



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

FEB 13 2004

MEMORANDUM

To: William Leidinger
Assistant Secretary
Office of Management

From: Cathy H. Lewis
Assistant Inspector General
Evaluation, Inspection, and Management Services

Subject: Lessons Learned from Phase I and Suggested Changes
for Phase II of the One-ED Strategic Investment Process

Executive Summary

This memorandum provides the results of OIG's inspection of the implementation of Phase I of the One-ED strategic investment process. OIG's objectives were twofold: (1) to evaluate the implementation of Phase I of the One-ED process, including the feedback from team members and the extent to which this feedback was incorporated into the recommendations for Phase II; and (2) to assess the anticipated/accomplished outcomes following the completion of the Phase I process. In the interest of providing timely feedback to the Department, this report addresses the first objective only. Objective 2 will be addressed in a subsequent report.

In our review of Phase I, we interviewed members of the nine teams and evaluated the extent to which the participant feedback compiled by the Office of Management (OM) Contracting Officer Representative (COR) was incorporated into the Department's lessons learned. We also identified some additional issues that need to be addressed.

Overall, we determined that the Department's goals for the One-ED process were not fully realized in the implementation of Phase I. From the perspective of the participants, the One-ED process was not employee-driven, with the majority of teams reporting that the business processes to be reengineered were given to them rather than being identified by the teams based on their examination of existing business processes and customer feedback. Many of the teams stated

that they believed the outcomes of their work were predetermined based on the Office of Management and Budget (OMB) quotas for competitive sourcing.

Team members reported that they felt unprepared for what they were asked to do and that the training provided was inadequate. Team members also stated that the reengineering process was not well defined and constantly changed directions, resulting in confusion among the team members. All but one team expressed concern that their Activity Based Costing used unreliable data.

We also found that some teams did not effectively include participants from all of the program offices that would be impacted by their reengineering or competitive sourcing proposals. Furthermore, we found that often only a small part of each office was reviewed as part of the One-ED process. There appeared to be a lack of budgetary planning, which resulted in some teams completing the process without sufficient consultant support and there was an insufficient opportunity for customer input into the reengineering process. Finally, the overall quality of the business cases could be improved.

The lessons learned document prepared by the One-ED Steering Committee addressed some of the issues raised by participants; others were not addressed at all.

Recommendations:

Based upon our inspection, we recommend that the Department:

1. Take steps to ensure that this is truly an “employee-driven process,” and that employees, with the support of the consultants, are identifying the primary business processes to be reviewed.
2. Ensure that teams have an adequate period of time in which to:
 - fully understand existing business processes
 - collect and evaluate a full range of customer feedback
 - collect actual sample data to be used for costing purposes.
3. Expand participation, as appropriate, to include individuals outside of the primary component whose job could be affected by the business case analysis.
4. Ensure that adequate funds are identified to support the entire strategic investment process.
5. Ensure that customers are included as an integral part of any reengineering discussion, including identification of issues and proposed solutions.
6. Provide additional training/information on how business cases can be constructed to more clearly illustrate why a process is being reengineered, how quality will be maintained in the new process, and to provide the data used to support the assertions made in the document.

Background

In 2002, the Department initiated Phase I of the One-ED business improvement process. Nine employee teams, representing human resources and training, legal review, audit review, payment processing and postsecondary education policy business functions were included in Phase I. Working with consultant support, these teams were directed to use the One-ED Strategic Investment Process to (1) identify the primary business processes to be reviewed within their business function; (2) define the current state of each process, including costs and resources; (3) benchmark better ways of doing the business process; (4) design an improved, reengineered business process, which identified the benefits to be realized through the reengineered process; and (5) prepare a business case analysis with recommendations for the improved business process. Upon completion, the business case analysis was presented to the Executive Management Team (EMT) for a decision on whether the business function should be reengineered as proposed or subject to competitive sourcing. This determination was to be based on the "best value" solution, taking into account not only cost, but also quality and service.

At the conclusion of Phase I of One-ED, the Contracting Officer Representative (COR) for the One-ED consultant contract met with all Phase I team members and the One-ED Steering Committee members to obtain their feedback on four areas: the overall process, communication, business case analysis and the role of the consultant. The objective of this exercise was to gather participant data on reactions to these elements of Phase I so that they could be incorporated into suggestions that could be used in Phase II to improve the process. The data was gathered with the understanding that specific comments would not be attributed to any one person or team. The COR found the goals for the overall process and communication were only partially met. The goals for business case analysis were not met and the consultant's role was not well defined. The COR compiled a document detailing some (but not all) of the comments gathered during her sessions. This information was then used by the Steering Committee to generate a list of lessons learned.

As part of our evaluation, we reviewed all documentation provided by the COR and we interviewed Phase I team members. We also reviewed the lessons learned document prepared by the One-ED Steering Committee, a copy of which is found in Appendix A.

Objectives: How was Phase I implemented, what was the feedback from participants, and to what extent was the feedback incorporated into the recommendations for Phase II?

Issue #1: One-ED as an Employee-driven Process

The Department has characterized One-ED as an employee-driven process. The employee participants disputed this characterization.

Reengineering is a well-recognized business tool for assessing and redesigning a business process to better accomplish critical objectives, such as service delivery and timeliness. The critical first step in any reengineering effort is to accurately identify the problems to be addressed. Typically, organizations identify processes which are dysfunctional, which have the greatest impact on customers and which are the most feasible to redesign.

From its inception, the One-ED strategic investment process was described by the Department as an employee-driven process, with employee-led teams responsible for identifying the business problems to be addressed and, with the assistance of the consultants, working their way through the five-step strategic investment process. However, in OIG and the COR interviews, six of the nine teams reported that the decision as to what process was to be reengineered was made outside the team. Three teams stated that their identification of problems was "overruled" by the consultants, who told them what they were expected to examine. One group reported that their limited customer survey identified one area as their strongest area, and thus not something they proposed to reengineer. However, they were advised that the goal was to identify "a larger percentage of [their] group" for "competitive sourcing," so the area identified as a strength was included in the reengineering process. Only three teams reported using some process to try to identify business areas for review. For example, one team used a Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis. Six of the teams reported that no statistically valid data was provided to them to support why the functions to be reviewed were selected.

Six out of nine teams indicated that they believed the decision to go to either competitive sourcing or reengineering was determined before any of their work was completed. Five teams reported that they did not believe anyone listened to their recommendations and six teams reported that they were essentially told what business processes they were going to review and how they were going to review them.

Team members also provided feedback on team selection and the range of participants. While some team members assumed they were chosen for their knowledge and expertise, most team members were unclear as to why they were selected.

The Department's concept that the teams should be employee-driven was consistent with good practices in this area. Many "best practices" in the A-76 arena (especially from the Department of Defense) indicate that while consultants are needed, the clear understanding has to be that the employees

take the leadership role, not the consultants;¹ however, One-ED team members, as a group, did not believe that they were truly leading their teams or were empowered, with consultant support, to make decisions regarding any aspect of the process.

The lessons learned document does not address these concerns. The document does recommend for Phase II that the consultant take **more** of a leadership role. (Emphasis added). It is not clear how such a change will address the participants concerns or ensure that One-ED is indeed an employee-driven process.

Issue #2: Confusion Surrounding the Strategic Investment Process

The Strategic Investment Process was not well-defined and according to team members directions frequently changed. The team members also reported that they did not have enough time to complete their work.

Initially, Phase I of the Strategic Investment Process was designed to be a pilot; however, as implemented, it was expanded to include nine teams. Members of the teams reported that OM and the contractor appeared to lack reengineering expertise, resulting in misunderstanding and confusion throughout the process. Eight of the nine teams reported that directions often varied, decisions were inconsistent, and the "rules" changed throughout the process. For example, teams were told that the decision as to whether their function would reengineer or be competitively sourced would be based on the strength of their business cases. A strong business case for reengineering would result in no competitive sourcing effort. One team reported that they had proposed what they believed was an excellent reengineering of their process only to be told they had done such a wonderful presentation that the EMT had decided they should go into competitive sourcing. When they asked why, they were told that they had done such a good job that the EMT believed they would be in an excellent position to win a competition.

According to participants, the contractor's format required the completion of deliverables on an inflexible timeline. Three teams reported that this timeline did not permit the development of a complete baseline analysis. Additionally, these teams reported that they did not have a good sense of core business functions before they were required to identify reengineered solutions.

The Steering Committee's recommendation in this area was that team membership should remain constant during the entire business case process. They estimated that the process would take approximately eight months if the business process is reengineered, eight to ten months if the business process is competitively sourced, and ten to twelve months if the business process is

¹ Comments taken from the *Share-A-76* Best Practices site found at: <http://emissary.acq.osd.mil/inst/share.nsf/BestPracticesStep?openform>

competitively sourced and won by the team. The lessons learned document originally suggested that staff be detailed to OM for the duration of the process; however, this suggested change continues to be reviewed.

The teams participating in Phase I stated that they did not have enough time to complete their tasks. Additional time for the reengineering process and a more realistic estimate of the time commitment for team members will certainly assist this process. This recommendation does not, however, address the process consistency issues raised by participants or the general lack of understanding of the process on the parts of the team and others. Training is discussed further below; however, consistent with the discussion under Issue #1, the underlying participant perception of many was that results were pre-determined.

Issue #3: Lack of Data to Support Activity Based Costing

Without a defined, sound methodology for data collection on actual time spent on activities, the results produced by the Activity Based Costing (ABC) model that was relied upon by the consultants and incorporated into the businesses cases cannot provide reliable information upon which to base management decisions.²

The ABC framework requires that users identify activities that are connected with a process and the time required to complete each individual step. The activity and time data is then used to derive the cost associated with a given activity. In One-ED, the contractors used a model that had been developed for the private sector. Team members approximated the time spent on the activities being examined and entered that data into the model.

Only one of the teams participating in Phase I had actual data on time spent on specific activities. This team found a significant discrepancy between the results obtained when using actual data versus that yielded by the model employed by the contractor. Other teams reported that they used "guessed at" data in the decision-making process.

The lessons learned document recommends that this problem be addressed by assigning a single employee to work with the consultant on costing. This will not make the data more valid. The results of the ABC computation can play a major role in the compete/reengineering decision. Accordingly, the Department needs to give further consideration in Phase II to improving the quality of the data utilized.

² In response to questions about the model used, a member of the contractor staff responsible for ABC in Phase II stated that the results are an "educated guess." In Phase I, a 90-day data collection period had been proposed to provide more accurate information, but this was dismissed because it would have added too much time to the study.

Issue # 4: Need for Additional Training

All groups identified a need for additional/modified training; however, the additional training recommended in the lessons learned document may not be adequate.

All of the Phase I One-ED participants stated that training was inadequate. Specific areas highlighted, included preparation for doing the "as-is" analysis, completion of the ABC costing, and construction of the business case. They also stated that the training should be designed to meet the needs of the individual teams rather than just offering a "one size fits all" approach. The participants stated that they felt unprepared to take on the assignments they were given and often simply did whatever they were directed to do by the consultants.

Those teams that were recommended to undergo competitive sourcing were especially vocal in their frustrations over the lack of training provided them to fully understand that portion of the process, and their inability to talk to the experts from whom they needed advice because of "fire-walling."

Training on the mechanics of A-76 should precede implementation to ensure that team members have sufficient knowledge to complete the project.

The Steering Committee made two recommendations with respect to training:

- A day of training should be provided at the start of each phase of the SIP. This training would include an overview of the process and a closer look at the relationship of the pieces. An additional workshop has been developed for Phase II team members and managers.
- A short training session should be established for managers across the organization on the SIP. As noted above, managers who have staff involved in Phase II will attend the same workshop as their staff.

This limited additional training does not address all of the concerns expressed by the teams. It is unlikely that the additional training can prepare teams to perform activities for which they had no prior experience or knowledge. Also, the additional training does not address the A-76 training needed by those who are chosen to enter the competitive sourcing process.

Other Issues

In addition to the issues identified by the team participants in the Department sponsored feedback sessions, there were additional issues identified by our office as part of our inspection activities. These issues are discussed below.

Issue #5: Modifying the Reengineering Process When the Business Function Involves Others Performing the Same Function Across the Department

Depending upon the business process under consideration, participation in the preparation of the business case analysis may need to be expanded to include representatives from all impacted areas, not just those located within the component participating in the One-ED process.

Teams with crosscutting functions conducted surveys to determine what percentage of time was spent by individuals outside of their component on the business process under review. These surveys were the primary form (and in some cases the only form) of contact these individuals (or their Executive Offices) may have had with the development of the One-ED business case in question. In interviews with stakeholders outside of the component, it is apparent that many are unclear as to what impact the One-ED business solution may have on them.

The lessons learned document does not address this issue. Several cross component business functions are being examined in Phase II; however, other than a similar initial survey, there still appears to be no plan to afford impacted components more opportunity to participate in the process.

Issue # 6: Need to Expand the Scope of the Reengineering Effort to Include all of a Functional Unit

In Phase I, the One-ED teams looked at discrete business processes within their component. No team looked at all business functions within their component. The One-ED Steering Committee recommended that “[t]he Department should consider reviewing a total functional unit rather than selected processes.” However, it is not clear that this recommendation was followed in selecting the processes to be reviewed in Phase II. For example, while several OCIO business functions are included in Phase II, most of OCIO staff does not appear to be included in the process. Selections made for Phase II should be reviewed in light of the Steering Committee recommendation.

Issue #7: Need for Budgetary Planning

A budgetary shortfall in Phase I jeopardized completion of the process. The Departmental One-ED study team was put in place in January 2002, and concluded its initial work in April of that year. The One-ED report was released in June 2002. Work began almost immediately for the Phase I groups. Difficulties with the budget surfaced before the strategic investment process was completed for these teams. Team members and OM staff told us that the Booz-Allen contract was insufficiently funded and that some teams had to complete their work with more limited consultant assistance. As a result, some of the team members told OIG that they felt they had received inadequate support to complete their required deliverables. OM told us that because this activity was

new, they did not realize how much support would be needed, and they underestimated the amount of support teams would require.

In an interview with a member of the Budget Services staff, it was confirmed that a One-ED budget request for FY04 was made only for contractor support. No provision in the budget request was made for implementation of One-ED. Regardless of whether a process is reengineered or competed and eventually outsourced, there will be associated costs that need to be addressed. It is important that the knowledge gained in Phase I be used to allow for budgeting of adequate money for all teams in subsequent phases, and that dollars be budgeted in FY05 for implementation costs of either a reengineered or a competitive sourcing solution.

Issue #8: Insufficient Customer Input

There was little "customer input" into the Phase I business cases, yet such input is very important for any reengineering process.

Eight of the nine teams indicated that the limited surveys conducted as part of their reengineering process were focused primarily on obtaining data as to how much time employees were spending on the function in question. None of the surveys had wide distribution and were not sent to customers, internal or external, to identify what services were or were not being provided and what services were important to them. Any reengineered solution, whether it is competed or not, can impact stakeholders inside and outside the Department. From the beginning, such stakeholders have a critical role to play to ensure that problem areas are accurately identified and to ensure that services customers consider vital are not "reengineered" out of the process. A verification of how well a proposed solution meets customer needs could ensure that critical functions have not been reengineered out of a process.

Issue #9: Inadequate Business Cases

OIG examined the business cases for four of the groups that were provided to the Evaluation and Inspection Unit for evaluation. There were some general weaknesses identified in the cases as written. The business cases reviewed did not clearly define the problem the reengineered solution was to address. Therefore, it was difficult to ascertain the magnitude of the change being proposed or if it would have the required impact on the business problem being addressed. The business cases also failed to detail how increased quality will be ensured as costs are being reduced. Additionally, they do not provide details to support how the "optimum staffing level" was determined (i.e., why 18 staff members are needed to do a particular described function, not 10 or 28). No supporting data on the cost of competitive sourcing appeared in any of the business cases examined, nor did they provide an explanation of how these costs were determined. Finally, the business cases contained significant

unsupported assertions. For example, considering the very different services provided by the Training and Development Center (TDC) and FSA University, why was it "inherently inefficient" to have services provided by two different organizations? These quality issues should be addressed as part of the training for Phase II.

Conclusion

Participants in Phase I of the One-ED process identified several concerns with the manner in which the strategic investment process was implemented. While team members agreed that reengineering can be beneficial to an organization, it must be truly employee-driven, teams must be given sufficient time to evaluate current processes and to identify the specific problems to be addressed, reengineering process steps need to be clearly and consistently articulated and the teams need sufficient training to understand the process they are undertaking and the products they are to produce, and costing must be based upon valid data. In addition, when a business function involves stakeholders across the Department, those stakeholders need the opportunity to participate effectively in the reengineering process. When appropriate, reengineering efforts should include all of a functional unit. Comprehensive budget planning is necessary to support the reengineering process and there must be an opportunity for customer input into any reengineering process, particularly with respect to problem identification and proposed solutions. Finally, the quality of the business cases presented to the EMT need to be improved.

Departmental Response

We provided OM with a draft report. We have summarized OM's comments after each recommendation and also included them in their entirety as an attachment.

Recommendation 1: Ensure that this is an "employee-driven process" and that employees, with the support of the consultants, are identifying the primary processes to be reviewed.

OM stated that OIG appeared to confine its definition of an "employee-driven process" to whether or not the groups identified the business process to be reengineered. OM stated, an "employee-driven process" refers to employees being empowered to help transform the organization into a flexible, high performing, high integrity workplace through the analysis of the way current business (work process) is being conducted and defining a new way of doing work to achieve intended business objectives." OM goes on to state that while employees may participate in identifying what is to be reviewed, management has the responsibility to prioritize. OM concluded, "Phase I was an employee driven process where employees working with management identified and developed enhanced business processes." This was not the view of the majority of employee participants, as stated in the report and what OM has described is a process in which "employees may participate," not an employee driven process.

OM in its response indicated that a number of changes will be made in Phase II “to enhance the ability for employees to identify opportunities to enhance business operations and transform the organization....”

It is unclear whether the proposed activities will address the issues raised by the teams.

Recommendation 2: Ensure that the teams have an adequate period of time in which to fully understand existing business processes; collect and evaluate a full range of customer feedback; and collect actual sample data to be used for costing purposes.

OM indicates that they had to balance time with cost when allotting teams time to collect data on the business process being studied. According to OM, Phase II has been streamlined and more emphasis has been placed on (and more time allotted to) data collection will be included, and indicates they are undertaking a rigorous validation methodology.

OIG supports these activities and will monitor their implementation. Additionally, we have made a correction in the language in Item 3 in the appendix as requested by OM.

Recommendation 3: Expand participation, as appropriate, to include individuals outside the primary component whose job could be affected by the business case analysis.

OM responded “Phase II has established various methods to enhance the involvement of staff outside the primary component, including customer input through focus groups and interviews. The teams have also identified staff that participates as resources; these staff are tapped for their expertise, insight, ideas and ‘realization.’”

This response does not address the issue in which staff outside of the process being studied are part of the reengineered solution. For example, there are personnel specialists who are staff members of Principal Offices, not HR. They were not included in any study of HR process or the creation of the business case. However, if HR loses its competition, these staff members may be part of the “contracted out” solution. These are the staff members who should have been included from the beginning as part of the teams to give valuable input on their roles and activities. The OM response does not address this issue.

Recommendation 4: Ensure that adequate funds are identified to support the entire strategic investment process.

OM stated that it did have sufficient funds for all of the activities in the Strategic Investment Process. OM stated that the project did not commence on time,

resulting in the contractor being required to change its approach to meeting the teams' needs.

However, OM staff told OIG that the contract had been forced to cut back on activities because they had insufficient funds. This was explained as being a result of the unexpected amount of support that the teams required early on, which resulted in money being used at a faster rate than planned. A majority of the teams also commented on the sudden reduction in support from the contractor, and told OIG that they were led to believe this was a result of dwindling funds on the contract. The OM response does not address why contractor support was reduced.

Recommendation 5: Ensure that customers are included as an integral part of any re-engineering discussion, including identification of issues and proposed solutions.

OM agreed to get customer feedback as part of the Strategic Investment Process. OIG will monitor the implementation of this recommendation.

Recommendation 6: Provide additional training/information on how business cases are constructed to clearly illustrate why a process is being reengineered, how quality will be maintained in the new process and to provide the data to support the assertions made in the document.

OM discussed the pre-project training and ongoing training the teams have been provided to assist in everyone having the same understanding of what needed to be examined or included in the business case from the start of the project. More guidance is being provided in the development of the business cases that address the relationship between various metrics. OIG agrees that this shows forward progress and encourages OM to continue to work with the teams to enhance the quality of the business cases. OIG will monitor the implementation of this recommendation.

Appendix

Lessons Learned from Phase I

The Steering Committee identified the following as the lessons learned from Phase I and summarized them in their lessons learned document:

1. Team membership should remain constant during the entire business case process, estimating that the process will take approximately eight months if the business process is reengineered, eight to ten months if the business process is competitively sourced, and ten to twelve months if the business process is competitively sourced and won by the team. The lessons learned document originally suggested that staff be detailed to OM for the duration of the process; however, this suggested change continues to be reviewed.
2. The "As-Is" results/documentation should be developed in Part I of the SIP so that it can be used in Part II of the SIP for developing the SOW, and suggesting that the "To-Be" results/documentation be developed so that it can be used for implementation and/or as a framework for the "agency tender" in a competitive sourcing situation.
3. Define a more robust method of collecting ABC data that provides valid data that can be effectively transferred to the competitive sourcing costing model. Each team is to assign a team member to work with the Contractor from start to finish on the ABC data collection. Provide information sessions to POC managers required to develop the data. Detail for assigning a staff person to OM to work with the ABC and the winCOMPARE2 costing models.
4. The business case process and documentation should be streamlined and that only the final business case be required as a deliverable. This suggestion was incorporated into the SOW.
5. The Department should consider reviewing a total functional unit rather than selected processes. Prior to this suggestion, however, the processes to be reviewed in Phase II were selected by management (FSA and CIO).
6. The EMT review process should be streamlined using sub-teams to review the business cases and provide recommendations to the EMT. This suggestion is currently under review.
7. The SOW should include both Part 1 and Part 2 of the SIP. This suggestion was incorporated into the SOW.

-
8. The consultant should take more of a leadership role in Phase II. This suggestion was incorporated into the SOW.
 9. The Department should increase the adequacy of communicating One-ED activities. Changes have been made to the One-ED Notebook.
 10. A day of training should be provided at the start of each phase of the SIP. This training would include an overview of the process and a closer look at the relationship of the pieces. A 1.5-day workshop has been developed for Phase II team members and managers.
 11. A short training session should be established for managers across the organization on the SIP. As noted above, managers who have staff involved in Phase II will attend the same workshop as their staff.



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF MANAGEMENT

ASSISTANT SECRETARY

JAN 21 2004

MEMORANDUM

TO: Cathy H. Lewis
Assistant Inspector General
Evaluation, Inspections, and Management Services

FROM: William J. Leiding

SUBJECT: Response: Lessons Learned from Phase I and Suggested Changes for Phase II of the One-ED Strategic Investment Process

The Office of Management (OM) appreciates the concerns and the time spent assessing the implementation of Phase I of the One-ED strategic investment process (SIP). The draft inspection report submitted by the Office of the Inspector General (OIG), dated January 7, 2004, offers some insights on areas OM will consider in enhancing the Department's program.

In response to the specific recommendations suggested in the report, the following comments are offered:

1. **Ensure that this is an "employee-driven process" and that employees, with the support of the consultants, are identifying primary processes to be reviewed.**

The Phase I Strategic Investment Process (SIP) project was designed and implemented as an "employee-driven process." Identification of the business processes to be analyzed is not the primary criteria for defining an "employee driven process." "Employee driven process" refers to employees being empowered to help transform the organization into a flexible, high performing, high integrity workplace through the analysis of the way current business (work process) is being conducted, and defining a new way of doing work to achieve intended business objectives.

400 MARYLAND AVE., S.W., WASHINGTON, DC 20202-4500
www.ed.gov

Our mission is to ensure equal access to education and to promote educational excellence throughout the nation.

While employees may participate in identifying the business processes selected for review and/or assist management to determine the scope of a process selected to be reviewed, management is charged with ensuring the efficiency and effectiveness of operations, and thus has primary responsibility for prioritization. Once the business process boundaries are defined, the teams are given responsibility for the review of the business process with the guidance, knowledge, expertise and support of project management staff (project manager, process owners, COR) and the internal and external consultants. In conclusion, Phase I was an employee-driven process where employees, working with management, identified and developed enhanced business processes.

The following changes, implemented as a part of Phase II activities, will further enhance the ability for employees to identify opportunities to enhance business operations and transform the organization:

- Team leaders/team members and consultants were included in the “scoping” of the processes selected for review.
- The process owner of each team conducted a review of the “As-Is” deliverable with the team and the consultants.
- The external consultants are taking an increased technical role, providing IT process subject matter expertise to the teams and are providing a greater “hands-on” role in the development of the various deliverables/documents.
- The team members were provided a two day workshop on One-ED and the Strategic Investment Process (SIP) methodology. Training is being provided for each activity included in the business case. Templates are being provided to assist with training and development and to enhance consistency.
- All teams were briefed on the processes selected for review, including what, why, and how (Strategic Investment Process).
- All team members are invited to participate in the weekly team leader meetings and, to suggest agenda items. During the meeting the chair invites/instill dialogue on project process, issues/concerns, suggestions, clarification and problem solving.
- Teams are invited to contact the project manager, process owners and COR at any time to discuss the project.
- A mid-point evaluation of contractor support was done.
- The process owners are conducting a mid-point project review of each process.
- Team members are contributing to the content of the One-ED Update in ED Notebook.

2. **Ensure that the teams have an adequate period of time in which to fully understand existing business processes; collect and evaluate a full range of customer feedback; and, collect actual sample data to be used for costing purposes.**

As with any project, a timeline was developed that balanced time with cost, benefits to be derived and other business considerations. This timeline, developed into a project plan, was designed to provide significant benefit to the Department in a timely manner. One lesson learned from Phase I was that there was an opportunity reduce the SIP deliverable requirements and burden on the teams, while maintaining the optimal amount of benefit.

Accordingly, in Phase II the Strategic Investment Process (business case) has been streamlined so that there is a greater emphasis and more time for data collection and analysis. Several activities have been implemented:

- o Teams participated in a deliberative process of “scoping” the process that they were to review under One-ED so that team members, internal and external consultants, and One-ED management understand the process boundaries, business goals, & customers priorities.
- o Teams are conducting focus groups and interviews with their customers to gain the knowledge, experience, and insight needed to better understand their needs, expectations, satisfaction/dissatisfaction, issues, and thoughts current and better ways of doing business.
- o Integration sessions are being conducted to enhance sharing of information across teams to better understand relationships and impact, and to define the best ways to do the Department’s business
- o Several activities have been undertaken to strengthen data collection in the ABC effort:
 - i. Training sessions were provided for managers participating in the costing (ABC) activity
 - ii. A defined and rigorous validation methodology is being undertaken
 - iii. An In-house consultant has been tasked to work with the ABC team to enhance coordination of the effort (contractor, team leaders, One-ED management and ED managers/staff); and to develop knowledge and skills on the methodology/product

The ABC model, although designed for the private sector is being used by the public sector. The design of the ABC model used in One-ED SIP is the design that FSA developed and implemented. The data collection methodology being implemented in Phase II is expected to result in more accurate, not precise results.

With regards to accuracy of data, “One common misconception about ABC model structure design and architecture is that precision is synonymous with accuracy. In other words, if one collects imprecise timesheet data from the workers, then all the costs will be corrupted and inaccurate. In addition, if one uses imprecise activity cost driver data, the costed results of products and customers are even worse.” “... Imprecise inputs, however, do not automatically mean inaccurate outputs, and precision is not always synonymous with accuracy. It is counterintuitive to many, but with ABC, error does not compound, it dampens out. The real consequence of an error when distributing costs is that some destination cost objects are overcosted while the remainder are undercosted. It is a zero-error game, and, in the end, 100 percent of the costs are always completely assigned for each and every assignment. Figure 1 illustrates how ABC produces diminishing returns on error for additional increments of administrative effort.” (Excerpt taken from the “Common Pitfalls for ABC Initiatives by Gary Cokins).

Note: Item 3 in the appendix to the IG’s Inspection report is incorrectly presented. The document provided to the IG (attached) by One-ED COR titled “Suggested Changes for Phase I Based on Lessons Learned” does not state that the “*ABC data collected needs to be valid so that it can be effectively transferred to the competitive sourcing costing model. To accomplish this, a t4am member would be assigned to work with the contractor from start to finish on ABC data collection.*”

But rather, the statement is: “*Define a more robust method of collecting ABC data that provides valid data that can be effectively transferred to the competitive sourcing costing model. Each team is to assign a team member to work with the Contractor from start to finish on the ABC data collection. Provide information sessions to POC managers required to develop the data. Detail for assigning a staff person to OM to work with the ABC and the winCOMPARE2 costing models.*”

3. Expand participation, as appropriate; to include individuals outside of the primary component who job could be affected by the business case analysis.

Phase II includes a mechanism to ensure integration of the processes under review.

This entails the team leaders coming together periodically to share their process findings, identify relationships and touch points between the processes and look for ways to ensure the re-engineered processes

Phase II has established various methods to enhance the involvement of staff outside the primary component, including customer input through focus groups and interviews. The teams have also identified staff that participates as resources; these staff are tapped for their expertise, insight, ideas and “realization.”

4. Ensure that adequate funds are identified to support the entire strategic investment process.

The funds that have been allocated for One-ED (contractor support for business case, competition and implementation) are appropriate and did support the entire Strategic Invest Process in Phase I. Phase I did start on time however, the teams start dates were phase in, over a 2-month period. This resulted from POCs inability to commence on time. Thus, the contractor’s approach to supporting the various teams was adjusted to meet the team needs and the project schedule. However, even with the adjustments made to support team requirements, funding was sufficient to supply contractor and other resources to the teams throughout the SIP.

5. Ensure that customers are included as an integral part of any re-engineering discussion, including identification of issues and proposed solutions.

Refer to the response under item number 2 – customer feedback

6. Provide additional training/information on how business cases can be constructed to clearly illustrate why a process is being re-engineered, how quality will be maintained in the new process and to provide the data to support the assertions made in the document.

The teams have been provided with pre-project One-ED training and ongoing discussions during weekly meetings regarding the business case, and how to present it so that it articulates a compelling argument for change and provides senior management with information for sound decision-making. The potential outcomes of re-engineering or competitive sourcing, based on the EMT’s decision, was a specific topic of discussion included in the pre-training session so that everyone had the same understanding at the start of the project. Team members from Phase I participated in the training (presented sessions) and provide their “experiences” on this topic, which led to even further discussion and clarification.

The teams are being instructed that certain information and data has to be included in the business case but are given the flexibility to “tell the compelling story” so that it makes sense.

One of the deliverables in Phase II relates to analysis of the problems in the current process, including the impact they have/may have and the data and metrics that support these findings. There is more guidance in the development of the business case (templates, examples, management and contractor discussions) that addresses the relationship of the various metrics (cost, quality, service and risks).

The integration sessions are an asset as the discussions enhance knowledge and skill development and the teams can draw upon ideas or resources.