



Identify The Steps In The AAR

Principles of Cost Analysis and
Management

© Dale R. Geiger 2011

1

Would they have succeeded
without planning?



© Dale R. Geiger 2011

2

Terminal Learning Objective

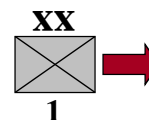
- **Task:** Identify The Steps In The AAR
- **Condition:** You are a cost advisor technician with access to all regulations/course handouts, and awareness of Operational Environment (OE)/Contemporary Operational Environment (COE) variables and actors.
- **Standard:** with at least 80% accuracy:
 - Explain the purpose of the AAR
 - Identify Action Items using variance analyses presented in the reconciliation format

© Dale R. Geiger 2011

3

Why is Planning Important in Military Operations?

- Planning reduces casualties (costs) by providing:
 - Control and guidance for implementation and coordination
 - Basis for evaluating mission success
 - Low cost opportunities to learn
- Planning provides alternatives to defensive reaction to the enemy's action



© Dale R. Geiger 2011

4

Planning Provides Guidance

- Bridges the gap between commander's intent and tactical execution
 - What will be done
 - Who will do it
 - When will it be accomplished
- Differentiates an military unit from a mob

© Dale R. Geiger 2011

5

Planning Provides Means of Mission Evaluation

- Developing plans establishes
 - Personal commitment to results
 - Personal accountability for results
- Comparing progress to plan enables
 - Rapid response to good and bad progress
 - Management by exception
- Plans create ability to recognize and reward success - accountability

© Dale R. Geiger 2011

6

Planning Provides Low Cost Opportunity to Learn

- Thinking ahead:
 - Permits pitfall avoidance
 - Maximizes likelihood of mission success
 - Increases chances of finding path of least resistance

© Dale R. Geiger 2011

7

How Does Cost Planning Work?

- Managers and subordinates periodically agree upon:
 - Short term productivity commitments
 - Future resources to be consumed
 - Future outputs to be produced
 - That meet the challenge of continuous improvement
 - Which the subordinate assumes accountability to meet or exceed

© Dale R. Geiger 2011

8

Cost Based Management Cycle Example

- Create a cycle of accountability
 - Oct: Negotiate 1Q Plan Commitment
 - Jan: Conduct 1Q After Action Review
Negotiate 2Q Plan Commitment
 - Apr: Conduct 2Q After Action Review
Negotiate 3Q Plan Commitment
 - etc, etc, etc, etc, etc

© Dale R. Geiger 2011

9

A Four Step Process for Cost Planning

- Step One: Management issues planning factors
- Step Two: Subordinate unit makes bottom up plan as a **request**
- Step Three: Management makes top down plan as a **challenge**
- Step Four: Meeting negotiates final plan that becomes the **commitment**

© Dale R. Geiger 2011

10

Step 1: Planning Factors

- Represent common assumptions wanted in all plans such as:
 - Pay raises and benefit changes
 - Inflation if significant
 - Customer demand levels
 - Anything else management wants consistent

© Dale R. Geiger 2011

11

Step 2: Bottom Up Plan

- Represents the subordinate manager's plan for spending and output
- Is presented as a request for approval
- Includes one or more periods per management's needs
- Reflects planning factors

© Dale R. Geiger 2011

12

Bottom Up Plan: Example

	Q4	Q1 Plan	Q2 Plan	Q3 Plan
maintain vehicles	200	200	210	210
administer motor pool	60	60	63	63
provide fuel	100	95	95	95
buy spare parts	100	101	102	103
total	460	456	470	471
output	110	110	111	112

pay increases

history

plans

mpg improvement

supplies increase

Reflects Planning Factors and No Intrinsic Change

© Dale R. Geiger 2011

13

A Word About Outputs

- Output is often difficult to measure
- Try to find one or two outputs for each area that has cost information
- Dividing total cost by output equals unit cost: a good performance measure
- Improving unit cost equals improved productivity

© Dale R. Geiger 2011

14

Step 3: Top Down Plan

- Represents higher manager's goal for spending and output
- Is presented as a challenge for acceptance
- Includes one or more periods per management's needs
- Reflects planning factors

© Dale R. Geiger 2011

15

Top Down Plan: Example

	Q4	Q1 Plan	Q2 Plan	Q3 Plan
maintain vehicles	200			
administer motor pool	60			
provide fuel	100			
buy spare parts	100			
total	460	455	451	446
output	110	110	111	112

history

plans-----

Reflects a 1% per Quarter Cost Reduction Goal

© Dale R. Geiger 2011

16

Step 4: Final Plan

- Documents subordinate and higher manager's agreement for spending and output
- Represents the subordinate's "marching orders" from higher manager
- Constitutes the parameters for which the subordinate is now accountable

© Dale R. Geiger 2011

17

Final Plan: Example

	Q4	Q1 Plan	Q2 Plan	Q3 Plan
maintain vehicles	200	200	220	220
administer motor pool	60	60	30	30
provide fuel	100	95	95	95
buy spare parts	100	101	101	101
total	460	456	446	446
output	110	110	111	112

history

plans-----

Negotiated Plan Reflects Second Quarter Actions to Shift Administrative Personnel to Maintenance

© Dale R. Geiger 2011

18

Check on Learning

- What is the first step in the planning process?
- What two elements should be included in the bottom-up, top-down and final plans?

© Dale R. Geiger 2011

19

Elements to be Planned

- Leadership specifies planning elements: the essential elements of information
- Many views are possible:
 - Entity activity based (ABC)
 - Entity account based
 - Entity cross cutting account or activity
- Plans do not have to be complex, as this Fort Huachuca example shows

© Dale R. Geiger 2011

20



#12 MAINTAIN PROPERTY RECORDS

OCTOBER FORECAST

DIRECT COSTS	33,270	} Overhead Is 25% of Direct
OVERHEAD COSTS	8,334	
TOTAL COSTS	41,607	
NUMBER OF RECEIPTS AND ISSUES	2,120	
UNIT COST	19.57	
RECEIPT/ISSUE PROCESSING TIME (DAYS)	2	

© Dale R. Geiger 2011

21



Plan Summary Data

DOL Oct Plan

SBC	Activity	\$(K)	OH% Direct
41	Provide Ammunition	14	43%
42	Manage Assets	42	25%
43	Provide Food Services	89	8%
44	Provide Laundry Services	50	23%
45	Perform Maintenance	231	21%
46	Provide Retail Supplies	109	31%
47	Provide CIF Supplies	21	32%
48	Provide Transportation	168	40%
	DOL Total Cost	724	26%

© Dale R. Geiger 2011

22



Cost Projection

- ☞ Planning is critical
 - Forces managers to think ahead
 - Plans are commitments to spend at a specific level
 - ❖ This is different than budgetary thought
 - ❖ This goal is continuous cost reduction

*Garrison Commander
Fort Huachuca*

© Dale R. Geiger 2011

23

Planning's Importance in Winning the Cost War

- Continuous improvement requires constant attention to the future
- Planning supports the goal of managed improvement by
 - Setting challenging, but achievable, goals
 - Establishing accountability

© Dale R. Geiger 2011

24

Planning Dynamics

- It is important that the plan be an organization's performance commitment
 - One way to never fail to meet plan is to set easy-to-achieve plans
- Leaders get more performance by setting aggressive plans
 - If nobody ever fails to meet plan, the planning process is accepting mediocrity
 - If nobody ever succeeds, the planning process is too aggressive
- Balancing challenge with impossible requires skill and understanding

© Dale R. Geiger 2011

25

Judgment Component Entity Can Help

	Component Orgs				Total Org
	A	B	C	Judgment	
Spending Plan	100	100	100	0	300

Original plan

	Component Orgs				Total Org
	A	B	C	Judgment	
Spending Plan	100	100	100	-20	280

Initial response to goal from higher HQ

Wrong Way
Judgment

	Component Orgs				Total Org
	A	B	C	Judgment	
Spending Plan	90	90	90	10	280

Final response that establishes goal for components

Right Way
Judgment

©

26

Check on Learning

- If plans and forecasts are always achieved, what does that say about the plans?

© Dale R. Geiger 2011

27

Why is After Action Review Important in Battle?

- “Those who do not learn from history are doomed to repeat it”
- AAR is a learning process
 - Recognized as a key aspect of the army’s transition of last thirty years
 - Embedded in training and warfighting processes

© Dale R. Geiger 2011

28

Into the Storm

- “After a training event the OC (observer controller) led a small seminar for the participants during which they could discover for themselves what they needed to do – improve commander and unit performance.”

-Clancy and Franks

© Dale R. Geiger 2011

29

Into the Storm

- “AAR Seminars used the following framework:
 - What was the unit trying to do?
 - What actually happened?
 - And why the difference?”

-Clancy and Franks

© Dale R. Geiger 2011

30

Into the Storm

- Key points
 - “Aim not to blame or judge”
 - “Required active participation”
 - “Freedom to bring up issues”
 - “Opened up and analyzes own performance”
 - “Based on objective data”

-Clancy and Franks

© Dale R. Geiger 2011

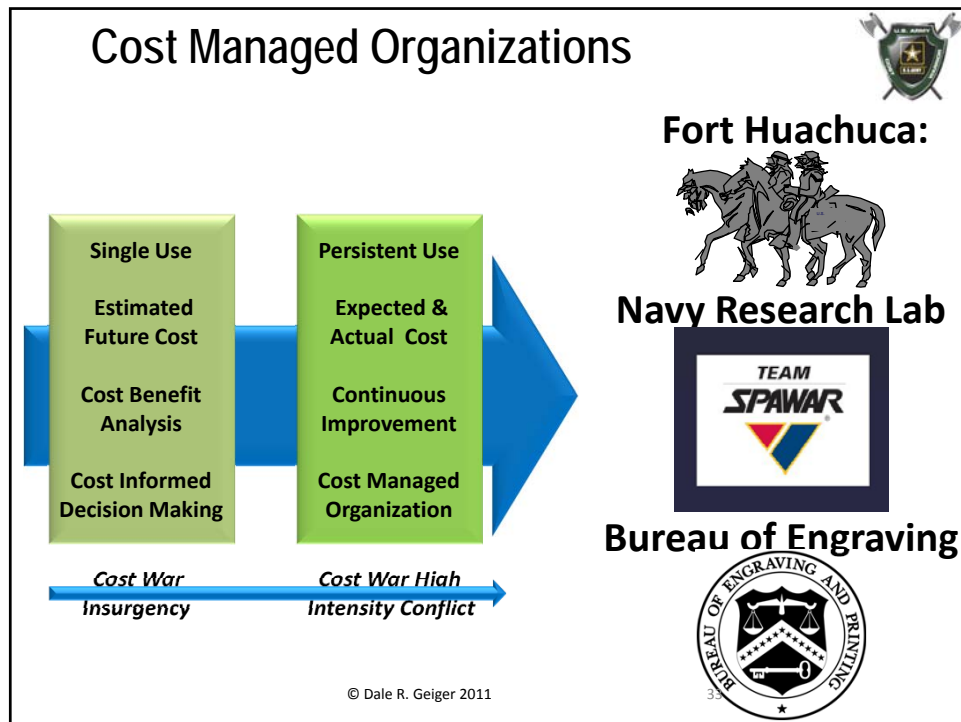
31

Why AAR in the Cost War?

- Needed for same reasons as needed in training and warfighting
- Institutionalizes management control for continuous improvement in the utilization of resources

© Dale R. Geiger 2011

32



Key Benefits of AAR

- AAR provides a forum for self improvement by:
 1. Institutionalizing accountability for improvement
 2. Learning from experience
 3. Teaching by example
 4. Signaling expectations

1. Institutionalizing Accountability Improvement

- The After Action Review agenda
 - Reflects the chain of command
 - Requires subordinate to present
 - Specifies management's areas of interest
 - Results in management control and direction

© Dale R. Geiger 2011

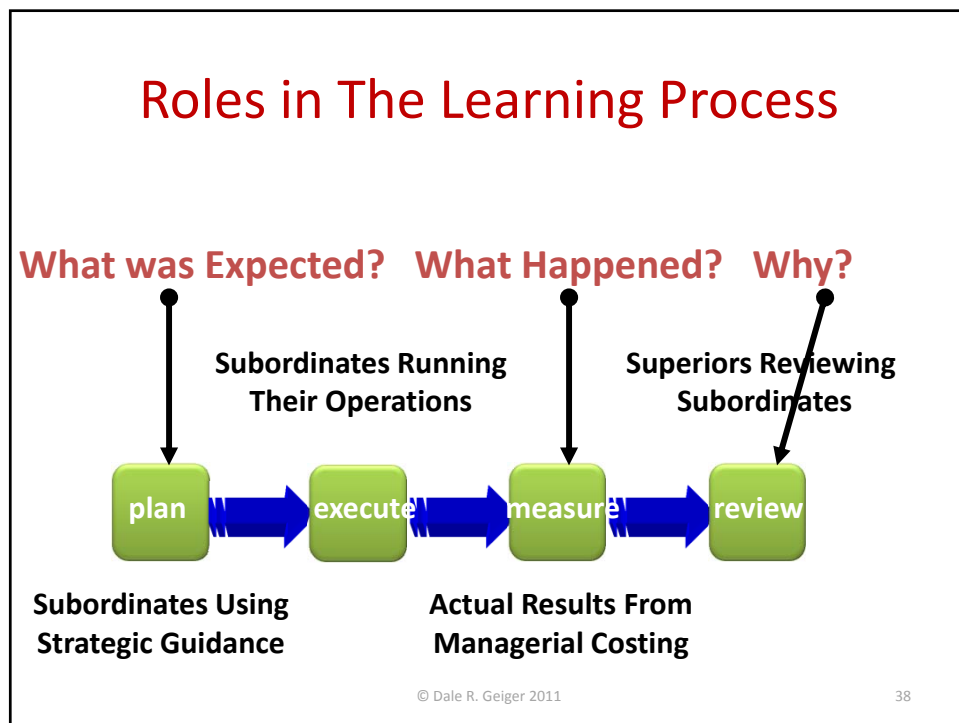
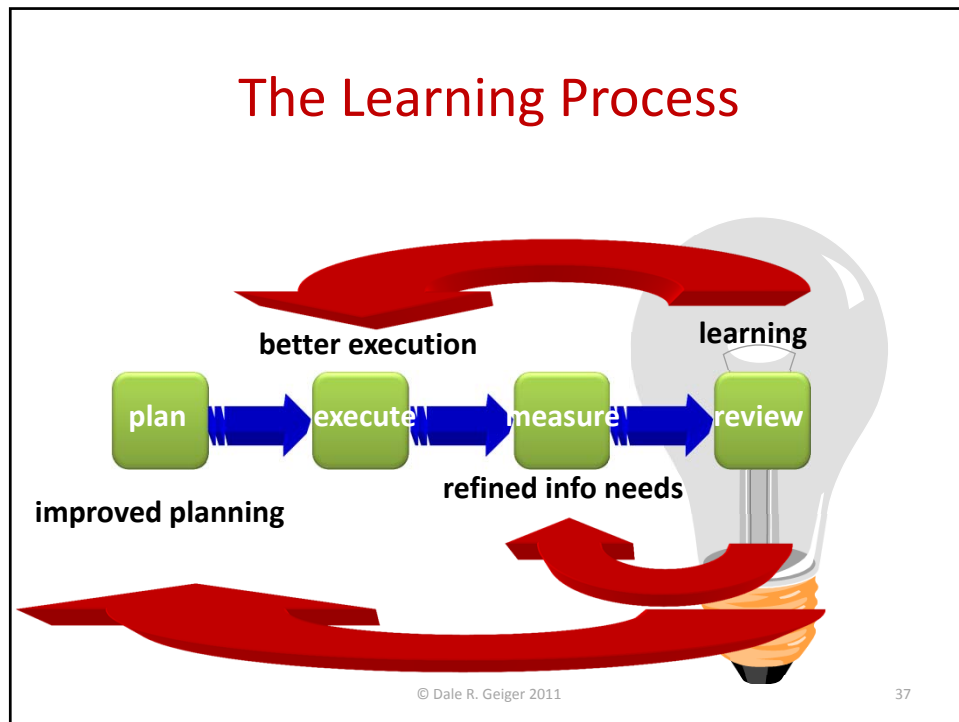
35

2. Learning From Experience

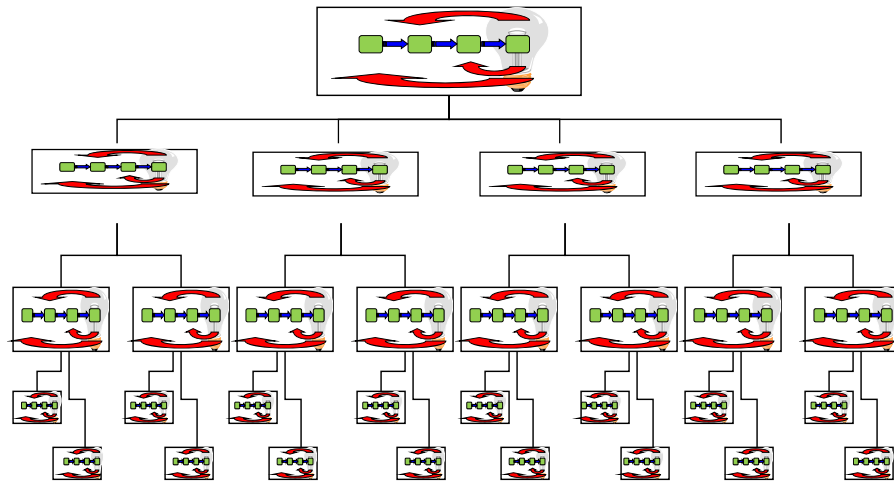
- Making mistakes is inevitable
 - Repeating mistakes is intolerable
- After action reviews require identification, recognition, and response
 - To what went wrong
 - And how to prevent or minimize it
 - To what went right
 - And how to duplicate or maximize it

© Dale R. Geiger 2011

36



The Power of Decentralization



39

3. Teaching by Example

- Smart leaders share lessons learned
- The attendee list of the after action review offers opportunities
 - To learn from the mistakes of others
 - To learn from the successes of others
 - To stimulate friendly competition

© Dale R. Geiger 2011

40

4. Signaling Expectations

- Communicating leadership's intent provides guidance useful in dynamic situations
- After action review offers management the ability to clearly set direction:
 - Requirements for continuous improvement
 - Importance of meeting planned commitment

© Dale R. Geiger 2011

41

Check on Learning

- What are the four key benefits of the AAR?

© Dale R. Geiger 2011

42

A Four Step Process for After Action Review

- **Step One:** Units report results vs. planned commitment
- **Step Two:** Units explain differences
- **Step Three:** Units report lessons learned and actions planned
- **Step Four:** Command evaluates performance and completes scorecard

© Dale R. Geiger 2011

43

Step 1: Reporting Results

- Uses the same format and assumptions as the previous negotiated plan
- Reports costs and output
- Compares results to the planned commitment
- Shows unfavorable comparisons as ()
 - To eliminate confusion as to meaning of “-”

© Dale R. Geiger 2011

44

Actual Versus Forecast: Example

	actual	plan	variance
maintain vehicles	201	200	(1)
administer motor pool	40	60	20
purchase fuel	105	95	(10)
buy spare parts	103	101	(2)
total	449	456	7
output	111	110	1

© Dale R. Geiger 2011

45

Step 2: Explaining Results

- Tells the story
- Answers questions raised by the numbers
- Evaluates and reports favorable and unfavorable things that drove results
- Shows unfavorable comparisons as ()
 - To eliminate confusion as to meaning of “-”

© Dale R. Geiger 2011

46

After Action Reconciliation

	Case A	Case B
Spending		
What was Expected	\$X	\$X
What was Achieved	\$X - \$20	\$X+\$20
Delta	\$20	(\$20)
Reconciliation Format		
Good News Story	\$	\$
Good News Story	\$	\$
Bad News Story	(\$)	(\$)
Bad News Story	(\$)	(\$)
Total Explained	\$20	(\$20)

© Dale R. Geiger 2011

47

Explaining Results' Importance

- The explanation process creates great value in the AAR
- It forces understanding of the difference between results and expectation
 - The expectation is created by the plan, prior period, or standard
 - The variance to expectation is an efficient way to use the leader's time
 - Variance enables management by exception

© Dale R. Geiger 2011

48

Explaining Results: Example

		cost	output
	1st qrt plan	456	110
	first quarter	449	111
	delta plan	7	1
explanation:			
	extra fuel/shipments	(2)	1
	retired four admin early	20	
	increased fuel cost per mile	(8)	
	misc other	(3)	
	total explained	7	1

© Dale R. Geiger 2011

49

Step 3: Reporting Action Items

- Goal is to capture the lessons learned and assign specific action items
- Uses W-3 format
 - **Who** is responsible for the action
 - **What** is going to be done
 - **When** will it be completed

© Dale R. Geiger 2011

50

Action Items: Example

Who	What	When
York	Adjust Carburetors for Winter	Jan 15
Murphy	Try Alternate Fuel Source	Mar 1
Bong	Investigate Maintenance Anomalies	Mar 30

© Dale R. Geiger 2011

51

Step 4: Evaluation

- Cost based performance management should be on subordinates' annual outlines
- Management should evaluate subordinates each cycle on:
 - Value of continuous improvement initiatives
 - Ability to meet challenging targets
 - Track record of improved productivity

© Dale R. Geiger 2011

52

Check on Learning



- Who is responsible for generating lessons learned and action items?
- What are the key components of an action item?

© Dale R. Geiger 2011

53

Garrison Commander Conducting AAR



*“When I’m sad
my people get sad”*

*“and then they try
to make me happy!”*



© Dale R. Geiger 2011

54



ABM Monthly Status Directorate of Logistics November

\$000

favorable variance are positive, unfavorable variances are bracketed

Plan	\$717
Actual / Best Available	\$655
Variance	\$ 62

55

© Dale R. Geiger 2011



Significant Variances

<u>Activity (Work Center)</u>	<u>Plan</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage</u>
T-Bird Dining Facilities	33.9	21.1	12.8	38%
Warehouse	32.9	22.8	10.1	31%
Contract Dining Facilities	57.2	44.0	13.2	23%
General Purpose Maint	13.5	10.5	3.0	22%
ADP Government	11.1	9.1	2.0	18%
Special Purpose Maint	39.1	33.2	5.9	15%
Personal Property	64.9	58.1	6.8	10%
Laundry	38.2	34.6	3.6	9%
Tactical Maint	70.3	65.8	4.5	6%
All others	355.9	355.8	0.1	0%
<i>Total Variance</i>			<i>62.0</i>	

56

© Dale R. Geiger 2011



Variance Analysis

\$000

<u>Activity (Work Center)</u>	<u>Plan</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage</u>
T-Bird Dining Facilities	\$ 33.9	\$ 21.1	\$ 12.8	38%

Explanation: Planned cost overestimated

Actions planned: More emphasis put on accurate plans and need to control costs

57

© Dale R. Geiger 2011



After Action Cost Review QTB

- Front-line Managers are challenging overhead costs
 - What a revelation this is!!!
- I am requiring them to identify where the overhead costs are coming from
 - Including higher headquarters
- Front-line managers must produce continuous cost improvements
- All leaders / Managers must question costs versus function

*Garrison Commander
Fort Huachuca*

58

© Dale R. Geiger 2011




Video of Col Chopin

- 1) Dining Hall - 15 minutes
- 2) Public Safety - 13 minutes
- 3) Janitorial - 22 minutes






© Dale R. Geiger 2011



GARRISON MANAGEMENT SYSTEM QUARTER REVIEW



AGENDA

10 Minutes	OPENING REMARKS	COL PORTOUW
20 Minutes Each	Directorate Presentations <ul style="list-style-type: none"> ☆ Status of FY 2% Target ☆ Cost and Performance Initiatives ☆ Recognize Directorate Cost Warriors ☆ Status of Processes Reviewed During 1st Q 04 ☆ Processes to Review During 2nd Q 04 ☆ UFR's Funded with Cost Savings ☆ Review Directorate Productivity in GMS ☆ Review Directorate Overhead 	Directors
5 Minutes	Next Quarterly Schedule	Jim Freauff
10 Minutes	WRAP UP	COL PORTOUW

© Dale R. Geiger 2011

60

Those who wish to better understand what we mean by the word "virtues" seem to thrive in the rarefied atmosphere



GARRISON MANAGEMENT SYSTEM

Continuous Improvement

Garrison

Adjutant General

Civilian Personnel Advisory Center

Directorate of Community Activities

Directorate of Contracting

Directorate of Installation Support (7/20/2003)

Strategic Management

Army Substance and Abuse Program

Garrison Business Office

Chaplain

Directorate of Public Safety

Educational Services Division

Equal Employment Opportunity Office

Internal Review and Audit Compliance

Public Affairs Office

USAIC&FH Operations

Director of Information Management

Safety

Staff Judge Advocate

Directorate:

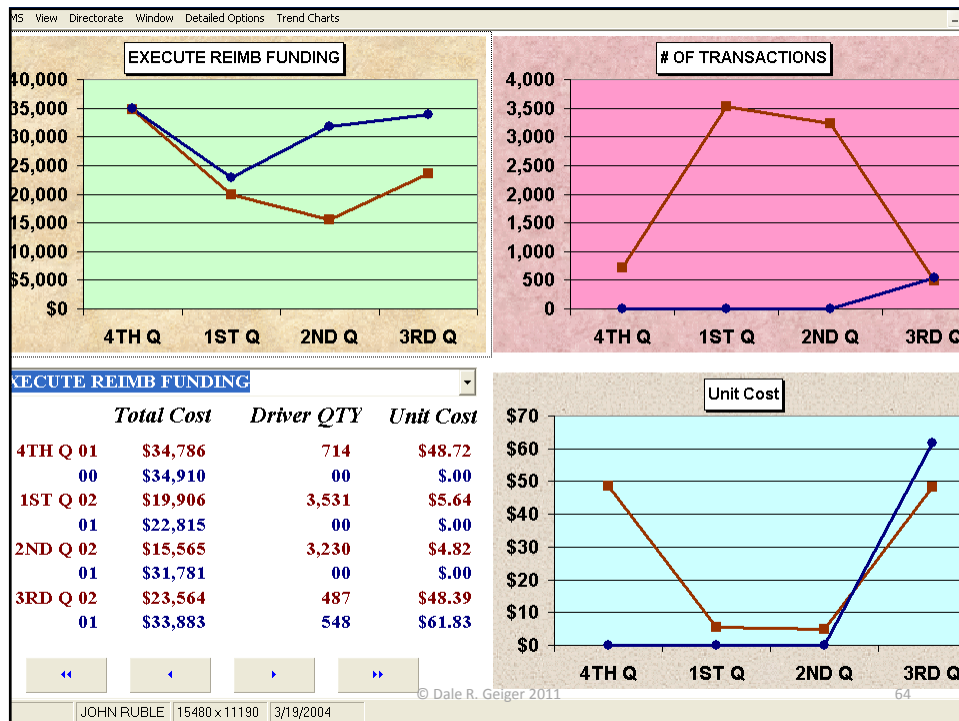
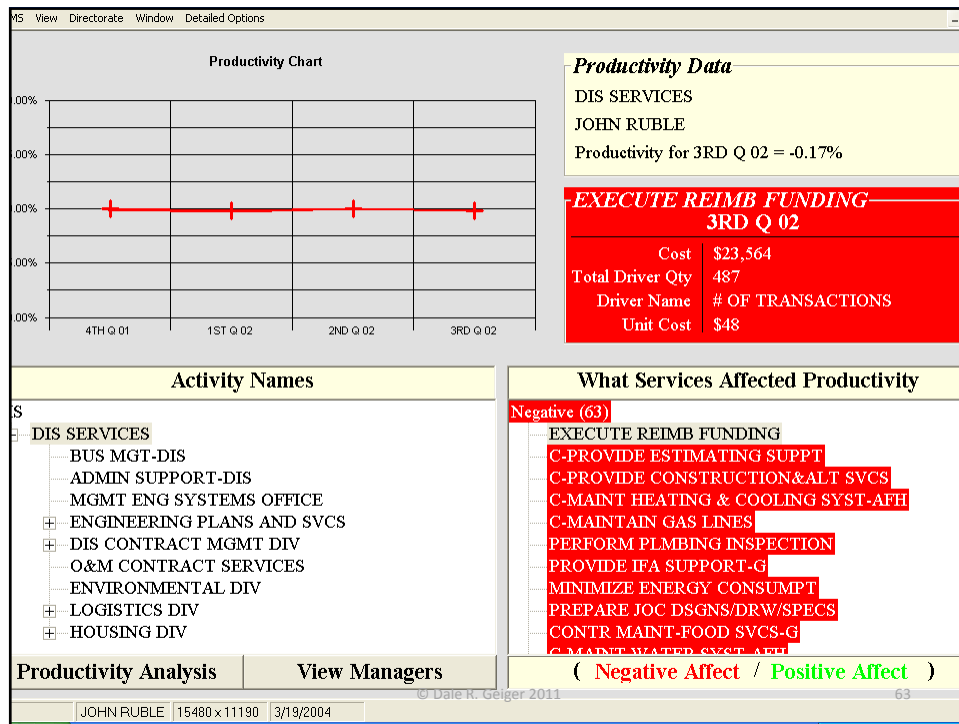
User Name:

Password:

Login

61





After Action Review Summary

- Good after action reviews are essential in winning the Cost War
- Provides regularly scheduled forum for
 - Reviewing productivity
 - Stimulating continuous improvement
 - Establishing accountability
 - Signaling approval or disapproval
 - Cost war leadership

© Dale R. Geiger 2011

65

Check on Learning

- What role did the AAR play in promoting continuous improvement at Ft. Huachuca Garrison?
- How did the cost reporting change over time?

© Dale R. Geiger 2011

66