



SECRETARY OF THE ARMY  
WASHINGTON

01 NOV 2001

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Army Implementation of Cost Management/Activity Based Costing

On November 10, 1999, The Army initiated the management philosophy of continuous improvement through cost management, and directed the development of implementation plans as well as a three-year timeline for implementation within 11 business areas. Though many have pursued the implementation of Cost Management (CM) using Activity Based Costing (ABC), there remains much to complete.

I am firmly committed to continuing the aggressive pursuit of CM using ABC. Critical to the success of any organization is a thorough understanding of costs and the ability to impact those costs. The Army is no different. Our goal of improving business practices is necessary in order to control costs, enhance performance, and apply cost savings to meet our people, readiness, and transformation goals. A CM process using ABC helps commanders and managers answer the key questions, "what does our operation cost, what causes cost in our operation, and how can we better manage cost and improve productivity?"

It is paramount that those without approved Business Area Implementation plans complete them as soon as possible. Those organizations with approved plans should complete ABC model development and begin CM without delay.

Status of our implementation efforts will be monitored through Quarterly CM/ABC Reviews by the Vice Chief of Staff. Reporting requirements will be established and Business Area implementation schedules will be tracked. I am interested in seeing the results of your personal leadership and attention to this endeavor, and firmly believe we can achieve greater efficiencies and improved performance through effective cost management. I look forward to receiving updates on your CM/ABC program during my field visits.

A handwritten signature in black ink, reading "Thomas E. White", is positioned above the printed name.

Thomas E. White

SUBJECT: Army Implementation of Cost Management/Activity Based Costing (CM/ABC)

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10 November 1999

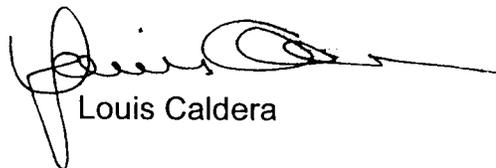
MEMORANDUM FOR PRINCIPAL OFFICIALS OF HEADQUARTERS,  
DEPARTMENT OF THE ARMY  
MACOM COMMANDERS

SUBJECT: Strategic Plan for Implementing Cost Management/Activity Based Costing (ABC)

In response to the USD(A&T) Memorandum on Defense-Wide Implementation of Activity Based Costing/Management (ABC/M) dated July 9, 1999, the Army has developed the enclosed Strategic Implementation Plan. We fully endorse Cost Management, using ABC where appropriate, as a process of continuous improvement. The Army will pursue ABC as a tool for the local manager to better understand operational cost and performance. We have an aggressive goal to complete implementation in 11 major business areas that support mission readiness within three years.

To meet this challenging timeline, we will provide ABC software and sustainment, establish a Cost Management/ABC course to rapidly train each business area, conduct prototypes in business areas as needed, and provide Cost Management/ABC training material. Each business area will prepare and submit detailed implementation plans through the Army Managerial Costing Steering Committee. The Army Cost and Economic Analysis Center will provide detailed instructions to each functional proponent in preparation for the upcoming steering committee meeting in December 1999, with information briefings available upon request.

Cost Management is not a one-time event; it is a long-term, continuous process solution to control cost and improve operations. This is an important culture changing event within the Army and must have leadership commitment from each business area. We expect the fullest participation throughout the Army and will monitor progress through the Quarterly Army Performance Review.



Louis Caldera

Enclosure