

Surprise, Surprise, Surprise

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When given the budget topic of "surprises in the workplace," I immediately thought back to my work in the Army. This may seem a strange choice: if any organization tries, and largely succeeds, in training with such a level of realism that surprises are eliminated, it is the US Army. They spare no expense to make training so close to experience that you are not surprised even by the most difficult situations. You crawl at night under live machine-guns firing tracers five feet over the ground, you call in live artillery, and you give first aid to people with bleeding, gaping mock-up wounds.

Even the bureaucracy that accompanies military organization gets its due. Throughout ROTC training and at the Infantry School at Fort Benning, you learn the details of managing logistics, asset accounting, how to order and keep track of everything from vehicles to ammunition to food and bedding. You are not surprised when you are asked to sign a property book making you responsible for the company's field equipment and vehicles. You are not surprised by the paperwork to account for meals served in the mess hall.

But, when I got my first real assignment in the Army, I was still in for some surprises. I took my post as a training officer in an infantry training company at Fort Jackson. The training company was responsible for about 250 troops receiving their final training before being assigned to an infantry outfit, most in Viet Nam at that time. We had to manage all their personnel, supply, and training needs. We had drill sergeants to push the troops, to make sure they had what they needed and, of course, to make the barracks sparkle.

We had a wizened old supply sergeant who could get anything you needed. In training, young officers were regularly reminded of the wiles and entrepreneurship we could look forward to in our supply sergeants. As I got into the daily swing of operations, I noticed while he was indeed able to obtain most anything, he spent the bulk of his day on the phone with other supply sergeants, primarily arranging barter, sometimes three or four-way barter, to get what

should have been standard supply items. I learned that his stash of the best items in this barter economy made it easier to get what we needed.

During all my training, it never crossed my mind to wonder, nor did our instructors ever tell us, how the supply of routine expendable items reached the troops. The housekeeping of barracks to Army standards requires seemingly endless supplies of cleaning materials, floor wax, and so on. The bureaucracy in the orderly room goes through enormous volumes of paper, forms, pens and pencils, typewriter ribbon in those days, and other small items. (For those of you worried, I must also mention adequate toilet paper for 250 men in this list, but I have dilated on that topic in a previous paper.) So where and how did we get this stuff? Even these lowly items formed commodities in the lively bazaar among supply sergeants.

One day I asked our supply sergeant about the mysteries of this new supply line. He explained the post's "self-service supply store." Think of it as a Sam's Club for all the expendable items I mentioned. Each company had an account at this facility. Here's my first surprise: the account was actually measured in good old US dollars! This was the first time in the Army I had heard such a concept. Throughout training, there was not a single mention of real cash money – the coin of the realm. The only dollar sign I ever saw was on my paycheck. We fired artillery rounds with abandon, but not once was a price tag placed on this. I suspect that a single 105 howitzer round delivered to a unit in the field in Viet Nam probably set the taxpayers back a thousand dollars, but nowhere did we hear of cost management in ammunition. Everything was presented in terms of assuring you have more of it than the bad guys - a plan I certainly endorsed. But, when it came to pads of paper or cans of cleanser in a US garrison setting, suddenly dollar management ruled supreme. Big surprise one – the defense budget spends real money!

OK- I got it: our company has an account; when we need this stuff, we send the supply clerk to the self-service supply; he gets what we need and checks out just like at Wal-Mart using our account. So why then did sarge spend all his time arranging these swaps? "Well," he explained, "that's how the system is supposed

to work. The dollars we are given each fiscal year are based on studies of a typical company's annual consumption of the item. Then they work out of cost of this usage. The idea is to encourage the company commanders to gain some experience managing a budget." But still, why the swapping? Was our CO uniquely profligate in his budget management?

"There's a little more to the story," he patiently told me. "If anyone overspends his budget, it ends his career. The money comes in a lump to the Post Commander at the start of the government's fiscal year. It theoretically covers everything the post needs in this area based on the cost and use studies. The general does not plan to have his career ended because one of his brigade commanders overspends. So he holds back 10 or 15 % reserves, then divides the rest among the four brigade commanders. Each of them worries that one of his battalion commanders will overspend, so he holds back 10 or 15 % to hedge his bets, then divides the pot among his four or five battalion commanders. At that level, we go through the same drill. By the time we get the deposit in our account, we only get about half of what the Army knows we need to spend. We're now half way through the year, the money is gone, and we still have to run the place for six months. Fortunately I have a few things to trade for what we need." Big surprise two – controlling finances too tightly can be every bit as disruptive to operations as not controlling them enough.

This barter process wended its inefficient way towards the end of the government fiscal year in September. About two weeks before the end of the fiscal, no company commander in our battalion had overspent his half allowance for the year due to the diligent swaps of supply sergeants. Then we got a call – the battalion CO had released his reserves and deposited the money in the companies' accounts. Instantly the supply sergeant dispatched the clerk to the store with a prioritized list of necessities to stock up on, but with orders to make sure he spent every dime in the account. We were lucky – our battalion CO was one of the first on post to release the money, so the store's shelves were reasonably full and most of the items on the list were now safely in our supply room.

You can see where this is going. Over the next couple days, most of the battalion COs released their dough. Every company on post was heading at breakneck speed to the store. This meant that the entire post was spending about two months' of usage in a few days. The shelves were being depleted, since the store was not stocked for this level of activity. Three days later a similar call came – the Brigade CO had let go of his stash and there was new money in our account. This time five trucks peeled out of the battalion area in a race to the store, where they met most other companies' trucks. A major traffic jam occurred at the store and clerks got into shoving matches so they could bring home the bacon to their supply sergeants - think Wal-Mart on Black Friday shopping. Finally the last shoe dropped – the post commander relented.

At this point there was very little in the store, but our clerk lucked out. They were just unloading a semi-trailer full of pallets of floor wax. Our helpful clerk immediately jumped in to assist the unloading – moving the floor wax straight onto our company truck until he used up the money. He brought home the two and a half ton truck groaning under the weight of floor wax. We made space in the supply room and unloaded it. I rather doubt that Army regulations approved of storing several thousand gallons of combustible floor wax there, but that was a problem for another day. The supply sergeant complimented his clerk on good hustle. He then sat back in his chair quite contented: he now had barter materials to get us through the new fiscal year. Floor wax was always in demand – it was a shiny shell of the post's barter economy. Surprise three – no matter how carefully, and indeed even rationally, a system is designed, when confronted with a need, humans will always find a way to beat it! In fact, after enough repetitions the system beating behavior becomes a part of the system itself.

So my first real job in the Army brought three early surprises. Defense spending actually needs dollars to run. I was "shocked, shocked!" that all this materiel didn't just magically appear as you might guess from logistics training. Over-control of any system produces crazy outcomes. I was recently at a series of meetings in Washington where government managers both civilian and military routinely and publically lamented the overly stringent financial controls that made their organizations so slow to get even routine things done. Of the three

surprises, the ability of humans to beat any system designed by other humans was almost stunning in its scope and scale: this lesson served me well for the next forty years.