Effectiveness and Efficiency
Cost Savings through Workforce Planning

by
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delivering results that endure
Federal agencies are facing unprecedented challenges in maintaining costs. Federal budgets have continued to stay flat or decrease, but agencies are still required to maintain mission critical capabilities. Adding to the challenge, many programs and missions have become more complex due to the introduction of new technology, emerging security threats, and the changing political environment. In response to the increased budget pressure, government leaders will be faced with difficult choices, but these choices can be an opportunity to focus on mission, evaluate priorities, and invest in what's working to improve public service.

Agency Reactions: Traditional Cost-Cutting Methods

The US government has not faced such a dire financial situation since the 1990s. The world has grown increasingly complex and government leaders face the demanding task of serving the public with fewer funds. The nation’s economy remains stagnant following a traumatic economic downturn. In response to 9/11 and ongoing wars in Iraq and Afghanistan, the focus has turned to national security, which has meant spending increases in defense and other related fields. Continuing resolutions make it difficult for agencies to plan and execute programs. With Congress and the administration promising to reign in the debt, reduce deficit spending, and transform the government, agencies should begin to plan ahead and be prepared to respond to a new era of fiscal reform.

In the past, agencies have used a myriad of cost-cutting methods:

- **Across-the-Board Cuts.** These cuts reduce budgets, programs, or functions by an equal percentage, and are easy for leaders to implement since they apply to all, but they ignore the differences in priority, performance, or efficiency.

- **Programmatic Cuts.** These cuts reduce programs or functions according to relative importance or efficiency, and may allow agencies to protect those programs that are the highest priority or that achieve the best results, but they require difficult decisions that may be opposed by affected stakeholders.

- **Decreasing Administrative Tasks.** This can reduce overhead, but may lead to a weakening over time of managerial capacity or critical support functions, such as human resources or financial management.

- **Personnel Reductions.** This strategy can contribute to major cost-savings through attrition, forced layoffs, or both. However, it can also create severe skills imbalances, degrade morale, and “hollow out” organizational units.

- **Consolidating or Centralizing Functions.** Although this can lead to greater efficiency, it may degrade responsiveness or citizen and customer service.

- **Reengineering.** This can improve service, quality, and speed but may require significant upfront resources—particularly if technology is employed, as is often recommended.

- **Investing in Information Technology (IT).** This strategy can significantly increase productivity and efficiency, but requires significant initial investment and may result in unanticipated implementation costs.

- **Outsourcing.** Assigns functions or tasks to external organizations—when allowed—ideally at a lower cost, but requires oversight by skilled government personnel and may not achieve expected savings.1

This challenging time is uncharted territory for many agency executives because few of them were in place during other periods of significant budget cuts. To help address these challenges, Booz Allen Hamilton has

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1 Booz Allen Hamilton and Partnership for Public Service, Making Smart Cuts: Lessons from the 1990s Budget Front, September 2011
developed a suite of capabilities to help the federal government increase efficiencies required in the new budget reality, without sacrificing mission effectiveness. These best practices for federal budget cuts at the agency and functional level will be leveraged to guide our approach and achieve maximum cost-savings without risk to mission capability. Our experience has also taught us that the traditional methods, described above, sometimes aren’t enough. The most successful agencies use this environment as a platform to change and/or refocus, and will take a deeper look at their organization—choosing how to best apply a combination of cost-cutting strategies that result in a stronger, better government.

A New Perspective on Workforce Savings

Studies and experience have proven that better outcomes are achieved when organizations make cuts strategically, rather than slicing a little from everywhere. Agencies may take this opportunity to identify how to realize savings, based on strategic plans, performance measures, and a clear understanding of their responsibilities and priorities. In the past, workforce-related cost-saving strategies have been synonymous with broad cuts to headcount, often at the expense of the agency, but there is an alternative: cost efficiencies may be gained through the reconciliation and realignment of an organization’s workforce rather than a reduction in personnel. Booz Allen partners with the US government to take on the overwhelming task of determining workforce cost savings through a repeatable and structured process that allows agency leaders and sub-organizations to drive the change they need to ensure mission effectiveness for the next generation, with full transparency and insight into the implications of decisions required to get there.

However, agency executives have always struggled to execute this strategy because they have lacked the tools they need. We tailor solutions to address underlying workforce issues, and provide clients with the tools to organize, visualize, and assess workforce data, which helps them make better, data-driven decisions that can achieve cost savings while improving operational performance.

Headcount-related budget cuts can have a huge impact on the morale and culture of an organization. Specifically, the potential negative effects of substantial across-the-board cuts can be particularly severe on the composition of an agency’s workforce. Therefore, it becomes critical for agency leaders to select appropriate workforce cost-cutting strategies to prevent inefficiencies, retention problems, pipeline issues, and a future inability to recruit and retain the right people. The ability to demonstrate strong logic regarding the actions taken is critical to emerging as a stronger agency post-reduction.

Budget cuts can present a valuable opportunity for reform and, if planned and implemented properly, can lead to stronger, more efficient agencies. Following a structured process will enable agency leaders to make pragmatic and data-driven workforce changes and will:

• **Create a Leaner Workforce.** By altering the mix of employees across series and grades, and redistributing and cross-deploying the workforce, agencies will have leaner, mission-focused workforces with clear goals and a logical supporting organizational structure.

• **Protect Mission Critical Occupations and Core Capabilities.** By taking a deep look into the strategic priorities of the agency and determining the mission critical programs, agencies will be able to articulate the number, skill, and experience mix to continue to deliver success.

• **Prioritize Ongoing Work.** Establishing agency priorities and aligning the workforce against those priorities will inform realignment and enable organizations to transform themselves to meet domestic needs and international challenges.
The Booz Allen Approach: Realizing Cost Savings

Partnering with federal clients has allowed Booz Allen to identify levers that agencies can use to target cost reductions. We recommend that leaders decide for their individual agencies how best to apply a combination of cost-cutting strategies. Our methodology supports the creation of different combinations of levers to arrive at an aggregated cost-cutting strategy, with each combination weighing both the cost savings achieved and the potential negative effects and risks. Agency leaders will then be equipped with not only the knowledge and tools to achieve cost savings but also the ability to focus on the mission and drive strategic priorities. This will empower agencies to act decisively, armed with a comprehensive understanding of the possible risks, issues, and opportunity costs.

Agencies need to take a comprehensive approach to developing pragmatic alternatives to traditional cost-cutting strategies. The approach should include a systematic consideration of an organization’s environment and mission, and should be supported by robust data to better understand program strengths and weaknesses and guide decision making. To understand the environment and mission, Booz Allen will meet with leadership to become familiar with agency priorities, while bearing in mind the unique limitations, challenges, and obstacles. Stakeholder engagement ensures that there will be adequate buy-in from across all levels of the organization, to include collective bargaining elements. By following this consistent and repeatable process for each part of the organization, management will have an informed, data-driven business case to bring realistic expectations to the negotiating table. In addition, based upon a series of targeted questions which take into account, environment constraints, resource limitations, and leadership issues, Booz Allen will develop an agency risk profile to inform the selection of a unique cost-saving strategy.

Exhibit 1 | Workforce Levers

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<th>Workforce Levers</th>
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<tr>
<td><strong>Reduce</strong></td>
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<tr>
<td>• Do not backfill vacancies</td>
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<tr>
<td>• Accept attribution</td>
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<tr>
<td>• Offer early retirement/buy-out</td>
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<td>• Conduct reduction in force</td>
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<tr>
<th><strong>Recalibrate</strong></th>
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<tr>
<td>• Adjust supervisor/workforce ratios</td>
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<td>• Adjust proportion rate</td>
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<td>• Adjust relocaton and travel policy</td>
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<th><strong>Reprioritize</strong></th>
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<tr>
<td>• Identify low value work</td>
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<td>• Prioritize special areas</td>
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<tr>
<td>• Reallocate workforce ratios from declining areas</td>
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<td>• Matrix staff</td>
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<th><strong>Realign</strong></th>
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<tr>
<td>• Evaluate for redundant work</td>
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<tr>
<td>• Downgrade positions</td>
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<tr>
<td>• Establish grade level caps</td>
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Source: Booz Allen Hamilton

2 Booz Allen Hamilton and Partnership for Public Service, Making Smart Cuts: Lessons from the 1990s Budget Front, September 2011
Define the objective.
Booz Allen will work with agency leadership to define the cost-saving objective, which will consider broad organizational processes, quantify cost-cutting requirements, define a timeframe, and prioritize likely targets. In addition, the objective must be measurable. The end result of this critical phase will be: an objective statement that outlines cost-saving requirements and a prioritized set of targets for application of cost-cutting measures.

Collect and process data inputs.
History has shown that the best cases have ample evidence; the same is true for management decisions. Arming agency leaders with a structured and repeatable process that considers workforce data and costs leads to actionable decisions and clear priorities. Our method for considering workforce cost-saving strategies uses data to support action plans. Organizational data or information from FedScope, Office of Personnel Management (OPM), or other databases will provide insight into the unique challenges facing the agency. The data will provide attrition rates, workforce mix, retirement eligibility, time to hire, vacancies, and other important characteristics unique to the agency. In combination, this information informs a baseline workforce profile and an understanding of workforce costs by each employee segment.

Perform analysis and develop options.
Using the data collected both internally and externally, and the unique context gathered from early meetings with leadership gives us the information to apply different combinations of levers to calculate cost savings, understand impact, and measure risk to the client environment. At this stage, Booz Allen will help agencies think about the long-term consequences of cuts and systematically reexamine missions and

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<th>Exhibit 2</th>
<th>Cost Savings Methodology</th>
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<td><strong>End-State</strong></td>
<td><strong>Key Activities</strong></td>
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<tr>
<td>Objective statement outlining cost savings requirements and a prioritized set of targets for application of cost cutting measures</td>
<td>Calculate workforce costs and prioritize targets</td>
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<tr>
<td></td>
<td>• Gather available comparable data from OPM</td>
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<td></td>
<td>• Qualify baseline workforce profile and associated costs</td>
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<td></td>
<td>• Calculate workforce rates and baseline trends</td>
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Source: Booz Allen Hamilton
functions in order to determine how to make cuts in the most effective way. As a result of this analysis, the client will be provided with different combinations of levers, or options, which meet cost savings goals and identify the associated risks.

**Decide on and implement course of actions.**
If not implemented carefully, cuts could have widespread impact on agencies’ ability to carry out their critical functions and provide services to the public. To ensure that this doesn’t happen, our risk profile will evaluate each option on three key components—workforce impact, cost savings and the degree of difficulty in implementation. This risk profile and the supporting analysis highlight key tradeoffs and identify impact. Agency leadership will be empowered to consider all the consequences of the associated course of action. In addition, feedback sessions with client stakeholders will refine the options and document action plans to implement the workforce levers. In addition, due to the structure of the process—much like an ongoing conversation—Booz Allen will be adequately informed to outline additional organizational process and IT efficiencies for sustainable cost savings.

**Conclusion**
During this period of major deficits and economic turmoil, agency leaders will be forced to make difficult choices. They must decide what is important and what is expendable. Agencies should not repeat the mistakes of the past; instead this should be seen as an opportunity to concentrate on mission, reevaluate priorities, invest in critical segments, and realign the workforce to improve the ability to serve the public.

Agencies that approach the challenge in a structured, pragmatic way, that make decisions with reliable data, and consider all the consequences, will be better prepared to meet the road ahead. Missions are becoming more complex, but agencies that are armed with the right data, having realized their cost-savings while preserving their critical capability, will be ahead of the game.

**Exhibit 3 | Cost-Saving Options and Associated Risk**

Source: Booz Allen Hamilton
Case Study

Challenge: The completion of an organizational consolidation required by the Base Realignment and Closure (BRAC) in 2011 resulted in a new operating model that included the integration of personnel and capabilities from a single service operating environment to a joint structure. The BRAC consolidation resulted in an unbalanced and over-strength workforce and an increase in staffing levels underplayed BRAC’s mission to regain efficiencies and rebalance the workforce. Faced with a continued decrease in available funding required this Department of Defense (DoD) organization to identify and mandated a 10 percent cost savings within the next year.

Approach: Booz Allen implemented a multi-phased approach using technology, workforce planning, and manpower studies to optimize the client’s ability to allocate and plan for required manpower. To understand the current staffing environment and identify areas for potential efficiencies, our team assisted in merging HR personnel systems to establish common points of entry, data input practices, and data outputs under the new operating model to streamline operations and build a strategic manpower platform without disrupting business momentum. Using the data from the new system, (e.g., workforce mix, vacancies, attrition rate, and retirement eligibilities), we conducted an evaluation of the current state and a series of efficiency studies to identify departments with the greatest potential to achieve staffing efficiencies and evaluate the potential for manpower reduction. Additionally, an integrated leadership review board was established to review and rebalance the workforce and institute mechanisms to effectively align organizations, functions, and positions.

Results: Booz Allen delivered a systematic process that used workforce, workload, budget, and business planning data as well as leadership feedback to identify and evaluate possible personnel overages and make informed staffing decisions. Data gathering sessions with key stakeholders provided insight and context to the manpower staffing data thus made the reports operational. Review board decisions supported the transition to a rebalanced manpower footprint to meet the new operating environment and fiscal responsibilities. New hiring policies curbed further growth and the client organization substituted mechanical hiring decisions for deliberate assessments, prioritizing their missions, functions, and resources according to their operating goals.

Manpower Analysis Report identified departments with greater-than-budgeted-to-actual variances in staff positions for administrative, ancillary, and functional personnel in departments such as Information Management/Information Technology (IM/IT), and Logistics resulting in identification of specific areas with greatest potential to achieve staffing efficiencies.
About the Authors

Jeff Akin is a Booz Allen Hamilton Vice President and a leader in the Strategy & Organization business. Akin leads a team of nearly 300 professionals focused on helping clients improve their organizational/workforce asset life cycle, including budgeting, planning, acquiring, developing, leading, and sustaining the right people to achieve optimal performance in the face of contracting budgets, global competitive pressures, and explosive growth. Throughout his career, he has partnered with Fortune 200 clients as well as US government agencies to address their toughest problems related to organization design, workforce performance, and improved human resources functions.

Cherie Posada is a Booz Allen Hamilton Senior Associate who has played a lead role in the development of Booz Allen’s Workforce Planning practice, designing, and automating methods and tools in workforce strategy development, workforce analytics and modeling, and workforce planning capability development. These methods and tools have been leveraged on more than 50 projects across the US federal government, helping agencies plan for, budget, and reshape their workforce. Posada works with agencies to build their workforce analytics capabilities, tie the results of these efforts to business and budget planning processes, and integrate human capital, budget, and line management decision making.

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About Booz Allen

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The firm’s management consulting heritage is the basis for its unique collaborative culture and operating model, enabling Booz Allen to anticipate needs and opportunities, rapidly deploy talent and resources, and deliver enduring results. By combining a consultant’s problem-solving orientation with deep technical knowledge and strong execution, Booz Allen helps clients achieve success in their most critical missions—as evidenced by the firm’s many client relationships that span decades. Booz Allen helps shape thinking and prepare for future developments in areas of national importance, including cybersecurity, homeland security, healthcare, and information technology.

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