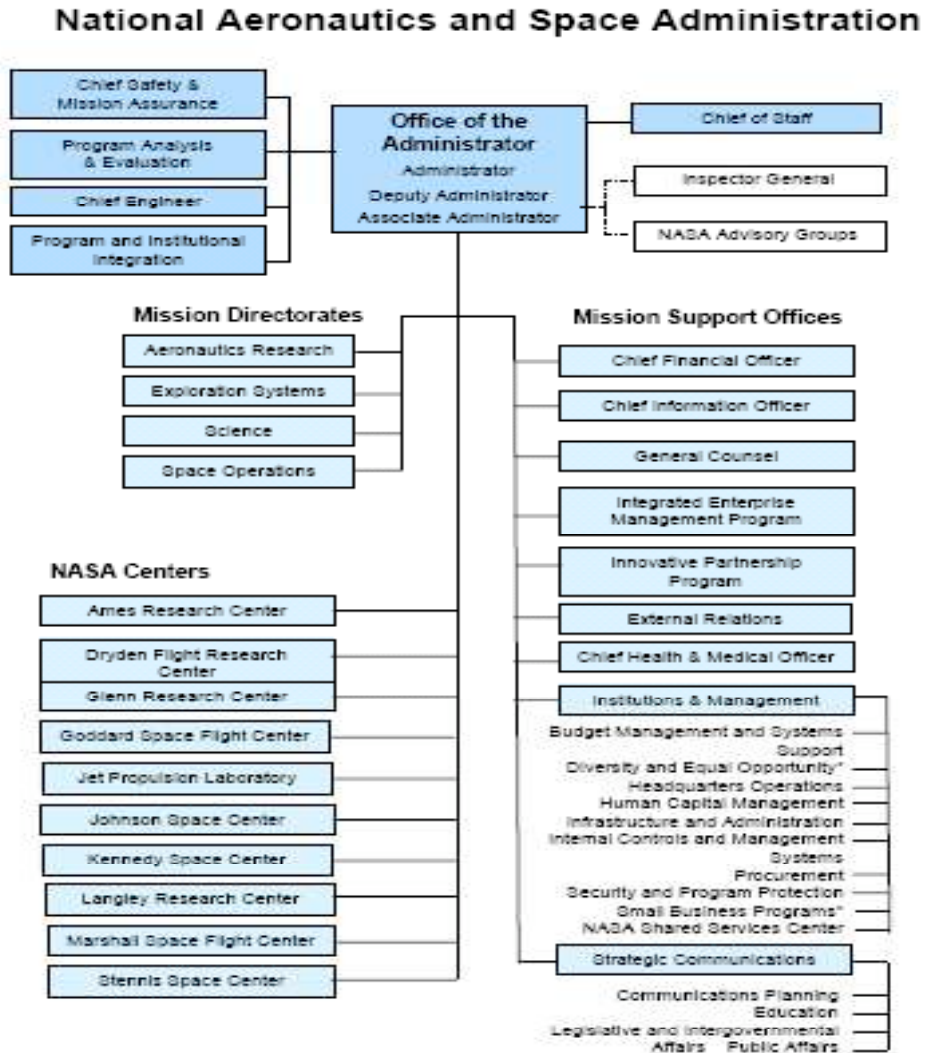
3.5.   NASA/NSSC Organizational Chart

The NSSC is an integrated organization. This means that the staff is comprised of NASA Civil Service personnel (33%), as well as Service Provider Contractors (66%). There are a nominal number of Support Contractors (1%) available to NSSC. The total staff is estimated to peak at just under 500 employees by October 31, 2008, when all planned services have fully migrated into the NSSC. The staff represented in the organizational chart below reflects civil service personnel only. The authorized ceiling for civil service personnel is 160 staff members.

NSSC Organization Structure

6

Authorized Ceiling: 160

Executive Director's Office (XA000)

Executive Director: Rick Arbuthnot
Deputy Director: Joyce Short
Executive Officer: Denise Catone
Counsel to the Executive Director
Special Assistant to the Executive Director
Executive Secretary

Center Summary To-Date
ARC: 1	KSC: 10
DFRC: 2	LaRC: 4
GRC: 2	MSFC: 4
GSFC: 4	SSC: 18
HQ: 2	Outside: 56
JSC: 5	
Total Hires: 108	
Detailees: 1	

19	119	16

Business & Administration Office (XB000)

Director: Debbie King
Deputy Director: Becky Dubuisson
Secretary

¥Bldg & Infrastructure Mgmt Team

¥Operations & Budget Mgmt Team

¥Performance & Risk Mgmt Team

¥Human Resource Mgmt Team

Service Delivery Directorate (XD000)

Director: Joyce Short
Deputy Director: Ken Newton
Secretary

Financial Mgmt Division (47) (XD010)
Chief, Admin Spec, Secretary
 - Financial Services Branch (XD011)
 - Payroll/Travel Branch (XD012)
 - Financial Accounting Branch (XD013)

HR Services Division (15) (XD020)
Chief, Secretary
 - HR Program Services & Operations Team
 - HRIS & HR Training & Awards Team

Info Technology Division (17) (XD030)
Chief, IT Architect, IT Mgmt Analyst, Secretary
 - CIO & IT Security Services Team
 - NSSC Operations Management Team
 - Future Requirements (ODIN)

Procurement Division (35) (XD040)
Chief, Secretary
 - Research Activities Branch (XD041)
 - Procurement Operations Branch ((XD042)
 - Contract Management Branch (XD043)

Customer Satisfaction & Communication Office (XC000)

Director: Fran Cook
Secretary

¥Communication Specialist

¥Business Management Analyst

¥Business Analyst

¥NSSC Center Liaisons

¥Change Integration

3.6.   NASA/NSSC Operational Governance Structure - Board of Directors

The NSSC is governed by a Board of Directors that is responsible for providing leadership and vision. The Board reviews and approves strategic direction, establishes policy, provides customer advocacy and communication, reviews and approves metrics and key performance indicators, and provides evaluation input for the NSSC Executive Director and Deputy Director.

The Board is comprised of the Chair, who holds the position of Associate Administrator for Institutions and Management; four (4) permanent members: the Chief Financial Officer, the Chief Information Officer, the Assistant Administrator for Office of Human Capital Management, the Assistant Administrator for Procurement; and four (4) Rotating Center Representatives and one (1) Rotating Mission Area Representative (Current members include JSC, GRC, GSFC, ARC and Exploration Systems). Board meetings are held on a quarterly basis.

3.7.   Results Achieved / Return on Investment

In addition to achieving standardized and specialty services that are more consistent, timely, and of higher quality, NASA also projected and experienced substantive cost savings:

- Operational efficiencies would allow the redeployment of staff and budget back to core mission needs;

- Standardized business and specialty services that were more consistent, more timely, and of higher quality

- Substantial cost savings, originally estimated at $6.6 million per year (after completion of the 3-year transition period), is now expected to average in excess of 13.5 million per year

The collection of charts and graph below reflect NSSC and Center projected costs as of January 2008. The payback period on the initial investment of $28 million dollars was originally forecasted at 3.23 years. This timeframe was adjusted due to Hurricane Katrina, which devastated the Gulf Coast just one week after the implementation plan for NSSC was initiated at Stennis Space Center (SSC) in Mississippi. The forecast was adjusted, and the break even date is now forecasted at 3.54 years, or April 15, 2009. The NSSC expects to be on time or ahead of schedule in meeting this revised target date.

NSSC and Center Projected Costs
Jan-08

	2006	2007	2008	2009
Center Costs FY02 Center Provided	$ 28.1	$ 52.7	$ 68.9	$ 72.2
Center Costs FY02 w/New Business	$ 28.1	$ 53.8	$ 72.7	$ 73.7
NSSC (Full Costs)	$ 30.3	$ 42.3	$ 57.7	$ 60.5
NSSC (Full Costs) w/New Business	$ 30.3	$ 42.8	$ 58.3	$ 61.4
Agency Avoidance	$ (2.2)	$ 11.0	$ 14.3	$ 12.2

$Millions

Drivers		Impact				
Date	**Description**	**NPV ($M)**	**Payback (# years)**	**IRR (10 yrs)**	**Savings ($M)**	**Break Even Date***
Apr-05	Pre-Katrina Initial Calculation	81.1	2.69	61%	NA	08-Jun-08
Feb-06	Post-Katrina Adjustment	79.6	2.83	66%	95.3	29-Jul-08
Apr-07	Approved New Business+$26M Start Up Funding	71.1	3.54	42%	86.6	15-Apr-09
Oct-07	FY07 Actuals Update+New Business Adjustment	77.9	2.95	52%	93.7	11-Sep-08
Jan-08	Agency Delay in AP/AR/FBWT	77.6	3.23	48%	93.9	22-Dec-08

*From 1 Oct05. Official NSSC baseline Break Even Day is 15 Apr 09. Original savings projected at $6M to $8M per year.

3.8.　Lessons Learned

The following are lessons learned, shared with the KB/FMP Team during a telephone interview with the Executive Director, NASA NSSC.

- "The process took too long and we were too slow." NASA went through three different Administrators during the transition. Each time an Administrator changed, the process had to be revisited and re-justified. It took NASA five years to accomplish this project – it should have taken two. Our best advice is to "just do it!" Another primary reason for this advice is that data, technology, key people, etc., simply change over time. You need to collapse the window, or too much work needs to be re-justified, re-confirmed, and re-sourced.

- Second, you "need to make sure your portfolio is on target the first time." This means that getting the planning component right is essential. Spending time on things that should not be in your portfolio is wasteful. Conversely, "learning about something after the project is well-underway that should have been in your plan is even worse."

- Third, "shared services" requires a different staffing model. You can describe this model to people, but in the final analysis, they won't really know what they are getting into until they arrive – especially HR staff members." This is a "high volume environment – you are going after economies of scale." You need to prepare your people for this change in culture upfront as part of the overall change. Change Management planning and training is key up front. "The simple truth is that shared services has a slightly higher turnover rate, and this should be factored into the equation."

- Fourth, moving to a shared services environment is a significant cultural change. NASA had "considerable resistance to overcome." Employees and managers had become accustomed to receiving personal services at the Centers and did not want to have to learn new business processes and/or how to interact with unfamiliar individuals at a remote site. In addition, Center managers felt uneasy about having services provided by an entity that no longer reported directly to them. Finally, employees directly affected by the change did not want to see their jobs and work environment altered dramatically. The key to a successful shared services implementation is effectively managing the change process from the start, and ensuring a high level of communication at all levels throughout the organization.

4. SMALL BUSINESS ADMINISTRATION REPORT

4.1. Agency Profile

The U.S. Small Business Administration's (SBA) mission is to promote small business development and entrepreneurship through business financing, government contracting, and management assistance. The SBA also works with other federal agencies to reduce regulatory paperwork and paperwork burdens on small businesses. In addition, it serves as the government's long-term lender to homeowners, renters, and businesses affected by disasters.

The SBA's current business loan portfolio of roughly 219,000 loans is worth more than $45 billion.

Through an extensive network of field offices and partnerships with public and private organizations, the SBA delivers its services to people throughout the United States, Puerto Rico, and Guam.

The SBA currently employs about 2,000 regular employees. However, this number can swell to 4,000+ employees in times of disaster.

4.2.   SBA Organization

Steven C. Preston was sworn in as the Administrator of SBA in June of 2006. Prior to his confirmation, Preston was Executive Vice President of the ServiceMaster Company, a major franchising organization with thousands of small businesses in its network. Preston had also served as Chief Financial Officer of ServiceMaster. He previously had been Senior Vice President and Treasurer for First Data Corporation, and an investment banker at Lehman Brothers. Once onboard at SBA, Preston had the opportunity to fill a number of significant leadership positions on his executive management team, to include the Deputy Administrator, SBA; Associate Administrator for Field Operations; and the Chief Human Capital Officer.
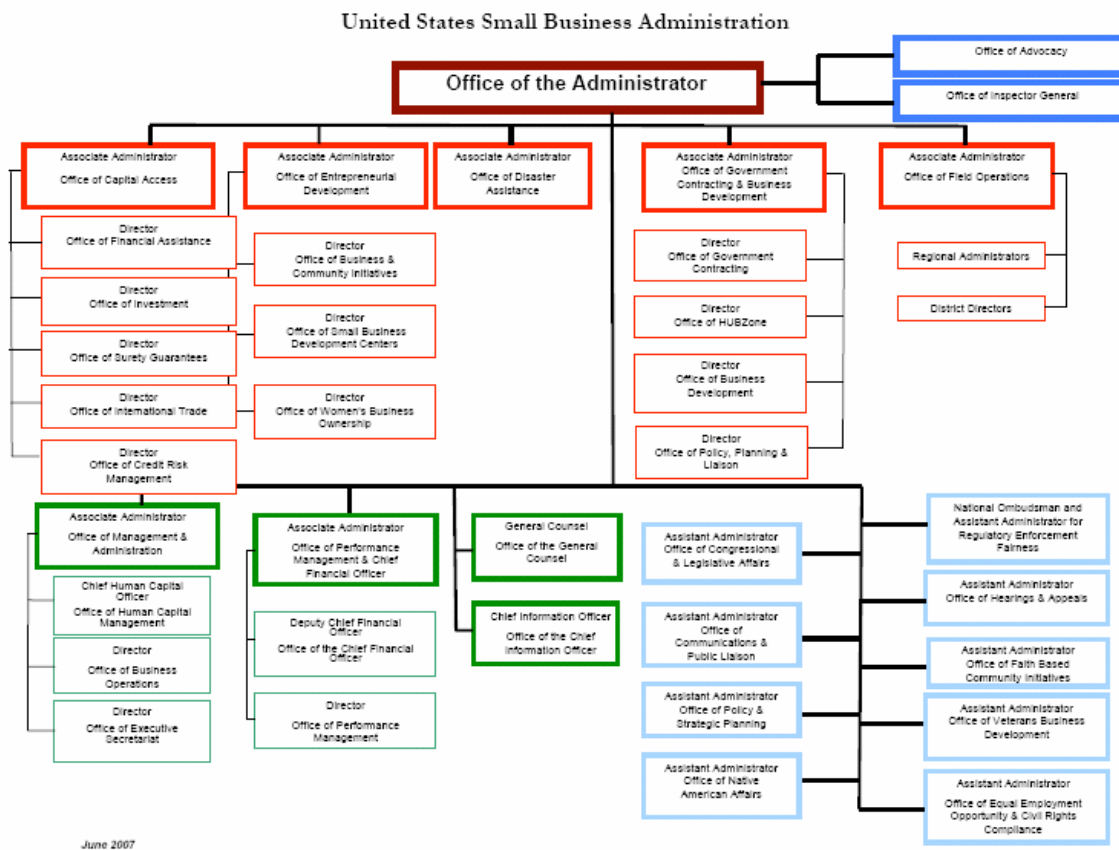
4.3.　SBA Reform Agenda

In the fall of 2005, Hurricanes Katrina, Rita, and Wilma devastated areas along much of the Gulf Coast. The U.S. Small Business Administration (SBA) was overwhelmed and strained to provide disaster recovery loans to survivors.

SBA's core program areas, government contracting, and business loans, which had previously received harsh criticism for being "bureaucratic, complicated, and non-transparent," were ill-prepared to handle this triple disaster.

The situation at SBA was compounded by a forced reduction across-the-board of almost one third their total budget in the previous five years (31%). This had created stress and frustration among SBA employees, many of whom felt "under trained, over-taxed and unclear regarding agency direction."

Upon confirmation in the summer of 2006, Administrator Steve Preston initiated a systematic agency reform. By the fall of 2006, Preston personally led a restructuring of SBA's disaster loan process designed to focus on fast response, customer service, and employee accountability and efficiency. The backlog quickly began to drop. What follows is how Preston led this reform.

4.4.　Disaster Loan Assistance Program

Following Hurricanes Katrina, Rita and Wilma in the fall of 2005, the SBA received and processed 422,729 loan applications, of which 364,000 were for homeowners, and over 58,000 were for businesses. From the 422,729 total, SBA approved over 160,000 loans for almost $11 billion. By July 2007, the dust had settled, and many of those who had filed for loans had either cancelled or withdrawn their applications. The net number of disaster assistance loans ultimately awarded totaled just under 120,000, adding up to $6.9 billion. However, in the process, SBA came to the realization that its system for processing disaster assistance loans was grossly inadequate and needed to be reengineered.

SBA had never before in its 52-year history confronted a disaster of this magnitude. The closest was the 1994 Northridge Earthquake in California, which paled in comparison. Following the Northridge disaster, it took one year to reach 250,000 applications and $4 billion in loan requests. SBA had no prior precedent to fall back on. They realized they needed to come up with a new game plan.

While they had managed to get the loans processed by the summer of 2006, they still needed to get the loans closed and disbursed. Due to a multitude of factors, it took months from the time of approval to close a loan and then disburse the funds. Upon his arrival in the summer of 2006, Preston made this problem his top priority.

First on his agenda was to get the approved disaster loans out the door. He began by meeting with staff members from around the country and getting their input on how the process could be improved. An accelerated disaster response initiative was quickly formed, which

dramatically shortened response times, improved quality, increased borrower support, and eliminated process backlogs. SBA utilized an integrated (cross-functional) team approach to solve this problem and reduce the backlog. Staff members from across the organization were brought together to form high-performance work teams led by a case manager (i.e. teams of 15 – 18 members each comprised of staff members from legal, financial, administration, and other support areas). The job of the cross-functional team was to "proactively" seek out and contact SBA applicants to determine impediments, if any, to closing a loan. The case manager and the team would work out the impediment and expedite the disbursement. The idea was to expedite the process, improve loan quality, reduce system errors and enhance the borrower/customer experience. The loan modification backlog quickly dropped from 2.5 months in July 2006 to 10 days by January 2007. It continues to remain stable at this level.

Based on this experience, Preston recognized the need for systematic reform throughout the agency. With the help of his executive management team, the 2007 Reform Agenda, which was formally presented by Administrator Preston as part of SBA's FY 2008 budget request to the Small Business Entrepreneurship Committee on February 28, 2007, was formed.

4.5.   Results Achieved / Return on Investment

Highlights of this agenda, which were rolled out throughout the 2007 calendar year are provided below:

- Investing in the agency's human capital through job skills training, mentoring programs, succession planning, and proactive recruitment of highly qualified staff and implementation of an automated personnel records system

- Setting agency records for both the combined number and dollar volume of loans in Fiscal 2008. 110,275 loans totaling more than $20.6 million under its two primary small business loan programs were approved during the 12 month period ending September 30, 2007.

Organizational Effectiveness / Streamlining Operations

- Upgrade of the Disaster Management Credit System to accommodate 8,000 concurrent users versus 2,000

- Loan Reform Initiative announced, including a simplified operating procedure for lenders, a streamlined purchase guaranty process and a plan to eliminate backlogs at the Herndon, VA facility (10/07)

- SBA successfully centralized 7(a) loan originations in Sacramento, CA and 504 servicing in Fresno, CA resulting in a loan approval average of less than three days at a cost savings of $18 million per year (11/07)

- Process integration of loan disbursements achieved through employee engagement, basic workload analysis, and capitalizing on opportunities realized from systematic process improvements

- Field Staff Allocation Model was created for the recruitment and staffing of replacement positions for Field Operations to ensure transparency, equity, and consistency in the allocation of human resources. Based on the fact that the number of budgeted positions is fixed (900+) and that SBA facilities must be staffed (i.e. Branch Offices, Alternative Work Sites) with a minimum number of personnel, the Performance Management Office (PMO) developed a Field Staff Allocation Model. This model is used to make hiring decisions and staffing adjustments based on "relative staffing levels" between locations, as job vacancies and shifts in workload occur. This model has received broad acceptance throughout Field Operations by management and employees alike because it is open, fair, and easy to understand.
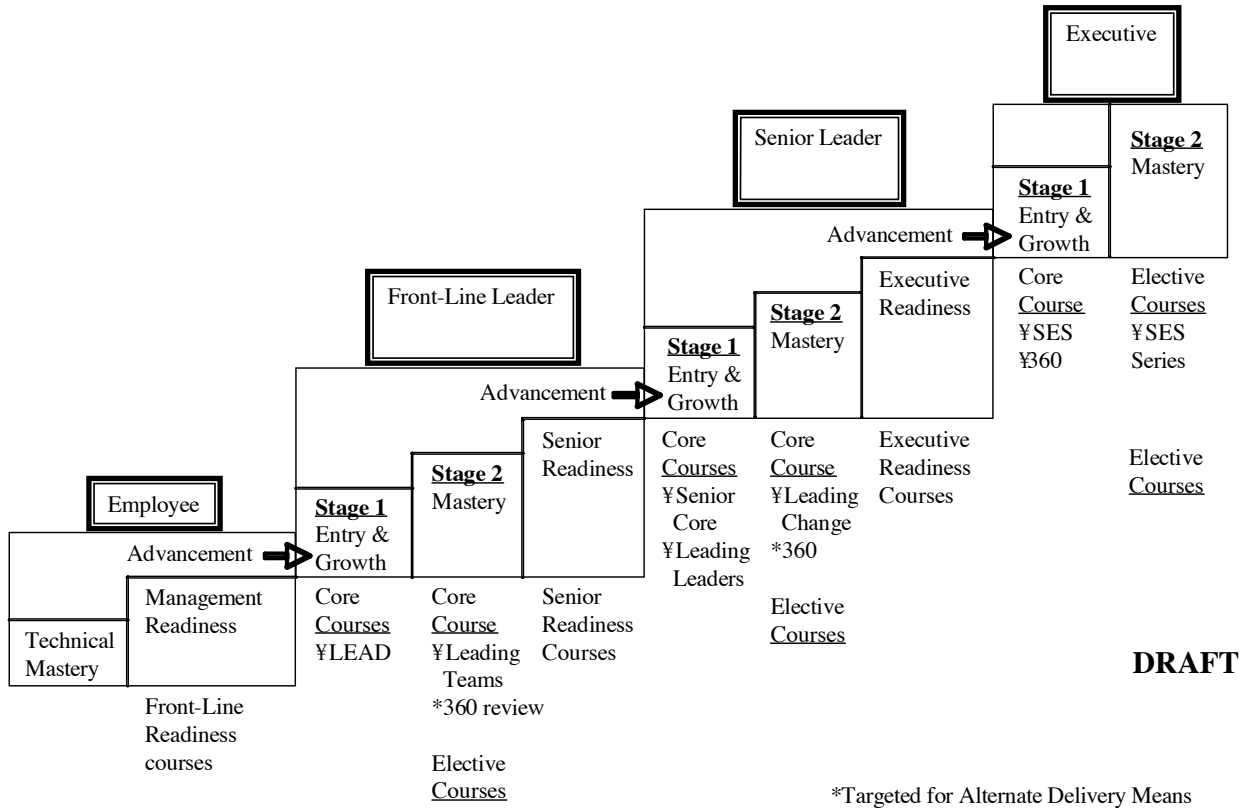
Continuous Process Improvement

- Enhanced monthly performance management reports instituted in July 2007 to closely track agency operations, goals and priorities at request of Administrator Preston

- Measurement systems are monitored through the Performance Management Office (PMO). Results are generated for the Administrator and senior leadership on a monthly and ad hoc basis for use in running the business of the agency and in meetings with direct reports.

- Lean Six Sigma concepts are introduced into the loan processing center, including tracking performance management indicators (November, 2007)

Focus on Employee / Leadership / Customer Development

- SBA established an Executive Development Council (EDC) to provide executive direction, oversight, and support for the development of a strong leadership team within the SBA to meet the challenges of today, as well as build and lead the SBA organization of the future. This includes the identification and continuous development of leaders at all levels of the organization (see SBA Development Framework below).

- The first-ever SBA University was held in August, 2007, making this the largest training effort in SBA's history. More than half (1300) of the agency's 2000 regular employees received a week of comprehensive training on topics including contracting, loan processing, customer service, administration, marketing, and public affairs.

- Administrator Preston and the executive management team participate in a week-long training session on change management, improving efficiency, and leading with results. Lean Six Sigma practices were the training's primary focus (September 2007)

- Also in 2007, the agency introduced an online interactive Small Business Readiness Assessment tool to help individual customers prepare for entrepreneurship (Note: over 125,000 users to date).

SBA Development Framework

Executive

Senior Leader

Stage 1
Entry &
Growth

Stage 2
Mastery

Advancement ➡

Core
Course
¥SES
¥360

Elective
Courses
¥SES
Series

Executive
Readiness

Front-Line Leader

Stage 2
Mastery

Advancement ➡

Stage 1
Entry &
Growth

Elective
Courses

Senior
Readiness

Core
Courses
¥Senior
Core
¥Leading
Leaders

Core
Course
¥Leading
Change
*360

Executive
Readiness
Courses

Employee

Stage 2
Mastery

Advancement ➡

Stage 1
Entry &
Growth

Elective
Courses

Management
Readiness

Core
Courses
¥LEAD

Core
Course
¥Leading
Teams
*360 review

Senior
Readiness
Courses

Technical
Mastery

Front-Line
Readiness
courses

Elective
Courses

DRAFT

*Targeted for Alternate Delivery Means

Improvements to the disaster assistance process included:

- Creation of an accelerated loan application decision process

- Improved processes and tools for loan closing and fund disbursement

- Transparent, meaningful data to better manage operations

- Consistent adherence to policy through training and internal QA

- Better coordination with non-disaster field staff

- Improved harmonization across disaster center operations, to include creation of high-performance, cross-functional teams led by case managers

- Development of contingency plans/playbooks, so that staff are able to handle a crisis of the magnitude of the Gulf Coast Disaster again with far less difficulty. They will be prepared the next time.

Agency transformation does not have to be a long and arduous process if your employees are onboard and engaged in the process. The 2007 Annual Employee Survey results below reflect that SBA's Reform Agenda is having a positive impact:

- Satisfaction with communication related to goals & priorities   ↑ 11%

- Information from management   ↑ 15%

- Relevant knowledge and skills to accomplish goals   ↑ 13%

- Satisfaction with the training provided   ↑ 13%

- SBA's leaders generate motivation and commitment   ↑ 17%

- High level of respect for organization's senior leaders   ↑ 21%

4.6.   Lessons Learned

The lessons learned were gathered from SBA's 2007 Year in Review, the SBA 2007 Annual Employee Survey Results (which were published on the SBA website), and from SBA leadership interviews.

- Top Leadership buy-in key: Administrator Preston personally visited more than half of SBA's 68 district offices in 2007. His personal commitment to employee communication throughout the process was and is highly visible throughout the organization.

- Consensus among SBA management interviewed is that Administrator Preston's hands-on leadership style, commitment to employee engagement, and reliance on performance measurement systems to gauge organizational effectiveness and improvement are the most influential factors impacting the success of SBA's Reform Agenda

- SBA's accomplishments in 2007 will enable the agency to more effectively foster small business ownership in general and help people to quickly get back on their feet after disasters in the future

- Leadership at all levels of management was key in bringing about a successful Reform Agenda so closely on the heels of the Gulf Coast Disaster of 2005. SBA was ready, but the right leader(s) needed to be in place. (e.g. establishing change agents to champion)

- SBA's standard operating procedures and training plans have all been updated to reflect current practice. A process is now in place to provide for their ongoing maintenance and coordination.

5. **S<small>UMMARY OF</small> O<small>VERARCHING</small> S<small>HARED</small> F<small>INDINGS BETWEEN</small> A<small>GENCIES</small>**

As the benchmarking process got underway, and the report started to take shape, common themes, cross-cutting strategies, and best practices between the three Agencies (FS, NASA, and the SBA) became obvious. In order for FSA to benefit from these shared findings, they are grouped together here for further discussion and analysis.

5.1. Common Themes

- Visible, hands-on, consistent leadership from the top all the way through the organization

- Organizational effectiveness/continuous improvement

- Employee engagement/commitment to employee communication

- Critical planning/measurement/execution

- Change management training

5.2. Cross-Cutting Strategies

- Process integration/technology driven systems improvement

- Leadership/employee /customer development

- Performance measurement/performance metrics/balance scorecard approach

5.3. Best Practices

- Cross-functional work teams/subject matter experts

- Business Process Reengineering (BPR)

- Change Management planning, strategies and training

- Communication planning and execution

- Lean Six Sigma/"What gets measured gets done"

6. STUDY RESOURCES

Primary Reference / Information Sources: USDA Forest Service (FS)

- Telephone interview: Jacqueline Myers, Associate Deputy Chief for Business Operations, Executive Sponsor for HCM

- Telephone interview: Kathy Burgers, Director, Human Capital Management

- Telephone Interview: Stephen Deep, Branch Chief, Workforce Planning & Program Analysis

- Telephone interview: Hank Kashdan, Deputy Chief for Business Operations, Executive Sponsor for IT

- USDA Forest Service Business Operations Transformation Assessment Phase 2 Report – June 20, 2006

- USDA Forest Service Briefing, Business Operations Transformation Program, Executive Briefing, November 8, 2006

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- USDA Forest Service Transforming Public Organizations: Observations, Challenges and Lessons Learned, Successes and Benefits – March 2007

- USDA Forest Service "What's Ahead for A-76" National Council for Public-Private Partnership's A-76 Workshop, May 2007

- Forest Service WO/RO/Area Transformation Case for Change – June 20, 2007

- USDA Forest Service Budget Justifications: FY 2008; FY 2009

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- Telephone interview: Richard Arbuthnot, Executive Director, NASA NSSC

- Telephone interview: Ken Newton, Deputy Administrator, Service Delivery, NASA NSSC

- NASA Shared Services Implementation Plan - 2003

- NASA Shared Services Center – Brief History – 2007

- NSSC Executive Update – February 7, 2007

- NSSC Executive Update – May 7, 2007

- NSSC Service Level Agreement Contract – FY 2008

- NASA NSSC Balanced Scorecard Measures – FY 2008

- NASA NSSC – Performance & Utilization Report – 12/07

- NASA NSSC and Center Project Costs / ROI Status – 1/08

- NASA / NSSC – Service Level Agreement – Fiscal Year 2008 (Revision 3)
  https://searchpub.nssc.nasa.gov/servlet/sm.web.Fetch/NSSC_Service_Level_Agreement__FY_2007__Final_with_Signature.pdf?rhid=1000&did=1830&type=released

Primary Reference /Information Sources: Small Business Administration (SBA)

- Personal interview: Napoleon Avery, Chief Human Capital Officer, SBA

- Personal Interview: Bill Manger, Director, Field Operations, SBA

- Telephone Interview: Jennifer Main, Associate Administrator for Office Performance Management, and Chief Financial Officer, SBA

- Personal Interviews: Christine Koronides, Financial Analyst, SBA; Gordon Goeke, Financial Specialist, SBA

- Management & Administration Scorecard Report: January 2008

- Charter – Executive Development Council & SBA Development Framework (Draft Documents)

- SBA Standard Operating Procedure – Alternate Work Sites (12/20/05)

- SBA FY 2007 - Performance and Financial Highlights Report

- SBA 2007 – The Year in Review

- SBA Congressional Testimony: 2006, 2007

- SBA Press Releases: 2006, 2007, 2008

- SBA Field Staff Allocation Model: 6/20/07