

Federal CFO Insights Why CFOs are in the people business too



Federal agencies are faced with multiple challenges in meeting mission priorities under increasing fiscal pressure. Many Civilian agencies have been forced to cut their workforce by more than 10% over the past five years, despite increasing

spending to mission priorities, and proper accounting of costs. **Advanced analytics capabilities have helped many CFOs understand that making data-driven funding decisions is a crucial part of meeting financial performance goals.** Providing complete, reliable, consistent, and timely financial information involves the integration of budget and workforce data tied to the mission. Integrating these datasets can be challenging due to dependencies on data quality and architecture of finance and HR systems. However, with workforce funding as a target of cost savings initiatives, it's important for CFOs to better understand the connections between workforce funding and tangible mission outcomes.



Are you able to maximize the return on investment in your people?

mission requirements.¹ The Department of Defense is considering an additional round of headquarters reductions on top of the 20% they have already taken.² Government organizations have already 'trimmed the fat' to do more with less, and leadership recognizes that this often puts strain on the Government's greatest asset - the workforce. As budgets continue to decline, Federal CFOs have a heightened demand to optimize workforce expenditures, which rose to approximately \$222B in 2015.³ **Increased scrutiny on workforce funding and difficult trade-off decisions are creating the need for better visibility into workforce costs and mission impact.** CFOs should move beyond allocating dollars primarily based on qualitative or subjective inputs and focus on developing a direct data-driven linkage with mission requirements and outcomes in order to make tough workforce budget decisions.

Many organizations throughout the Government are exploring ways that analytics can be used to evaluate and address a variety of financial accountability issues. Analytics provides insight into where money is being spent, alignment of the

Imagine being able to dynamically model funding allocations for the workforce and immediately see the potential impact of various scenarios. Each workforce funding scenario could be evaluated in terms of the right size, shape and composition of the workforce, enabling financial decision makers to ask meaningful questions about optimal allocation of dollars. The idea is to develop internal benchmarks through historical trend and comparative analysis across workforce segments and programs. Supplementing this data with risk assessment and prioritization data drives the quantitative rigor needed for decision making. Higher priority requirements could be more easily identified for funding and unfunded strategic initiatives addressed. The analysis could also be used to make decisions on what to stop doing in order to gain cost efficiencies.

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Organizations typically progress to this level of analytical maturity over time, moving from basic reporting capabilities using limited data to sophisticated scenario analysis and predictive models. While challenging, the demonstrated benefit of achieving this analytical maturity is a holistic and transparent view of the total workforce and funding structure that is connected to specific programs and mission outcomes.

A systematic approach is involved in addressing data transparency issues and supporting more data-driven decisions about workforce funding. This approach begins with

identifying data that can answer a CFO's questions. Workforce data in this case is not limited to traditional HR data, such as workload analysis at a "desk audit" level of detail or individual demographics on the staffing mix. A CFO's analysis should also incorporate financial and organizational performance metrics to fully analyze the ROI of workforce spending. **A CFO's bottom line is dollars, and when investments in people can be translated into ROI, a CFO is able to move the needle on improved management of taxpayer dollars.**

Establishing the analytics capabilities to support data-driven decision-making should:

1. Determine the strategic questions to understand data needs and uses. **It is important to ask questions that illuminate not only the "what" but also the "so what?"**

Linking questions to key business challenges is critical to focusing analytical efforts and enabling discovery. For example:

- Where is money being spent on the workforce and what is the workforce producing?
- If mission priorities change, what are the options for reallocating resources?
- When there are reductions, what is the risk and impact to mission performance?
- What is the optimal level of workforce funding?

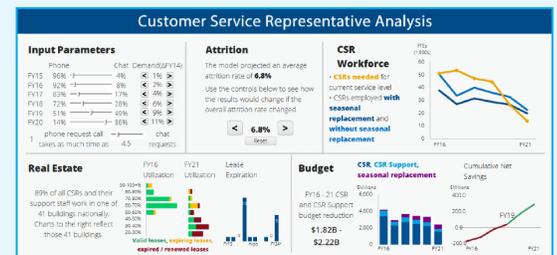
2. Identify data that will support answering the strategic questions. The data should support comparative analysis to drive discussions and validate staffing requirements.

3. Make connections that link workforce data to the mission. Data relationships enable the ability to evaluate potential impact, risk, and trade-offs. Some data may already exist, while some may need to be aggregated to develop a baseline. The insights captured from these connections will directly support advanced decision-support capabilities such as Workload Modeling, enhanced Performance Measurement, and comprehensive Risk Assessments.

4. Visualize data to surface insights from complex datasets. **Data visualization is a powerful tool for presenting data in a form that enables rapid understanding**

of relationships and findings that are not readily evident from raw data.

Interactive dashboards and advanced business intelligence – including real-time measurement and indicator tools – help CFOs sort through large amounts of data, identify trends, and quickly target critical areas requiring action or further analysis. For example, the dashboard below provides multiple views of budget, workforce, operational, and real estate data related to a key segment of the workforce, which allows users to extract insights for proactively managing the costs related to this mission critical workforce group.



Sample Dashboard: Workforce Analysis View

5. Establish accountability for authoritative and accurate workforce requirements information. Creating a forcing function in the programming and budgeting process enhances transparency and helps to prevent "shell games."

Approach to establishing data-driven decision making



The journey to mature data analytics capabilities can be challenging, but breaking through the challenges commonly associated with data-driven workforce decisions should remain on the forefront of the CFO's mind when considering ways to optimally allocate resources. Creating a holistic view of the connection between an organization's mission and workforce

and asking the right questions along the way helps CFOs to model various trade-off scenarios for meeting mission and business priorities. The end result can dramatically improve financial decision-making that helps optimize mission performance and maximize the return on an agency's investment in its people.

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¹OPM FedScope Employment Cube, March 2011 – March 2015.

²"Cost Reduction Targets for Major Headquarters." Memorandum for Secretaries of the Military Departments. August 2015.

³OPM FedScope Employment Cube, March 2015. "Update to Civilian Position Full Fringe Benefit Cost Factor." OMB Circular No. A-76. March 2008.

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