

Strategy Research Project

Installation Services: An Analysis of Resources Used and Results Achieved

by

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Abstract

On average, installation management makes up approximately 15 percent of the Army's total annual budget. This study focuses on the Army's performance system known as the Installation Status Report Services (ISR-S) Program. The ISR-S is a performance metric tracking platform intended to evaluate delivery performance (cost, quality, and quantity) for installation support services (logistics, public works, firefighting, law enforcement, and family programs). This study analyzed the performance scores over a three year period (2012-2014) for 70 base operation services with a total annual budget exceeding \$12 billion. Research determined that there was no statistical relationship between ISR-S measurements and resource use. ISR-S performance ratings remained stable despite a 14 percent decrease in funding over the three-year study period. There are a variety of possible explanations as to why additional funding and resources do not directly improve base operations performance in the ISR-S system. These include vague and poorly defined measurements and antiquated budgeting processes that do not include ISR-S outputs in budget formulation strategies.

Installation Services: An Analysis of Resources Used and Results Achieved

What gets measured is what gets funded and what gets funded is what gets done.

—Eric Holder¹

One of the biggest challenges the United States Army faces is its ability to justify and prioritize budgetary requirements.² During the height of the Global War on Terror, Department of Defense (DoD) budgetary requests were rarely questioned. Accordingly, there was little incentive to implement performance management systems within the military services. Since the end of combat operations in Iraq and the beginning of troop reduction efforts in Afghanistan in 2010, the Army's budget has declined as a result of domestic fiscal uncertainty, mounting national debt and pressures to limit non-discretionary spending. Simultaneously, the nation is facing the emergence of two global peer competitors and the prospect of an increasing number of non-projected contingency operations.³ Therefore performance measurement within the Army, the DoD, and federal agencies will likely become more important to the incoming administration.

The Army is currently experiencing a readiness crisis. However, there are opportunities to realign resources from areas of excess capacity towards readiness and other mission critical requirements. Before this can be accomplished, the Army must examine current budget and management practices that tend to misalign resources with strategic priorities.⁴

In July 2016, the Secretary of the Army directed the Army to “reform its requirements and resource processes by establishing a more responsive and realistic requirements process and inculcating a cost culture that incentivizes good

stewardship.”⁵ Presently, the Army is attempting to transform from a "budget culture" to a "cost-conscious culture.” This means changing from a culture that seeks to obtain the maximum amount of funding and spend it all, to a culture of making sound decisions about spending limited resources.⁶

Perhaps the most difficult task in realizing the Secretary of the Army’s vision of a cost-conscious culture for the enterprise is linking performance measures to resource allocation. The key to success is ensuring inputs (resources and funding allocations) are aligned to outcomes (strategic goals) through the delivery of goods or services (outputs). Strategic alignment occurs when an organization’s key components - people, strategy, customers, and processes - are focused on its core competencies.⁷ The result is a positive, measurable connection between resources expended and the degree to which goals are achieved (outcomes).

One of the latest attempts at Army budgetary performance management is the Army’s Installation Status Report (ISR) system. The Army launched this program in 1993 to comply with Government Performance and Results Act (GPRA). Installation management, by itself, averages approximately 15 percent of the Army’s annual budget.⁸ ISR is intended to link the quality of facilities and services to required resources.⁹ It is a tool that assesses the condition of installation infrastructure and services using established Army-wide standards.¹⁰

The ISR system also serves as an analytical tool that provides Army leaders with information for developing and implementing policy relating to planning, programming, budgeting, and execution (PPBE) of Army installations.¹¹ The system is comprised of three components: Infrastructure (ISR-I), mission capacity (ISR-MC), and services (ISR-S). The ISR-S also includes service-based costing data.¹²

The Army collects ISR-S data from installations around the world to analyze and assess the cost and quality of installation services.¹³ The hypothesis of this analysis is that increased installation resources (additional manpower, funding, and contracting capability) result in better installation services as reflected in improved ISR-S ratings.

Yet, an analysis of Army ISR Services performance scores between years 2012 and 2014 reveals that installation performance results do not mirror the trends in resource allocation. Instead, ISR-S ratings remained constant, irrespective of the resources applied. Although the total Army installation services budget decreased by 14 percent over the three-year study period; the average ISR-S rating scores for 64 of the 70 services improved or remained stable during the same time frame. If this problem is not addressed, it could result in a self-perpetuating downward spiral where service performance appears to remain constant regardless of the future funding cuts applied.

Background and Literature Review

Budgets represent choices and priorities. Army strategic objectives are achieved through successful management of Army financial and business operations.¹⁴ In the current fiscal environment, the Army must focus on developing and implementing a strategic method to achieve these objectives without disrupting the mission. The Army must challenge its institutional assumptions and transform into a more efficient, results-oriented organization.¹⁵

Performance Management Systems

In *The Power of Alignment*, George Labovitz and Victor Rosansky assert that organizations which are aligned to their strategic goals and objectives will always outperform misaligned organizations. They contend that alignment provides

organizational power and focus, creates an environment of shared purpose, and brings together all aspects of the organization.

Strategic alignment empowers an organization to operate at peak performance by integrating direction, leadership, and core competencies. An aligned organization creates a culture where everyone understands the organization's goals and purpose, and his or her contribution to the mission. To accomplish this, organizations must connect employee behavior to the command's mission, and thus turn intentions into actions.

Organizations must identify the single most powerful expression of what it hopes to accomplish and employ this concept as the common, unifying factor to all elements of the organization. Each team member must be able to see a clear relationship between their individual contribution and this overarching goal, which Labovitz and Rosansky describe as “the main thing.”

Alignment links strategy, processes, and people, and integrates them with process improvement. Performance measures are the key to linking organizational goals. Performance management is vital in achieving strategic alignment. Performance measures must be linked to “the main thing” in order to unify the organization, its culture, systems, processes, and output.

Applicable to U.S. defense institutions and Army installations, performance management is a fundamental component in establishing a cost-conscious culture. Performance measures are used to identify activities and trends across an organization. Performance budgets are then developed so that inputs (resources and funding allocations) are linked to outcomes (strategic goals) through the delivery of goods or services (outputs). Metrics are established to link service performance at the tactical

level to the business decisions and resource distribution at the operational and strategic level.

Performance budgeting includes factors such as activity classifications, workload data, costing data, program goals, and other measures of performance.¹⁶ The purpose of these budgets is to ensure that maximum output is realized with the resources available. Performance budgets shift the focus of spending from objects of expenditure (executing the entire budget) to providing measurable value to program activities. Program managers develop performance budgets based on unit and organizational activities; senior leaders then determine which activities should be increased or decreased.¹⁷

Although there has been limited research regarding U.S. federal government performance management implementation, a 2002 study of private corporations linked successful performance management systems with well defined, actionable metrics.¹⁸ Yet, a 1998 United Kingdom study indicates that nearly 70 percent of performance measurement initiatives fail in the private sector.¹⁹ Foreign governments have also struggled with the implementation of performance management programs. After several decades of use, the government of New Zealand eliminated most of their performance management programs because they were too costly and did not produce the desired results.²⁰

Closer to home, State governments have periodically experimented with performance measurement and budgeting systems.²¹ Today, 34 states have adopted a form of performance management in their internal governments with limited success.²² Maryland was the first to implement a comprehensive program in 1951, but its efforts never went beyond the initial pilot phase.²³ Thirty-seven states also use performance

management systems to evaluate and budget for schools and education programs. Although very few studies have been conducted on the effectiveness of performance management in schools, a 1999 survey indicates that school boards and directors claim these systems have not resulted in significant changes to education outcomes.²⁴

Nevertheless, review of the literature does not demonstrate an overall failure of performance management. Many government agencies and private corporations successfully use performance management in business operations.²⁵ Numerous foreign governments, including Australia and the United Kingdom, have successfully integrated these programs into their government operations.²⁶

Establishing a New Army Cost-Conscious Culture through Performance Management and Budgeting

The 1949 *National Security Act* Amendment paved the way for performance management and budgeting in the U.S. military.²⁷ This effort never came to fruition because performance measures were difficult to quantify and implement. Evidence suggests that, like today, senior leaders never actually used these performance management systems to support resource decisions.²⁸ Performance management gave way to new initiatives such as Total Quality Management and the Planning, Programming, Budgeting, and Execution (PPBE) System.²⁹

The military's interest in performance budgeting reemerged in the early 1990s. This interest was driven by post-cold war draw-down and Congress's emphasis on improved Federal financial management, public accountability, and decision making capabilities. The GRPA was ratified in 1993; this law requires federal agencies to align budgets to outcomes.³⁰ The Department of Army (DA) implemented the ISR as an early effort to meet GPRA requirements.³¹

Installation Status Reporting-Service (ISR-S)

The Assistant Chief of Staff for Installation Management (ACSIM) implemented the ISR system to improve accountability, increase organizational performance, and as a tool to link resources and funding allocations to strategic goals. A subcomponent of ISR, the ISR-S program evaluates the quality, efficiency, and availability of services provided to organizations and individuals associated with Army installations.³² It provides the critical information that links Army standards, priorities, and resources to installation readiness.

During the post-cold war draw down, the total Army budget decreased by approximately 37 percent (\$35.5 billion) from 1989 to 1996.³³ Throughout this period, the number of non-projected contingency operations subsequently increased, and Army sustainment funds were reallocated to meet mission requirements. Of note, the Army Operations and Maintenance (OMA) account was one of the largest program budgets significantly affected during the 1990s drawdown. Importantly, the U.S. Army uses OMA funds to maintain over 150 installations.³⁴

Between 1989 and 1996, the Army OMA account diminished by 31 percent (\$31 billion to \$21.4 billion).³⁵ As a result, Army installation infrastructure and services quickly deteriorated.³⁶ The Army failed to develop analytical performance measures that linked deteriorating services and infrastructure to declining installation budgets. It was simple for Congress and the Department of the Army to quantify the impact of reduced funding on military readiness; however, it was difficult to quantify the effects of inadequate installation funding. For that reason, dollars were redistributed to training budgets while installation services and infrastructure budgets were underfunded.³⁷ To compete for installation resources, the Army needed to develop an analytical tool that increased

program visibility and budget accountability and aligned standards with organizational strategic goals.³⁸

In 1993, the Office of ACSIM (OACSIM) launched a web-based integrated executive information system “as a method to assess installation level conditions and performance against Army-wide standards.”³⁹ The performance measurement tool, ISR, establishes hundreds of metrics that link service performance at the installation level to the business decisions and resource distribution at the strategic level. Installation infrastructure and services data used in the ISR is gathered annually from all Active Army (IMCOM), Army Reserve (USAR), and Army National Guard Bureau (NGB) installations and properties.⁴⁰

The purpose of the ISR system is to apply objective, Army-wide quality and quantity standards to facilities, environmental programs, and service delivery conditions into one reporting system.⁴¹ The ISR system is designed to provide visibility to installation conditions and priorities by analyzing differences between Army-wide standards and actual “on the ground” conditions at the installations.⁴² The ISR also identifies shortcomings that have not been discovered by other means and assists leaders at all levels in tracking progress and justifying resource requirements.⁴³

The ISR was created to support the DA in developing installation service funding requests for Congress through the program objective memorandum (POM) process.⁴⁴ It has since been expanded to include a metric performance platform that evaluates delivery performance (cost, quality, and quantity) for base support services across the Army.⁴⁵

The Army uses ISR–S performance and cost data as the basis for developing the Base Operations Support (BOS) resource and funding requirements. Service Based

Costing (ISR-SBC) and ISR-S assess cost, quantity, and quality of installation services. The data from these systems is used in the Standard Service Costing model to calculate cost-estimating relationships with ISR services scores.

The ISR-I analyzes Army installation infrastructure status by assessing the quality and functionality of installation facilities to established Army standards.⁴⁶ The final component, ISR-MC, provides decision support information and assesses an installation's ability to meet current and future mission requirements as it relates to resource availabilities (land, water, energy, and air) to support the current and future mission. The ISR-MC analyzes two core program areas: Mission support (how we meet current mission requirements) and sustainability (how we think we can meet future mission requirements). The ISR-MC also examines the current environmental compliance status of individual Army installations.⁴⁷

The most difficult task in implementing a performance system is defining measures and relating them to resource allocation.⁴⁸ Performance management programs require reliable and accurate information systems and databases such as ISR-S.⁴⁹ It is important to note that ISR-S does not qualify as a budgeting system. It is a resource allocation decision-making tool that supports the PPBE and is informed by performance indicators and trends.

However, drawing from military doctrine and general business management literature, one of the indicators of a successful organizational performance management system is the relationship between funding and service performance. The ISR-S tends to focus on measure of performance that is tied to measuring task accomplishment. ISR-S metrics often ignore measures of effectiveness that determine the attainment of the service end state.⁵⁰

Research Methods

The unit of analysis for this paper is based upon the 119 Army installations located around the globe. As of June 2016, these Army installations service a population of 491,356 active soldiers, 548,575 Army National Guard and Reserve soldiers, and 748,934 family members with an operating budget of \$16.9 billion.⁵¹ This study focuses on three of the four primary land holding Commands with real property maintenance responsibilities and base operations activities (IMCOM, NGB, and USAR). Army Material Command installations that exclusively operate with Army Working Capital Funds were not included in the study due to the difficulty in analyzing funds.

The IMCOM manages both active Army components and USAR installations. However, there are two distinct funding accounts for IMCOM and USAR: OMA and Operations and Maintenance-Reserves Account respectively. The NGB is administered separately from IMCOM. Each state, district, and territory contracts with the federal government to provide services and facilities to their installations. The federal government funds the federal share of the installation service, whereas the State is responsible for funding their share of the costs. This study focuses on the federal portion of the National Guard Bureau services. State-funded services were not considered.

This study used comparative data evaluation and non-experimental exploratory regression design to determine an existence of a significant quantitative relationship between annual ISR-S ratings (dependent variable) and funding obligations (independent variable) at Army installations (unit of analysis). The research focused on installation support services that occurred between fiscal years 2012 through 2014. The

data acquired, compiled, and analyzed for the study was provided by the OACSIM or downloaded from the OACSIM Army Knowledge Online (AKO) website.

Regression analysis is the statistical technique used to investigate the relationship between the two variables: funding obligation and ISR-S ratings. The level of significance was set at $p < .05$, as that is the standard level used for statistical significance. The SPSS descriptive statistics were used to measure the relationships above. Also, an R-squared was used to examine the relationships between the predictive variable and the dependent variable.

Results

A preliminary review of the analysis indicated that while there were significant fluctuations in annual funding, individual installation service performance scores remained relatively stable. Although overall installation services funding was reduced by 14 percent (\$1.79 billion), the ISR-S performance ratings remained constant or improved for 64 of the 70 programs reviewed. Just 6 programs experienced an overall reduction in ratings, whereas 60 programs had stable performance results and 4 were improved. Figure 1 describes the Fiscal Year (FY) 12-14 ISR-S rating system.⁵² Table 1 provides specific details on the comparison of annual funding to ISR-S ratings.

Green	Meets or exceeds Unit/Activity needs and Army standards; has very minor, if any, deficiencies; and fully supports mission performance.	Sum of Weighted PSC Ratings are < 1.50
Amber	Meets Unit/Activity needs and partly meets Army standards; has minor deficiencies; and supports majority of assigned missions.	Sum of Weighted PSC Ratings are ≥ 1.50 and < 2.50
Red	Meets the majority of Unit/Activity needs, does not meet any Army standards; has some deficiencies; and delivery impairs mission performance.	Sum of Weighted PSC Ratings are ≥ 2.50 and < 3.50
Black	Does not meet Unit/Activity needs or Army standards; has major deficiencies; and delivery significantly impairs mission performance.	Sum of Weighted PSC Ratings are ≥ 3.50

Figure 1. ISR Service Rating System⁵³

Table 1. ISR Service Rating Comparisons⁵⁴

Functional Area	Installation Services	Sum of FY2012 Funding	Sum of FY2013 Funding	% Change 12-13	Sum of FY2014 Funding	% Change 12-14	Average of FY12 ISR-S Rating	Average of FY13 ISR-S Rating	% Change 12-13	Average of FY14 ISR-S Rating	% Change 12-14
Fire and Emergency Services	3	\$1,161,312,113	\$1,106,662,137	-5%	\$1,022,783,584	-12%	2.15	2.18	-0.47%	2.13	0.21%
Human Resources	3	\$313,327,790	\$334,407,365	7%	\$264,467,510	-16%	1.54	1.83	-3.47%	1.59	-0.55%
Installation Support	16	\$668,711,848	\$609,562,574	-9%	\$522,988,371	-22%	1.44	1.49	-0.56%	1.52	-0.87%
Logistics	9	\$1,346,194,524	\$1,353,991,804	1%	\$824,457,368	-39%	1.61	1.65	-0.42%	1.58	0.33%
Operations, Mobilization, Training, Security	10	\$738,059,776	\$655,746,792	-11%	\$549,838,346	-26%	1.72	1.78	-0.69%	1.80	-0.95%
Public Works	25	\$7,436,979,628	\$7,426,113,322	0%	\$7,042,396,230	-5%	1.56	1.66	-1.13%	1.60	-0.45%
Ready and Resilient Campaign	4	\$1,269,270,162	\$983,661,641	-23%	\$928,247,496	-27%	1.91	2.03	-1.54%	2.08	-2.13%
Total	70	\$12,933,855,840	\$12,470,145,634	-4%	\$11,155,178,905	-14%	1.61	1.69	-0.94%	1.66	-0.59%

When further comparing the trends of the installation’s overall use of resources and the ISR-S performance results, the relationship between resources expended and service outputs did not support the hypothesis. Specifically, the obligated funds were not aligned to the results achieved from service performance, and frequently demonstrated an inverse relationship. For example, performance remained constant for 46 services even though resources dedicated to them increased or decreased by more than 10 percent, while five programs demonstrated improved results despite a 9 percent to 48 percent reduction in resources.

Furthermore, Army’s Facilities Engineering Services Management Program (Service 400) was reduced by \$460 million during the study period as 2005 Base Realignment and Closure (BRAC) construction came to a closure (equating to a 45 percent reduction in funding). However, the average Army ISR-S rating score for increased by an average of 8 percent during the same period. These results have significant implications for budgeting and accountability. Table 2 compares cumulative obligations (funding) to performance rating trends for ISR-S Service 400.⁵⁵

Table 2. Service 400 (Facilities Engineering Services Management)⁵⁶

	FY2012	FY2013	FY2014	FY2015	Performance Change FY 12-15	Cumulative Obligations FY 12-15
ACTIVE	\$922,939,945.56	\$659,457,519.97	\$430,268,523.42	\$443,128,027.07	7.18%	51.99%
ARNG	\$69,006,801.41	\$76,020,256.21	\$87,327,174.78	\$82,511,548.09	5.17%	19.57%
USAR	\$35,562,031.73	\$38,708,883.98	\$40,346,812.12	\$42,366,825.36	41.79%	19.13%
ARMY	\$1,027,508,778.70	\$774,186,660.16	\$557,942,510.32	\$568,006,400.52	7.56%	44.72%

PERFORMANCE RATING TRENDS FY2012-FY2016

Category	2012	2013	2014	2015	2016
Active	79	89	86.67	84.67	81.33
ARNG	71	68.67	68.33	74.67	66.67
USAR	67	82.67	84	95	95
ARMY	75	79	77.67	80.67	74.67

Regression Analysis

The intended outcome of the regression analysis was to determine how changes in the dependent variable can be explained by the independent variable. The beta coefficient of the independent variable (service funding) was -.145, explaining only 15 percent of the variance between ISR-S Scores while leaving 85 percent unexplained by the dependent variable. The t value was -1.248 (< 2) and the Sig. value was .214 (> .05) This indicates the “service funding” independent variable has a negative relationship with the dependent variable “ISR-S ratings,” and are not statistically significant with each other.

To further explore potential relationships, the data was clustered and analyzed by execution year, command component, and by installation service functional area resulting in 24 individual data points. None of these data points provided a Sig. greater

than .05, culminating a lack of statistical significance with each other. The results demonstrate a weak and negative relationship between the two variables and no statistically significant correlation.

Discussion

A review of the 2012 through 2014 budget indicated that ISR-S ratings did not reflect overall reductions in installation manpower, funding, or contracting capability. These results suggest that service performance was likely affected by factors other than resources. The Army cannot always rely on ISR-S as a tool for assessing the relationship between its expenditure of resources and its performance results. This has limited the Army's ability to examine its resource needs and prioritize program efforts critically. The following is an assessment of potential variables that may have hindered resource usage tracking and the evaluation of external factors within the ISR-S system.

Alignment with Strategic Objectives

Army installation services should be managed and funded in support of the hierarchical strategic goals with the best value in mind. Ideally, budgets should be developed that link overarching Army strategic goals through the delivery of goods or services at the tactical level. However, issues emerge when the strategic goals and tactical priorities are not aligned, resulting in conflict.

For example, in the *2025 Strategy for Army installations*, the Assistant Secretary of the Army (Installations, Energy, and Environment) lists Visual Information Services (Service 702) as one of the eight major objectives for installation resiliency.⁵⁷ However, installation commanders and flag level officers across the Army consistently categorize the value Service 702 in the bottom 10 percent of all installation services.⁵⁸ Because

Service 702 has such a low customer importance rating, IMCOM has reduced the resources necessary to provide the service.⁵⁹

Inaccurate and Ineffective Performance Measurements

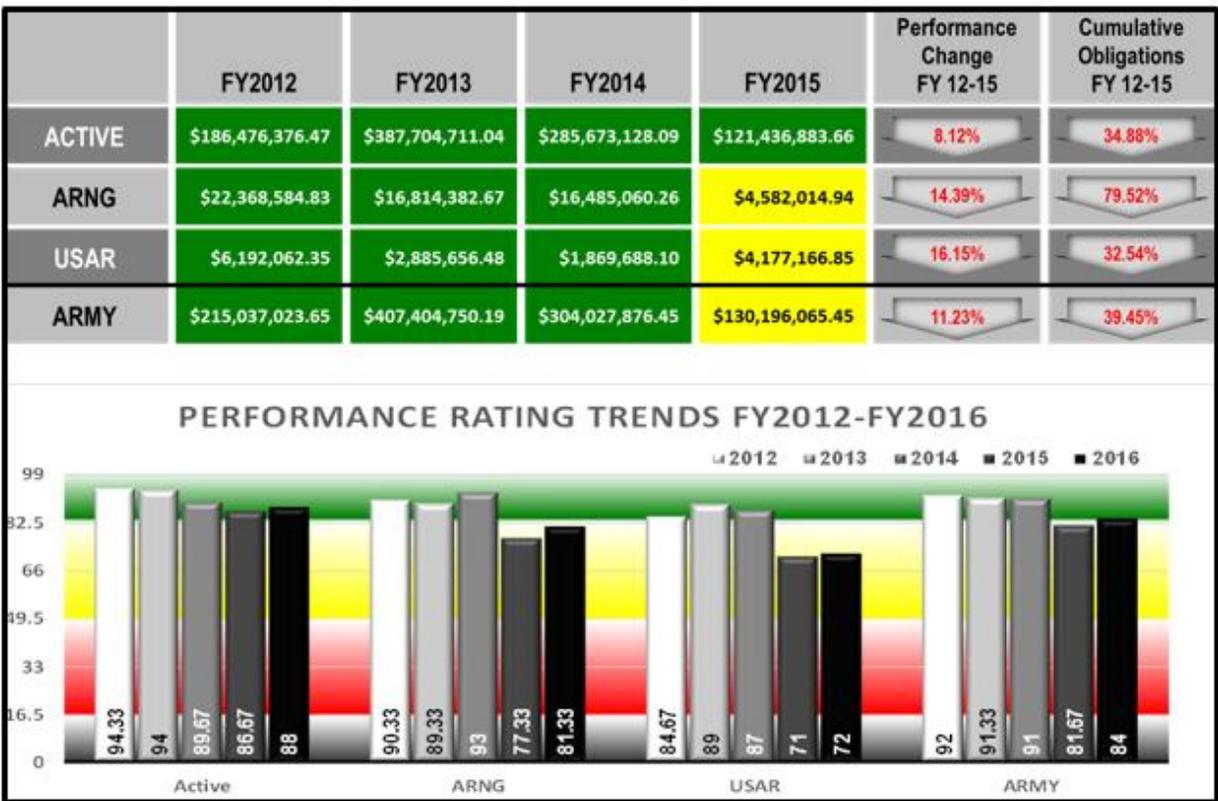
This is a critical flaw in the ISR-S reporting system. Many ISR-S performance measurements concentrate on outputs and not outcomes since objective outcome measurements controlled by installation leadership are difficult to incur. As a result, some installation service outcomes are often non-quantifiable and challenging to measure. Measures of effectiveness are exceedingly difficult to develop in areas such as social services and education.⁶⁰ For example, IMCOM identifies one of the outcomes for Service 105 (Religious Support) as “to provide complete worship experiences comparable to the civilian community, integrated within the military community to meet the needs of the authorized population for the free exercise of religion.”⁶¹ However, 20 percent of the ISR-S rating focuses on the number of times a commander is advised on matters of religion.⁶²

The Army must develop meaningful output metrics that are specifically designed to enhance strategic objectives. Vague and ambiguous goals such as “advise the commander,” “train stakeholders” or “develop a plan” create imprecise expectations.⁶³ Additionally, many measurements inaccurately represent the service being provided. Poor performance indicators result in information that is irrelevant to the service outcome. Unfortunately, organizations tend to measure what is easy, and not what is important.

Moreover, funding for Service 504 (Other Utility Services) nearly doubled in FY13 (increased by \$192 million), yet the average installation ISR-S rating remained constant. The performance measurement for Service 504 at an installation is the number of

unplanned outages of natural gas/propane services lasting more than 30 minutes. The preponderance of funding in FY13 was used to repay Installation Utility Energy Services Contracts (UESC) where a local utility company fronts capital costs, and designs and installs the equipment in a project. While funding for Service 504 (Other Utility Services) ballooned from \$215 million in FY12 to \$407 million in FY13, the ISR-S performance rating only slightly decreased. Table 3 compares cumulative obligations (funding) to performance rating trends for ISR-S Service 504.⁶⁴

Table 3. Service 504 (Other Utility Services)⁶⁵



It appears that the performance measurement “utility outages” does not accurately reflect the entire Service 504. It is more difficult to obtain an accurate report of performance with a fewer number of performance indicators.

Outcomes of this magnitude are difficult to measure on an annual basis, as some outcomes take years to achieve. A one-time, \$200 million venture in utility capital improvements cannot be reflected accurately in a yearly performance metric. The UESC and other capital improvement investments are more suited for the infrastructure tool in ISR-I since it is designed to assess the quality and functionality of facilities on installations.

As the ISR program continues to evolve, the Army should expect an improvement of performance metrics. The ISR program has established a change management process to improve its metrics through annual communities of practice that review metrics for each service. Input from component commands and installation is essential to the development of meaningful metrics.

Budgeting Inconstancies

One of the fundamental reason for inconstancies between installation funding and ISR-S ratings is Army Commands have never incorporated these performance measurement results in their annual budget development processes.⁶⁶ The ISR-S establishes installation service delivery standards; however, integration of these standards into annual service budgeting requirements has been inadequate. For example, IMCOM continues to employ a traditional line-item, incremental funding process without considering the results of ISR-S performance measurements. This has created a significant disconnect between information reported to DA and how higher commands fund the installations.

Undocumented Mitigation Strategies

Some installations augment installation service support with a military workforce to meet specific performance objectives. However, soldier taskings and other full-time

equivalent (FTE) manpower used to supplement installation service support were not fully incorporated into the ISR-S ratings until 2017. For example, many installations use soldiers to support ground maintenance activities, physical fitness facilities, range operations, installation security and law enforcement. Past omission of resources applied may have skewed previous rating results.

To capture the scope of mitigation strategies being used to perform installation services, ISR has begun reporting the use of special duty assignments.⁶⁷ In 2015, the ISR program began collecting detailed information on soldier takings. By 2017, the data on borrowed military manpower (BMM) and other FTEs was used to augment installation service support ratings.

Inaccurate Reporting Practices

A 2015 study conducted by the Army War College concluded that many Army leaders are overwhelmed by the alarming number of various reporting requirements, which forces them to prioritize which requirements will be executed to standard and which requirements will simply be reported as executed to standard.⁶⁸ Although the ISR data is very useful in justifying future resourcing requirements at the macro-level, its current structure offers little payback to installations.⁶⁹ Installation leaders are less likely to expend time and effort in developing high-quality data since the ISR-S report does not identify any significant benefit nor does it provide direct feedback.

Effective performance management systems are those that accurately reflect what motivates people in an organizational context.⁷⁰ Social economists suggest that human organizational behavior is fundamentally self-interested. Conversely, previous assumptions held that those who manage and deliver public services were “public-spirited altruist.”⁷¹ Some installation leaders may overstate ISR-S reports as they view these

service reports as a personal reflection of their capabilities and performance. Leaders may also be reluctant to report degraded ISR-S to maintain an over-optimistic outlook, otherwise known as the military “can do” spirit.

In as much as military leaders are not purely self-interested, many are not purely altruistic. Some leaders may be motivated to inflate ISR-S service reports to positively impact individual performance evaluations. Conversely, installation leaders may be incentivized to understate ISR-S service reports hoping the poor service performance will result in increased funding and resources.

Although error and mistakes emanate from negligence, it is improbable that manipulations in ISR-S data emanate directly from outright fraud. More likely, manipulations are a result of subtle transgressions driven by a mix of motivations.⁷² The problem is further exacerbated because senior Army officials aggravate the problem by accepting and even expecting some amount of deceit from subordinate units.⁷³ Many Army leaders are fully aware that much of the data provided to them is imprecise.⁷⁴

Two-Year Commands Cycles

Installation military commanders understand their two-year command service is short and look for opportunities to maximize quick wins.⁷⁵ The military commanders that do focus on long-term programs also understand that most of those long-term improvements will never be credited to their tenure.⁷⁶ Therefore, military commanders may direct their motivation to short-term endeavors and ignore the long-term, systemic service deficiencies that outlast their command.

Recommendations

This study found no empirical evidence that funding significantly influences an installation’s service productivity (represented by ISR-S rating score). In other words,

increasing installation resources (additional manpower, funding, contracting capability) did not result in improved performance in the reported data. The Army currently uses ISR to report installation conditions, track funds, and communicate installation needs to Congress. However, the results of this study indicate that ISR-S is unsuccessful in assessing the effectiveness of resources in supporting strategic installation goals. The analysis provided by the ISR-S system does not benefit ACSIM and IMCOM decision makers since, in many cases, it does not accurately reflect the resources needed to meet installation service standards.

The Army expects installation leaders to make the best use of appropriated funds to meet organizational strategic objectives.⁷⁷ However, business management and fiscal discipline are traits not emphasized within many commands and organizations. Modifying ISR as a tool to foster a cost-conscious culture and institute outcomes-based management practices will help eliminate wasteful and redundant procedures while improving the stewardship of limited resources. Installations must overcome numerous ISR challenges before adopting performance information systems as means resource allocation.

Today, the Army cannot provide the evidentiary data that substantiates the relationship between its resources expenditure and performance results. This creates potential to misallocate resources as well as risking the loss of opportunities to increase productivity and efficiency. The Army must improve ISR-S to ensure that it evaluates the relationship between resources expended and results achieved. Recommendations for improvement are listed below.

The Army and the component commands must link ISR-S data to installation level resource allocation. The most difficult task in creating an agency cost-conscious

culture is tying performance measures to resource allocation and manpower.⁷⁸ ISR is an excellent database that can define installation specific measures and relate them to costs, yet it is not being utilized to its fullest extent. Tracking and accounting for expenses is not the only task warranting improvement to the installation management process. ISR-S measures must reflect outcome targets associated with the level of funding provided.⁷⁹ This will require the IMCOM, NGB, and USAR resource management offices (G-8) to formally align budgets to Army installation management standards with strategic goals.

ISR-S metrics must continuously be refined through the change management process to allow installation leaders to actively manage for optimal results. ISR-S metrics must be aligned with the Army's overarching strategic objectives as well as accurately measure service outcomes. Therefore, installation objectives, outputs, and outcomes are accurately measured by ISR-S metrics and become the primary driver for establishing organization operating costs. In addition, ISR-S performance metrics must be actionable and must put in place strong, administrative accountability that allows an organization to grow from mistakes. ACSIM and the supporting commands must continue to put leadership emphasis on the importance of the ISR change management processes to improve existing ISR-S metrics.

ISR-S measurements are not applied equally to all installation services. Many installation services do not exhibit quantifiable performances. The deliverable of certain installation services such as religious support, community support, and education may not ever provide an accurate measurement. If outcome measures cannot be attained, ISR-S metrics should concentrate on efficiency, effectiveness, and cost reduction metrics.⁸⁰ In "Performance Budgeting for the Federal Government," Jones notes that

simple outcome performance measures are more useful “if accompanied by efficiency, effectiveness, and cost reduction initiatives. In the current environment of budget deficits and reductions, performance measurement and reporting that includes means for improving agency operations while cutting costs are more likely to be noticed and supported.”⁸¹ ACSIM must take the lead on emphasizing measures of efficiency and effectiveness in ISR-S reporting.

Finally, the military tends to associate organizational performance measurements with a commanders’ performance, yet most degraded services are a result of inadequate funding and resources. Accurate and reliable data is paramount to an effective performance management system. Army officials must establish a culture where installation leaders and managers do not feel threatened by ISR-S ratings. In recent years, the ISR program has emphasized that ISR data is not a “report card” or a reflection of personal capabilities. However, Army leaders at ACSIM and the supporting commands must continue to firmly convey that inaccurate or deceptive reporting will not be tolerated.

Numerous challenges must be overcome to adopt ISR-S as means for resource allocation. These issues can be quickly resolved if Army organizations are willing to embrace the Secretary of the Army's vision and adopt a cost-conscious culture within their organization. With minimal refinement, installation leaders can use ISR-S capabilities to help them incorporate cost management behaviors and outcomes into day-to-day management activities.

Future Policy Implications

On July 1, 2016, Patrick Murphy, the acting Secretary of the Army, issued a directive for Army commands to change their management behavior by inculcating a

cost culture throughout the Army.⁸² Murphy concluded that the Army focuses on “budget execution independent of outcomes and without an accurate understanding of the true costs of our processes. This approach leads to bad business practices, a reluctance to establish measures of effectiveness and efficiency.”⁸³

Murphy instructed Army leaders at all levels to establish and track mission-focused performance measures to ensure the organizations achieve the highest level of readiness with the greatest efficiency, thus transitioning from process-oriented, regulation-driven management to performance-oriented, results-driven management. Using performance data to inform resource allocation decisions will provide leaders with an understanding of good, acceptable, or poor levels of efficiency.⁸⁴

Performance budgets shift the focus from execution to expenditure of program activities.⁸⁵ By incorporating performance management and budgeting practices with strategic planning processes, Army units remain focused on long-term strategic goals even with the change of ways (delivery of goods or services) and means (resources and funding allocations) over time.

Performance measurement and budgeting is a fundamental component in establishing a cost-conscious culture. The concept is simple: Army products and services should be funded in support of organizational strategic goals at the best value for the money. Organizations that understand the relationship between resources expended and results achieved can allocate and manage their resources more effectively. These organizations have adopted processes that ensure maximum output is realized with as little input as possible.

For example, the Coca-Cola Company dominates the soft drink market (51 percent of the total world market) and is debatably the best known global business

brand.⁸⁶ The company's success is largely based on its capability to concentrate resources on defined strategic objectives, and its ability to measure the effectiveness of results achieved. Coca-Cola focuses business efforts on five strategic actions (profit growth, brand investment, efficiency, simplification, and core competency) that are directly linked to their four primary business operations (marketing, production, distribution, and innovation). By doing so, the company has consistently outperformed global retail value growth while keeping production costs at a fraction of the selling price required to manufacture their product.⁸⁷

Linking performance measures to resource allocation is not easy. This task is often challenging in large, complex, and amorphous organizations such as the Army. However, the Army cannot nor should not depend on increased defense budgets. To successfully overcome the ongoing readiness crisis, the Army must be willing to adopt the practices of modern business by aligning budgets with strategic priorities.⁸⁸

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