

NPS-FM-08-109



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**An Analysis of the Organizational Structures Supporting  
PPBE within the Military Departments**

**9 June 2008**

**by**

**Tiffany F. Hill, LT, USN**

Advisors: Philip Candreva, Senior Lecturer, and  
Dr. Edward Powley, Assistant Professor  
Graduate School of Business & Public Policy

**Naval Postgraduate School**

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Prepared for: Naval Postgraduate School, Monterey, California 93943



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# Abstract

Each military department produces a budget submission through the Planning, Programming, Budgeting and Execution (PPBE) system. Although the overall PPBE process is defined, each service conducts the process differently and is organized to do so differently. Using Mintzberg's theory on organizational structures and Nadler and Tushman's congruence model, the researcher conducted an analysis of each department's financial management organizational structure. This analysis identified variance in the structure of senior leadership positions, the qualifications of budgeting personnel, the centralization of decision authorities. There were also differences in the liaison positions inherent in the organizations, the degree of formalization of the budget submission process and the interaction between programmers and budgeteers. Finally, the study provides recommendations to Navy financial management leadership for improved congruence.

**Keywords:** PPBE, Budgetary Process, Department of Defense, Department of the Navy, Organizational Structure, Mintzberg, Nadler, Tushman, Congruency, Congruence Theory



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Disclaimer: The views represented in this report are those of the author and do not reflect the official policy position of the Navy, the Department of Defense, or the Federal Government.



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# Table of Contents

<b>I.</b>	<b>Fitting the Structure to the Process .....</b>	<b>1</b>
<b>II.</b>	<b>Organizational Structures and their Dynamics .....</b>	<b>5</b>
A.	Coordinating Mechanisms .....	5
B.	The Parts of the Organization.....	7
C.	Organizational Flows .....	11
D.	Designing the Organization .....	13
E.	Designing the Superstructure .....	14
F.	Liaison Devices .....	16
G.	Centralization versus Decentralization .....	17
H.	Understanding the Situations and Factors Affecting the Organization .....	18
I.	Organizational Types.....	22
J.	Conclusion.....	23
<b>III.</b>	<b>The Planning, Programming, Budgeting and Execution System.....</b>	<b>25</b>
A.	History .....	25
B.	The Process .....	27
<b>IV.</b>	<b>The Department of the Air Force PPBE Structure and process.....</b>	<b>37</b>
A.	The Secretariat Office Structure .....	38
B.	Air Staff Office Structure.....	38
C.	The Corporate Structure.....	39
D.	Financial Managers .....	46
E.	Process .....	47
F.	Coordinating between Programming and Budgeting .....	51
G.	The Degree of Centralization.....	53
H.	The Operating Environment .....	53
I.	Conclusion.....	54
<b>V.</b>	<b>The Department of the Army PPBE Structure and Process .....</b>	<b>57</b>
A.	The Secretariat Office Structure .....	59
B.	The Army Staff Office structure .....	62
C.	Formalized Review Boards.....	64



D.	Financial Managers .....	68
E.	The Process .....	69
F.	Coordination between Programming and Budgeting .....	72
G.	The Degree of Centralization.....	73
H.	The Operating Environment .....	73
I.	Conclusion.....	74
<b>VI.</b>	<b>The Department of the Navy PPBE Structure and Process.....</b>	<b>79</b>
A.	ASN(FM&C) Office Structure.....	81
B.	OPNAV Office Structure .....	84
C.	Marine Corps Organization.....	87
D.	Other Players .....	88
E.	Financial Managers .....	93
F.	The Process .....	94
G.	Coordination between Programming and Budgeting .....	99
H.	The Degree of Centralization.....	102
I.	The Operating Environment .....	103
J.	Conclusion.....	103
<b>VII.</b>	<b>Conclusion.....</b>	<b>107</b>
A.	Organizational Factors .....	109
B.	Alignment of Structure with Process.....	118
C.	Recommendations for the Department of the Navy.....	125
D.	Recommendations for Further Study.....	126
	<b>List of References.....</b>	<b>127</b>



# List of Abbreviations and Acronyms

## A

A1 - Personnel  
A2 - Intelligence, Surveillance and Reconnaissance  
A3/5 - Air, Space and Information Operations, Plans and Requirements  
A4/7 - Logistics, Installations and Mission Support  
A6 - Communications  
A8 - Strategic Plans and Programs  
A9 - Analyses, Assessments and Lessons Learned  
AA - Administrative Assistant  
AASA - [Administrative Assistant to the Secretary of the Army](#)  
AAG - [Army Auditor General](#)  
AF/CV - Vice Chief of Staff  
AF/CVA - Assistant Vice Chief of Staff  
ACC - Air Combat Command  
ACP - Army Campaign Plan  
ACSIM - [Assistant Chief of Staff, Installation Management](#)  
AETC - Air Education and Training Command  
AFB - Air Force Board  
AFC - Air Force Council  
AFG - Air Force Group  
AFCS - Air Force Corporate Structure  
AFMC - Air Force Materiel Command  
AFRC - Air Force Reserve Command  
AFSOC - Air Force Special Operations Command  
AFSPC - Air Force Space Command  
AFSPD - Air Force Strategic Planning Directive  
AFTFP - Air Force Transformation Flight Plan  
AG - Auditor General  
AMC - Air Mobility Command  
ANG - Chief, Air National Guard  
APGM - Army Program Guidance Memorandum  
APPG - Annual Planning and Programming Guidance  
AQ - Acquisition  
ARB - Army Resources Board  
ASA(ALT) - Assistant Secretary of the Army for Acquisition, Logistics and Technology  
ASA(CW) - Assistant Secretary of the Army for Civil Works  
ASA(FM&C) - Assistant Secretary of the Army for Financial Management and Comptroller  
ASA(I&E) - Assistant Secretary of the Army for Installations and Environment  
ASA(M&RA) - Assistant Secretary of the Army for Manpower and Reserve Affairs  
ASN(FM&C) - Assistant Secretary of the Navy for Financial Management and



Comptroller  
ASPG - Army Strategic Planning Guidance  
AWCF - Army Working Capital Fund

## **B**

BES - Budget Estimate Submission  
BR - Budget Review  
BUC - Office of Budget, Director of Management and Control  
BUI - Office of Budget, Director of Investment  
BUO - Office of Budget, Director of Operations and Support  
BUR - Office of Budget, Director of Business Resources

## **C**

CAA - Center for Army Analysis  
CAR - Chief of the Army Reserve  
CAMD,A - Chemical Agents and Munitions Destruction, Army  
CCH - Chief of Chaplains  
CIO/ G-6 - Chief Information Officer  
CMC - Commandant of the Marine Corps  
CNGB - Chief, National Guard Bureau  
CNO - Chief of Naval Operations  
COE - Chief of Engineers  
CONOPS - Concept of Operations  
CSAF - Chief of Staff, Air Force  
CSA - Chief of Staff of the Army

## **D**

DARNG - Director, Army National Guard  
DAS - Director of the Army Staff  
DAB - Director Army Budget  
DC, P&R - Deputy Chief of Staff, Programs and Resources  
DCS - Deputy Chief of Staff  
DCSPRO - Deputy Chief of Staff for Programs (G-8)  
DISC4 - Director for Information Systems for Command, Control, Communications  
and  
Computers  
DoA - Department of the Army  
DoN - Department of the Navy  
DPAE - Director Program Analysis and Evaluation  
DUSA (BT) - Deputy Under Secretary of the Army for Business Transformation

## **E, F**

FD - Force Development  
FM - Financial Management and Comptroller  
FMB - Director, Office of Fiscal Management and Budget



FMBE - Appropriations Matters Office  
FMB1 - Operations Division  
FMB2 - Investment and Development Division  
FMB3 - Program/Budget Coordination Division  
FMB4 - Business and Civilian Resources Division  
FMB5 - Budget Policy and Procedures Division  
FMS - Foreign Military Sales  
FYDP - Future Years Defense Program

## **G, H**

G-3/5/7 - Deputy Chief of Staff for Operations and Plans  
GC - General Counsel  
HC - Chief of Chaplains  
HQMC - Headquarters, Marine Corps

## **I**

IA - International Affairs  
IBR - Investment Budget Review  
IG - Inspector General  
ITSB - Information Technology Systems Budget

## **J, K, L**

JA - Judge Advocate General  
LL - Legislative Liaison

## **M**

MA - Manpower and Reserve Affairs  
MAJCOMs - Major Commands  
MC, P&R - Deputy Commandant of the Marine Corps, Programs and Resources  
MDEP - Management Decision Package  
MilCon - Military Construction  
MILPERS - Military Personnel  
MPA - Military Personnel Appropriation (Army)  
MROC - Marine Resources Oversight Committee

## **N**

NPS - Naval Postgraduate School  
NSP - Navy Strategic Plan  
NWCF - Navy Working Capital Fund  
N3/N5 - Deputy Chief of Naval Operations (Plans, Policy and Operations)  
N8 - Deputy Chief of Naval Operations (Integration of Capabilities and Resources)  
N80 - Programming Division  
N81/QDR - Assessments Division  
N82 - Fiscal Management Division



## **O**

O&M - Operation and Maintenance  
OBRC - Operating Budget Review Committee  
OCAR - Chief, Army Reserve  
OCLL - Chief, Legislative Liaison  
OCPA - Chief, Public Affairs  
OGC - General Counsel  
OMA - Operation and Maintenance Appropriation (Army)  
OPNAV - Office of the Chief of Naval Operations  
OSA - Office of the Secretary of the Army  
OSD PA&E - Office of the Secretary of Defense, Director of Program Analysis and Evaluation  
OTIG - Office of the Inspector General  
OTJAG - Office of the Judge Advocate General  
OTSG - Office of the Surgeon General

## **P**

PA - Public Affairs  
PA&E - Program, Analysis and Evaluation  
PACAF - Pacific Air Forces  
PB - President's Budget  
PBAC - Program Budget Advisory Council  
PBCG - Program Budget Coordination Group  
PBD - Program Budget Decisions  
PDM - Program Decision Memorandum  
PEM - Program Element Monitors  
PPBC - Planning, Programming Budget Committee  
PPBE - Planning, Programming, Budgeting and Execution  
POM - Program Objective Memorandum  
PR - Program Review  
PRG - Marine Corps Program Review Group  
PWG - POM Working Group

## **Q**

*QDR - Quadrennial Defense Review*

## **R**

RDT&E - Research, Development, Testing and Evaluation  
RE - Chief, Air Force Reserve

## **S**

SA - Secretary of the Army  
SADBU - Small and Disadvantaged Business Utilization Office  
SE - Safety  
SECAF - Secretary of the Air Force



SecNav - Secretary of the Navy  
SG - Surgeon General  
SMA - Sergeant Major of the Army  
SPP - Sponsor Program Proposal  
SRG - Senior Review Group  
ST - Chief Scientist  
SYSCOM - System Command

**T**

TAP - The Army Plan  
TE - Test and Evaluation  
TOA - Total Obligation Authority

**U**

USA - Under Secretary of the Army  
USAFE - US Air Forces in Europe

**V**

VCSA - Vice Chief of Staff of the Army

**W, X, Y, Z**

XC - Warfighting Integration and Chief Information Officer



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# I. Fitting the Structure to the Process

The Department of Defense (DoD) budget request is a complex document that encompasses the budgetary requests for the three military departments. The Departments of the Air Force, Army and Navy each generate, justify and submit their portions of the DoD budget using the Planning, Programming, Budgeting and Execution (PPBE) System. Although PPBE has standardized the steps and products that each department must complete in order to submit its budget, each department is structured differently and executes the process in its own way. By evaluating the organizational structure of the military departments as they apply to the PPBE process, changes or modifications to the current Department of the Navy financial management structure can be identified. Do the organizational structures of the departments align with their PPBE processes? What are the major differences between the departmental structures? What factors and characteristics of their organizational structures are prevalent within the organization? This thesis will answer these questions and analyze the organizational structures of each of the departments. This analysis will determine key differences in structure and process, which could potentially be applied to improve the fit of the PPBE organizational structure for the Department of the Navy.

Before a study of the departments can begin, it is necessary to understand the organizational structures and how the organizations are designed. To do this, the author will use a framework for analysis designed by Henry Mintzberg; this framework provides a model to help evaluate the organizational fit. With an understanding of the basic components of an organization, formal and informal interactions, design of positions and communication, we can then more fully understand its organizational structure. In its evaluation of these organizations, this thesis will examine leadership and command structure; the chain of command and reporting requirements; the formation of committees and their participants; communication and interaction between different parts of the organizations; formal



and informal communication methods and coordinating mechanisms; the training of employees to fill certain positions; and the degree of centralization within an organization. Each of these characteristics will be defined and explained in Chapter II. Chapter II, then, becomes the basis of the thesis and the lens used to examine the chapters on each department.

Chapter III describes the PPBE system. In order to understand if an organization is structured to fit with its budgetary process, we must analyze the underlying process. PPBE, as it was designed, has four basic components and standard documents that must be submitted. Although the system itself is defined, the structure and process to produce those documents has been delegated to the departments themselves. PPBE links planning to programmatic requirements constrained by resources. Each department has integrated the PPBE framework into its organizational structures and has developed its own standardized processes.

The next three chapters analyze the process and structure of each of the three military departments using the framework developed in Chapter II. Each chapter will start with an overview of the department's different components and internal organizations that participate in the PPBE process. An understanding of the function and purpose of each office and organization is needed in order to understand its role within this process. The next section, on financial managers, will give a brief summary of the background and training of the people that are participating in the budgeting function of PPBE. After establishing an understanding of who is participating in the process from that department, the chapter will explain the process these officials are executing. The PPBE process that each department executes is unique to that military department; no two departments execute the same process. After the process is explained, a brief discussion of coordinating mechanisms and the interaction between the programming and budgeting phases is conducted, as these are the two key phases in producing the Program Objective Memorandum (POM) and the Budget Estimate Submission (BES). The chapter will



wrap up with an overview of the department's process, identifying the components from Chapter II that are critical to the structure and process within the department.

The thesis concludes with a chapter that identifies the major differences between the three departments. Using David Nadler and Michael Tushman's congruence model, each department is analyzed for congruence between its organizational structure and PPBE process. Finally, the researcher provides recommendations for possible changes to the Department of the Navy (DoN) structure and process. She also includes further recommendations for study. As is common with research, the scope of the initial topic has uncovered other areas of study to be pursued.

Material for this thesis was gathered in numerous ways. Classwork conducted at Naval Postgraduate School (NPS) provided the initial knowledge base. Many of the figures and charts were gathered from various briefs and lectures from NPS faculty. Each service has a website that describes its organizational structure and provides descriptions of its respective offices and divisions. Likewise, each department provided the researcher with a copy of its PPBE primer or budget manual for review to enhance her understanding of its process. Finally, the researcher conducted nine interviews with 12 different people, both military and civilian. These 12 people were from the Army, Air Force, and Navy; each service had at least one military and one civilian representative. The interviews surveyed four SESs, one senior civilian, one O-6, five O-5s and one O-4. The representatives were from the planning, programming and budgeting phases of PPBE. All are currently working in the Pentagon. These interviews—seven of which were conducted in person at the Pentagon and two of which were conducted over the phone—provided personal anecdotes and professional observations concerning the process and the informal communication between groups and the culture of the organization. These nine interviews accounted for over ten hours of audio recordings and over 100 pages of transcription. The interview transcriptions were coded to highlight common themes that worked within Mintzberg's structure. The



interviewees' candid observations provided significant insight into their services' PPBE processes.

The aim of this thesis is to explore the different ways that the departments conduct their PPBE process in hopes of identifying a few "best practices" that could be applied to the Department of the Navy (DoN). There is no "one best way" to organize, as stated in David Nadler and Michael Tushman's principle of equifinality (1980, p. 38). There are certain practices that operate effectively with certain types of organizations because of personalities and culture. Those same practices may not work elsewhere. Each department currently has a process that works, as evidenced in its submission of the Program Objective Memorandum (POM) and Budget Estimates Submission (BES). This thesis will not evaluate the outcome of the departments' PPBE processes as it assumes that all are equally suitable. However, there is always value in continually assessing processes.



## II. Organizational Structures and their Dynamics

“The structure of an organization can be defined simply as the sum total of the ways in which its labor is divided into distinct tasks and then its coordination is achieved among these tasks” (Mintzberg, 1993, p. 2). It would be difficult to find two organizations designed in the exact same way that would achieve the exact same results. Leadership of organizations must understand the strengths and weaknesses of their organizational structure, and how the interaction between different components and outside forces affects the success of the organization to which it belongs. “For organizations to be effective, their subparts or components must be consistently structured and managed—they must approach a state of congruence” (Nadler & Tushman, 1980, p. 37). There are a few basic concepts that can be used to critique any organization.

This chapter will describe the coordinating mechanisms within an organization, the five basic parts of an organization, the function and design of the organizational structure, environmental factors affecting the organization and how all of these forces are integrated. It is important to understand that there is no such thing as a perfect design for an organization. Organizations are a conglomeration of many different elements. However, by examining these building blocks, we can better understand the organizational structure of the financial management offices of the Departments of the Army, Air Force and Navy. An understanding of these structures will aid in evaluating how well they align with each department’s PPBE process.

### A. Coordinating Mechanisms

Coordinating mechanisms enable elements in an organization to communicate. These mechanisms also exercise control over different parts and processes within that organization. Coordinating mechanisms are the tools that allow different parts and divisions of the organization to interact and act as one cohesive unit. There are five basic coordinating mechanisms: mutual adjustment,



direct supervision, standardized work processes, standardized outputs and standardized skills (Mintzberg, 1993, p. 4). Each of these five coordinating mechanisms can be found within the organizational structures of the financial management offices of the departments.

Mutual adjustment takes place as informal communication. “Despite the set of formal organizational arrangements that exists in any organization, another set of arrangements tends to develop or emerge over a period of time” (Nadler & Tushman, 1980, p. 44). This informal communication happens on a daily basis in any organization; often, it can be seen when two people meet in the hallway and work out an agreement. Mutual adjustment is very informal and has a tendency to work in small settings. In the financial management setting, information needs to be gathered by the budgeters, even between programmers and budgeters, in order for the latter to compile the budgetary documents. Much of this information is gathered through informal communication and by employees asking more experienced employees for advice.

Direct supervision is more formal and entails having one person watch over others in the work environment. This is the traditional “boss/employee” scenario and is prevalent in many government and military organizations, in which the chain of command is usually formally documented and the workers know to whom they report.

The other three mechanisms are based in standardization: work process, output and skill. The generic PPBE process is standardized through DoD directives. Each service has formalized its internal process, but the processes are not standardized between the services; each service produces a common product in a different way. Standardized work processes can be equated to an assembly line or a “follow the directions” mentality, in which there is a definitive process to reach the outcome. If the intricacies of PPBE were set forth in a standardized work process, then each service would have the exact same organizational structure.



Standardized outputs revolve around a product that is the same, but is produced in many different ways. The services' individual PPBE processes are a prime example. Each service produces the same document, such as its Budget Estimate Submission (BES) or Program Objectives Memorandum (POM), yet each service produces these documents in different ways.

The last coordinating mechanism, standardized skills, entails having all the workers trained to perform the same job. These are often trained in advance, such as accountants who hold a college degree to be able to practice. This is observed in the type of employees who work in some of the budgeting offices. Many employees in the civilian work force have some type of financial experience and possess corporate budgeting knowledge. Likewise, the uniformed personnel in some of the services are specifically financial managers. For example, in the Air Force, each uniformed budgeteer is selected because of his/her experience with financial management. This standardized skill set may ensure that someone who will be working in the Air Force financial management organization has a baseline understanding of certain things, such as the PPBE process. There is not much time spent teaching these new employees the basic guidelines of their jobs.

Each of these five coordinating mechanisms is useful in certain situations. Every organization is unique and may use one mechanism more than another. By identifying the types of coordinating mechanisms used by an organization, we can understand how that structure within the organization internally communicates and exercises power over other parts of the organization.

## B. The Parts of the Organization

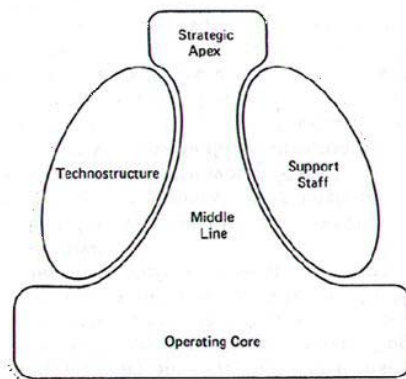
Generally, the pieces of most organizations, large or small, can be classified into Mintzberg's basic five parts, even though some of these parts may be small or may be comprised of the same people. According to Mintzberg (1993), each organization has a strategic apex, a middle line, an operating core, technostructure and support staff (Mintzberg, 1993, p. 11). Figure 1 shows these five parts. The





strategic apex is the leadership responsible for the overall success of the organization. The apex also develops the long-term strategy of the organization, determines how it interacts with the environment, and is responsible for ensuring that the organization is meeting the needs of the people or the needs of a higher organization. The military department secretaries, assistant secretaries and service chiefs are clearly at the top of the financial management organization of the Navy, Army and Air Force and are held responsible for the success or failure of their organization's budgetary process. They are also accountable to the Secretary of Defense, the President, the Congress and to the people of the United States.

The middle-line managers are those who make the connection between the strategic apex and the operating core or the workers. The middle line is more focused on the daily tasks of the organization and getting specific tasks done vice strategic planning and long-term thinking.



**Figure 1. Mintzberg's Five Parts of an Organization**  
(1993, p. 11)

In a financial management organization, one could equate the middle line to the different codes or sub-units of the overall service organization. For instance, if the Assistant Secretary of the Navy for Financial Management and Comptroller (ASN(FM&C)) and the Chief of Naval Operations (CNO) are the strategic apex; they are the members of the organization who ultimately submit the budget to the Secretary of the Navy (SecNav) and the Office of the Secretary of Defense





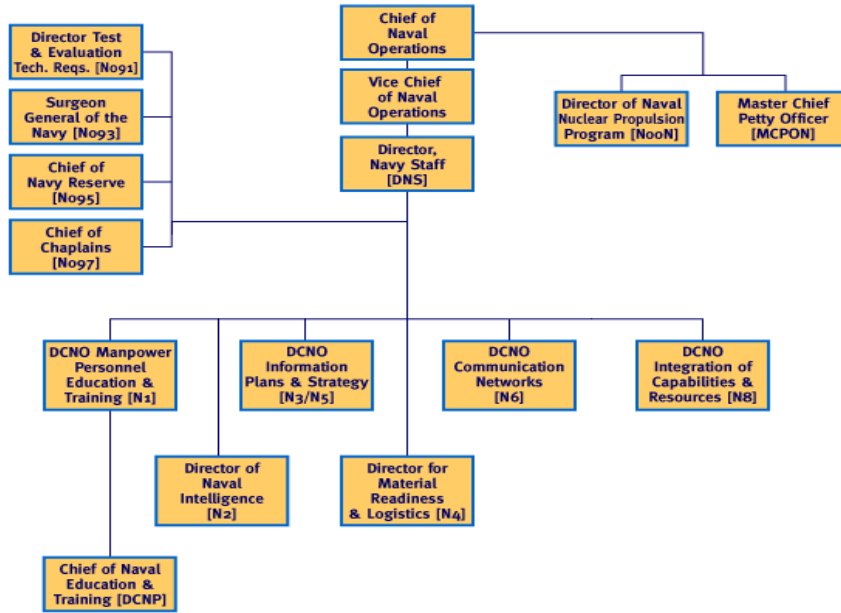
(Comptroller) (OSD(C)). The Deputy Chief of Naval Operations (Integration of Capabilities and Resources) (N8) and the Director, Office of Budget (FMB), can be considered part of the middle line. Although many members of the middle line have significant decision-making capability and can be considered quite powerful within the organization, they are still accountable to a higher authority. Figures 2 and 3 depict the structure of the CNO and the SecNav organizations.

Below the middle line is the operating core. Members of the operating core conduct the daily work of the organization. In the financial management organization, the operating core can be equated to the programmers, analysts and budgeteers who are gathering, compiling and formatting the budgetary data to be incorporated into a budgetary document. The core is usually composed of subject-matter experts on specific portions of the budget, while the middle line and the strategic apex generally have an understanding of all aspects of the budget.

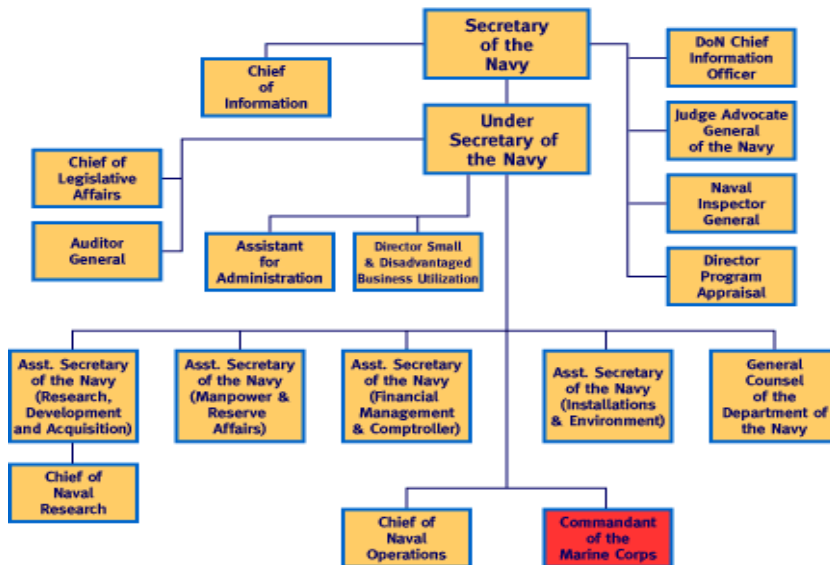
The next two parts of the organization deal with aspects that allow the organization to function but do not necessarily contribute directly to its final product. The technostructure consists of the analysts who observe and critique the organization and evaluate its processes and operating structure but do not do the actual work themselves. Members of the technostructure of the budgetary process may be difficult to identify, but they are generally those who examine how the PPBE process is taking place and what improvements could be made.

The strategic apex could task the technostructure to assess the effectiveness of a certain process. A prime example of a technostructure evaluation for the DoD organization would be the issuance of *Management Initiative Decision (MID) 913*. “The Defense Planning Guidance (DPG) tasked the Senior Executive Council to lead a study and recommend improvements to the DoD decision-making process” (DoD, 2003, May 22, p. 1). In this document, the Senior Executive Council provided recommendations to the DoD on amending the PPBS system.





**Figure 2. The Chief of Naval Operations Office Structure**  
(Department of the Navy, 2007, January 10)



**Figure 3. The Secretary of the Navy Office Structure**  
(Department of the Navy, 2007, January 10)

The support staff is a part of the organization that is usually overlooked; yet, it is an integral part that allows the organization the ability to function on a day-to-day



basis. The support staff consists of those units that provide support to the organization but do not contribute directly to its final product. An example of the support staff in the financial management organization would be the secretarial function or the cafeteria in the Pentagon.

Each of the five parts of the organization plays an important role in the success of the organization. However, the scope and power of the parts are dependent on many factors—such as the organization’s environment, its age, its product and its size (Nadler & Tushman, 1980, pp. 39-41).

### C. Organizational Flows

Now that the parts of the organization have been identified, it is important to understand how, in general terms, the organization functions. By understanding how an organization functions, we can see how its different parts interact, where decisions are made and where there are potential problem areas. If organizational leaders do not understand how and where decisions are made, they cannot implement potential improvements. Although no organization will be a perfect representation of these flows, the model highlighted in this research will be based on these methods. The five basic organizational systems are formal authority, regulated flows, informal communication, work constellations and ad-hoc decision-making processes (Mintzberg, 1993, p. 19).

Formal authority is akin to the military command structure; it is the structure most people would expect in an office within the military service. The formal authority structure is represented by a top-down, hierarchical organization. There is usually a printed version of the organigram (p. 19) given to every new person within the organization. (Figure 2 is an example of an organigram.) The organigram depicts reporting relationships and responsibilities, but it often does not depict informal centers of power or the “corporate knowledge” of individuals who have been around the organization for a long time. It also does not depict the level at which certain decisions are made.



Regulated flows are similar to the formal authority structure. However, they incorporate a feedback loop and also place a larger emphasis on standardization to decrease the need for direct supervision. In the regulated flow structure, the technostructure and support staff play a larger role and provide important feedback about the processes and flows of the organization.

Informal communication is a part of the organization that is not usually identified on a piece of paper or in an organigram but is usually the most important part in understanding how an organization actually works and where the power centers exist. “While often these groups are not found on any formal organizational chart, they frequently are the sources of both strategic and operational success within an organization” (Cross, Parker & Prusak, 2002, March, p. 1). There is much academic research that deals with informal organizational networks and understanding the theory behind them. By understanding the informal communication that exists in an organization, members of that organization can more easily understand where the decisions are made and who is considered a subject-matter expert. These informal power centers have the potential to circumvent the actual decision centers. A budget analyst who has been working on the same program element for 15 years can be a significant source of reliable information, even though a program manager is “above” him in the organizational hierarchy.

As we work up the scale of complexity, work constellations group people into clusters of peer groups rather than into the structure depicted on an organigram. These constellations focus on specific tasks or processes and often coordinate over two or more of the five different parts of the organization. These work constellations may exist for long periods of time or may come together to tackle a specific problem. For example, if a quick response is needed to a Program Decision Memorandum or a Program Budget Decision by the services, the services will often form a “working group” to generate an answer.



The last grouping, the ad-hoc decision process, can be accurately explained as a decision loop. A question or problem usually originates in the operating core and is raised to the middle-line managers and then to the strategic apex, which will usually ask members of the technostructure or support staff for their opinions. After receiving their recommendations, the strategic apex will make the ultimate decision and pass the actions back down through the middle line to the operating core for execution. This process can be seen when guidance is sought from the strategic apex, outside of the formal reviews, during the building of the POM or BES.

It is likely that most organizations will use these flows at one time or another. Clearly, no organization will function exactly as described above. There is a time and a place for each flow, and many times they will happen concurrently. However, understanding why and how things work will help us understand how an organization functions and the methodology behind decision-making and process outputs.

#### D. Designing the Organization

The design of an organization is based on many factors. The basic element of design begins with the blueprint of individual positions and the scope of each job. Each job includes certain tasks that must be identified as to their breadth and depth, their latitude in making decisions and the number of tasks or jobs for which they are responsible. If budget analysts are compiling data for a portion of the budget, do they have the authority to make certain cuts if a submission does not align or must the question be vetted up the chain of command?

Behavior formalization is another aspect of design that must be understood within the organization. Some type of behavior formalization is present in every organization, which reveals the expectation of how employees are supposed to act. In a military structure, the expectation is highly formalized due to previous military training and doctrine. Formalization of behavior is usually referred to as bureaucracy. Formalization produces a sense of consistency and reduces variability. Formalization usually takes place by position, work flow or rules.



Position refers to specific guidance for a certain job (i.e., a detailed job description). Title 10, Subtitle C, Part I, Chapter 503 of the US Code offers one such type of job description for the four Assistant Secretaries of the Navy (USC, Title 10, Section 5016). Work flow refers to the order of steps in a process that must be followed, as in the PPBE process. Rules refer to existing regulations, such as in the issuance of the Financial Management Regulations. Formalization is needed in an organization to ensure order; however, too much formalization can stifle creativity, motivation and create a sterile atmosphere.

## E. Designing the Superstructure

The designing of the superstructure takes into consideration how and what the organization is to produce, how formalized the organization is, the baseline knowledge of the employees and how the organization will function. A decision needs to be made regarding how designated employees will be grouped and the size of such groups. These two decisions are very important for the function and interaction of the organization and can influence the job satisfaction of employees. Grouping can be divided into six types and may change as the organization matures and its strategy changes.

Mintzberg identifies six ways to form groups: knowledge and skill, work process and function, time, output, client, and place (Mintzberg, 1993, pp. 48-50). In financial management organizations, the grouping of people by knowledge or skill can be seen by the grouping of people that work on a specific part of the POM development or budget. For example, the budgeteers who work on the surface community budget work together. If all employees who worked on the POM were grouped together, as will be seen in N80 organization, then the grouping is done by process and function. Grouping by time takes into consideration when the work is done. If the same work is done at different times, units would be grouped separately. This is commonly witnessed with shift work. Grouping by output would be very similar to grouping by work process and function as it looks at the specific



end product. FMB3, which compiles the Navy's budget, is grouped by output since they all work together in compiling the budget. Grouping by client takes into consideration who the employees work for. In a broad sense, this is seen in the different services by each service's financial management organization serving itself. Finally, grouping by place organizes people by the regions in which they serve.

How is it decided how these groups are formed? There are certain factors that must be identified and decided before grouping individuals. Decisions must be made on how the units will interact, how interdependent they will be, the natural flow of work, the expected product, whether the groups can handle the scope of the product, how the groups will interact socially, and the types of people who will be included in each group. These are often difficult decisions, and the designation of groups should be done carefully.

Once the factors of designating groups are considered, the decision-maker needs to determine the size of the unit. Such a decision largely depends on the employees (their training and the products they are expected to produce), as well as the ability of the managers to supervise. In general, the more standardized the work, the larger the unit size needs to be—because standardized work tends to be easier for the manager to supervise. Size also depends on the coordinating mechanism that the group will use to complete its tasks. If a group is going to depend on mutual adjustment, it will function better as a small unit size because of the time it takes for informal communication. Careful consideration should also be taken as to where the unit falls within the organization. Much larger units are more common at the bottom of an organization, while smaller units are typically found at the top of organizations.

Once the decisions are made as to how personnel will be grouped, there needs to be a discussion concerning group interaction and how to standardize their outputs. The planning and control system of an organization is important since the plan outlines the desired output and the controls assess whether the outcome has





been achieved. There are two types of planning and control systems: performance control and action planning. Performance control deals with after-the-fact result monitoring (Mintzberg, 1993, p. 74). Action planning regulates the steps to achieve a goal. The PPBE system is a performance control system that does not tell the services how to achieve the end products; however, it standardizes those end products and regulates the overall performance of the services' budgetary processes. However, individual departments may engage in action planning if their PPBE process is highly developed and formalized.

## F. Liaison Devices

Along with the type of planning and control system, groups within the organization often have a strong interdependence and need for coordination of information. "Changes in one component or subpart of an organization frequently have repercussions for other parts: the pieces are interconnected" (Nadler & Tushman, 1980, p. 38). Programming and budgeting have a strong interdependent relationship. When the POM changes, it will have a direct influence on how the BES is produced. Likewise, when the price of a program changes, it will directly affect the allocation of resources to programs within the POM. This coordination is formally identified with different kinds of liaison devices that facilitate this sharing of information for the greater good of the organization. However, the services differ in terms of the liaison devices they use.

There are four types of liaison devices, each of which may be in place at any one time and often overlap. They are liaison positions, task forces and standing committees, integrating managers and matrix structures. A "liaison position" is a single person that is identified as the "go between" for two groups. This position often has informal authority and is the sole contact between two units. This can be paralleled to the "team captain," who is the only team member allowed to talk to a referee during a game.





“Task forces and standing committees” are formed when there is a need to formalize meetings and coordinate different groups. They can be for a finite period of time or can be a regular occurrence. Mutual adjustment usually involves multiple members of the group in a formal setting. These meetings are commonplace occurrences in large structures, such as the financial management organization.

“Integrating managers” are a formalized version of the liaison positions when there is a need to have an official position that coordinates multiple units. “The formal power of the integrating manager always includes some aspects of the decision processes that cut across the affected departments, but it never extends to formal authority over the departmental personnel” (Mintzberg, 1993, p. 83).

The last device, the “matrix structure,” is a kind of conglomerate of the first three and is usually superimposed on the infrastructure. The matrix often blurs the lines of authority and calls for an understanding of reporting requirements and formal and informal authority. “There are just too many connections and interdependencies among all line and staff executives—involving diagonal, dotted and other “informal” lines of control, communication, and cooperation—to accommodate the comfortable simplicity of the traditional hierarchy” (1993, 87). Often, managers will have dual reporting requirements in the matrix structure. This will be further evaluated as the coordination between the military services and the secretariats is identified.

## G. Centralization versus Decentralization

The question of an organization’s centralization of power can be challenging to definitively classify. The more centralized an organization, the more power rests with one person or group at the strategic apex of the structure. The more decentralized the organization, the more power rests with the employees throughout the organization. At first look, the DoD is a highly centralized organization. It is clear where the ultimate power lies: with the service chiefs and the secretaries. However, there are limits to the power inherent in such positions, since the leadership is largely in the job for a short period of time. They usually change with a



new Presidential administration and have so many responsibilities that there is a heavy reliance on the staff to produce an almost perfect product.

As an organization increases in size, it becomes increasingly difficult to remain centralized. Often, one person cannot understand all the decisions that need to be made, nor does he or she have the time to make all decisions. In a centralized organization, motivation for employees to think independently and get excited about their jobs may be minimized because they feel powerless. However, this feeling of powerlessness can be reduced if employees understand and are allowed to make different types of decisions at various levels of management. This would be referred to as vertical decentralization: when decisions are pushed down to lower levels.

In the financial management organization, there are many decisions that are delegated to different levels; however, if a decision is made that someone does not agree with, there is a process for refuting such a decision. Because the expert knowledge of a certain program or system resides at lower levels, it is often hard for upper management to make decisions based on specific knowledge of the system. “In effect, systems of capital budgeting often fail because they cannot put the formal power for authorization where the required knowledge of the project is” (Mintzberg, 1993, p. 109). This balance of power needs to be understood at an organizational level to ensure that informed decisions are being made objectively.

## H. Understanding the Situations and Factors Affecting the Organization

An organization is structured according to the understanding of internal and external factors and environmental considerations. Mintzberg’s congruence hypothesis states that an “effective structuring requires a close fit between the situational factors and the design parameters” (1993, p. 122). Nadler and Tushman (1980) agree with this evaluation, noting that “the congruence between two components is defined as “the degree to which the needs, demands, goals, objectives, and/or structures of one component are consistent with the needs,



demands, goals, objectives, and/or structures of another component" (p. 45). This is to say, an organization needs to be designed to best align with the factors and elements that affect it. The configuration hypothesis states that "effective structuring requires an internal consistency among the design parameters" (Mintzberg, 1993, p. 122). A combination of the hypotheses leads to the extended configuration hypothesis: "Effective structuring requires a consistency among the design parameters and contingency factors" (1993, p. 122). A contingency factor is akin to a situational factor in that those elements that surround an organization drive how an organization must be structured. Examples of contingency factors are age and size, environmental considerations and relative power relationships.

### **1. Age and Size**

The age and size of an organization are characteristics that reflect an organization's information flows and personality. Typically, older organizations should be more behaviorally formalized. As organizations mature, the work performed becomes repetitious and the knowledge base grows. Governmental departments are a prime example of this statement. Although PPBE has evolved, the basis on which it was formed is still present. The longer the process is around, the harder it will be to change. There will be initial contempt for change, especially among personnel who have long-term experience. A common phrase heard within an aged organization is "this is the way that we have always done it, and it has always worked." There is not always an impetus for change within aged structures. The organization, often times, has its own culture that has developed with time and with growth. In such situations, employees often become rooted in routine.

Another important hypothesis regarding age and size is "the larger the organization, the more elaborate its structure—that is, the more specialized its tasks, the more differentiated its units, and the more developed its administrative component" (Mintzberg, 1993, p. 124). From an employee and fiscal perspective, the DoD is one of the largest organizations within the government. Its structure is highly elaborate, with many interdependencies and cross-functional groups. This



leads to highly specialized units consisting of personnel who are highly specialized in specific tasks. In the budgeting realm, people who deal with a certain aspect of the budget will work towards becoming subject-matter experts, but they may not know anything about a different portion of the budget. Likewise, it is hypothesized that such large organizations develop more formalized behavior than smaller organizations.

## **2. Environmental Factors**

The environment in which the organization operates is highly critical to the design of the organization. The environment consists of factors outside the organization that directly and indirectly affect the organization. If a careful understanding of the environment in which an organization is operating is not achieved, the success of that organization may not be fully realized.

There are four main factors to consider when evaluating the environment: stability, complexity, market diversity and hostility. Stability refers to the type of environment in which the organization operates. If the environment is stable, it operates in a predictable environment. For example, a manufacturing firm that produces the same toys for many years and continues to have a steady demand operates within a stable environment. However, if there is uncertainty or unpredictability in the environment, it is said to be dynamic.

In general, the financial management portion of the DoD, operates in a fairly stable environment. There is always an expectation for a budget to be produced in a similar format to those produced in previous years. However, the basis on which that budget is formed has potential to be dynamic—as the world’s political situation changes, as administrations change, as Congress changes, as the economy fluctuates and as new military requirements emerge. However, the process in which the financial management community operates is largely stable, but it is often forced to deal with dynamic inputs.



The complexity of the environment is the next factor to consider. In a simple environment, the factors and processes affecting a final product are broken down and relatively easy to understand. A prime example of such a process is an assembly line. Although the entire product may be complex, the individual processes that go into the assembly of the products are relatively simple. Alternatively, the environment can be considered complex if the inputs for a product or process are always changing or must be derived from a variety of sources.

In the PPBE process, the environment is highly complex, as the pulled data for the phases comes from different global sources. Likewise, with a constantly changing political, economic or security environment, the data must be molded and changed as the environment changes.

Market diversity also affects an organization. The more global a market, the more diversified it is. The PPBE process has one product—the budget submission—for a myriad of customers: the Office of Management and Budget (OMB), Congress, the defense industry, foreign countries that look at the budget submission to glean information, and, of course, the public. However, the final product is not directly tailored to all the end-users; rather, it is based on the POM in order to meet the strategic objectives set forth in the planning phase. So, even though there is a highly diverse market, the final product is not really affected by the market.

The last factor, hostility, deals with competition and how the organization must interact with competing organizations. At first glance, it may appear that the DoD, when considering only the financial management aspect, does not live in a hostile environment (since it does not have any other “defense departments” with which to compete). However, within the DoD, the different services are constantly competing for money for their individual services and programs. Externally, the DoD is competing with other governmental organizations for their “share of the budgetary pie.” There is a top-line in the overall governmental budget and each department



wants as much of that constrained resource as possible. Therefore, each organization must constantly compete to receive a portion of the constrained budgetary resource.

## I. Organizational Types

Analysis of an organization's environment can yield a better comprehension of the organization's structure. An organization is broadly structured in two ways: the degree of stability and the degree of complexity within the organization. Generally speaking, the more stable the environment, the more bureaucratic the organization tends to be. An organic, or less defined, structure can more easily adapt to a dynamic environment than a formalized, bureaucratic structure. In general, the less complex an environment is, the more an organization tends to centralize. It is easier for one person at the strategic apex to make decisions in a simple environment and to have an understanding of the pertinent factors than it is for someone to make a decision in a more complex environment. However, in the case of extreme hostility, organizations tend to centralize their structure, at least on a temporary basis. As organizations deal with different environments, they tend to organize in different fashions. This thesis evaluates the organizational structure of the military department's financial management organizations to see if its design aligns with the process and the environmental factors affecting the organization. Table 1 below shows the different types of organizations.

	<b>Stable</b>	<b>Dynamic</b>
<b>Complex</b>	Decentralized Bureaucratic (standardization of skills)	Decentralized Organic (mutual adjustment)
<b>Simple</b>	Centralized Bureaucratic (standardization of work processes)	Centralized Organic (direct supervision)

**Table 1. The Four Types of Organizational Structures**  
(Mintzberg, 1993, p. 144)



## J. Conclusion

After reviewing the elements of organizational structure, we can conclude that there are many factors to consider when designing an organization. These factors play a role in the design of an organization as well as the operation and communication of the organization. The organization consists of sub-organizations. The workings of an organization are revealed through its communication, behavior and the structure of its sub-organizations. For an organization to increase its chance for success, all of the mentioned factors must be aligned.



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### III. The Planning, Programming, Budgeting and Execution System

The purpose of the Planning, Programming, Budgeting, and Execution (PPBE) process is to allocate resources within the Department of Defense. The PPBE System is a cyclical process that provides the mechanisms for decision making and provides the opportunity to reexamine prior decisions in light of changes in the environment. (DAU, 2008)

The PPBE is a multi-tiered, systematic approach for developing a budget for the DoD that aligns with its strategic outlook. Before we can begin an examination of the organizational structure of the services' financial management offices, we must first understand the process that drives the production of the budget. The PPBE process outlines necessary steps to produce individual service Program Objective Memorandum (POM) and Budget Estimate Submission (BES), which will be included in the DoD's budget submission. Although the PPBE process is standardized, each service is structured to conduct the process in different ways. In Chapter II, the design of organizational structures was discussed. Before we can evaluate the framework for the structure, we must look at the process it accommodates. This chapter will provide the PPBE foundation.

#### A. History

The PPBE system can be traced to the 1960s and Secretary of Defense (SecDef) Robert McNamara. SecDef McNamara established the Planning, Programming, and Budgeting System (PPBS), which was changed to PPBE in 2003. Before PPBS was established, budgets were largely expenditure-driven and limited to single budget years. In essence, each yearly budget was a new product that lacked consistency with previous years and often reprioritized items as new issues were identified. "DoD lacked a mission or functional structure to classify costs" (DoD, 2008c). The link between strategic planning and budgeting was nonexistent.



SecDef McNamara implemented a system that would make a strategic link between mission and budget the cornerstone of the budgeting process. PPBS was designed to improve efficiency and government operations by “establishing long-range planning objectives, analyzing the cost and benefits of alternative programs and translating programs into budget and legislative proposals and long-term projections” (DoD, 2008c). PPBS allowed planners to look long-range, which allowed for links between planning and budgeting, which resulted in a definitive process for distributing scarce resources among many competing programs, rather than making incremental adjustments every year.

Although established by SecDef McNamara, many secretaries throughout the years amended the process based on their management styles and the needs of a changing environment. During SecDef Melvin Laird’s tenure, the process was decentralized by giving the services more power to make decisions, relinquishing some of the decision-making power that had been important to SecDef McNamara. “He revised the PPBS, including a return to the use of service budget ceilings and service programming of forces within these ceilings. The previously powerful systems analysis office could no longer initiate planning, only evaluate and review service proposals” (DoD, 2008b). During the 1980s, SecDef Caspar Weinberger “strengthened the role of the service secretaries, including seating them on the Defense Resources Board, an advisory group that consulted on major resource decisions. He aimed to ensure that those responsible for development and execution of service programs had authority to manage their program resources” (DoD, 2008a). Recently, Secretaries Rumsfeld and Gates have centralized authority in the Office of the Secretary of Defense by limiting time for service programming, budgeting and expanding time for corporate-level analysis and decision-making; putting SECDEF “in the driver’s seat” (Jones & McCaffery, 2004, p. 98). Capability Portfolio Managers at the OSD level exercise further control over the services.

While PPBS was a vast improvement over the previous fiscally-driven, short-term budgets, which continued to be amended to fit the needs of the SecDef, it was



still lacking some important links. In 2003, the Defense Planning Guidance (DPG) directed a review of the PPBS process to more closely align the decision-making and budgeting processes. Management Initiative Decision (MID) 913 identified such weaknesses and put forth improvements to PPBS. It also changed its name to PPBE. From the start of PPBS through the newly amended PPBE process, each phase is formally identified and explained. PPBS policies, procedures and responsibilities are outlined in *DoD Directive 7045.14*, “The Planning, Programming and Budgeting System” (DoD, 2003, November 21, p. 1). The directive outlines the objective of each phase and the subsequent produced document. “The principal purpose of PPBS has been to integrate the information necessary to craft effective plans and programs that address existing and emerging needs into a disciplined review and approval process” (DoD, 2003, May 22). This amended process is explained in the following sections.

## B. The Process

Although PPBE appears to be a sequential process, as delineated in *DoD Directive 7045.14*, it is essentially a continual process that is being conducted for various spans of years at any one time. Figure 4 provides an overview of the two-year nature of the cycle and Figure 5 illustrates that at any given point, there are multiple phases being conducted for different budget years.



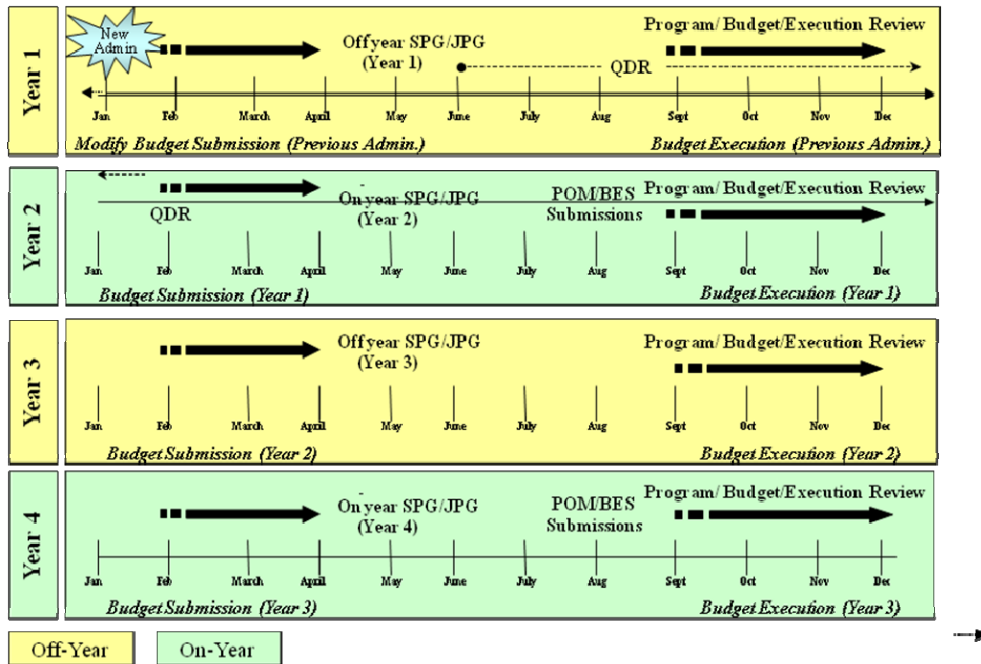


Figure 4. The Two-year Budget Cycle  
(Brook, 2007c, Summer)

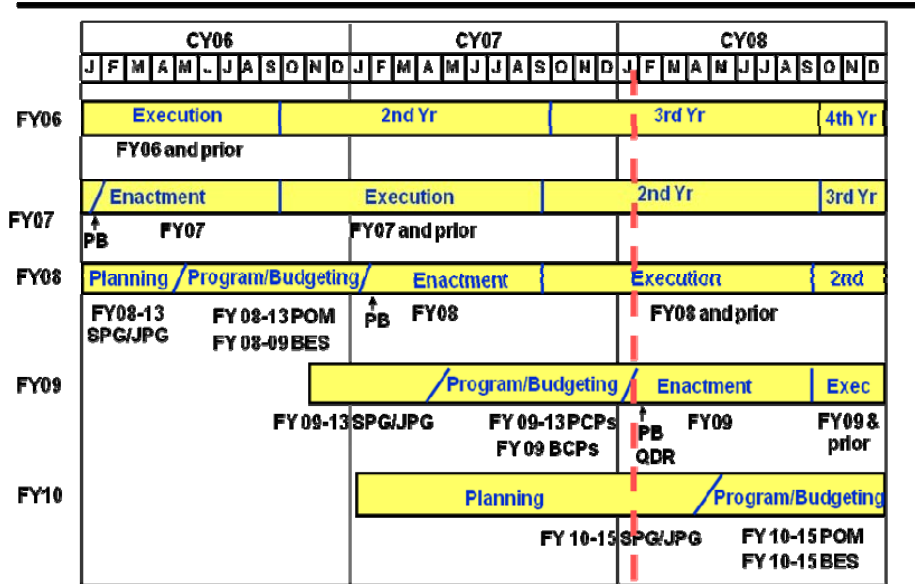


Figure 5. The Budgetary Process at Any Given Point in Time  
(Candrea, 2007)



PPBE is a two-year cycle, with the off-year focus on budget execution and program performance. So, at any one time, there will be people working on at least four years of budgetary data. Every year, there is a budget submitted by the DoD to Congress, with only the second-year changes made to the original submission. The off-year allows for a review of the proposed budget with limited fact-of-life changes or other circumstances that warrant an adjustment to the proposed budget.

## 1. Planning

The planning phase is the first step in producing a budgetary submission. The planning phase sets the stage and directs the programming phase. The military must analyze the global security environment and the national security strategy in order to build the end products of the planning phase. The United States' national security objectives must align with efficient use of limited resources. As stated in *DoD Directive 7045.14*, the objective is

defining the national military strategy necessary to help maintain national security and support US foreign policy 2 to 7 years in the future; planning the integrated and balanced military forces necessary to accomplish that strategy; ensuring the necessary framework (including priorities) to manage DoD resources effectively for successful mission accomplishment consistent with national resource limitations; and providing decision options to the Secretary of Defense to help him assess the role of national defense in the formulation of national security policy and related decisions. (DoD, 2003, November 21), p. 2)

The planning phase is based on relatively few documents. These documents are not necessarily annual installments and will only be updated as the need arises. There is no need to issue many of these documents annually, as the underlying core initiatives, positions and strategies will not change within an administration (because many strategies are set long range). However, they are instrumental building blocks of the planning phase. The Executive Branch initiates changes as needs arise.



The President issues the National Security Strategy (NSS), developed by the National Security Council (NSC), which states the President's goals and outlines his foreign policy and military strategy as it applies to national security. The NSS identifies any threats to the United States by molding inputs from various agencies, such as the Department of State, the Central Intelligence Agency and other intelligence agencies, which then form the basis for the overarching defense strategy (Jones & McCaffery, 2004, p. 98). The Joint Chiefs of Staff (JCS) will then use the NSS to produce the National Military Strategy (NMS). The NMS is a fiscally unconstrained document that outlines the recommendations of the Joint Chiefs for strategic planning and the military requirements needed to meet the objectives stated in the NSS. The National Defense Strategy (NDS) is issued by the SecDef, which encompasses the entire department's objectives. Every four years, in the second year of the President's term, the DoD is required to provide Congress with the Quadrennial Defense Review (QDR or, the DoD's statement to Congress on defense strategy and business policy. The QDR is based on the NSS, NDS, NMS as well as the Joint Planning Document (JPD), which is issued annually as a product of the budgetary process.

These strategic documents become the basis for the Combatant Commanders (CoComs) review for the planning phase. The CoComs provide their assessment of the current global and national security and military situation. These inputs help develop the Strategic Planning Guidance (SPG). The SPG, an annual document, is an integral part of the Joint Capabilities Development (JCD) plan. The SPG is "issued early in the Planning process to provide overall policy and strategy guidance to be used in developing the defense program" (DoD, 2008e). "The SPG is produced as needed to communicate defense strategy, top priorities, risk tolerance, and broad capability guidance. It is top-down and resource informed" (MORS, n.d.). The JCD has developed throughout the years to become a major part of the planning phase by incorporating the needs of joint forces and programs in order to reach across the boundaries of individual services and help avoid duplicative efforts within the services.

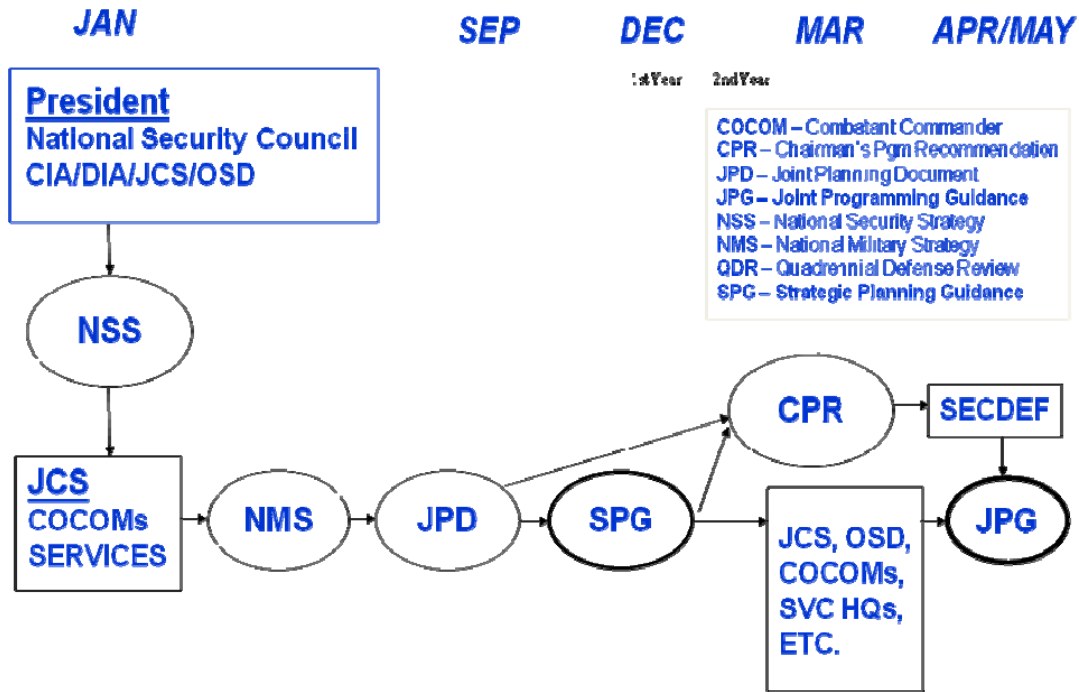


After the issuance of the SPG, OSD and JCS conduct a major issues analysis. This analysis outlines the performance metrics and major issues to be incorporated into the programming phase, which will allow the DoD to evaluate how they are accomplishing their goals. OSD then issues, in on-years, the Comprehensive Fiscal Guidance, which is developed from the major issues analysis. In off-years, OSD issues the Restricted Fiscal Guidance that implements minor fact-of-life changes, Congressional changes and other minor adjustments. The CoComs then provide OSD with their Integrated Priority List (IPL), which outlines their needs, in order of priority. The Chairman of the Joint Chiefs of Staff also provides the SecDef with their personal opinion, specifically on joint programs. He provides this in the Chairman's Program Recommendation (CPR).

Finally, after consideration of all the above documents, OSD issues the Joint Programming Guidance (JPG) that becomes the basis for the programming phase. The JPG is issued in on-years and "contains fiscally constrained programmatic guidance and performance measures" (DoD, 2008e). The JPG becomes the basis for the development of the Program Objectives Memorandum (POM), produced in the programming phase. Figure 6 overviews the planning phase.







**Figure 6. Overview of the Planning Phase**  
(Candrea, 2007)

## 2. Programming

The programming phase of the PPBE system identifies where resources are allocated in alignment with the programmatic needs of the DoD. Programs are the actual systems, equipment, goods and services the military buys and develops in order to meet their strategic planning objectives. At the end of the programming phase, each service will develop its Program Objectives Memorandum (POM) to outline the resource allocation set forth in the JPG over the next six-year period. The POM is an on-year budgetary document. The POM takes into consideration the IPLs developed by the CoComs as well as the fiscal constraints issued in the JPG. The POM outlines the programmatic needs and alternatives in order to structure the force for the future.

In off-years, Program Change Proposals (PCP) are used instead of a POM, since they identify minor changes that are needed to the POM. PCPs take into consideration fact-of-life changes and other alterations that were unforeseen in the





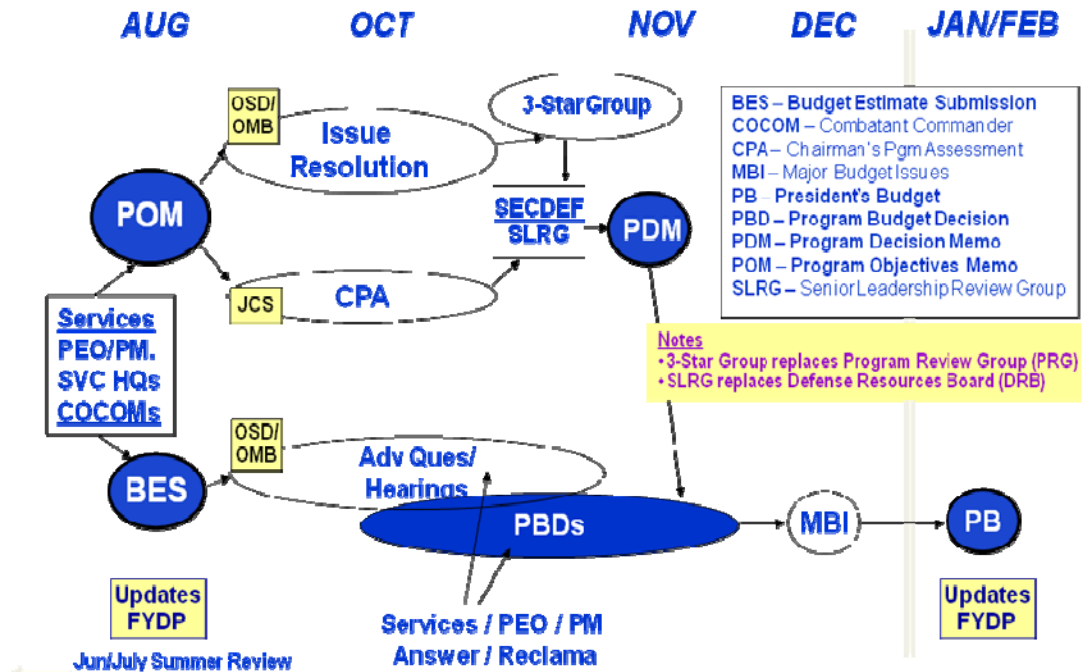
development of the FYDP. However, the PCP is a zero-sum game, that is, if it adds to one program, it must take away from another.

The POM is then reviewed by the services and OSD to ensure compliance with the JPG and the NMS, while balancing the needs of the services. The recommendations are then given to the SecDef. The SecDef issues Program Decision Memorandums (PDM) that document the decisions of the SecDef regarding the content of the POM. The PDM is the final product in the programming phase. Figure 7 depicts the on-year programming phase.

### **3. Budgeting**

The Budget Estimate Submission (BES) is the principal document resulting from the budgeting phase. The BES is initiated in the programming phase and further developed while incorporating the decisions reflected by the PDMs. The BES consists of four years of budgetary data: the last completed year, the current year and the next two budget years. The BES documents and justifies the decisions made in the POM. It contains the cost estimates for the approved program plans. After the issuance of MID 913, a greater emphasis was placed on the budgeting process and the inclusion of performance metrics into the BES.





**Figure 7. On-Year Programming Phase**  
(Candrea, 2007)

In off-years, Budget Change Proposals (BCPs) are submitted to OSD rather than a BES. BCPs make changes to the baseline budget and do not make significant changes from the previous BES. These BCPs, like PCPs, take into consideration fact-of-life changes and are also a zero-sum game.

After the BES or BCP is submitted, each service conducts a review to ensure that the budget proposal is conducive to the service's needs and aligns with its strategic mission, which ensures that funding for important programs has not changed significantly, thereby leaving a fiscal gap. OSD also conducts a comprehensive review, in conjunction with the Office of Management and Budget (OMB), of the fiscal feasibility and alignment with administrative initiatives, fiscal responsibility, reasonableness and the ability to be executed. In on-years, two budget years are reviewed, and in off-years, one year is reviewed. This independent analysis results in pass-back information to the DoD, which incorporates the administration's viewpoint on such things as inflation, top-line authority, strategic



initiatives and policy. The budget review process ensures that the following questions are answered: (DoD, 2008c)

- Does it support the Administration's policies and initiatives?
- Does it appropriately reflect legislative direction that may have been included in DoD and Military Construction Appropriation Acts, the Defense Authorization Act, and the Intelligence Authorization Act for the current fiscal year?
- Does it reflect earlier guidance, for example, the Program Decision Memorandum (PDM) and planning guidance?
- Are the programs funded in a manner that is consistent with legal limitations and financial policy guidance?
- Are the programs appropriately priced, based on sound estimating and cost principles, and executable as proposed?
- Can the programs and the budget estimates be justified to the Congress? (DoD, 2008c)

Formal Program Budget Decisions (PBD) are then issued to the services from USD(C). PBDs outline alternatives to the proposed budgets. The services may then refute the PBDs and present their positions accordingly. Major Budget Issues (MBI) are then vetted up the chain of command for decision-making, allowing the SecDef and the President to discuss certain issues. After all decisions have been made, USD(C) tabulates the services' budgets and submits them as the President's Budget (PB) submission, including the supporting documentation.

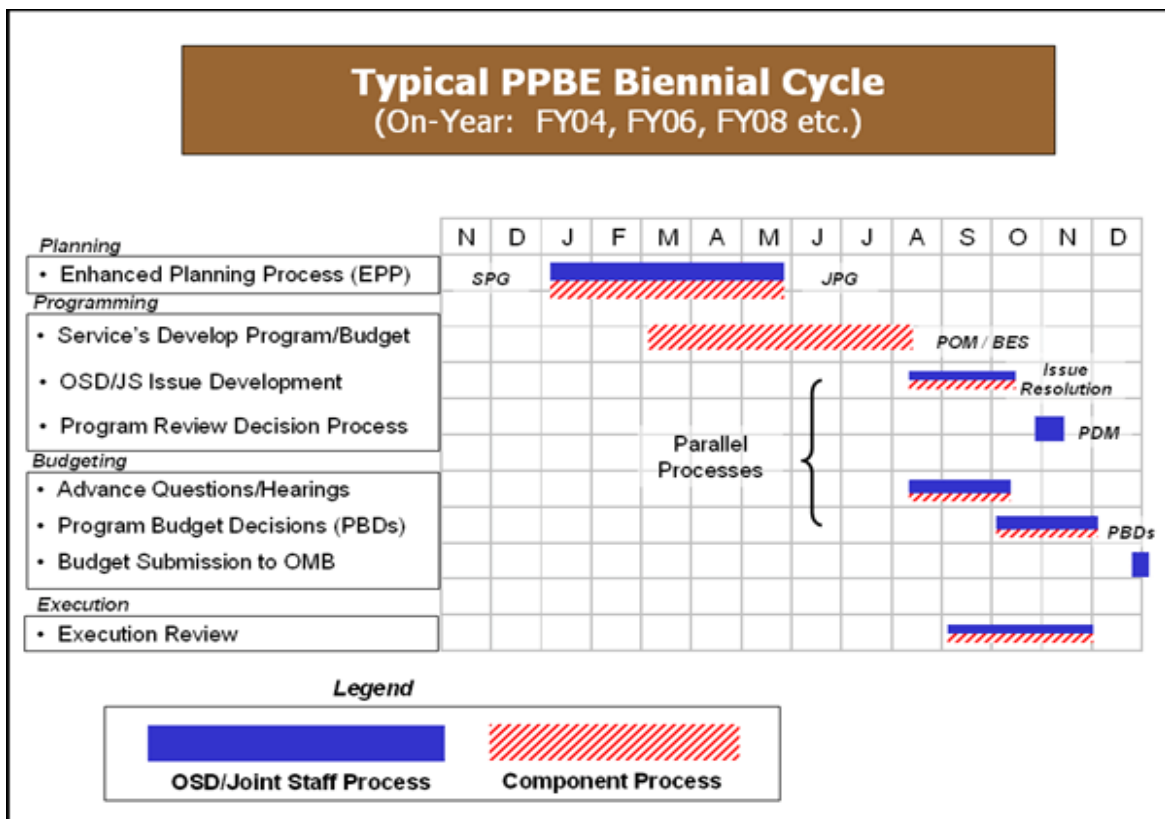
#### **4. Execution**

The execution portion of the PPBE process obligates and expends the budget in accordance with the plan set forth in the services' budget. Budget execution is closely monitored to ensure that the services are spending the planned amount in an adequate and timely manner, in addition to the performance metrics that were incorporated in the programming and budgeting phase. There is a mid-year review of all performance metrics and resources may be reallocated in order to accomplish these metrics.



MID 913 changed PPBS to PPBE with the added emphasis on execution. A budget execution review will provide the opportunity to make assessments concerning current and previous resource allocations and whether the Department achieved its planned performance goals. To the extent performance goals of an existing program are not being met, recommendations may be made to replace that program with alternative solutions or to make appropriate funding adjustments to correct resource imbalances. (DoD, 2003, May 22, p. 7)

The PPBE process has evolved since the 1960s. The PPBE process links the national strategy and resource limitations to a budget. Although the PPBE process is standardized throughout the DoD as to the phases and documents that are produced, each department has adapted the system to their specific needs and personalities. Figure 8 provides an overview of the entire process.



**Figure 8. PPBE Overview**  
(DoD, 2004, December 16)



## IV. The Department of the Air Force PPBE Structure and process

The Air Force, like the other services, has its own structure and process of producing the Air Force budget. It is known as the Air Force Corporate Structure (AFCS). The AFCS is formalized and adhered to throughout PPBE. It guides the decision-making process throughout the formulation of the Air Force budget.

Although all the services have created similar positions that participate in the budget process, the Air Force has unique nomenclature that identifies different positions within the headquarters or Air Staff (military side—AF) and the Secretariat (civilian side—SAF). The Chief of Staff, Air Force (CSAF) and the Secretary of the Air Force (SECAF) are the two leaders, or strategic apexes, on the military and secretariat side, respectively. Both the Air Staff and the secretariat play significant roles in the PPBE process. The interaction and coordination between these two sides of the Air Force become the backbone of the AFCS. Although they both play a significant role in initially guiding the development the POM and BES (and keeping in mind they are ultimately responsible for the production and submission of the Air Force budget) much of their responsibility is delegated. Such a situation makes them more reviewers and strategic decision-makers rather than significant players in the development of the budget.

The Air Force was asked to provide a PPBE primer like the other departments. The primer, an easy-to-read, 81-page document, details the different levels of the AFCS as well as easy-to-understand diagrams that enhance the descriptions. The document provides a solid understanding of the AFCS. Information for this chapter was also gathered through Air Force websites, coursework at NPS and discussions with both programmers and budgeteers in the Air Force.



## A. The Secretariat Office Structure

On the secretariat side, the Assistant Secretary of the Air Force for Financial Management and Comptroller (SAF/FM) is ultimately responsible for the Air Force financial management activities and budget. Residing at the strategic apex, the SAF/FM is assisted in this job by four Deputy Assistant Secretaries and one director. They are the Deputy Assistant Secretary for Budget (SAF/FMB), Deputy Assistant Secretary for Cost and Economics (SAF/FMC), Deputy Assistant Secretary for Executive Services (SAF/FME), Deputy Assistant Secretary for Financial Operations (SAF/FMP), and the Office of Financial Management Transformation (SAF/FMT). Within the PPBE process, SAF/FMB, a two-star general and his directorates become the major players. The SAF/FMB directorates are Directorate of Budget Investment (SAF/FMBI), Directorate of Budget and Appropriation (SAF/FMBL), Budget Management and Execution Directorate (SAF/FMBM), Directorate of Budget Operations (SAF/FMBO) and Directorate of Budget Programs (SAF/FMBP) (Department of the Air Force, 2008a). SAF/FMB is part of the middle-line managers, as he oversees the budgeting process. His directorates are part of the operating core, technostructure and support staff.

## B. Air Staff Office Structure

On the military side, the Deputy Chief of Staff for Strategic Plans and Programs (AF/A8), a three-star general, “provides long-term planning and programming for the Air Force. AF/A8 develops, integrates and analyzes the multi-billion dollar Air Force Future Years Defense Program (FYDP) and Long Range Plan to support the national military strategy” (Department of the Air Force, 2008b). Within the AF/A8 structure, there are three directorates: Programs (A8P), Strategic Planning (A8X) and Executive Services (A8E) (2008b). AF/A8P manages the AFCS and will be discussed in further detail later in this chapter. AF/A8 and AF/A8 are part of the middle line in Mintzberg’s organization.

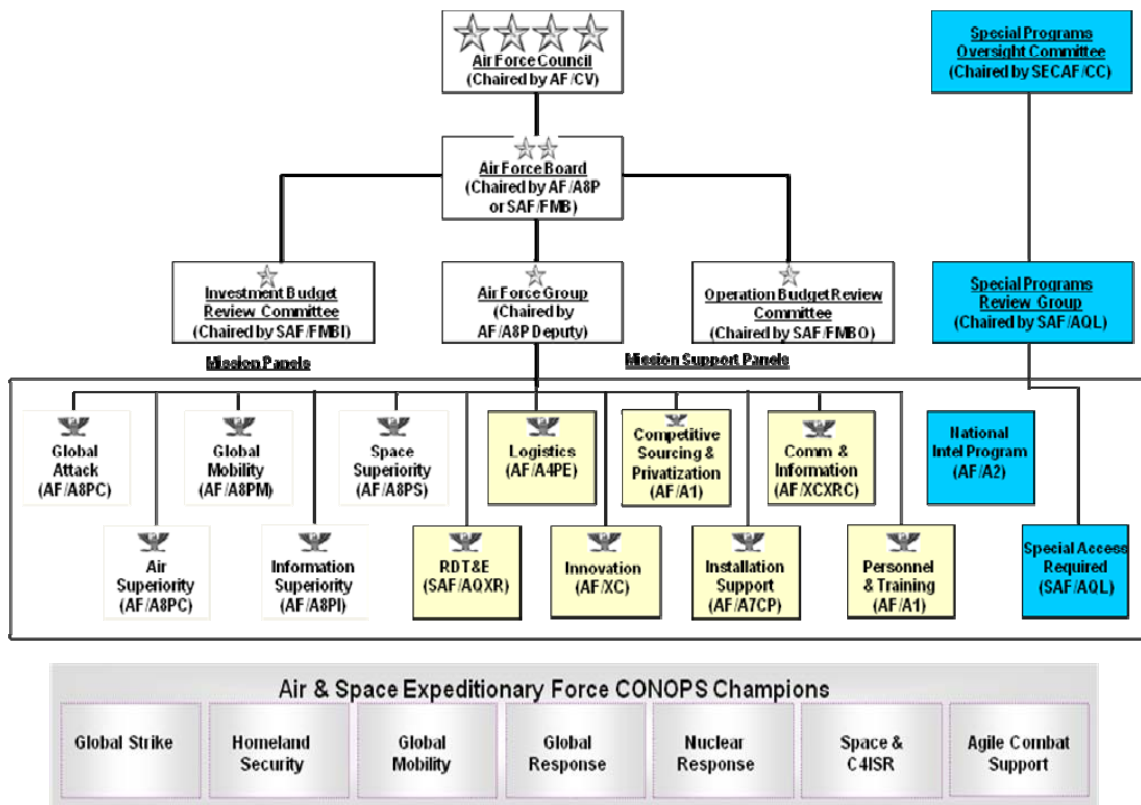


### C. The Corporate Structure

The Air Force Corporate Structure develops, reviews and submits the Air Force’s budgetary products. The AFCS consists of members from the Air Staff, the Secretariat and Air Force Major Commands (MAJCOMs).

The corporate structure provides the forum for considering and deciding Air Force resource allocation issues [...]. First, the corporate structure increases stakeholder involvement in decision-making. Second, decision-making is enhanced across functional areas. Third, participants focus on the process rather than the organizational structure. Finally, it facilitates involvement across the entire Air Force, enhancing institutional buy-in decisions. (Department of the Air Force, 2007, August, p. 21)

Figure 9 represents the AFCS.



**Figure 9. The Air Force Corporate Structure**  
(Department of the Air Force, 2007, October 25)

The AFCS is designed to allow the budgetary process to originate at working group levels or within the operating core, where personnel are very knowledgeable





about specific programs, with the process culminating at the Air Force Council for final recommendation to the SECAF and CSAF. The AFCS, at first glance, can be compared to Mintzberg's organizational flow of a formal authority. There is a very distinct hierarchy depicted and a distinct flow of information.


The AFCS has many levels of decision-making and review. It is important to understand these levels, the people involved in such decisions, where they originate (whether SAF or AF), where the input comes from and how information is organized. The following review will depict and explain the different levels of the AFCS and their interactions and importance in the PPBE process.

## **1. The Air Force Council**

The Air Force Council (AFC) is the highest level of review in the AFCS before the final decisions are made by the SAF and the CSAF. The AFC is chaired by the Vice Chief of Staff, Air Force (AF/CV)—a four-star general. The AFC consists of the Deputy Chiefs of Staff (DCS) and the Assistant Secretaries of the Air Force, along with other key directorates within those organizations. The AFC allows for coordination between the DCS on major issues and also returns issues to the Air Force Board. Figure 10 identifies the members of the AFC. The AFC is at the strategic apex of the AFCS. Although the SAF and CSAF have the final decision-making authority, the AFC is very powerful because it represents the entire AFCS, which encompasses a decision-making process across many Air Force components. The AFC is an example of a standing committee liaison device, as it encompasses representatives from many parts of the Air Force. This committee is grouped by product. The AFC is brought together to produce the POM and the BES. Figure 10 identifies the members of the AFC.





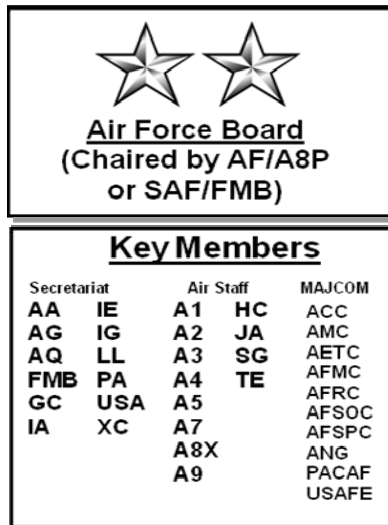
 <b>Air Force Council</b> (Chaired by AF/CV)			
<b>Key Members</b>			
Secretariat		Air Staff	
AA	IG	CVA	ANG
AG	JA	A1	RE
AQ	LL	A2	SE
FM	MA	A3/5	ST
GC	PA	A4/7	SG
HC	US(D)	A6	TE
IA	XC	A8	
IE	CCC	A9	

**Figure 10. Key Members of the Air Force Council**  
 (Department of the Air Force, 2007, October 25)

## 2. The Air Force Board

The Air Force Board (AFB) is the level of review below the AFC. The AFB is chaired by either AF/A8P or SAF/FMB, depending on the issue being discussed. All members are either one- or two-star generals or the civilian equivalent, and they exist within the middle line. When there are programming decisions to be made, AF/A8P is the chair. SAF/FMB will chair the AFB when there are budgeting and execution issues to be decided. The AFB resolves most issues brought forth by the Air Force Group and packages the issues for the AFC review. Members are from AF, SAF and the MAJCOMs. Figure 11 illustrates the members of the AFB. The AFB, like the AFC, is a standing committee grouped by product.



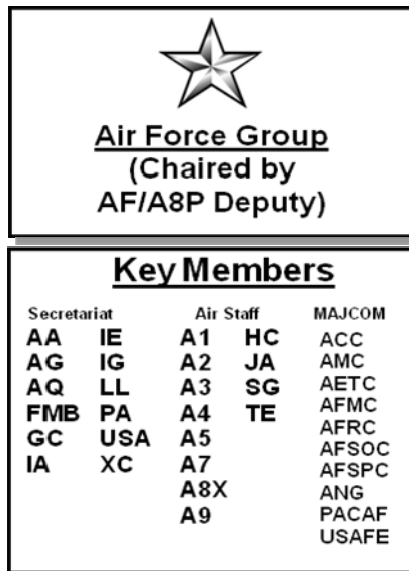


**Figure 11. The Air Force Board**  
(Department of the Air Force, 2007, October 25)

### 3. The Air Force Group

The Air Force Group (AFG) is the level below the AFB. The AFG starts the transition from a middle-line manager review to the operating core in the AFCS. The AFG is chaired by the AF/A8P Deputy, a one-star general, with most of the key members being colonels or civilian equivalents. The AFG, like the AFB, has representatives from AF, SAF and the MAJCOMs. The AFG develops the Air Force program. Like the AFC and the AFB, the AFG is a standing committee grouped by product. The AFG is the first level in the AFCS in which issues are viewed in an integrated manner rather than as individual programs. “The AFG is the first level of the corporate structure that integrates Air Force mission areas into a single, balanced Air Force program” (Department of the Air Force, 2007, August, p. 25). Figure 12 identifies the members of the AFG.





**Figure 12. The Air Force Group**  
(Department of the Air Force, 2007, October 25)

The AFG is the starting point for issues to be vetted through the AFCS. In order for an issue or proposal to be considered, it must be sponsored by a Panel Chair, Concept of Operations (CONOPS) Champion, or an AFG member. Panel chairs and CONOPS Champions will be discussed later. The AFG examines programs and evaluates alternatives to make recommendations to the AFB and the AFC for review and decision.

#### 4. Force Mission and Mission Support Panels

The Air Force Mission and Mission Support Panels include the subject-matter experts within their areas and provide the knowledge to the AFCS for major decisions. There are five Mission Panels and nine Mission Support Panels. These panels can be considered the base of the operating core. They provide the inputs into the POM and the BES. The Mission Panels deal directly with the stated mission of the Air Force and the direct equipment (airplanes) that deal with this same mission. The Mission Support Panels keep the Air Force running on a daily basis but they do not necessarily align with the Air Force's direct mission. Base



operations would be an example of mission support. The panels are grouped by knowledge and skill, because they deal with a specific part of the Air Force.

The panels are the integrating managers that combine issues from the Program Element Monitors (PEMs), Integrated Process Teams (IPTs) and the MAJCOMs in order to provide a wide view of certain issues. Each panel consists of numerous programs and integrates these programs, often deciding on trade-offs when budget cuts need to be made. Each panel is chaired by a colonel or a civilian equivalent. Membership on the panels includes AF (programmers) and SAF (budgeteers) as well as a few other core members who provide consistency, in addition to representatives from the MAJCOMs when needed. The panels are tasked with being the “honest brokers” (Department of the Air Force, 2007, August, p. 27) for the programs that delineate the panels’ responsibilities. The panels evaluate programs within their trade space to make adjustments. They make trade-offs within their panel to make recommendations to the corporate process.

## **5. Process Teams**

Part of the support staff are the Integrated Process Teams (IPTs) that compose the knowledge base on specific issue, and provide supporting information to the panels. The IPTs can be considered a task force liaison device as they are only necessary when a certain issue needs to be vetted. These IPTs are the subject-matter experts on specific programs, grouped by knowledge and skill, and provide the panels with recommendations on issues going through the corporate review process. IPTs will inform and help the panels make decisions based on collected information. “IPTs are ad hoc and apply functional expertise by staying informed on issues and speak on behalf of their functional organizations. IPT leadership is determined by the issue’s timeline. The leadership changes depending on the type of activity the program is involved in” (2007, August, p. 28). Panels coordinate individual issues together into mission or mission support areas and make a balanced decision. The IPTs focus on more specific issues and offer their



opinions to the panels on their issue, rather than looking at the viewpoint of the Air Force. IPTs are there to champion their specific interest.

## **6. Champions**

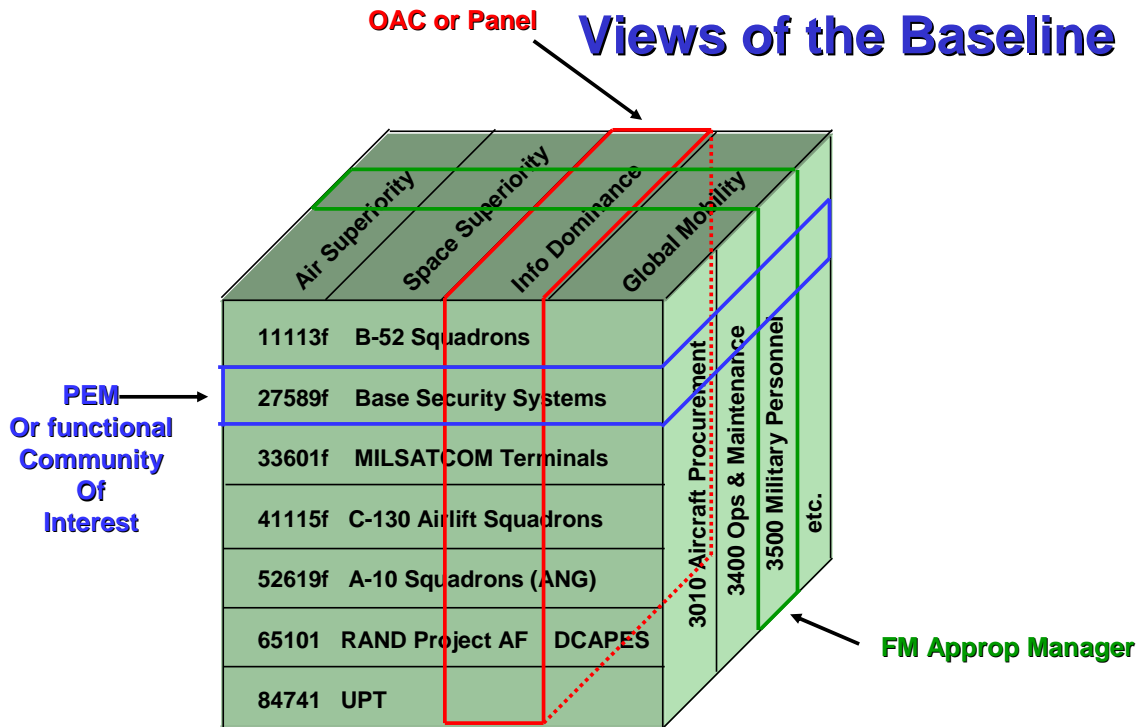
Concept of Operations (CONOPS) Champions were created to help the Air Force link capabilities to resource decisions. CONOPS Champions reside within the AF/A3 to help identify strategic needs of the Air Force and how they integrate with the “Joint Warfighter” concept. There are six CONOPS: Global Strike, Homeland Security, Global Mobility, Global Persistent Attack, Nuclear Response and Space (C4ISR), an Agile Combat Support and an Integration Division that deals with capabilities that span two or more CONOPS (2007, August, p. 28). Although the CONOPS are owned by the MAJCOMs, they work with the AF/A3X CONOPS Champion who “manage[s] the linkage of effects to investments and help guide resource decision-making based on its impact to capabilities” (p. 28). CONOPS Champions advocate their specific mission task to ensure they receive the programmatic funding to complete their mission. They integrate programs in order to produce a portfolio capable of dealing with their area of operations. CONOPS Champions are part of the support staff in that they give their opinion on their specific area of CONOPS but do not actually produce the POM and the BES. They are grouped by knowledge and skill; they are a standing committee.

## **7. Program Element Monitors**

Program Element Monitors (PEMs) hold the corporate knowledge of the history and needs for individual programs. PEMs are responsible for overseeing one or numerous program elements and are the strategic links between the MAJCOMS, AF and SAF. The PEMs are the voice of the individual program elements. The PEMs coordinate information with the Mission Panels and the CONOPS Champions. The PEMs are their own “champions” for the programs for which they are responsible. To better illustrate how all the groups interact, the Department of the Air Force depicts the departments as a cube (Figure 13, below). Each side is



working for its own self-interest, yet they must interact in the best interest of the Air Force. Figure 13 illustrates how these sides interact and can align.



**Figure 13. The Interaction Between Different Proponents in the AFCS**  
(Department of the Air Force, 2007, August, p. 48)

#### D. Financial Managers

One of Mintzberg's elements of an organization concerns how the scope of the job fits with employees, their training and a standardized set of skills. One of the coordinating mechanisms is the standardization of skills (i.e., ensuring that all employees have the same knowledge base and skill set to complete their task, which reflects a particular aspect of behavior formalization. The Air Force has a cadre of professional officers that have a specialty in financial management. These officers spend most of their careers in financial management positions, growing into different positions as they gain experience and knowledge. Eventually, they will come to the Pentagon as Air Force budgeteers. The current Deputy Assistant Secretary for Budget is an Air Force two-star general. His background includes



seven of his fourteen tours being directly financial management related, starting when he was a second lieutenant. The Air Force is structured so, in the budgeting world, a financial management trained officer works in budgeting. An Air Force budgeteer stated, when asked if a person with a non-financial management background could be a budgeteer,

Can a non-FMer do budgeting work? Answer is yes, Can they do it well? No....To work in a job here [budgeting in the Pentagon], normally you have to have some sense of what execution takes. You don't have a sense for what execution takes unless you have been an FMer at an installation level, or an FMer on what we call the product-center, or the acquisition side of financial management and so, for us to properly advise and again, think through that execution prism, you can't do that effectively unless you've been there and done that. FMers were classically trained in fiscal law.....we have legal liability when it comes to cover money.

The Air Force takes the view that budgeting positions should be done by financial managers. Programming positions can be done by operators, but budgeteers have specific financial management and legal training. This is a very different viewpoint of the skill set needed to complete the task compared to that of Navy.

## E. Process

The AFCS is designed to facilitate a smooth PPBE process, one that has Air Force-wide buy-in and participation. There are specific steps and reviews to be followed in order to adhere to the AFCS, thus leading to a very formal authority for organizational flow.

### 1. Planning

The planning process in the Air Force, like the other services, is based on the strategic vision documents that OSD produces through inputs from all the services and agencies within the DoD. The planning process originates from these strategic visions documents, including such items as the QDR, the NMS and the Transformation Planning Guidance (TPG). It becomes more focused as the





viewpoint is narrowed to Air Force-specific planning. AF/A8X is responsible for publishing the *Air Force Strategic Planning Directive (AFSPD)* as well as the *Air Force Transformation Flight Plan (AFTFP)* (Department of the Air Force, 2007, August, p. 39). AF/A8X builds the AFSPD and AFTFP while incorporating the guidance from the CSAF and the SECAF. The AFSPD “outlines the Air Force shift to a capabilities-based planning process, and assigns planning initiatives to the Headquarters Air Force (HAF) and MAJCOMs that will enable the informed decision-making necessary for effective resource allocation” (p. 39). The AFSPD and AFTFP help the programmers in their development of the POM by identifying the capability needs for the future.

The planning phase culminates in the issuance of the Annual Planning and Programming Guidance (APPG) that is issued by AF/A8P. The Air Force provides significant up-front guidance to the programmers, because the strategic apex does not enter the decision-making process until the end of the AFCS. This detailed guidance, developed by AF/A8P and AF/A8X, in this sense, can be viewed as part of the technostructure, since A8P and A8X provide a framework in which the AFCS should operate but do not directly participate in the process.

## **2. Programming**

In the programming phase, fiscally constrained resources are allocated to meet the generated plans. AF/A8P manages the programming phase and is responsible to AF/A8. Both are examples of direct supervision. Programming is initiated in the Mission and Mission Support Panels and incorporates the viewpoints of the MAJCOMs, PEMs, and IPTs. The programming process in the Air Force starts with the baseline from the previous year. The panels then take that baseline, even before the issuance of fiscal guidance, and have the “PEM Parades” (2007, August, p. 48). The panels take briefs from the PEMs, who outline the status, strengths and weaknesses of their programs. Although the panels do not yet know their fiscal restraints, these early parades help establish priorities early in the





process. Once OSD's Fiscal Guidance (FG) is issued, the panels can then adjust the programs as necessary.

The panels become the launching point of the AFCS for the POM build and deliberation. The following is a broad overview of the programming process:

- Panels validate proposals
- Panels, MAJCOMs and CONOPS Champions review, evaluate, adjust and rank the proposals.
- Panel Chairs and CONOPS Champions brief the AFG.
- AFG reviews proposals and the "bill" created through the reallocation of resources and issues the Panels their portion of the "bill."
- The AFG starts to make a balanced program, working with the Panels and the CONOPS Champions.
- The AFG briefs the AFB, the AFB then issues guidance to the AFG to reduce the created gaps.
- AFB then takes the amended plan and briefs the AFC. If the AFC does not accept the proposal, guidance will be issued all the way down to the Panels and changes will be made accordingly.
- Once all corrections are made, the AFB Chair and the AF/CV will deliver the POM to the CSAF and the SECAF. (2007, August, p. 52)

As stated earlier, this highly formalized process has a distinct flow of information from the operating core to the strategic apex. However, it is important to note that participating in the AFG level and below are the Air Force MAJCOMs. The MAJCOMs in the other services provide input into the program and budget, but they do not directly participate or sit on a board as in the Air Force.

While the POM is being built, AF/A8PE and SAF/FMB are coordinating budgeting. All programmatic changes come with a cost and AF/A8PE coordinates with SAF/FMB to ensure affordable changes. The Air Force then submits its POM to OSD for the Program Review (PR) to OSD, with AF/A8PE and AF/A8 being the primary defenders of the POM.

At the end of the PR, OSD will issue Program Decision Memorandums (PDMs) that provide guidance on amending the program submission. AF/A8 then



takes the lead on redressing the PDMs. AF/A8PE has the lead on formulating the response that will originate at the panels and go through the AFCS, ultimately being reviewed by AF/A8P and AF/A8.

### **3. Budgeting**

The budgeting phase is overseen by SAF/FMB, using direct supervision. Throughout the budgeting phase, documentation and justification for the budgetary figures are increasingly important. Strong justifications become extremely important when programs must compete for limited resources. The Investment Budget Review Committee (IBRC), comprised of analysts from SAF/FMB and SAF/AQ, initiates the Budget Review process. This can be considered a standing committee.

There is a strong emphasis on the IBRC as investments are seen as the future of the Air Force. SAF/FMBI analysts, PEMs and others coordinate with the MAJCOMs and the Material Command's to identify programs that may be targets for budgetary cutbacks--such a coordination forms a work constellation that crosses different parts of the Air Force organization. The IBRC then recommends to the AFCS to reduce programs that are not performing as expected or to justify programs that are not performing as expected but should not be reduced. These justifications are important because if the service does not identify such shortcomings OSD will reduce the total obligation authority (TOA). The IBRC makes its formal recommendation through the AFCS to the AFB. SAF/FMB, SAF/AQ and AF/A3 are the major proponents in the AFB. The AFB will then make a final decision and brief the AFC.

A similar process is followed for the operating budget—although the process tends to be much less contentious possibly because the bills are more consistent because they deal with operating levels and personnel. They are marginally affected by inflation and other fact-of-life changes. The Operating Budget Review Committee (OBRC), another standing committee, is chaired by the SAF/FMBO and will proceed through the same process from the PEMs through the OBRC and up through the



AFB and AFC. As the budgeting phase comes to a close--like in the programming phase--AF/A8P and SAF/FMB coordinate and will often co-brief the AFC, CSAF and the SAF. This coordination can be equated to mutual adjustment since it consists of two members working together for one goal.

When PDMs are published, Program Budget Decisions (PBDs) are issued by OSD in areas that may show poor budget execution or ineffective management. These PBDs are sent to SAF/FMBP for initiation into the AFCS and follow the same process as PDMs.

#### F. Coordinating between Programming and Budgeting

The interaction between the programmers and budgeteers in the AFCS exhibits both formal and informal characteristics. The Air Force has made a conscious decision to co-locate the programmers and budgeteers. The programming and budgeting offices are only separated by a door that connects the two offices and always remains open. Basically, the programmers and the budgeteers were co-located to increase the informal communication or mutual adjustment between the offices. Rather than responding and coordinating by electronic means, much of the coordination happens face to face. This personal level of interaction between the programmers and the budgeteers is highly valued throughout the AFCS, and an effort to include both factions in the decision process is evident. This co-location has helped, according to both Air Force programmers and budgeteers, to increase coordination and an understanding of what each phase is trying to accomplish. It has helped in translating between “program language” and “budget language.” An Air Force budgeteer stated, when asked about how the programmers and the budgeteers interacted,

I think one thing that is very helpful for us is the fact that our offices are linked with the programmers--so we just walk right across the hall, and we jointly work processes. I think having the two offices linked together is phenomenal in terms of being able to speak with one coherent voice, so that the budgeteers are not off doing their own thing in a complete vacuum, in isolation of the programmers, and vice versa.



Aside from their physical locality, the integration begins at the Mission and Mission Support Panels. This participation allows the budgeteers insight into the development of the POM as well as recommending when decisions are made that will not price properly or have potential to exceed the topline. Likewise, the AFB is co-chaired by A8P or FMB, depending on the issue, which allows for both the programmers and the budgeteers to be involved in making decisions. Throughout the entire process, the composition of all the decision-making steps includes both programmers and budgeteers. The AFCS is based in standing committees grouped by standardized work process.

As in the other services, the coordination between programming and budgeting often revolves around the database. Although there are two types of officers who work on the program and the budget, they come to speak a common language—the database ABIDES—since, ultimately, the program and the budget reside in this database. The database standardizes the output since both the programmers and the budgeteers use it. The transfer of the database from the program to the budgeting phase is much less formalized in the Air Force as it is in the Navy, although it is still an example of a regulated flow. This transfer is the sharing of information from one part of the organization to another within the same hierarchical level. The transfer part of the need for the programmers to stop making changes so the budgeteers can produce a budget. The transfer is more related to the time it takes to develop the budget rather than a transfer of responsibilities. As one Air Force budgeteer stated, “[Locking the database is] just a functionality of—it’s locked because it has to be so we [budgeteers] can make it [the BES] look pretty in the database, versus the decision-making that is built in. So the hand-off, if you want to call that a hand-off, is just mechanical.”

This viewpoint, as will be seen, is much different than the Navy’s transfer. The Air Force views their budgeting process much more holistic. When a budgeteer was asked if he viewed himself on the Air Staff or the secretariat side, he responded



Well, if you look on paper, if you look on the budget side, we work for the Secretary of the Air Force, where the programming side works for the Chief of Staff of the Air Force. Does that cause a conflict, in my opinion? No. And here is why: at the end of the day, the chief and secretary will make the final call, the chief and secretary jointly will make the final calls on what gets forwarded and what does not.

Although the programmers and the budgeteers clearly fall under different chain of commands (AF and SAF), they do not view themselves as separate entities.

## G. The Degree of Centralization

The Air Force displays the least centralized process. There is a strong effort to include all stakeholders in the AFCS through building the POM and the BES through the decision-making process until the AFC. This allows the MAJCOMs, who will ultimately be the executers of the budget, to participate in all phases of the process. The idea of the AFCS, with different levels of review, tends to lead to decentralization, as the members of the AFCS come to a consensus on the decisions made. This sometimes does not leave the strategic apex with many options, because decisions are made throughout the corporate structure. Therefore, as stated earlier, it becomes quite important for the strategic apex to issue clear initial guidance.

## H. The Operating Environment

In order to determine if the organizational structure aligns with the process it is executing, the operating environment must be examined. Going back to Chapter II, the four environmental factors to consider are stability, complexity, market diversity and hostility. The Air Force, for the most part, is operating in a stable environment. There will be an expectation for a POM and BES to be produced, and there is a structured process to produce such products. The Air Force does not re-create the organizational structure every year while producing its budget. Likewise, Congress, predominantly, does not change its reporting requirements, timelines and review process.



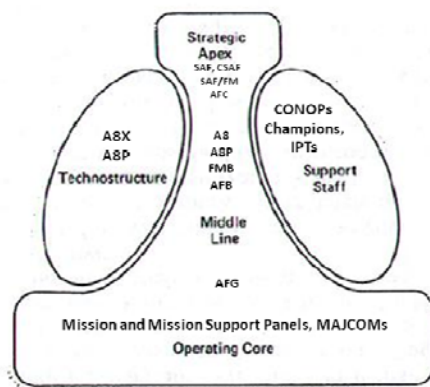
The complexity of the environment is the next factor to consider. The Air Force operates in a marginally complex environment but nowhere near as complex as the Army. When the Air Force produces its budget, it is largely based on the previous year. Relative to changes in the Army's operations,, Air Force operations have not changed dramatically in the previous years.

Referring back to Mintzberg's structure in Chapter II, the Air Force is placed between centralized and decentralized bureaucratic structures. This grouping is accurate in that the Air Force structure is not totally centralized or decentralized. Also, there is a distinct bureaucratic feel to the organizations (because they are very formal), and there is a distinct structure and process to their operation.

## I. Conclusion

This chapter covered the Department of the Air Force PPBE process and organizational structure, while identifying numerous characteristics and factors inherent within it. Some of these characteristics are unique to the Air Force and some are common to all three departments.

The Air Force structure aligns with Mintzberg's five parts of an organization. Figure 14 illustrates this organization.



**Figure 14. The Air Force Five Organizational Parts (Mintzberg, 1993)**



The Air Force has created the AFCS as a highly formalized system to coordinate and execute the PPBE process. The POM and the BES are formulated, analyzed and formalized through the AFCS. This structure is well established and documented; it provides a system through which decisions and documents flow. The system incorporates multiple levels of review and includes decision-makers from both the military and the secretariat side in a cohesive decision-making process. The Air Force uses an action control system rather than performance control system; the steps in producing the POM and the BES are very structured and formalized. We will see that this is not necessarily the case for all the services.

The Air Force uses some of the coordinating mechanisms that were discussed in Chapter II—specifically, mutual adjustment is observed with FMB and A8P coordinating to brief the AFC, SAF and CSAF. Also, a high degree of mutual adjustment is witnessed between the programmers and the budgeteers in their daily interactions being co-located. FMB and A8 and A8P exercise direct supervision over the budget and the program. The Air Force employs a standardized work process through the use of the AFCS. Each of these standing committees is based on the function they must complete. Also, the ABIDES database showcases a standardized output since both the programmers and the budgeteers use the same output data to communicate. Finally, the Air Force’s viewpoint on financial management as a core competency area for an officer makes this a standardized skill.

The Air Force also employs some of the organizational flows at certain points within the process. Formal authority is seen in the entire AFCS, as well as in FMB and A8 in their oversight of their respective phases. The transfer of ABIDES is a regulated flow, which flows laterally rather than horizontally. The operating core largely communicates informally in order to compile data. Meanwhile, work constellations are being formed by the OBRC and the IBRC. The only organizational flow that is not easily detected, although surely it is present, is the ad-





hoc decision-making process. This is due to highly regulated AFCS and the distinct decision-making process structure.

Part of designing an organization is behavior formalization: getting what one expects out of employees and ensuring that the person filling a position has the proper skill set or training to do the job. The Air Force budgeteers are solely financial management specialists. The Air Force believes that financial managers should be specially trained in financial management and should, for the most part, embark on that career path during their time in the Air Force. This is a different viewpoint than the Navy holds; they have budgeteers who are operators with some experience in financial management but nowhere near the experience required in the Air Force.

Liaison devices seen in the Air Force come from either integrating managers or the standing committee. Within the AFCS, the standing committee is the obvious choice for the integration of the various parts of the Air Force. The AFCS committees and groups are pulled from across the Air Staff and the secretariat. Mission and Mission Support Panels illustrate an integrating manager as they take input from many different sources and integrate it into the building blocks of the POM and the BES.

This chapter examined the Air Force organizational structure as it applies to the PPBE process. Many of Mintzberg's organizational characteristics have been identified within the Air Force. The Air Force has made a concerted effort to include all stakeholders within a highly formalized, yet decentralized decision-making process.





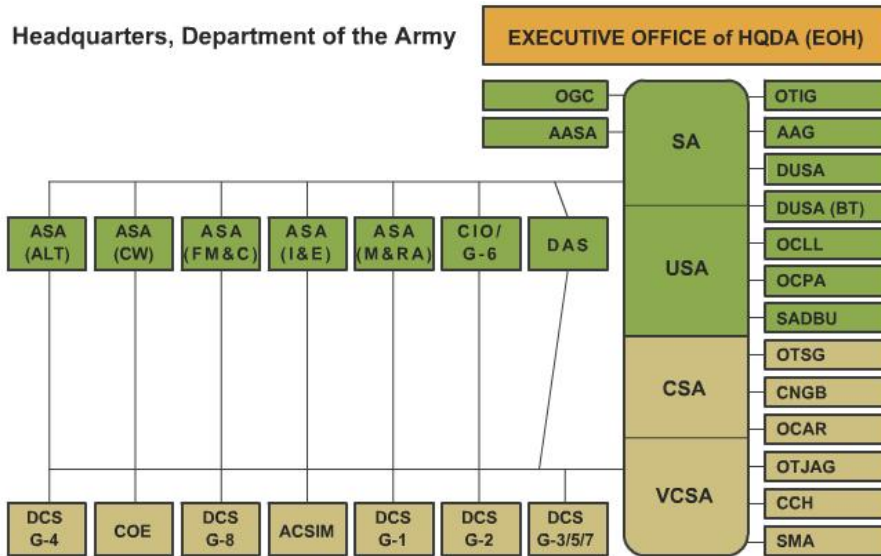
## V. The Department of the Army PPBE Structure and Process

The Department of the Army's (DoA) structure for their PPBE process is similar to that used by the Air Force; it is a formalized structure that includes councils and review boards to facilitate its PPBE process and its POM and BES submissions.

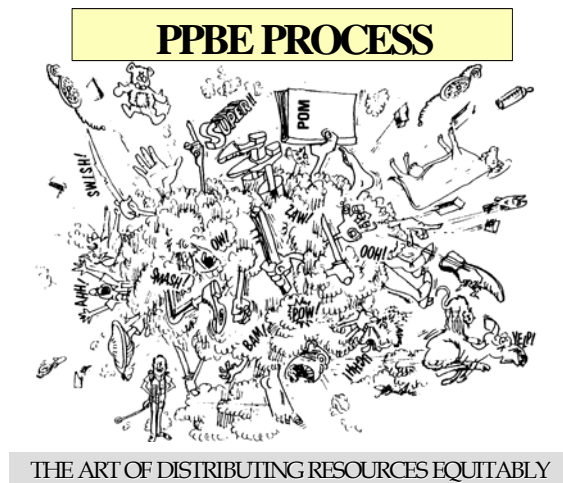
Consistent with the other two military departments, the Army has both a military and a civilian component to its headquarters' structure. Figure 15 illustrates the interaction between the military and the civilian side. It is important to note that each of the Assistant Secretaries aligns with a military directorate component; this is unique in that the other services do not necessarily see a direct correlation between the offices on the military side and offices on the civilian side. The top portion of the figure, the green part, is the civilian side while the bottom portion, the tan part, is the military portion.

In order to get an insider's view of the Army's PPBE process, the author asked each department to provide a PPBE primer. The Army's primer, although not as detailed as the Air Force version, was much more similar to the Air Force primer than the Navy's budget manual. The 21-page Army primer is obviously an informal, user-type handbook, used to explain the process to a broad audience, as evidenced in the first graphic of the primer, Figure 16. However, it details the actual process and includes levity—with the intent of making the primer more interesting to read. In addition to obtaining the primer, the author gathered information using coursework from NPS, Department of the Army websites and interviews with Army personnel. The full text of the interviews is on file with the Naval Postgraduate School, but will not be individually cited in-text or in the reference list in order to maintain anonymity of the interviewees.





**Figure 15. The Army Organizational Structure**  
(DoA, 2006)

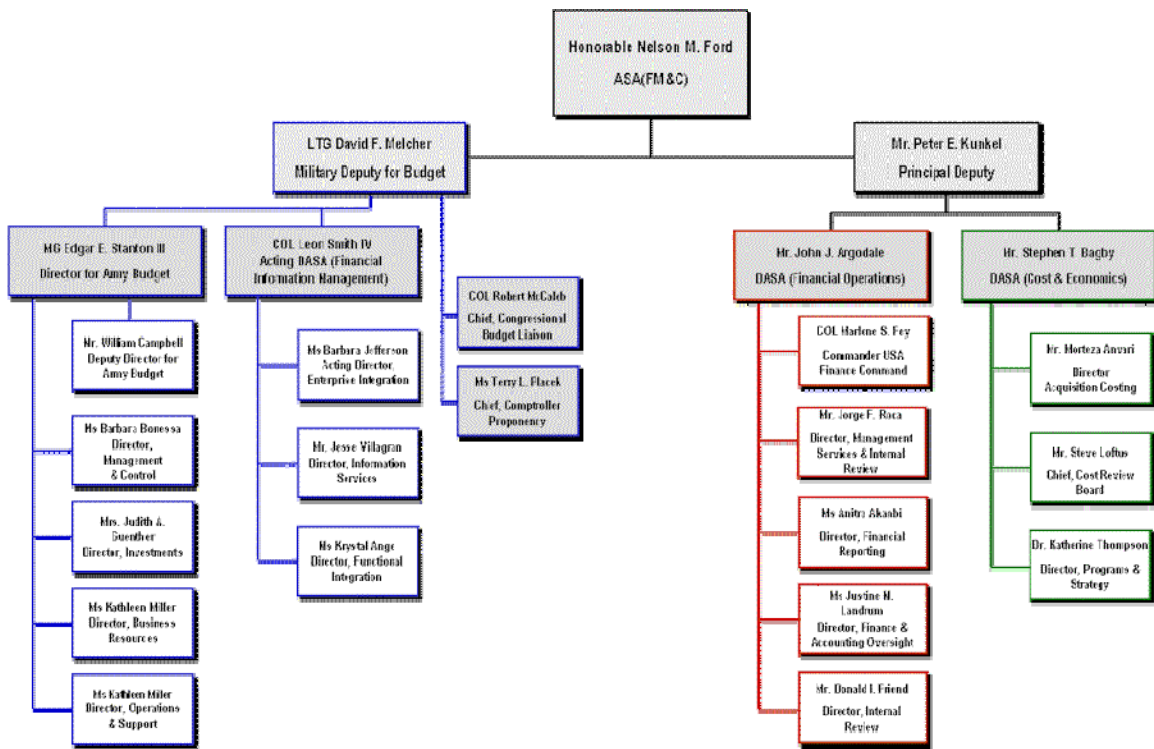


**Figure 16. Figure 1 in the Army Primer**  
(DoA, 2005)



## A. The Secretariat Office Structure

On the Secretariat side, the Secretary of the Army (SA) delegates some responsibility to the ASA(FM&C), but both are part of the strategic apex. Within the ASA(FM&C) office, there are two deputies who oversee the other divisions. They are the Military Deputy for Budget and the Principal Deputy. Within the ASA(FM&C) office, there are four positions with the title “Deputy Assistant Secretary of the Army.” This distribution contrasts with the Navy, which has only one deputy assistant secretary. Figure 17 illustrates the structure of the ASA(FM&C) Office.



**Figure 17. Organizational Structure of the ASA(FM&C) Office**  
(DoA, 2008c)

The Military Deputy for Budget is a three-star general who oversees and coordinates four different divisions: Director for Army, Budget (DAB); Deputy Assistant Secretary of the Army (Financial Information Management) (DASA(FIM)); Chief, Congressional Budget Liaison; Chief, Comptroller Propensity. The Military



Deputy for Budget, although not directly part of the strategic apex (there are several decision-makers above him), is on the border between the strategic apex and the middle line. The DAB is a two-star general who is responsible for the formulation and defense of the Army budget; he is the head budgeteer and is firmly solidified in the middle line. He also liaises with the programmers throughout the process, ensuring that programs are priced properly.

Underneath the Director, there are four divisions that assist in the formulation, defense and execution of the Army budget. They are Management and Control (BUC), Investment (BUI), Operations and Support (BUO) and Business Resources (BUR). BUC is responsible for “the Army's budget formulation and justification processes, issuing Army-wide budget formulation and execution guidance, and analyzing the impacts of changes to the Army's budget during the formulation, justification and execution phases” (DoA, 2005). BUC becomes the major compiler of the Army budget. BUC can be seen as an integrating manager, as it compiles the budget using inputs from other organizations. BUC is located in the operating core. BUI is the office that handles the investment appropriations. BUI is responsible for compiling information regarding budget and execution for procurement, RDT&E, Military Construction (MilCon), family housing and Chemical Agents and Munitions Destruction, Army (CAMD, A) and the Defense Department’s Homeowners Assistance Program appropriations. BUI is the knowledge-holder for these appropriations and is located in the operating core. BUO is the office that handles the Operation and Maintenance (OMA) and the Military Personnel (MPA) appropriations. BUO is extremely involved in the development of these appropriations from the programming phase through the execution phase.

The directorate coordinates budgeting of the operating and personnel appropriations from program development completion through budget execution completion. Also, the directorate participates in the program development process by membership on functional panels to provide interface with programs previously given resources in the budget cycle or being executed by the field. And it serves as the focal point for the MACOMs



[Major Army Command] to interface with HQDA on operating budget issues. (DoA, 2005a)

This involvement in the programming, budgeting and execution phases is unique and transcends the traditional headquarters/secretariat divide of programming and budgeting. BUO is an integrating manager between the programmers and the budgeteers and is also located in the operating core. BUR oversees the Army Working Capital Fund (AWCF), Foreign Military Sales (FMS) and Information Technology Systems Budget (ITSB). BUR also provides guidance and oversees policy on business relations for the Army with DoD and non-DoD. BUR is located in the operating core.

Three other positions fall under the cognizance of the Military Deputy for Budget and must be considered. The DASA(FIM) oversees the financial management systems and processes within the Army to ensure proper and fiscally responsible decisions are made. The DASA(FIM) can be considered part of the technostructure since he evaluates the systems and processes. Underneath the DASA(FIM) are three directors who assist in this endeavor. The last two offices under the Military Deputy for Budget are the Comptroller Proponency and the Congressional Liaison. The Chief, Comptroller Proponency assists the ASA(FM&C) and his deputies in coordinating the professional development of military and civilian comptrollers. The Congressional Budget Liaison interacts with Congress and the committees; keeping abreast of decisions as well as furnishing information to and from the DoA. The Chief, Comptroller Proponency can be considered part of the technostructure because he oversees part of the process—the personnel portion. The Congressional Budget Liaison is part of the support staff because it provides valuable information into the budgetary process but does not directly participate in it.

Under the Principal Deputy Assistant, who provides advice and oversees certain duties for the ASA(FM&C), is the DASA(Financial Operations) and DASA(Cost and Economics). DASA(Financial Operations) oversees the policies, procedures and financial systems for the Army. DASA(Cost and Economics) is



responsible for helping price equipment and programs and provide economic analyses for programs. It provides cost estimates and analysis of price alternatives. It is very influential in forming the input data for the budgeting process and exist in the support structure. Although each directorate has a role in the PPBE process, the Army Budget Office plays the key role in formulation of the budget.

## B. The Army Staff Office structure

On the Army Staff the strategic apex is the Chief of Staff of the Army (CSA). Like the other two departments, although the SA and the CSA are ultimately responsible for the submission of the POM and the BES, much of their power is delegated to their respective directorates for formulation. For the Army Staff, the Deputy Chief of Staff, G-8, is identified as “responsible for integrating resources and Army programs and with modernizing Army equipment” (DoA, 2007). The G-8 is the Army’s head programmer and, like the other “8” codes, is the link between the middle line and the strategic apex. Underneath the G-8, there are four offices that assist the Army Programmer in his duties. Figure 18 displays these offices and the ranks of their leadership.



**Figure 18. The G-8 Organizational Structure**  
(DoA, 2008a)





Examining these component offices is necessary to understanding their roles in the Army PPBE process. These four component offices are the Center for Army Analysis (CAA), Programs, Analysis and Evaluation Directorate (PA&E), Director Force Development (FD) and Quadrennial Defense Review (QDR). The CAA, located in Fort Belvoir, Virginia, is the Army's Field Operating Activity that analyses the Army's ability to perform the tasks at hand. The objectives of the CAA are to:

- Analyze strategic concepts and military options
- Estimate requirements to support Army inputs to PPBES
- Evaluate Army's ability to mobilize and deploy forces
- Evaluate Army force capabilities
- Design Army forces and evaluate force alternatives
- Develop theater force level scenarios
- Conduct resource analysis

The CAA is the organization responsible for evaluating “how the Army is doing” and determining the improvements to be made. In Mintzberg's model, CAA would align with the technostructure—the organization involved purely with analysis of organizational performance—without participating in the process.

The next office, Program, Analysis and Evaluation Directorate (PA&E), has the Army's lead on the programming phase and development of the Army POM. PA&E is directly responsible for liaising with the Assistant Secretary of the Army for Financial Management and Comptroller (ASA(FM&C)). PA&E objectives specifically state that he is “the principal military advisor to the ASA(FM&C) for program development and justification” (DoA, 2008). PA&E is viewed as the office that “delivers the approved program to the Army Budget Office forming the basis for the budget estimates” (DoA, 2007). PA&E is, therefore, an integrating manager between the programming and budgeting phases, located within the middle line.

The Director Force Development (FD) is responsible for equipping the Army and ensuring that soldiers have the proper equipment and tools to meet their warfare requirement. FD analyzes how soldiers are equipped and ensures they are provided



with the proper equipment and resources for today's engagement and for tomorrow's transformation. It is also located in the middle line.

The Quadrennial Defense Review (QDR) office is responsible for formulation, development and submission of the Army's portion of the QDR. The QDR office takes the lead on the Army's input for the development of the SPG; it is also located in the middle line.

### C. Formalized Review Boards

Within the organizational framework that is in place for the PPBE process, there are groups and boards formed to deal directly with the PPBE process, similar to the boards formed in the AFCS. These can be considered standing committees from Mintzberg's theory; they are committees that remain throughout the entire PPBE process and integrate members from both the Army Staff and the Office of the Secretary of the Army (OSA) in order to reach across functional lines. They are formed based on a standardized work process; they all have the same task to perform.

#### 1. The Army Resources Board

At the apex of these groups is the Army Resources Board (ARB). The ARB initially interprets the SecDef guidance and promulgates guidance for the CSA and SA on the submission of the budgetary documents. At the conclusion of the PPBE process, the ARB is the final decision authority for the Army for all PPBE issues. Figure 19 delineates the composition of the ARB. The CSA and SA are members of the board rather than being reviewers of the recommendation from the board (as in the Air Force).





## ARB Members

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Secretary of the Army (Chair)</li> <li>• Chief of Staff, Army (Vice-Chair)</li> <li>• Under Secretary of the Army</li> <li>• Vice Chief of Staff</li> <li>• General Counsel</li> </ul> | <ul style="list-style-type: none"> <li>• ASA (FM&amp;C)</li> <li>• ASA (M&amp;RA)</li> <li>• ASA (A,L&amp;T)</li> <li>• ASA (I&amp;E)</li> <li>• G3</li> <li>• DCSPRO</li> <li>• Supporting Members:               <ul style="list-style-type: none"> <li>• ADCS G3, DPAAE and DASA (B)</li> </ul> </li> </ul> |
|---|--|

**Figure 19. Members of the ARB**  
(Brook, 2007a, Summer)

### 2. The Senior Review Group

Providing the ARB with information and recommendations regarding the POM and BES, as well as The Army Plan (TAP) and the Army Planning Guidance Memorandum (APGM), is the Senior Review Group (SRG). The TAP and APGM will be covered later in this chapter. The SRG is co-chaired by the Under Secretary of the Army (USA) and the Vice Chief of Staff, Army (VCSA). The SRG aligns with the middle line. Figure 20 illustrates the composition of the SRG.

## SRG Members

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• USA (Co-Chair)</li> <li>• VCSA (Co-Chair)</li> <li>• ASA (FM&amp;C)</li> <li>• ASA (M&amp;RA)</li> <li>• ASA (A,L&amp;T)</li> <li>• ASA (IE)</li> <li>• ASA (CW)</li> <li>• ACSIM</li> </ul> | <ul style="list-style-type: none"> <li>• DISC4</li> <li>• G3</li> <li>• DCSPRO</li> <li>• G4</li> <li>• G2</li> <li>• G1</li> <li>• DARNG</li> <li>• CAR</li> </ul> |
|---|---|

**Figure 20. Members of the SRG**  
(Brook, 2007a, Summer)

### 3. PPBC and the Council of Colonels

The next level below the SRG is the first level in which there is both an executive review role as well as a role of developing the POM and BES. The Planning, Programming Budget Committee (PPBC) fulfills this role for both



compilation and review functions. The PPBC starts the transition from the middle line to the operating core. The PPBC is co-chaired by the Assistant Deputy Chief of Staff G3 (ADCS G3), DPAE and DAB. The PPBC has representation from the entire Army Staff and works with the Army plan, program and budget. The Major Commands (MACOMs) are allowed to brief the PPBC, but they are not voting members. Figure 21 identifies the members of the PPBC.

### PPBC Members

- |                      |                      |
|----------------------|----------------------|
| • DAB (Co-Chair)     | • ADCS G3 (Co-Chair) |
| • D, PA&E (Co-Chair) | • ADSCPRO            |
| • OASA (FM&C)        | • ADCS G4            |
| • OASA (M&RA)        | • ADCS G2            |
| • OASA (A,L&T)       | • ADCS G1            |
| • OASA (IE)          | • DARNG              |
| • OASA (CW)          | • CAR                |
| • DISCA              | • ACSIM              |
| • OTSG               |                      |

**Figure 21. Members of the PPBC**  
(Brook, 2007a, Summer)

In conjunction with the PPBC, there is a pre-screening for information and decisions within the PPBC, since there are so many members with various responsibilities. The Council of Colonels (CoC) performs this pre-screening function by coordinating and resolving certain issues before they reach the PPBC. The CoC has three chairs, represented by Chief, Resource Analysis and Integration Office from G-3, Chief Program Development Division from PA&E and Deputy Director of Management and Control in the ASA(FM&C) office. The members are the O-6's from the PPBC (2007a, Summer).

The input into the CoC/PPBC comes predominantly from the six Program Evaluation Groups (PEGs). These six PEGs are aligned with the six Title 10 (DoA, 2005, December, p. 16) responsibilities of the Army and are firmly placed in the operating core. They are manning, organizing, training, equipping, sustaining and



installing. The PEGs are the building blocks for the planning, programming and budgeting phases.

Each PEG is co-chaired by the respective component in the Office of the Secretary of the Army and the Army Staff. There are three permanent members on the PEGs. They come from the office of ASA(FM&C), G-3 and DPAE. The co-chairs (either an SES or a general officer) are responsible for overseeing the proceedings and forwarding any decisions to the PPBC as necessary. Each of the three permanent members serves a specific role. The member from ASA(FM&C) represents the appropriation sponsor and ensures that the transfer between programming and budgeting takes place properly.

These representatives also track changes that will affect the Management Decision Package (MDEP). MDEPs are assigned to PEGs. MDEPs are the programmatic justifications and address specific programs. In FY 2003, there were 605 MDEPs distributed among the PEGs (DoA, 2005, December). All the MDEPs fall into one of the six management areas. MDEPs are the building blocks for the POM. The G-3 is the planner's representative and the DPAE is the programmer's representative. The PEGs become experts on certain areas and are often called upon for information, clarification and understanding for the PPBC. They provide the reach-back capability for the CoC, PPBC, SRG and ARB when answering questions on resource allocation decisions. They also provide consistency across the phases of the PPBE process.

PEGs are standing committees grouped by knowledge and skill. Figure 22 provides an overview of the composition of the PEGs.



## Program Evaluation Groups (PEGs)

PEG Name	Proponent	Co-Chair for Policy Determination	Co-Chair for Requirements Determination	Appropriation Sponsor*	Program Integrator
Organizing	SAAA (Provisional)	ASA (M & R A)	DCS, G -3/ 5/7	ASA (FM & C)	G 8 P A E , G 3/5/7
Manning	DCS, G -1	ASA (M & R A)	DCS, G -1	ASA (FM & C)	G 8 P A E , G 3/5/7
Training	DCS, G -37	ASA (M & R A)	DCS, G -37	ASA (FM & C)	G 8 P A E , G 3/5/7
Equipping	DCS, G -8	ASA (A L & T)	DCS, G -8	ASA (FM & C)	G 8 P A E , G 3/5/7
Sustaining	DCS, G -4	ASA (A L & T)	DCS, G -4	ASA (FM & C)	G 8 P A E , G 3/5/7
Installation	ACSIM	ASA (I & E)	ACSIM	ASA (FM & C)	G 8 P A E , G 3/5/7

\* Includes C N G B & C A R

**Figure 22. The PEG Structure**  
(DoA, 2005, December, p. 16)

At the Major Command level (MACOM), the Program Budget Advisory Council (PBAC) coordinates with subordinate commands to provide a submission into the PPBE process.

### D. Financial Managers

The Army, similar to the Air Force, has a cadre of professional officers who are financial management specialists. Within the secretariat, the Chief, Comptroller Proponency tracks the progress of these officers. The Proponency Office must “coordinate with the US Total Army Personnel Command (PERSCOM) on military assignments and on actions affecting FA 45 officers [...and] [a]dvise the ASA(FM&C) of promotion, command and school selection board results and the resulting impact on FA 45 officers” (DoA, 2008b). However, like the Navy, the Army is largely civilianized in the budget office, especially regarding the demand for uniformed personnel in Army operational commands. The senior leadership has a strong background in financial management. The DAB’s background consists almost entirely of financial management assignments. This adheres to the belief in the standardization of skills in certain jobs.



However, as will be seen in the Navy, as the services use more civilians in the budgeting function, it creates a growth problem for officers into positions within the strategic apex. As one senior Army official in the budgeting office noted, “I think it works out fine that way because we’ve made an effort to put more of the military back into the war-fighting force [...].That, of course, presents a problem in that there is no growth opportunity to grow senior-level officers for our top leadership, which is a three-star military deputy to the budget.”

The Army is uniquely structured: the ASA(FM&C) office is divided into two offices with high-level leadership—a Principal Deputy ASA(FM&C) and a three-star general (Military Deputy for Budget). The principal deputy provides a wealth of experience and background within the DoD system and specifically the financial management system. The three-star general oversees the budget, enters meetings with other senior ranking officers (MACOMs who are usually three- or four-star generals) and provides rank and experience. These two uniquely balance the ASA(FM&C), who is a political appointee and will often change when the administration changes. Likewise, the Director of the Army Budget Office is a two-star general with a financial management specialty. This structure is not found in any of the other services and perhaps emphasizes the budget process by having a three-star general oversee it.

Similar to the Air Force and the Navy, the programmers can come from the operating side, but most of the programmers have a sub-specialty in Operations Research System Analysis (ORSA).

## E. The Process

Now that there is an understanding of the organizations within the Army that deal with the PPBE process, a review of their interactions and roles in the process can be undertaken. The Army PPBE process is highly formalized, similar to the AFCS, in that there are numerous standing committees and a clear formal authority of information flow.



## 1. Planning

Similar to the other services, the Deputy Chief of Staff for Operations and Plans, G-3/5/7, heads the planning phase of the PPBE process. The main document for the Army in the planning phase is The Army Plan (TAP). It is fiscally informed and sets the Army's strategy over the next 25 years. Army Component and Major Commands provide input for the TAP. TAP has four sections with G-3/5/7 responsible for three of the four phases. The sections are Army Strategic Planning Guidance (ASPG), Army Planning Priorities Guidance (APPG), Army Program Guidance Memorandum (APGM) and Army Campaign Plan (ACP). The ASPG "analyzes DoD strategy in the context of Army's role in the future global strategic environment and identifies the joint demand for Army capabilities referred to as Army Strategic Imperatives" (DoA, 2005, December, p. 6). The APPG is important in that it prioritizes the capabilities identified in the planning phase in order to assist in the programming and budgeting phases. The APGM, the section developed by the DPAE, G-8, provides guidance for the development of the POM. The PEGs assist in the development of the APGM by helping prioritize the plan.

The last section, the ACP, "directs the planning, preparation, and execution of Army operations and transformation" (p. 6). It is important to understand that TAP goes through the PPBC, SRG and ARB framework for final approval. The finalized TAP is distributed to the Army Commands to assist in the development of their individual POM submissions. Having the TAP go through the same framework as the POM and the BES allows for a working level knowledge of the document and makes it easier to develop the necessary documents.

G-3/5/7 also conducts the Total Army Analysis (TAA), which evaluates the needs of the army to accomplish its mission given the planning guidance, and is used to develop the POM. G-8 produces the Research Development and Acquisition (RDA) Program, which provides the basis for the current and future POMs in respect to acquisition needs. The Army emphasizes that the planning



phase incorporates both the Army Commands and the Headquarters staffs, making it more of a decentralized process.

## **2. Programming**

TAP is the basis for the development of the POM for the MACOMs. The MACOMs prepare their inputs and then proceed through the PPBE structure, starting with the PEGs. The MACOMs use the MDEPs as the building blocks for their POM submissions. The PEGs then evaluate their assigned MDEPs and the POM submissions and start the building process of the POM. The chair of the PEG, CoC, PPBC, SRG and ARB comes from the Army Staff. At this point, control of the Army database resides with DPAE. When the POM build is almost done, there is a distinct transition to the DAB, which is another example of transitioning the database as a regulated flow.

The process flows from the operating core to the strategic apex after the initial guidance was given in the TAP from the strategic apex. This is a highly formalized process. Figure 23 depicts this process, which is the same for both programming and budgeting.

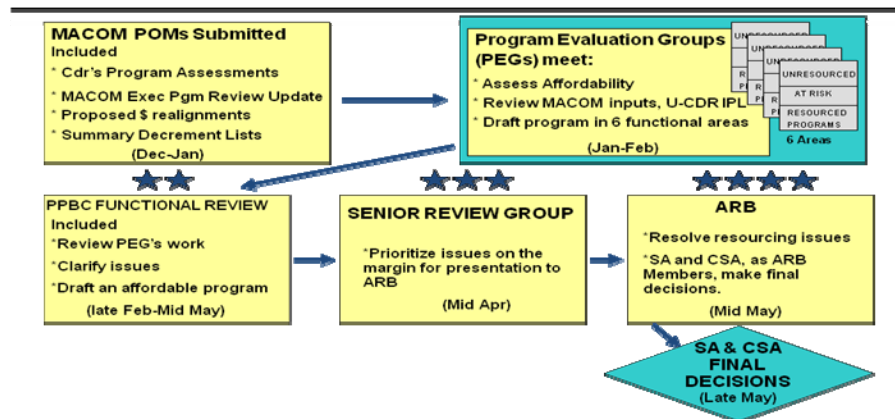
## **3. Budgeting**

The budgeting process entails the Army integrating plans and programs into the budget. The framework of the budgeting process is the same as the programming phase, except the boards and councils are led by members from the Office of Budget. In the budgeting phase, the Army database has transitioned from programming to budgeting, with budgeteers able to change the database.





# Army Program/Budget Process



**Figure 23. The Army PPBE Process**  
(Brook, 2007, Summer)

## F. Coordination between Programming and Budgeting

The Army PPBE structure resembles the Air Force Corporate Structure in that there are different levels of review composed of members from both the programming and budgeting side. However, these reviews are at the executive level and are not forums to build the budget. Like the Air Force, the offices of the programmers and the budgeteers are physically located together, usually across the hall, so there is an increase in informal, electronic communication and a lot of face-to-face discussions. This physical proximity helps shorten the gap between the programming and the budgeting offices and facilitates mutual adjustment. This again, was a conscious decision by the Army to co-locate the programmers and the budgeteers.

The interaction between the programmers and the budgeteers is also formalized through different levels of review. Since the budgeteers are part of the boards that review the POM, they are informed of what shape the program is taking and are able to use that information to build a budget that looks for programs outside the fiscal constraints. There is also informal communication happening outside the structure that the Army has built. The Director of Investments has instituted a weekly meeting with the two chairs of the equipping PEG, which exemplifies this





informal communication. These meetings have proved very effective in increasing communication between the programmers and the budgeteers. Although informally instituted, the dividends gained have been noticed and are likely to continue. The meetings can be viewed as a task force or a standing committee using work constellations, since the members are spread throughout the organization.

The control of the budget database for the Army is, like the Air Force, more of a formality when it is turned over rather than a distinct transfer of control. It is simply part of the regulated flow of information from the programming to the budgeting side. One senior budgeteer described the change of control of the database as “kind of a milestone and then what comes to us is more of the technical adjustments that we need to do, but by then the major decisions have usually been made.”

#### G. The Degree of Centralization

The Army is slightly more centralized than the Air Force. The major difference is that the CSA and SA are part of the ARB rather than briefed by the ARB. There is a strong effort to include all stakeholders in the Army, especially in building the TAP. However, during the building of the POM and the BES, unlike the Air Force, they are not incorporated into the actual standing committees. Although the Army incorporates different entities into its decision-making process, it is not as decentralized as the Air Force. It is also not as centralized as the Navy, but that topic will be addressed in the next chapter.

#### H. The Operating Environment

In order to determine if the organizational structure aligns with the process it is executing, an examination of the operating environment must take place. Going back to Chapter II, the four environmental factors to consider are stability, complexity, market diversity and hostility. The Army, for the most part, is operating in a stable environment. There will always be an expectation for a POM and BES to be produced, and there is a structured process to produce such products. The Army



does not re-create the organizational structure every year while producing its budget. Likewise, Congress, predominantly, does not change its reporting requirements, timelines and its review process.

The complexity of the environment is the next factor to consider. The Army is operating in a complex environment. The Army, more than any other service, has experienced and is dealing with a changing environment that is constantly coming up with new requirements and needs that are present rather than in the future. The Army, which bears the lion's share of the war effort, must program and budget in a complex environment--in which inputs, requirements and priorities are constantly changing.

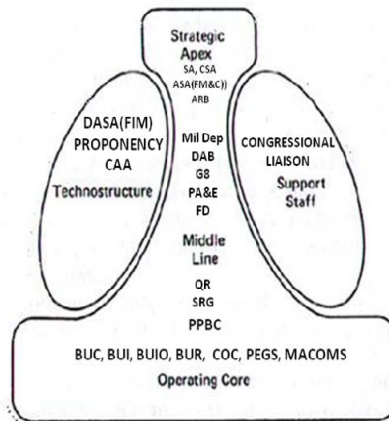
If we recall Mintzberg's structure in Chapter II, we would place the Army between centralized and decentralized bureaucratic structures. This grouping is accurate because the Army structure is not totally centralized or decentralized and there is a distinct bureaucratic feel to the organizations in that they are very formal and there is a distinct structure and process in how they operate.

## I. Conclusion

This chapter has covered the Department of the Army PPBE process and organizational structure. Numerous inherent characteristics and factors within an organizational structure have been identified. Some of these characteristics are unique to the Army and some transcend all three departments.

The Army structure aligns with Mintzberg's five parts of an organization. Figure 24 illustrates this organization.





**Figure 24. The Army's Five Organizational Parts (Mintzberg, 1993)**

The Army's organizational structure for the PPBE process is a formalized system. This structure is well established and documented and provides a flow chart depicting the flow of decisions and documents. The system incorporates multiple levels of review; decision-makers from both the military and the secretariat sides are involved in a cohesive decision-making process. The Army uses an action control system, similar to the Air Force, since it has specified the exact steps the PPBE process will follow.

The Army also uses some of the coordinating mechanisms that were discussed in Chapter II. Specifically, mutual adjustment is observed between the programmers and the budgeteers in their daily interactions. The co-location of the offices facilitates this mutual adjustment. DAB and G-8 and PA&E exercise direct supervision over the budget and the program. The Air Force also employs a standardized work process through the use of their formalized PPBE process. Each of the standing committees within the process is based on the function they must complete. Also, the database showcases a standardized output since both the programmers and the budgeteers use the same output data to communicate.



Finally, the Army's viewpoint on financial management as a core competency area for an officer makes this a standardized skill.

The Army also employs some of the organizational flows at certain points within the process. Formal authority is seen in the entire structure, as well as in DAB and G-8 in their oversight of their respective phases. The transfer of the database is seen as a regulated flow, which is lateral rather than horizontal. The operating core largely communicates informally in order to compile data. The informal task force that BUI formed is considered a work constellation. There are sure to be many more work constellations incorporated into the process that were not identified. The only organizational flow that is not easily detected, although surely present, is the ad-hoc decision-making process. This is due to the highly regulated structure and the distinct decision-making process.

Part of designing an organization is behavior formalization: realizing your expectation out of your employees and making sure that the employee has the proper skill set or training to do the job. The Army budgeteers are solely financial management specialists. The Army believes that financial managers should be specially trained in financial management and, for the most part, continue that career path during their time in the Army. This is especially noticeable in the Proponency Office located within the secretariat. This is a different viewpoint than will be seen in the Navy, as they have budgeteers who are operators with some experience in financial management but nowhere near the experience required in the Army or Air Force.

All four liaison devices were seen in the Army. The matrix structure, although not directly identified, is incorporated when numerous liaison devices are present. The description of the DAB identifies that office as a liaison position between the programming and budgeting phases. The design of the army structure ensures that the standing committee is the obvious choice for the integration of all the different parts of the Army and is seen in the ARB, SRG, PPBC and CoC. The BUC, BUO



and PA&E are defined as integrating managers since they coordinate several different inputs into a product.

This chapter examined the Army organizational structure as it applies to the PPBE process. Many of Mintzberg's organizational characteristics have been identified within the Army. The Army has made a concerted effort to include all stakeholders into a highly formalized, yet decentralized decision-making process.



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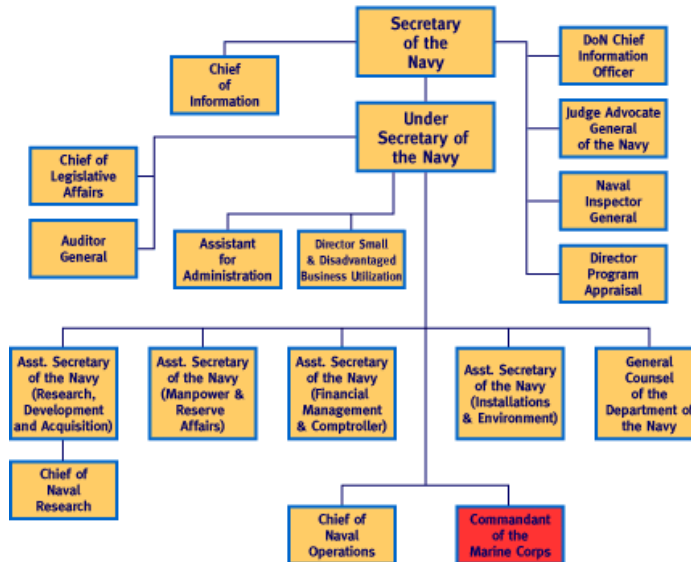


## VI. The Department of the Navy PPBE Structure and Process

The Department of the Navy's (DoN) unique budgetary process budgets for two uniformed services: the Navy and the Marine Corps. Each service essentially conducts its own process and then combines the respective products to produce a unified POM and BES. This chapter will provide an overview of each service's budgetary process, although it will focus more on the Navy. It will make special note of things that are unique to the individual services.

The DoN, like the other two departments, operates with a military and a civilian structure. The Navy and the Marine Corps represent the two uniformed services. The Navy, on the military side, is led by the Chief of Naval Operations (CNO). The Marine Corps is led by Commandant of the Marine Corps (CMC). These two services work within the Department of the Navy framework under the Secretary of the Navy (SecNav). On the secretariat side, the Assistant Secretary of the Navy for Financial Management and Comptroller (ASN(FM&C)) is responsible for overseeing the budgetary process for both the Navy and Marine Corps. While working with both the CNO and CMC in building the budget, the ASN(FM&C) is ultimately responsible to the SecNav. Figure 25 illustrates the DoN organization and the alignment of the ASN(FM&C), CNO and CMC. The SecNav, ASN(FM&C), CNO and CMC are all parts of the strategic apex.





**Figure 25. The DoN Organization**  
(DoN, 2006)

The Navy, like the other departments, was asked by the researcher to provide a PPBE primer. Instead of a primer similar in nature to the other two, the Navy sent the Budget Guidance Manual. This document, consisting of four parts, nine appendices and hundreds of pages, provides the textbook definitions of the Navy budget, the players and how to submit documents, but it fails to provide an in-depth, easy-to-understand overview of the actual process. The manual touches on the process, but is not as easy to understand as with the Army and Air Force primers. A person who has never been exposed to the PPBE process may not be able to read that manual and have an understanding of the Navy process.

Surprisingly, the part of the manual that provides the general guidance and policies, as well as the organizational structure and process, contains only one diagram. This diagram is very similar to Figure 4, which details the two-year cycle. Even though there was a description of the players and process, there was no organizational chart showing the interaction between the positions or a process flow chart. The budget manual was not created to be a primer or introduction to the process, but rather a manual for people within the system to use as a reference on





how to make submissions. For that purpose, it is very effective and detailed. The information in this chapter, like those previous, was gathered from the budget manual, DoN websites, coursework at NPS and interviews. The full text of the interviews is on file with the Naval Postgraduate School, but will not be individually cited in-text or in the reference list in order to maintain anonymity of the interviewees.

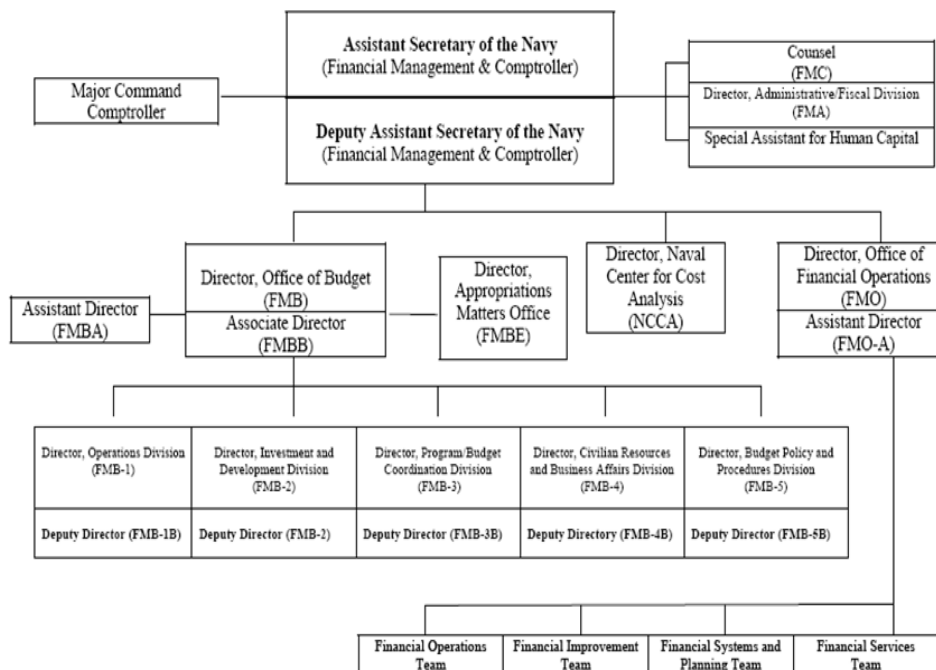
#### A. ASN(FM&C) Office Structure

Under the ASN(FM&C), there are three primary directorates that assist in the budgetary process. Figure 26 illustrates the structure of the ASN(FM&C) office. The Office of Fiscal Management and Budget is the principle office that handles the preparation of the budgetary documents and provides guidance and information to help the ASN(FM&C) make educated decisions when submitting the Navy's budget. The Director, Office of Budget, who is a two-star admiral, becomes the key player in the development of the budget. "The Director of FMB is responsible to the Secretary of the Navy through the ASN(FM&C) for formulation, justification, and execution of the DON budget. The Director is responsible to the ASN(FM&C) for the principles, policies and procedures for preparation and administration of the DON budget as assigned by law, instruction, and regulations" (DoN, 2006, October, p. 14). FMB is responsible for the budgeting phase of PPBE and has a position firmly solidified in the middle line as the strategic connection between the apex and the operating core. FMB is an unrestricted line-officer (operator) with a background and experience within the financial management realm. Currently, FMB's previous tours have included 10 operational tours and six budget-related positions. This differs from his counterparts in the other services who have more of a financial management background.

Since FMB is responsible for formulating the budget, he has interaction with all the stakeholders within the process. As will be discussed, this formulation is done with inputs from the resource sponsors and the Budget Submitting Offices



(BSOs). These inputs are generated from commands with three- and four-star admirals as the commanders. FMB takes input from the commands and produces a balanced budget. He must justify this budget to the resource sponsors and BSOs, all of whom have very parochial viewpoints and fight for their commands. FMB has formal authority and direct supervision over the production of the budget, but it must pull information from many different sources and use work constellations to compile the budget. As will be identified later in the chapter, FMB is a strategic liaison position that will link many of the components of the Navy structure.



**Figure 26. ASN(FM&C) Office Structure**  
(DoN (ASN(FM&C), n.d.)

The Office of the FMB is further organized into 6 divisions: Appropriations Matters Office (FMBE), Operations Division (FMB1), Investment and Development Division (FMB2), Program/Budget Coordination Division (FMB3), Business and Civilian Resources Division (FMB4), and Budget Policy and Procedures Division (FMB5).



Since Congress is the ultimate holder of the purse, coordinating with Congress and following Congressional action is pivotal for each service to ensure that the decisions being made align with Congressional intent. FMBE is the office within the Secretariat that follows closely Congressional actions and reviews, focusing on decisions that will affect the DoN budget. Although FMBE does not have a direct role in the creation of the budget, it has an integral role in coordinating formal testimony and informal communication between the Navy and Congress about the budget. FMBE is part of the support staff only when considering the PPBE process. FMBE does not directly produce the budget but is integral in providing support and information regarding the budget.

The next two FMB directorates deal specifically with appropriations and building the budget; they have a position firmly solidified in the operating core. FMB1 coordinates the input, submission and justification for the Military Personnel (MILPERS) Active and Reserve components and the Operation and Maintenance (O&M) appropriations. FMB1 is the lead for providing budget materials, justifications, briefs and other such material in support of its appropriations, as well as providing support in either testifying at a Congressional hearing or aiding in preparation. Employees within this directorate are the subject-matter experts for their appropriations. They also monitor execution of their appropriations. FMB2 serves the same function as FMB1 except it handles the investment and development appropriations. This includes the accounts that deal with military construction, research and development, procurement, family housing and base re-alignment and closure. Although FMB1 and FMB2 provide input for their budget appropriations, it is another group that integrates this information.

FMB3 can be equated to an integrating manager: one of Mintzberg's liaison devices. FMB3 is a formalized position that coordinates multiple units. FMB3 is responsible for consolidating the budgetary inputs and making them into the final product.



FMB3 is responsible for the preparation of DON budget guidance and procedures; control and coordination of budget submissions; coordination of reclaims to SECDEF PBDs; preparation and/or clearance of all program and financing schedules included in the budget; coordination of DON's participation in appeals to Congressional action; development and operation of ADP systems in support of the budget formulation process at the DON headquarters level; administration of financial control systems and procedures for the apportionment, allocation of funds and the reprogramming process; and, preparation of fund authorization documents for appropriations under its cognizance. (DoN, 2006, October, p. 15)

FMB4 takes the lead on input for the Navy Working Capital Funds (NWCF) and Civilian Personnel accounts. Like FMB1 and FMB2, FMB4 provides the budget material, justifications, briefing and documents for Congressional hearings.

FMB5, the policy and procedures division, ensures that the rest of the FMB directors are playing "by the rules." It provides the DoN with policy and guidelines to compile their budget submissions. It also ensure that the submissions are aligned with Congressional direction and law. It provides "review and appraisal of budget policy and procedures and their implementation within the DON; development of improvements in organizational responsibilities and interfaces related to budgeting and funding; continuous appraisal of adequacy and effectiveness of financial management systems to ensure conformance with budget policy" (DoN, n.d.). In Mintzberg's structure, it is the technostructure.

## B. OPNAV Office Structure

On the military side, the Office of the Chief of Naval Operations (OPNAV) spearheads the PPBE process. The Deputy Chief of Naval Operations (Integration of Capabilities and Resources), N8, "integrates planning, programming, budgeting, and execution for the CNO and represents the CNO in resolving Navy budget issues of a programmatic nature, when necessary, including the accommodation of program adjustments" (DoN, 2006, October, p. 17). N8 is the Navy's programmer and is part of the middle line.



Within the N8 structure, separate divisions are responsible for different parts of the PPBE process and the integration of capabilities into resource planning. N80, N81, N82 and N8F are part of the middle line in overseeing their individual parts of the N8 function. The Programming Division (N80), headed by a two-star admiral, is responsible for building the Navy's program and helping FMB turn that program, or POM, into a budget.

The Assessment Division (N81/QDR), led by a one-star admiral, is primarily responsible for coordinating the planning process. "This includes Integrated Warfare Architectures (IWARS), readiness assessments, sustainment, manpower, personnel and training, infrastructure and strategic planning studies" (DoN, 2006, October, p. 17).

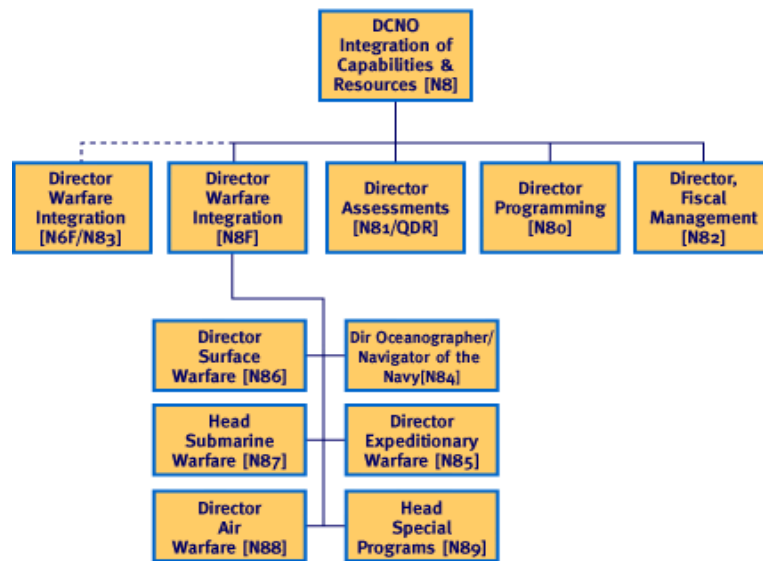
The next office, Fiscal Management Division (N82), led by a two-star admiral, is unique in that it falls under both the OPNAV and the SecNav organizations. N82 and FMB are the same person, who wears "two hats." N82 is responsible for the link between programming and budgeting actions, making him an integrating manager or a liaison position with formal authority.

This includes integrating programming and budgeting actions by coordinating the review of budget estimates within OPNAV to ensure conformance with the POM, controlling and suballocating funds which have been allocated by FMB, ensuring reporting of program status and funds availability, and reviewing execution of allocated funds to ensure program objectives are satisfied. (DoN, 2006, October, p. 17)

The final division is N8F, Director, Warfare Integration, led by a two-star admiral. Resource sponsors are found within this division, which will be discussed later in this chapter. These resource sponsors form the building blocks of the Navy budget, as the Navy, by virtue of its mission, is a highly platform-centric organization (ships, submarines, aircraft). These platforms cost large amounts of money. To deal with this unique nature, N8F is further divided into warfare areas. These warfare areas do a majority of the program-building for their specific areas and will become resource sponsors. N8F becomes an integrating manager as well since he

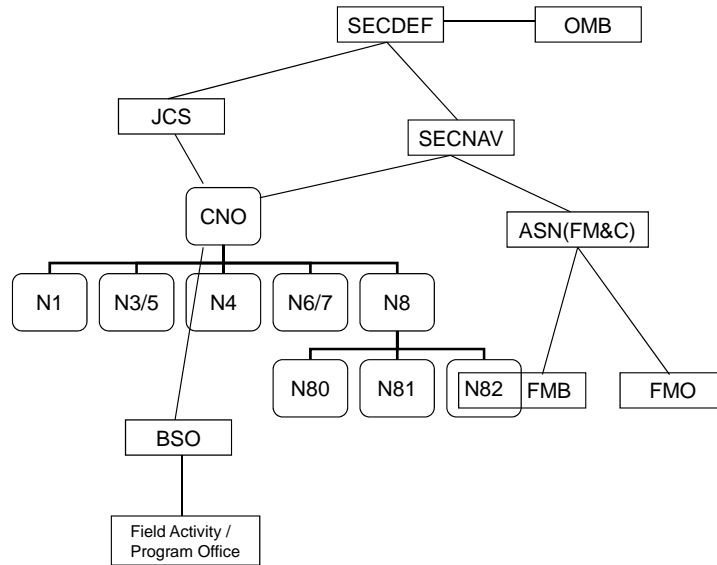


has the formal authority to coordinate the inputs for his warfare areas. As depicted in Figure 27, N84, N85, N86, N87, N88 and N89 are responsible for a specific portion of the Navy warfare portfolio. N84–N88 are all two-star admirals and N89 is an SES. Therefore, the rank of the different components for building the budget is equal to the rank of FMB. N8F becomes responsible for combining the competing needs of these warfare directors. Figure 28 illustrates the link between the civilian and military sides of the budgeting process within the DoN.



**Figure 27. The N8 Organizational Chart**  
(DoN, 2006)





**Figure 28. The Linkage Between OPNAV and ASN(FM&C)**  
(Brook, 2007b, Summer)

### C. Marine Corps Organization

Headquarters, Marine Corps (HQMC) develops the programmatic and budgetary requirements for the Marine Corps. Within the Marine Corps structure, the Deputy Chief of Staff, Programs and Resource (DC, P&R), a three-star general, is responsible for building and justifying the Marine Corps POM and BES submissions. DC, P&R reports directly to the CMC and is at the highest part of the middle line.

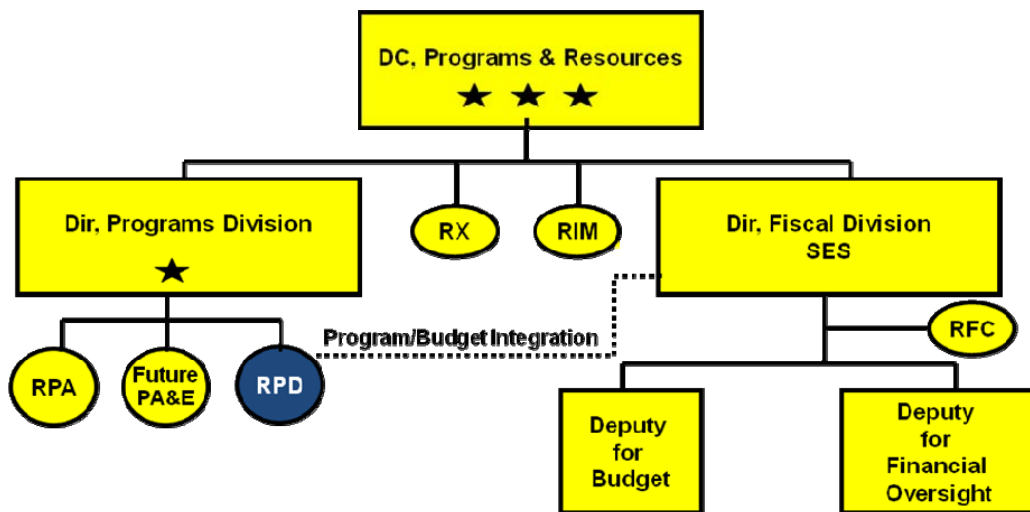
The Department is responsible for coordinating the development, documentation, and submission of the Marine Corps portion of the DoN Program Objective Memorandum (POM), the DoD Program Review, and the Marine Corps budget submission. The Department monitors the congressional markup of the Marine Corps budget focusing on the appropriations committees. (US Marine Corps, n.d.)

Unlike the Navy and the other services, the Marine Corps develops its POM and BES in the same office. Under DC, P&R, two offices assist with building the POM and the BES: Director, Programs Division, a one-star general, and Director, Fiscal Division, an SES. Figure 29 illustrates the unique Marine Corps structure.





The Marine Corps is the only uniformed service in which the uniformed portion conducts both programming and budgeting in the same office. There is a distinct friction between the military and the secretariat side of the Navy when building the Navy's portion of the POM and the BES, since offices are responsible for different products. This friction allows for various viewpoints and promotes a process with many stakeholders being affected. The Navy and the Marine Corps differ in this aspect. The Marine Corps has one voice, or strategic apex, that submits both the program and the budget. The CMC is the review authority for both the POM and the BES.



**Figure 29. The Marine Corps Organizational Structure**

#### D. Other Players

Although N8 and FMB are the offices responsible for building the Navy POM and BES (respectively), they must coordinate with other offices and organizations. A few key players provide information to allow N8 and FMB to build the POM and the BES. Appropriation sponsors are the senior executives within the DoN responsible for overseeing a particular appropriation. They are responsible for funding deficiencies, reprogramming and testifying before Congress on appropriation matters. There are 23 appropriation sponsors within the DoN; they are listed in





Table 2. As evidenced in the table, N82 and DC, P&R oversee the majority of the appropriations and track their progress. The appropriation sponsors are subject-matter experts who provide information and documentation to justify fiscal demands.

Although the appropriation sponsors track the money, most do not have obligation authority. Appropriation sponsors track money by Congressional appropriation rather than by warfare requirements. Appropriations are tied to categories of expenses (i.e., Operations and Maintenance, Research and Development), whereas satisfying warfare requirements are funded through multiple appropriations categories.

<b>Appropriation</b>	<b>Appropriation Sponsor</b>	<b>Responsible Office</b>
Military Personnel, Navy (MPN)	N1	CNO(N82)
Military Personnel, Marine Corps (MPMC)	DC/S(P&R)	CMC(P&R)
Reserve Personnel, Navy (RPN)	N095	CNO(N82)
Reserve Personnel, Marine Corps (RPMC)	DC/S(P&R)	CMC(P&R)
Operation and Maintenance Navy (O&MN)	N82	CNO(N82)
Operation and Maintenance Marine Corps (O&MMC)	DC/S(P&R)	CMC(P&R)
Operation and Maintenance, Navy Reserve (O&MNR)	N095	CNO(N82)
Operation and Maintenance, MC Reserve (O&MMCR)	DC/S(P&R)	CMC(P&R)
Environmental Restoration, Navy (ERN)	N4	CNO(N82)
Aircraft Procurement, Navy (APN)	N88	CNO(N82)
Weapons Procurement, Navy (WPN)	N86	CNO(N82)
Shipbuilding and Conversion, Navy (SCN)	N86	CNO(N82)
Other Procurement, Navy (OPN)	N82	CNO(N82)
Spares (All Appropriations)	N4	CNO(N82)
Procurement, Marine Corps (PMC)	COMMCSYSCOM	CMC(P&R)
Research, Development, Test & Evaluation, Navy (RD TEN)	N091	CNR(OCNR)
Military Construction, Navy (MCN)	N4	CNO(N82)
Military Construction, Naval Reserve (MCNR)	N4	CNO(N82)
Family Housing, Navy and Marine Corps (FH, N&MC)	N4	CNO(N82)
Base Re-alignment and Closure (BRAC)	N4	CNO(N82)
Navy Working Capital Fund (NWCF)	N/A	N/A
National Defense Sealift Fund (NDSF)	N82	N4
Procurement of Ammo, Navy and MC (PANMC)	N82/MCSYSCOM	CNO(N82) CMC(P&R)

**Table 2. DoN Appropriation Sponsors**  
(DoN, 2006, October, p. 22)



Resource sponsors oversee programs and integrate these programs for their specific warfare area. Resource sponsors are responsible for maintaining a balanced program and identifying areas in which trade-offs can be made during budget adjustments and fact-of-life changes. They are responsible for their warfare area and to ensure the fiscal constraints imposed will meet their programmatic warfare needs. Resource sponsors provide guidance to the BSOs during program reviews and budget submissions (DoN, 2006, October, p. 19). Resource sponsors are the advocates for the programs that integrate with their specific warfare area. Resource sponsors receive most of their information on specific programs from program offices via program sponsors. These program offices are nominally located within the BSO and have a very parochial viewpoint. Resource sponsors are responsible for integrating their programs within a fiscal constraint; they often having to make trade-offs and adjustments. Table 3 details the resource sponsors.

The Marine Corps does not have specific resource sponsors; P&R and the other Deputy Chiefs of Staff fill this need for their particular warfare area. Both appropriation and resource sponsors can be considered liaison positions. They must take input from many stakeholders and integrate it into one product. However, this integration is not formalized. These integrating managers must use mutual adjustment to obtain the needed information. The resource and appropriation sponsors are also grouped by knowledge and skill, ensuring that all resource and appropriation sponsors have a special knowledge of their particular area and skill set to understand that area (e.g., N86 is a Surface Warfare Officer).



<b>Resource Sponsor</b>	<b>Resource Area</b>
Director, Navy T&E and Technology Requirements (N091)	RDT&E
Director, Navy Staff (DNS)	Admin/Physical Security
Director, Manpower and Personnel (N1/NT)	Personnel Support & Training
Director, Naval Intelligence (N2)	Intelligence
Director, Material Readiness and Logistics (N4)	Readiness & Logistics (including Sealift)
Space and Information Command and Control (N61)	Space, C4I, and Information Technology
Oceanographer/Navigator of the Navy (N84)	Oceanography
Director, Expeditionary Warfare (N85)	Expeditionary Forces
Director, Surface Warfare (N86)	Surface Programs
Director, Submarine Warfare (N87)	Submarine/Anti-Submarine Warfare
Director, Air Warfare (N88)	Aviation and Weapons Systems
Director, Special Programs (N89)	Special Programs
Director, Warfare Integration (N8F)	Warfare Integration
Headquarters, Marine Corps (HQMC)	USMC Resources

**Table 3. DoN Resource Sponsors**  
(DoN, 2006, October, pp. 22-23)

BSOs are the organizations responsible for submitting budget estimates to FMB for the formulation of the budget, and they take much of their guidance from resource sponsors. They must justify their submission and work within the guidance the POM provides. Although they take most of their input from the resource sponsors through mutual adjustment and informal communication, they produce a standardized output—the budget submission—to give to FMB. BSOs have to work with FMB to justify their submissions and attend FMB review sessions. BSOs or MAJCOMs have obligation authority. Table 4 lists the 18 BSOs.

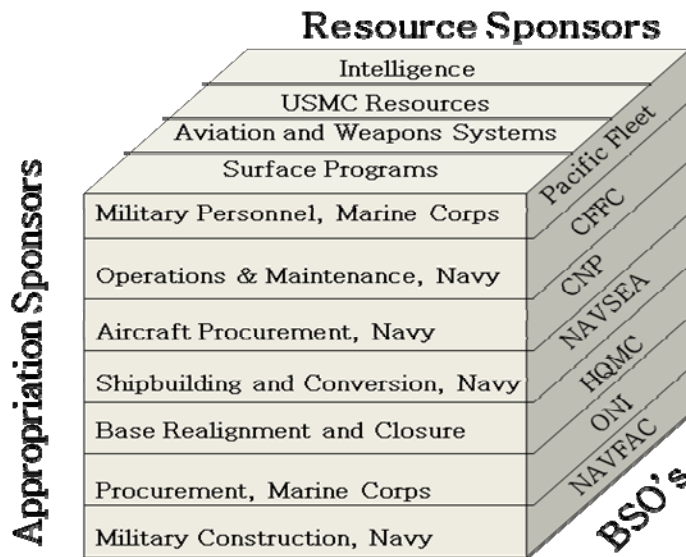
Director, Field Support Activity (FSA)  
Assistant for Administration, Office of the Under Secretary of the Navy (AAUSN)  
Chief of Naval Research (OCNR)  
Director, Office of Naval Intelligence (ONI)  
Chief, Bureau of Medicine and Surgery (BUMED)  
Commander, Naval Air Systems Command (NAVAIR)  
Chief, Naval Personnel (CHNAVPERS)



- Commander, Naval Supply Systems Command (NAVSUP)
- Commander, Naval Sea Systems Command (NAVSEA)
- Commander, Naval Facilities Engineering Command (NAVFAC)
- Commandant of the Marine Corps (HQMC)
- Director, Strategic Systems Programs (SSP)
- Commander, Space and Naval Warfare Systems Command (SPAWAR)
- Director, Naval Systems Management Activity (NSMA)
- Commander, Navy Installations (CNI)
- Commander, U.S. Fleet Forces Command (COMUSFLTFORCOM)
- Commander, U.S. Pacific Fleet (COMPACFLT)
- Commander, Naval Reserve Force (COMNAVRESFOR)

**Table 4. DoN Budget Submitting Offices**  
(DoN, 2006, October, p. 23)

Figure 30 is a representation of how the Navy views the budget submission. Each participant views the budget in a different manner.



**Figure 30. The Navy's Viewpoint of the Budget**



## E. Financial Managers

One of Mintzberg's elements that describes an organization is how the scope of the job fits with employees, their training and a standardized set of skills. One of the coordinating mechanisms is the standardization of skills, which ensures that all employees have the same knowledge base and skill set to complete their task. This is a type of behavior formalization.

Within the PPBE process, the Navy takes a different viewpoint on the qualifications of military personnel to fill some of their budgeting jobs. On the programming side, the Navy employs "operators" or unrestricted line officers (e.g., aviators, surface officers, submariners, etc.) to fill some of these positions. These officers bring a unique understanding of warfare requirements to the programming positions; they offer a warfighter's perspective of knowing which platforms are able to satisfy certain missions, rather than looking solely at numbers. They would understand that a ship used for submarine warfare cannot duplicate a ship used for homeland security.

On the budgeting side, although the office is largely civilianized, the Navy does not have officers who specialize only in financial management, as in the other departments. The Navy uses operators and line officers for budgeting positions. There are advantages and disadvantages to this practice. An operator in a financial management position can tie-in the capability perspective. As one senior DoN official stated, "by having a war-fighter in the loop [...] they can put the linkage into the picture and say, you can't just look at this from a green-eye shade, black and white [position], you've got to look at how it can do the whole picture, does it fit into that? Is it a square peg that will never fit into the round hole?"

However, these military officers do not necessarily have an extensive background in financial management. As the number of military billets is reduced in the budget office, there are fewer "building billets" for military officers to gain the experience needed to fill high-level financial management positions, such as FMB



and N8 and positions. The same DoN official stated that, “there’s attrition, so you’ve got to have three or four [billets] to make one.” “There’s a lot you can learn by having multiple tours, I’m not saying someone has to be stuck here [the Pentagon] for 12 years [continuously], but to understand the nuances of how a cycle works...” However, with operators currently filling financial management positions, the Navy has officers making decisions based on warfighting requirements and an operational base, rather than relying on an analysis of numbers.

However, there is a steep learning curve for many of the officers who lack financial management experience or interaction with the PPBE process. Often, budgeteers do not understand the entire PPBE process until they have experienced it for a year—often becoming fully engaged just in time to transfer to another billet. A different senior level official, located in the strategic apex, stated, “What we’re basically doing, especially at the more senior levels, is taking people with very strong war-fighter, at sea, operational experience and saying, ‘We’ll invest a year while you live through the budget cycle until you know how it operates and can function.’”

As graduate-level education becomes more prominent in financial management areas, there is often a pay-back tour associated with such programs. However, after the pay-back tour there is not necessarily a tracking system to ensure that these officers are meeting their career and financial management milestones in order to build their experience and education. There could be an excellent synergy gained from an officer with operational, warfighting experience who has financial management skills developed through education and subsequent practical experience.

## F. The Process

The DoN budget build is unique because it incorporates the budgetary needs for two services. With a basic understanding of the players within the PPBE process, a review of that process can be conducted.



## 1. Planning

Like the other services, the planning portion of the PPBE process for the DoN sets the strategic vision for the DoN. The planning phase incorporates the guidance issued by OSD in its strategic planning documents. Planning in the Navy is primarily conducted by the Deputy Chief of Naval Operations for Plans, Policy and Operations (N3/N5). The Navy has recently developed the *Navy Strategic Plan*, which is to become the base document for programming and budgeting.

The purpose of the Navy Strategic Plan (NSP) is to provide guidance to those staff elements responsible for the development of the Program Objective Memorandum (POM) 2008 budget submission. The strategy detailed in these pages links higher-level guidance promulgated by the President of the United States, the Secretary of Defense, and the Joint Chiefs of Staff with Navy's Planning, Programming, Budgeting and Execution (PPBE) process. It is designed to inform Navy investments to effectively and efficiently organize, train, and equip the Navy in support of the Joint Force, Joint Force commanders, and Joint Force component commanders. As the first step in Navy's PPBE process, the NSP also provides the framework for subsequent decisions when developing, funding, and reviewing programs as part of the Navy's budget. (Chief of Naval Operations, 2006, p. 3)

The NSP incorporates the current *CNO Guidance* as well as other strategic vision documents. The NSP is to be issued biannually to direct future submissions of POMs and PRs. Programmers and budgeteers are to keep NSP in mind when making submissions and will be called to defend their submissions based on the directives issued in the NSP.

Planning in the Marine Corps is done by the Marine Corps Planning Division and is based on the same strategic guidance. This planning sets the course for the programming phases for the Marine Corps. Most of the equipment in the Marine Corps is funded by the Navy in dollars called "blue in support of green," a fact unique to the Corps.

## 2. Programming

POM development for the Navy is done by N80, which is responsible to N8. After OSD issues its preliminary programming guidance, a review of the program





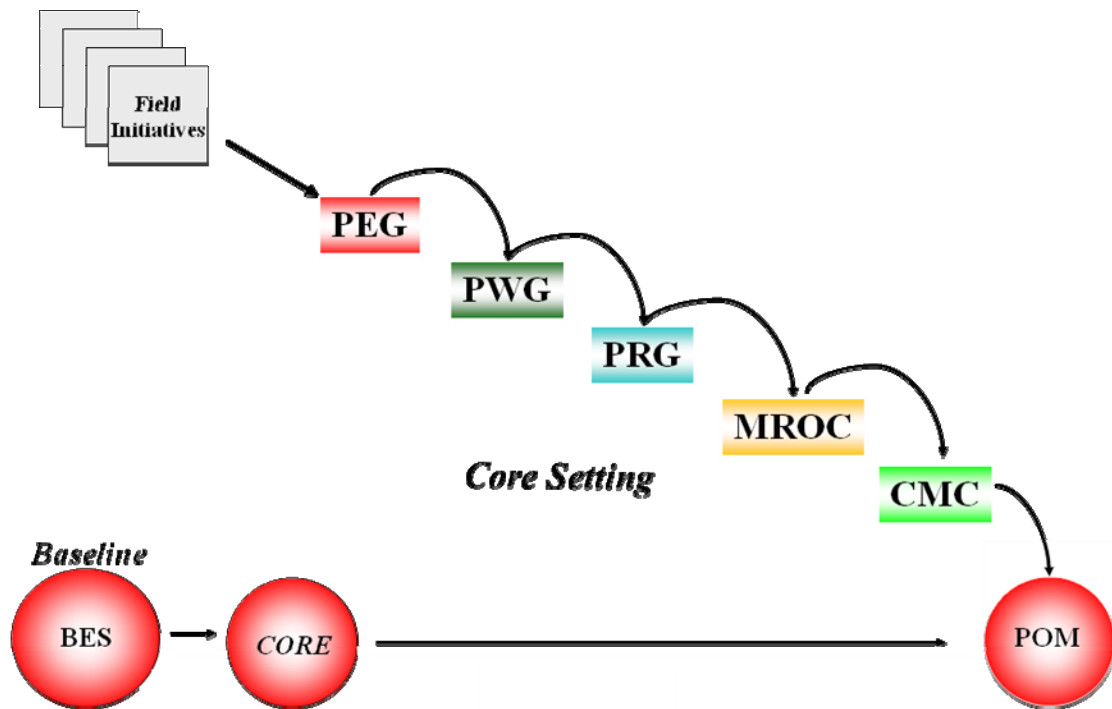
levels from the previous cycle is conducted to identify warfare requirements and needed adjustments. N80 then assists in drafting the CNO's Program Guidance, which is then issued to the resource sponsors. The resource sponsors, as integrating managers, take the CNO Program Guidance, with inputs from the BSOs and produce their Sponsor Program Proposals (SPP's). N8F then integrates these SPP's into an ISPP or Integrated Sponsor Program Proposal. Once the SPPs, are submitted back to N80, they become the basis for the POM build and are presented as changes to the Future Years Defense Program (FYDP), which is based on the previous President's Budget (PB). The SPPs are reviewed to ensure compliance with CNO guidance. They are then presented to the CNO and the SecNav for review and further changes.

This process signifies the start of the final POM build for the Navy. However, the CNO and SecNav are kept abreast of decisions and the situation throughout the entire process, using an ad-hoc decision-making process, which allows interim guidance to be given from the strategic apex down to the operating core. FMB is also integrated into the programming process through the use of different pricing teams, or task forces, to ensure the accuracy of programming. However, N80 conducts most of the POM build using the SPPs.

The Marine Corps conducts programming differently than the Navy. The Marine Corps process is comparable to the processes seen in both the Army and the Air Force. It uses committees to review the submissions and move them up the chain of command. The Deputy Commandant for Programs and Resources (MC, P&R) oversees the development of the POM; however, the inputs are generated by the mission areas in the Marine Corps and the Marine Corps Forces. These submissions are then compiled by the POM Working Group (PWG) and submitted to the Marine Corps Program Review Group (PRG). Final review before submission is then sent to the Marine Resources Oversight Committee (MROC). The CMC approves the final POM and submits it to the SecNav for review and approval. Figure 31 illustrates this process.







**Figure 31. The Marine Corps POM Build**  
(Brook, 2007d, Summer)

### 3. Budgeting

The budgeting phase turns programs into dollars. FMB, by direction from ASN(FM&C), runs the budgeting process for both the Navy and the Marine Corps. He is responsible for ensuring the budget is consistent with the service POMs. Not long before the completion of the POM, FMB will issue budget guidance to the BSOs. The BSOs will then develop their budget submissions by coordinating with their subordinate commands. This process is viewed as an important step within the Navy to “ensure that those offices responsible for executing budget participate fully in its formulation” (DoN, 2006, October, p. 26). The BSOs compile these submissions and submit them to FMB. The Office of Budget then conducts a review to ensure that the submissions are aligned with the programmatic guidance. This chain of submissions is an example of a formal authority flow.

There are key differences between programming and budgeting. In programming, resource sponsors are the primary players that submit the SPPs. In



budgeting, the BSOs submit their budget estimates. Although each takes input from others when providing feedback, primary responsibility shifts in different phases.

The DoN has created a database, called the Program Budget Information System (PBIS), in which decisions regarding programming and budgeting can be viewed by all participants. Once the POM or PR is completed, the Office of Fiscal Management and Budget issues control numbers through PBIS to the BSOs for the formulation of their budget. "Liaison between the offices responsible for developing and reviewing the POM and those responsible for submitting budgets is an important element in the transition from programming to budgeting" (DoN, 2006, October, p. 28). Basically, there is a distinct transfer of database control from the moment the POM is finalized over to the budgeteers working on the budget submission. This is an example of a regulated flow. The database provides the standardization within the process so that the programmers and budgeteers are working from the same database. The flow of information, however, stays within the operating core. This flow of information is consistent with the structure seen thus far. It is based on the idea of a traditional hierarchy of responsibility and that if information is going to be transferred it needs to be standardized. Yet this transfer is decisive and there is no mistaking which office holds the information.

After the BSOs make their submissions, the respective analyst in the appropriate FMB code reviews the submission. This review can be conducted with the analyst contacting the BSOs, resource sponsors, ASN's, or other offices necessary to obtain information regarding the submission. This review results in the analyst becoming a liaison position, as this call for information is not formalized and often happens using mutual adjustment. After the review, the analyst can issue adjustments if it is deemed necessary or if the justification is not strong. These adjustments are reviewed by the appropriate director, approved by FMB using his formal authority, and then posted to PBIS.



If the BSO does not agree with the adjustment, it has an opportunity to submit a reclama, or a counter-argument, to the adjustment. This process ensures that the analyst did not misinterpret the issue and allows the BSO to provide stronger documentation. It is not an opportunity to shift funds around. Once a reclama is submitted, there are many levels to which it can rise. The analyst and branch head can resolve the issue if in agreement with the reclama submitted by the BSO. If he does not agree, then it is brought to the appropriate division director, (e.g., FMB2) for review. If it is not resolved, the BSO has the opportunity to brief FMB using the formal chain of command.

These meetings will be limited to specific time allotments and will be attended by senior organizational representatives. Video teleconferencing (VTC) equipment is available for these meetings. Additionally, Program Budget Coordination Group (PBCG) meetings may be held throughout the review process with participation at the DASN and two-star level to resolve program and budget issues that arise during the review. (DoN, 2006, October, p. 32)

Additionally, FMB will brief N8 or the appropriate HQMC representative while including the appropriate appropriation or program sponsor. Throughout this process, FMB is updating ASN(FM&C).

After the Office of Budget has reviewed the submissions from the BSOs, the analysts have issued their adjustments, and the reclaims have been decided, the budget is ready for final review by ASN(FM&C) and ultimately SecNav. The formation of the PBCG illustrates a standing committee that integrates the organizations. This specific liaison device helps resolve conflicts between the programming and budgeting phases.

#### G. Coordination between Programming and Budgeting

The most obvious link between the programming and budgeting phases is the N82/FMB position. N82 is the responsible office for most of the appropriation sponsors and spearheads the budgeting process as FMB. FMB is the lynchpin between the programming and budgeting phases, which are primarily conducted on



different sides of the DoN and act as a formalized integrating manager. However, this dual-hatted position can be pulled in both directions. The organizational charts of both OPNAV staff and the secretariat indicate that FMB/N82 has a dual reporting requirement. This position has no equivalent in either the Air Force or the Army.

Aside from the N82/FMB dichotomy, interaction between Navy programmers and budgeteers is different than both the Army and the Air Force. In the other two military departments, the two offices are co-located to increase informal communication and mutual adjustment. The Navy has not structured its offices in this manner. The offices in the Pentagon are physically separated, making informal communication more difficult and personal interactions less frequent. The Navy views its programmers and budgeteers as distinct components.

However, there is a concerted effort to increase communication and understanding of what is happening in the current process by the budgeteers who attend programming meetings. As one official in the budgeting office stated, "I'll go to the PA&E programming meetings with the programmer side of the house, just so we know what's going on and have that communication. We have to work toward having that communication, whereas in many of the other services, they're all in bed together." These program meetings happen at least weekly and assist the budgeteers in keeping abreast of changes to the program. Although the budgeteers are now regular attendees at these meetings, it was initially an informal communication path that became formalized through time. This is an example of a work constellation forming, as "people in the organization cluster into peer groups (not related to the hierarchy) to get their work done. Each cluster or constellation deals with distinct decisions appropriate to its own level in the hierarchy, and is only loosely coupled to the others" (Mintzberg, 1993, p. 21). By attending the programming meeting, budgeteers form a mutually beneficial group. They are interacting on the same hierarchal level, just across different parts of the organization.



Although these meetings inform the budgeteers on programming issues, when it is time to finalize the POM and the BES, there are generally conflicts between what programs get funded and at what levels. BSOs submit their requests and if their request does not align with the analysts' conclusions, there is a venue in which all sides can justify their opinion. A formalized standing committee has been created to address these concerns; it is called the Program Budget Coordination Group (PBCG) (DoN, 2006, October, p. 32). The PBCG, chaired by FMB, will incorporate the BSOs, the resource sponsors and representatives from N80. The PBCG allows for both the programming and budgeting side to come together to make an informed decision.

In the Navy, there is a distinct transfer of responsibility from the programming to the budgeting side with the PBIS database. When programmers are finished (or mostly finished) with the POM, they lock the database. At this point, programmers no longer have access to the database, and it is in the control of the budgeteers. This can be equated to a standardized output to serve as a coordinating mechanism between the programmers and the budgeteers. Each is producing standardized information that is used within the database. Rather than having a discussion about the transfer (as in mutual adjustment) or having the same process to build their outputs (as in a standardized work process), they rely on the standardization of the output for coordination. This is also an example of the regulated flow, as discussed earlier in the chapter.

Although the ASN(FM&C) is responsible for executing the PPBE system, as designated in *SECNAVINST 5430.7N*, he does not fall directly within the chain of command of the planners or the programmers. Therefore, rather than direct supervision, another type of coordinating mechanism is needed for the ASN(FM&C) to exercise his fiduciary responsibility. Currently, the ASN(FM&C) meets with DC, P&R, N8 and FMB weekly to talk about emerging issues and to increase communication and coordination across the process. However, this meeting is not formally established and was developed by the current leadership to coordinate the



organizations. With different leadership, this informal task force could fall by the wayside and coordination and communication could be reduced. This is an example of a task force that was created to increase the liaison between the different phases of the organization. It is also an example of a work constellation in which members of approximately the same hierarchical level are working together in a mutually beneficial relationship.

The Navy has “compartmentalized” its PPBE process, resulting in a distinct organization that is responsible for each phase. These organizations need to coordinate their portions into one product. These coordination points are not always smooth and can sometimes create friction when one phase does not necessarily align with the other phase. This “friction” can help bring forth many viewpoints, each of which needs to be vetted through a decision-making process. These friction points often allow leadership to become more involved, through ad-hoc decision-making processes when issues come up, rather than just being at the strategic apex.

In a more formalized structure, as seen in the Army and the Air Force, as decisions go through the formalized steps, alternatives are often taken “off the table” at an earlier level, leaving the strategic apex with only a few options. Within a structured process, it is imperative that the strategic apex not question too many of the decisions made by the middle line or else the entire system may seem unreliable and not work as designed. These structured organizations, as found in the Army and the Air Force, must have clear initial guidance so the structures will follow the path that the strategic apex wants them to follow. The Navy demonstrates a very fluid structure with senior leadership being frequently consulted for decisions.

## H. The Degree of Centralization

The DoN PPBE process is highly centralized at the headquarters level. Although the BSOs and the program and resource sponsors are able to offer their input and submit their portions of the budget, the decisions are predominantly made at the headquarters level by a single organization: in the case of programming, the



N8, and in the case of budgeting, FMB. This decision-making authority is in direct contrast to what is seen in the Army and the Air Force: decisions being made by groups and committees throughout the PPBE process. Within the DoN, there are examples of formal authority, regulated flows and direct supervision and a standardization of outputs that align with the idea of a more centralized organization.

## I. The Operating Environment

The operating environment of the DoN is similar to that of the Air Force. The DoN, for the most part, is operating in a stable environment.

The complexity of the environment is the next factor to consider. The Navy is operating in a marginally complex environment but nowhere near as complex as the Army. When the Navy produces its budget, it is largely based on the previous year. Relatively speaking, the Navy's operations have not changed dramatically, like the Army's, in the previous years. The Navy, being a largely capital intensive service, in which shipbuilding and procurement take numerous years, the level of fluctuation is less than in a more personnel, small-equipment-driven service. The Marine Corps is slightly different. Having been affected more than the Navy by the Global War on Terrorism (GWOT), Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF), its environment is more complex and more similar to the Army's.

According to Mintzberg's structure in Chapter II, the Navy and Marine Corps can be placed between centralized and decentralized bureaucratic structures. Neither structure is totally centralized or decentralized, but there is a distinct bureaucratic feel to the organizations because they are formal, and there is a distinct structure and process in their operations.

## J. Conclusion

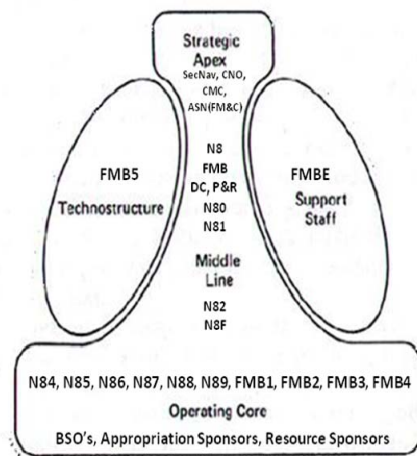
The Department of the Navy PPBE process and organizational structure diverge slightly from that of the Army and the Air Force. Although some of the





characteristics are common across all three departments, the DoN has shown some material differences.

The DoN structure aligns with Mintzberg's five parts of an organization. Figure 32 illustrates this organization.



**Figure 32. The DoN Five Organizational Parts**  
(Mintzberg, 1993)

The DoN structure uses some of the coordinating mechanisms discussed in Chapter II. Specifically, mutual adjustment is observed with the interactions between the resource sponsors, appropriation sponsors, BSOs and FMB analysts. Much of the needed information is gathered and compiled through informal communication, conversations and personal relationships the offices have formed. There is no formal process for much of this exchanged information. However, N8 and N80 have direct supervision over the programming process and FMB over the budgeting process. The DoN also employs a standardized output when working with the PBIS database. Information is shared from the programming to the budgeting side with a set of standardized outputs that are familiar to both organizations.





The DoN also employs all five organizational flows at certain points within the process. Formal authority is the most easily recognizable as it fits well with an organigram and job descriptions. ASN(FM&C) has formal authority over the entire process, with FMB exercising formal authority over the budgeting portion and N8 presiding over the programming process.

Although this authority is recognized, information also flows in other means. The transfer of PBIS was identified as a regulated flow. The operating core largely uses informal communication in order to compile data. Meanwhile, as work constellations are being formed, budgeteers attend programming meetings, and ASN(FM&C) institutes a weekly coordination meeting with the upper middle-line managers. Finally, an ad-hoc decision-making process is also observed when the strategic apex is asked for decisions and feedback during the process.

The Navy takes a different viewpoint than the Army and the Air Force in the background of their financial managers. The Navy asks officers with warfighting experience to fill many of its top financial management positions, expecting them to bring knowledge of the capabilities of the systems for which they are budgeting. However, the Navy does not necessarily provide officers with a financial management background, whereas Army and Air Force budgeteers are solely financial management specialists. In order to align with Mintzberg's ideas of behavior formalization and job scope, the Navy should focus a little more on preparing officers with a financial management background.

Liaison devices are abundant within the DoN organizational structure. The entire organization can be viewed as a matrix structure because it employs the other three liaison devices. The formalized, integrating managers are N8F, which compiles all the inputs from the resource sponsors; FMB3, which compiles the budgetary parts from FMB1, 2 and 4; and finally, FMB, which is the connection between the OPNAV and secretariat staffs. Along with these individual positions, informal liaison positions have been created in each of the operating cores as all



parts need the input from other parts to put their piece of the program or budget together. Task forces and standing committees are the last liaison position. The pricing teams created when an item needs to be re-priced are task forces. The PBCG and the ASN(FM&C)'s weekly meeting with N8, FMB and DC, P&R can be seen as standing committees, as they are more formalized.

The DoN financial management organizational structure is suited to conduct the PPBE process. An evaluation of the DoN structure suggests that the DoN follows a performance control system. The DoN is not as set on a certain process to produce its budget but is more concerned that an executable budget is produced. This concept is evidenced in its repeated production of executable budgets. The structure is centralized; however, the process flows are not nearly as formalized as in other departments. This finding correlates with the lack of documentation that strictly delineates how the process is supposed to occur, as in the AFCS, as well as an abundance of informal communication and coordinating mechanisms. Some organizations appreciate interaction, discussion and friction between their components to achieve a product, whereas other organizations prefer having all their parts work together from the beginning for a more unified product.



## VII.

## Conclusion

The Department of Defense budgeting process has changed and will continue to change in years to come. PPBE provides a framework for the military departments to exercise a decision-making process that links strategic planning to programmatic requirements while considering resource constraints. Although each department participates in the PPBE process, its organizational structures and formalized processes differ.

This thesis analyzed each military department's financial management structure and process to identify the differences in order to answer the following questions: What changes or modifications to the current Department of the Navy financial management structure could be adopted to improve it? Do the organizational structures of the departments align with their PPBE process? What are the major differences between the departmental structures? What factors and characteristics of its organizational structures are prevalent within the organization?

In order to make a recommendation regarding the Department of the Navy's financial management structure, three supporting questions must first be answered. The basic elements of the structure can be seen in the factors and characteristics displayed within the organization. Table 5 provides an overview of these factors and characteristics. As is evidenced, all the departments exhibit most of the organizational characteristics in some aspect of its organization. The location and frequency of these characteristics defines the organization and aides in dissecting the differences between the three organizations that are producing the same products.



**Table 5. Overview of the Departments' Organizational Factors**

Departments	Navy	Air Force	Army
<b>COORDINATING MECHANISMS</b>			
<b>Mutual Adjustment</b>	Resource Sponsors, Appropriation Sponsors, BSOs, FMB Analysts	FMB and A8P briefing AFC, SAF, CSAF; Co-location of programmers and budgeteers	Co-location of programmers and budgeteers
<b>Direct Supervision</b>	FMB over the budget; N80 / N8 over the program	FMB over the budget; A8P / A8 over the program	DAB over the budget; PA&E / G8 over the program
<b>Standardized Work Processes</b>	Flow of information from BSOs up the Chain of Command	AFC, AFB, AFG	ARB, SRG, PPBC, CoC
<b>Standardized Outputs</b>	BSOs to FMB, PBIS (programmers -> budgeteers)	ABIDES	Army Database transfer
<b>Standardized Skills</b>	Budgeteers are operators with some FM background	Budgeteers are FM specialists	Budgeteers are FM specialists
<b>FIVE PARTS OF AN ORGANIZATION</b>			
<b>Strategic Apex</b>	SecNav, CNO, ASN(FM&C)	SAF, CSAF, SAF/FM, AFC	SA, CSA, ASA(FM&C), ARB
<b>Middle Line</b>	FMB, N8, N80, N81, N82, N8F	A8, A8P, SAF/FMB, AFB	Mil Dep for Budget, DAB, G8, PA&E, FD, QDR, SRG
<b>Operating Core</b>	FMB1, FMB2, FMB3, FMB4, N84 - N89	AFG, Mission and Mission Support Panels	BUC, BUI, BUO, BUR, PPBC, CoC, PEGs, MACOM
<b>Technostructure</b>	FMB5	AF/A8X, AF/A8P	DASA(FIM), Proponency, CAA
<b>Support Staff</b>	FMBE	CONOPs Champions, IPTs	Congressional Liaison
<b>ORGANIZATIONAL FLOWS</b>			
<b>Formal Authority</b>	FMB over budget	AFCS	The Army Process
<b>Regulated Flows</b>	Transfer of PBIS	Transfer of ABIDES	Transfer of the database
<b>Informal Communication</b>	Resource Sponsors, Appropriation Sponsors, BSOs, FMB analysts	Co-location of programmers and budgeteers	Co-location of programmers and budgeteers
<b>Work Constellations</b>	Budgeteers attending programming meetings, ASN(FM&C) weekly meeting	Support for IBRC and OBRC	BUI meetings
<b>Ad-Hoc Decision-making Process</b>	CNO/SecNav guidance throughout process		
<b>DESIGNING THE ORGANIZATION</b>			
<b>Job Scope / Blueprint</b>	1 deputy assistant secretary	5 deputy assistant secretaries	4 deputy assistant secretaries
<b>Behavior Formalization</b>	No formal PPBE Primer, very formal Budget Guidance Manual that is very technical	Very detailed, formalized PPBE primer; FM military personnel	Informal PPBE Primer; FM military personnel
<b>DESIGNING THE SUPERSTRUCTURE</b>			
<b>Grouping</b>			
<b>Knowledge and Skill</b>	Resource Sponsors, Appropriation Sponsors	Mission and Mission Support Panels, IPT, CONOPs Champions	PEGs
<b>Work Process and Function/Output</b>		AFC, AFB, AFG	ARB, SRG, PPBC, CoC



<b>PLANNING AND CONTROL SYSTEMS</b>			
<b>Performance Controls</b>	Yes		
<b>Action Controls</b>		Yes	Yes
<b>LIAISON DEVICES</b>			
<b>Liaison Positions</b>	Resource Sponsors, Appropriation Sponsors, FMB analysts		DAB
<b>Task Forces/Standing Committee</b>	Pricing Teams, PBCG, ASN(FM&C) weekly meeting	AFC, AFB, AFG, IPT, CONOPs Champions, IBRC	ARB, SRG, PPBC, CoC, BUI meetings
<b>Integrating Managers</b>	FMB, FMB3, N8F	Mission and Mission Support Panels	BUC, BUO, PA&E
<b>Matrix Structures</b>	Yes	Yes	Yes
<b>DEGREE OF CENTRALIZATION</b>			
	Most Centralized	Least Centralized	Moderately Centralized
<b>ENVIRONMENTAL FACTORS</b>			
<b>Stability</b>	Stable	Stable	Stable
<b>Complexity</b>	Simple bordering on complex	Simple bordering on complex	More complex

## A. Organizational Factors

### 1. Coordinating Mechanisms

Within the coordinating mechanisms, two differences stand out: the use of a standardized work process in the Army and in the Air Force and the standardized set of skills. The Navy has standardized process; however, the Army and the Air Force have taken a more standardized approach by creating standing committees and a strict flow of information from the working committees to the top of the strategic apex. The Navy has a more unstructured approach with the BSOs submitting their budgets to FMB, who consolidates and prepares the Navy's submission. This standardized work process makes the Air Force and the Army processes more formalized, yet more decentralized because the groups incorporate more stakeholders as decision-makers at lower levels.

The second noticeable difference is the standardized set of skills employed for the military personnel conducting the budgeting function. The Army and the Air



Force have military members who specialize in financial management. These personnel have a background in financial management and have served much of their careers in positions related to financial management. The Navy takes a different approach by employing operators with a background in financial management in some of the budgeting positions. This provides a different perspective than the other two departments, since the Navy has chosen to employ budgeting officers with warfighting experience. However, the personnel management system that ensures that these officers have backgrounds and experience in financial management before being assigned to senior level positions needs improvement.

## **2. Parts of the Organization**

Figures 14, 24 and 32 illustrate the five parts of each department and indicates that the structures are predominantly the same throughout the three departments. However, the Air Force has CONOPS Champions and IPTs within the support staff. These groups provide the Air Force with specific knowledge on certain issues and mission areas, yet they do not directly contribute to the building of the POM or BES. Although the other departments have groups that advise, the influence of the CONOPS Champions and IPTs is significant within the Air Force.

## **3. Organizational Flows**

Within the organizational flows category, all three departments illustrate numerous characteristics. However, there are some important differences to note. Both the Army and Air Force have established processes that are examples of formal authority. There is a clear delineation of the process and that process governs the flow of information. In the Navy, FMB has formal authority over the budget build, but there is more of an ad-hoc process rather than a formal authority over the actual flow of information and decision-making process. The ad-hoc process observed in the Navy is more of a decision loop, involving iterations between the operating core and the strategic apex.



All three departments display extensive use of informal communication to pass information. The Navy builds much of its budget through informal communication by having the resource and appropriation sponsors in communication with the BSOs and the analysts. There is not necessarily a pre-established meeting for the trading of information between these stakeholders for the budget build; however, there is a definite sharing of information—so the BSOs can make their submissions, and the analysts can evaluate their submissions. This is part of the actual budget build. In the Air Force and in the Army, informal communication is witnessed in the interaction between the programmers and the budgeteers due to their co-located offices. This is not formalized in their processes, yet is instrumental to their interaction. There is informal communication between the two parts in the Navy; however, it is not as noticeable.

#### **4. Design of the Organization**

There are differences between the departments regarding organizational design. Each department's strategic apex is the assistant secretary for financial management and comptroller. For the first level of leadership below the assistant secretary, the Navy and the Air Force have a deputy assistant secretary. The Army divides this responsibility between a principal deputy assistant secretary and a three-star general who is the military deputy for budget. This two-pronged approach is different than the Navy and the Air Force. This three-star general for the Army allows the Army to have equity between the MACOMs and the budget office. The three departments have parity for their budget directors since they each have two-stars leading their budget offices.

The level below the deputy assistant secretaries shows a difference in the titles of offices between the three. The Navy calls the heads of their divisions “directors,” while the Air Force and the Army have deputy assistant secretaries. Although they basically have the same responsibilities and are equivalent offices, there is a difference in their titles. Further research would need to be conducted to see if their job importance is viewed differently, but on first glance, the disparity in





title is noticeable. Table 6 illustrates the difference in leadership titles and rank positions within the first and second levels of leadership. The table also accounts for two one-stars within the Navy and the Air Force who are in the third tier.

Position *	Navy	Air Force	Army
three-star	0	0	1
two-star	1 **	1 ***	1 *****
one-star	1	1 ****	0
Deputy Assistant Secretary	1	5	4
Director	3	1	1

\* Table only takes into consideration first and second level leadership. This does not account for all of the SES leadership. It does account for all of the flag/general officers in the offices.

\*\* (two-star and one director are double counted)

\*\*\* two-star and one DAS are double counted)  
\*\*\*\* (one-star and one Director are double counted)

\*\*\*\*\* (two-star and one director are double counted)

**Table 6. Overview of Leadership within the Assistant Secretary for Financial Management and Comptroller Offices**

Apart from the senior leadership within an organization, behavior formalization also plays a part when analyzing the design of an organization. Behavior formalization deals with the expectation of how employees act in given situations. The military, by its nature, is highly formalized. However, there are other ways to increase behavior formalization. The PPBE process, in essence, is a form of behavior formalization used across the departments because it standardizes the steps when producing a budget. However, the departments have employed primers to institute additional behavioral norms.

The Air Force has the most institutionalized process of the three departments, which is illustrated through an extensive primer and explanation of each step. Also, each of the Air Force personnel who were interviewed referred back to the primer and the AFCS, making the AFCS the standard process to use. This extensive primer formalizes the behavior of all participants because there is a distinct process they must execute as well as distinct groups from which to seek information.





The Army is very similar in the design of its process with similar structured groups and review boards. However, its primer takes a much broader view of the process and an informal discussion of the process rather than detailing how to use the process.

The Navy's budget manual is a highly structured document with respect to budgetary exhibits and submissions, but it is not very detailed regarding the process through which these submissions flow. It formalizes the outputs from the BSOs but does not formalize the process as much as the Army and the Air Force.

## **5. Designing the Superstructure**

Part of the superstructure design includes the grouping of people. Grouping by knowledge or skill was noticed in all departments. The departments used groups that were very specialized in their knowledge. These groups provide subject-matter experts and work only within a specified area. The other grouping of standardized work process and function or by output is seen in the standing committees and groups developed within the Air Force and Army. Each group has a specific task to complete and a product (POM/BES) to produce. The Navy, in a generic sense, is organized by task. FMB3 compiles and produces the budget. However, the groups in the Army and Air Force consist of participants involved with other parts of the organization outside the budgetary process. These groupings were specifically done for production of the budget.

## **6. Planning and Control Systems**

Planning and control systems used by organizations employ one of two tactics: either performance or action controls. Performance controls deal with outputs; the organization makes an effort to control the final product. Action controls deal with controlling the actions of the employees in producing the product, with a focus on the process. The Navy uses a performance control system in which the focus is more on the final product than on the means to get there. The Air Force and the Army use their processes as action control systems, with the mindset that the



process itself will produce an adequate product if it goes through the appropriate steps. The approaches, although different, align with the degrees of centralization. The Air Force and Army are more decentralized because of the highly established process.

## **7. Liaison Devices**

Liaison devices are the methods by which different parts of the organization communicate. These devices are either informal or formalized positions or groups. The three departments use a combination of all the liaison devices in a matrix structure in order to coordinate among the different parts. Although many of the job descriptions within the departments deal with coordination between the programming and the budgeting portions of PPBE, none is more prevalent than the use of Navy FMB as an integrating manager. As shown in Figure 28 in the DoN chapter, FMB is the strategic link between the military and the secretariat. The other departments employ the use of standing committees, which have both programmers and budgeteers at the coordination point. In the Navy, this strategic position is critical for the success and integration of the programming and budgeting phases of the PPBE process. This mechanism appears to be highly dependent on a single person and the actions of his office. The benefit of having this office is that there is a single point of coordination that has the potential to alleviate differences and conflicting viewpoints. The downside is that it appears to be a highly critical job with a lack of redundancy and perhaps is highly dependent on individual personalities rather than cooperation among different entities.

## **8. Degree of Centralization**

The subject of centralization has been mentioned in the discussion of the other organizational factors. Although all the processes are centralized, because there is a distinct decision-making authority located at the strategic apex, the degree of centralization within the different services varies. The services have disseminated

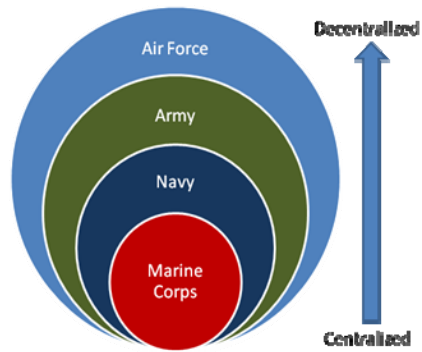


some of the decision-making authority to different levels, which leads to varying forms of centralization.

The Air Force is the most decentralized department, as it has its corporate process and includes the MAJCOMs in the decision-making process. Also, the highest level of review, the AFC, does not include the SAF or the CSAF. The Army's structure is very similar to the Air Force structure, but it is more centralized. The Army also has a process that includes many stakeholders; however, though they include their MACOMs in the process, they are not actually voting members of the board. At the highest level, the ARB, the SA and CSA are the chairs of this board, which make them part of the process rather than the final approving authority as in the Air Force.

The Department of the Navy illustrates the most centralized of the processes. Within the two naval services, the Marine Corps is more centralized than the Navy. Although the Marine Corps has a system in place that is similar to the Air Force and the Army, with the different levels of review, it has only one office that does both programming and budgeting. Their locality makes the process happen within the same structure, thus establishing their centrality. The Navy's process is also more centralized than the Air Force's and the Army's. Although the Navy process incorporates inputs from the BSOs, there is no formal review structure or board that includes all the stakeholders when decisions are made about balancing or making trades within the program or the budget. Decision-making power is held by a few individuals rather than by a board or a committee. Figure 33 is a pictorial viewpoint of the centralization spectrum.





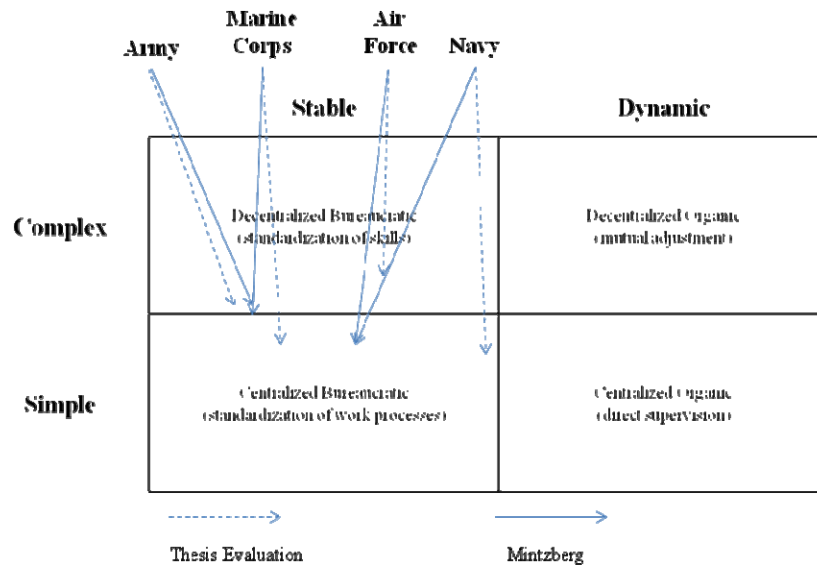
**Figure 33. The Degree of Centralization of the Four Services with Regards to PPBE**

## 9. Environmental Factors

Each chapter has covered the central environmental factors that affect the departments with regards to the PPBE process. For all the departments, the environment was considered stable because there will always be an expectation for the departments to submit a budget, and although the PPBE process is evolving, the root assumptions and phases of the process remain relatively the same. However, the Marine Corps and the Army are dealing with slightly more complexity in regards to their budgeting process because of the current War on Terrorism and the resulting changes the services have made.

Mintzberg describes organizations as either centralized or decentralized and organic or bureaucratic. Based on the evaluation of the environmental characteristics, Figure 34 indicates where Mintzberg would place these organizations and how their structures should be designed, as well as where this thesis plots these organizations' structures.





**Figure 34. Organizational Types**

According to Mintzberg, in a stable, yet slightly complex environment, organizations will tend to border between centralization and decentralization as well as be bureaucratic. This is where the Army and Marine Corps should be operating based on their environmental factors. The Army operates between a centralized and decentralized process and is bureaucratic, given its well-defined PPBE process and formalized decision-making group. The Marine Corps diverges slightly from this analysis and exhibits a more centralized PPBE process with its single office organization.

In a stable and simple environment, which is closer to where the Air Force and Navy are operating, organization will tend to be a centralized bureaucracy. The Air Force diverges from the centralization part and exhibits the most decentralized organization of the four services. The Navy diverges and appears slightly more organic, or fluid, than any of the other three. There is a certain flexibility built into the Navy system because there are no groups, review boards or a decision-making chain of command. (This is not to say that the Navy's structure is not highly formalized; it is, but compared to the other three services, it is less defined.)



These divergences are perhaps symptomatic of process and organizational misalignment. The identification of these divergences will aid in assessing the congruence of the organization using Nadler and Tushman's congruence model.

## **10. Major Differences between the Departments**

Each department's structure has strong and weak points. However, what one organization might view as a strength, another one might view as a weakness.

There are some identifiable differences between departments that can be used for internal consideration for change. Most of these differences are identified in Table 5 and the preceding discussions. To summarize, the major differences are

- The degree of formalization of the PPBE process (AFCS, primers, review boards, etc.)
- The structure of the assistant secretary's office (Army with a three-star general, only one deputy assistant secretary for the Navy)
- The interaction with the major commands (Air Force—voting members, Army—on boards, but non-voting, Navy—submitting offices)
- Location of the programmers in relation to the budgeteers (Army and Air Force are co-located)
- Background of the budgeteers (Navy—operator FM mix, Army and Air Force—FM specialists)
- Degree of centralization

### **B. Alignment of Structure with Process**

How does each of the departments' organizational structures align with its PPBE process? Nadler and Tushman (1980) separate an organization into four basic components: task, individual, formal organizational arrangements and informal organization. These four components are then evaluated to see how well they "fit" together. Each of the four components has been identified in the preceding chapters and in the identification of the organizational factors in Table 5. The information in Table 5 can now be synthesized into these four different components and will be used to evaluate the structures' "fitness." Table 7 summarizes the definition of the components as defined by Nadler and Tushman (1980) and summarizes each of the



components for the three departments. The overarching similarity that allows this model to be used is the task, which is the same across the three departments. This comparison aligns with Nadler and Tushman’s characteristic of equifinality or “different system configurations can lead to the same end or to the same type of input-output conversion. Thus there’s no universal or ‘one best way’ to organize” (p. 38).



<u>Component</u>	<u>Task</u>	<u>Individual</u>	<u>Formal Organizational Arrangements</u>	<u>Informal Organization</u>
<i>Definition</i>	The basic and inherent work to be done by the organization and its parts	The characteristics of individuals in the organization	The various structures, processes, methods, and so on that are formally created to get individuals to perform tasks.	The emerging arrangements, including structures, processes, relationships, and so forth.
<i>Critical Features for Analysis</i>	<p>1. The types of skills and knowledge demands the work poses.</p> <p>2. The types of rewards the work can provide.</p> <p>3. The degree of uncertainty associated with the work, including such factors as interdependence, routineness, and so on.</p> <p>4. The constraints on performance demands inherent in the work (given strategy).</p>	<p>1. Knowledge and skills individuals have.</p> <p>2. Individual needs and preferences.</p> <p>3. Perception and expectancies.</p> <p>4. Background factors.</p>	<p>1. Organization design, including grouping of functions, structure of subunits, and coordination and control mechanisms.</p> <p>2. Job design</p> <p>3. Work environment.</p> <p>4. Human resource management systems.</p>	<p>1. Leader behavior.</p> <p>2. Intragroup relations.</p> <p>3. Intergroup relations.</p> <p>4. Informal working arrangements.</p> <p>5. Communication and influence patterns.</p>
<i>Navy</i>	The task is to produce a POM / BES for the department. This requires a working knowledge of the programmatic requirements and fiscal constraints imposed by OSD. The degrees of uncertainty are limited but dependent on the political and economic environment.	Individuals know the expectation to produce the POM / BES. The military budgeteers come from an operational background with limited financial management skills.	Decision-makers at high levels who receive inputs from the operating core. More of an ad-hoc decision-making process in which there is constant dialogue between levels within the organization. Groups are based more on skill and knowledge. FMB plays critical role for coordination.	Highly dependent on senior leadership personality and interactions. Dependent on corporate knowledge and working relationships between hierarchy levels. Communication is flowing through all different levels.
<i>Air Force</i>		Individuals know the expectation to produce the POM / BES. The military comes from an operational background on the program side and financial management background on the budgeting side.	Well-defined decision-making structure with various levels of review. Clearly defined membership within those levels. Groups are based more on outputs and process.	Dependent on informal communication within the operating core. Communication has very distinct flow patterns through the AFCS. Many different groups serve as "advisors". (CONOPS Champions)
<i>Army</i>		Individuals know the expectation to produce the POM / BES. The military comes from an operational background on the program side and financial management background on the budgeting side.	Well-defined decision-making structure with various levels of review. Clearly defined membership within those levels. Groups are based more on outputs and process.	Dependent on informal communication within the operating core. Communication has very distinct flow patterns through the Army boards. Senior leadership involved at the highest review.

**Table 7. Key Organizational Components**  
(Nadler & Tushman, 1980, p. 42)

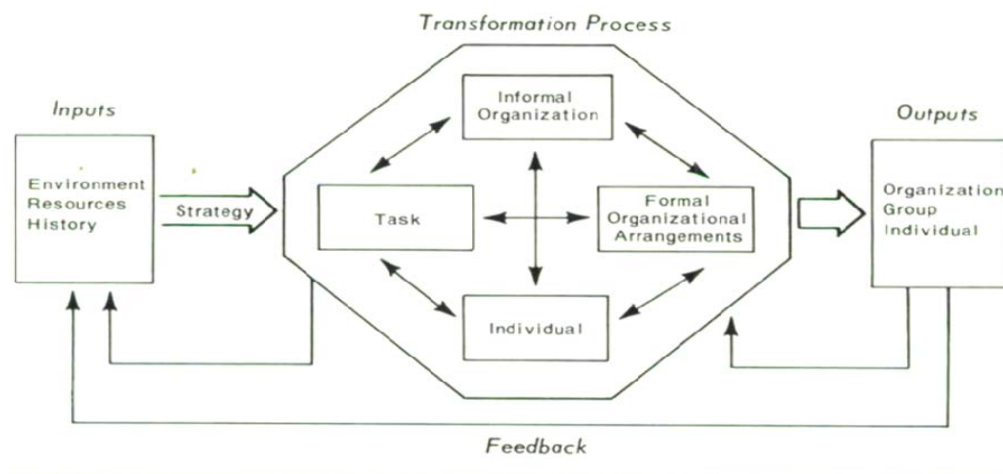




The most important part of the model is the interaction between the components, not merely the components. This interaction is what makes an organization effective (or not). Understanding the interaction of these components can lead to an understanding of the organization's congruency.

Consider, for example, two components – the task and the individual. At the simplest level, the task presents some demands on the individuals who would perform it (that is, skill/knowledge demands). At the same time, the set of individuals available to do the tasks have certain characteristics (their levels of skill and knowledge). Obviously, if the individual's knowledge and skill match the knowledge and skill demanded by the task, performance will be more effective. (Nadler & Tushman, 1980, p. 45)

In order to assess these component congruencies, Nadler and Tushman provide a model. Figure 35 illustrates this model and Table 8 provides additional definitions in order to understand the interactions between these components. The synergy between these different components helps to evaluate how well the organization is aligned in order to produce its output. If two components do not “fit” together, then there is a potential congruency problem and a more exhaustive diagnosis should take place.



**Figure 35. The Congruence Model**  
(1980, p. 47)



<u>Fit</u>	<u>Issues</u>
Individual/Organization	How are individual needs met by the organizational arrangements? Do individuals hold clear or distorted perceptions of organizational structures? Is there a convergence of individual and organizational goals?
Individual /Task	How are individual needs met by the tasks? Do individuals have skills and abilities to meet task demands?
Individual/Informal Organization	How are individual needs met by the informal organization? How does the informal organization make use of individual resources consistent with informal goals?
Task/Organization	Are organizational arrangements adequate to meet the demands of the task? Do organizational arrangements motivate behavior that is consistent with task demands?
Task/Informal Organization	Does the informal organization structure facilitate task performance or not? Does it hinder or help meet the demands of the task?
Organization/Informal Organization	Are the goals, rewards, and structures of the informal organization consistent with those of the formal organization?

**Table 8. Definition of Fits**  
(1980, p. 47)

Each department can now be evaluated by using the congruency model to identify if the organizational structure fits its own PPBE process. Across all three services, the interaction between the individual and organization as well as the organization and informal organization align. All the individual people within the organization understand the organizational goals and the informal organizations are often formed to support the goals of the formal organization.

The Air Force and the Army are so similar in their organizational structures and processes that the two departments' evaluations can be conducted simultaneously. The first noticeable alignment miscue is between the individual and the task. The individuals completing the budgeting task are purely financial managers. If the task is to produce a capabilities-based budget, are budgeteers without an operational background capable of fully understanding the needs of the service? Both services balance this lack of operational knowledge with the people



assigned to the programming office. Both encourage communication between the two perspectives by informal communication through co-location of the respective offices. However, if this chain of communication falls apart because of personality conflicts or a change of personnel, this balance may be lost.

Next, the interaction between the task and the organization has the potential to not always work together. The organization is very deliberately structured to deal with the PPBE process. Throughout the entire process, on paper, there is a very structured flow of information with decisions being made by almost all the stakeholders for the entire process. However, as is the case in many budgeting scenarios, quick decisions and budgetary re-alignments are needed when OSD, the executive or the Congress want money moved. Is there potential for the corporate process to be weakened or marginalized when senior leadership needs to make quick decisions and the question cannot be vetted through the entire decision-making chain? Currently, there are structures in place for these decisions, but as the need for information increases and the time decreases, there is a potential for marginalization.

The last area for discussion is the relationship between the task and the informal organization. The Air Force and the Army both place a heavy emphasis on their informal organizations and the interaction between the programmers and budgeteers. Although this interaction seems to increase communication and information flow, there is potential for the groups to start blending together. Instead of having different reviews of the decisions, there becomes a consensus rather than a second review identifying differing viewpoints, resulting in a loss of “friction.”

The evaluation of the two departments using the congruence model indicates that, overall, the four components interact effectively together. There are potential problem areas identified above but overall the structures seem to align with the process.

The Department of the Navy is structured very differently than the other two departments, but its process is also different. The congruence model indicates a



few components that diverge slightly for the DoN. The individual and task, as in the Air Force and Army, also diverge for the Navy but in a different manner. The Navy uses operators in the budgeting function but does not necessarily provide a background in financial management. These skills are often learned through on-the-job training and observing a PPBE cycle rather than as part of an inherent skill set.

The task and organization also have the potential to not work as cohesively as possible. The formal coordination point between the programming and the budgeting side is FMB/N82. This coordination point can be a tremendous asset as there is a clearly defined office that links the phases, becoming a knowledge center. However, there is little redundancy built into the system, which suggests a problem if this link becomes a weak point or if personalities (part of the informal organization) do not work well together. Also, the combination of the Navy and the Marine Corps portions of the DoN submission is not necessarily aligned with the organization. The Navy has its process and the Marine Corps has its process, and the two do not necessarily meet until the end product.

Finally, the task and the informal organization also have potential alignment issues. Informal organization and communication is a significant part of the Navy budget build (the task). The ad-hoc decision-making process along with the organic structure makes a more informal organization. However, this informality has ambiguity built into the system that could potentially leave stakeholders frustrated if they are not incorporated into the decision-making process.

The Department of the Navy, overall, has an organizational structure that fits its individual PPBE process. However, there are some significant areas that do not necessarily align with the organizational goals and ultimate task of producing the POM and BES.

Nadler and Tushman's principle of equifinality is illustrated in each of the departments. It is clear that the Navy diverges from both the Air Force and the Army in its approach to budgeting. There is no "correct way" in which to design a structure, but by evaluating how the four different components interact with each



other, misalignments can be identified. The identification of these misalignments can then be used in a problem analysis to identify potential solutions.

### C. Recommendations for the Department of the Navy

An extensive, but by no means exhaustive, overview and analysis of the three military departments' organizational structures as they apply to the PPBE process has been conducted. It is obvious that although the three departments produce the same products, they have three different, yet effective processes. However, there is always room for evaluation and improvement. The following recommendations would need careful study to determine what the long-term effects on the process and the DoN would be. However, to continue to operate effectively, constant tuning and evaluation needs to be done.

1. Recommend making a more formalized tracking system of officers with financial management education and placing them in billets to expand their experience at junior levels. There seems to be a good balance between officers with an understanding of financial management and an operator mentality and experience rather than having a FM designator. However, these officers need to be given the experience early in order to grow into senior level financial management billets.
2. Evaluate the rank structure within the ASN(FM&C) office. The Navy is reliant on FMB to be the lynchpin in coordinating the budget. He must coordinate and make decisions on the budget submitted by BSOs, most of whom are three- and four-star admirals. There might be some equity gained from FMB being equivalent to some of the BSOs. However, the relationship with N8 would need to then be re-evaluated.
3. Evaluate the need to increase communication at the lower levels between the programmers and the budgeteers. If this need is warranted, evaluate the feasibility of physically moving the programmers and budgeteers closer together to improve informal communication.
4. Evaluate the usefulness of having FMB/N82 as the link between the OPNAV and secretariat. Does this "dual-hat" put undue strain on one person to be the coordination point, or could the needs of the DoN be better served by making an integrated committee consisting of members from the OPNAV and ASN(FM&C) office or by making the PCBG the formal integrating link?



5. Produce an informal PPBE primer that will provide a quick overview and reference material for people who will use or need to understand the process. This is sometimes more effective than a course or CD-ROM because it can be more easily referenced. It must be informal and in easy-to-understand language.

#### D. Recommendations for Further Study

The vast amounts of information available on this subject leads to many interesting pieces that cannot possibly be evaluated in one study. The following are recommendations for continued study.

1. Recommend a survey be conducted of military budgeteers on how prepared they were when first coming into the job and the amount of training they would have liked or participated in before coming into the job.
2. Recommend studying the need for military budgeteers. Can this become an inherently civilian function as long as the linkage between the programmers who understand the operational needs and the budgeteers is solidified?
3. Recommend a more in-depth study on informal communications between the military and secretariat. There are many meetings, electronic communication and coordination that are not documented. When jobs are turned over, is this informal communication lost? Would it help if this informal communication were formalized so the process is not as dependent on personalities and personal relationships?
4. Recommend an evaluation of how the Marine Corps' and the Navy's POM and BES can be integrated more completely. It appears that there are two separate submissions that are "stapled" together. Can this be done more effectively, and is there overlap within the requests because of the separate processes?
5. Recommend an evaluation of the need for title equity for the Navy, compared to the other services. Positional authority and title is important for interaction between offices. There is an apparent disparity in the Navy's current structure.





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