

DLSC-C

MEMORANDUM FOR COMMANDERS/ADMINISTRATORS, DEFENSE LOGISTICS
SUPPORT COMMAND, PRIMARY LEVEL FIELD ACTIVITIES
AND EXECUTIVE DIRECTORS

SUBJECT: Establishing and Managing DLSC Cross Functional Teams

As we discussed in the ESG on March 20, what we need to do to support the Military Services in the future is becoming more demanding. This challenge is appropriately captured in the DLSC Long Range Business Plan (LRBP) wherein it states that "...we must have a logistics system that tailors what we provide to what our customers require-not what's convenient for us-and does so in dramatically reduced times

To meet this challenge and best support the warfighter, we must lift our focus from annual performance objectives to the direction in the DLA Strategic Plan and more specifically, the DLSC LRBP. Given our limited resources, we must focus our efforts on achieving the strategic cross functional objectives in our LRBP- objectives we collectively have identified as the ones that will do the most toward satisfying the needs of the warfighter. As briefed at the ESG, we are establishing seven cross functional teams that require HQ and PLFA participation. These teams are being established based on recommendations from the leadership council, whom I tasked to review all of the objectives in the LRBP and identify those that were not being adequately pursued under the current organizational structure

Attachment 1 provides general guidance regarding team sponsorship and requirements. Attachment 2 contains additional information on each objective to include background and Some of the issues/concerns that the teams will be required to address to accomplish the objective. As a follow-on action, we will provide specific information to include project manager, for those objectives in the LRBP that the Leadership Council determined are receiving sufficient focus under the current organizational structure. This information will be provided prior to the May ESG meeting.

Getting started is paramount. Request each PLFA Commander and Executive Director nominate an O-6/GS15 to the "team leader pool" and an O-6/GS-14 to the 'deputy team leader pool' by May 5, 1998. Nominees should have a good understanding of DLA's business processes and **be creative** thinkers. Additionally, you should recommend a team or teams for each nominee. Resumes, a one-page summary of qualifications, or SF-171s must be provided for each nominee. By May 22, 1998, Mr. Jones and I will select and assign the team leaders and deputies. I would like each of the cross functional team leaders to brief their proposed charters and plan of action and milestones at the June ESG.

This is an extremely important effort in which I need your personal attention and support.

DAVID P. KELLER
Rear Admiral, SC, USN
Commander
Defense Logistics Support Command

Attachments

Initial Operating Guidance for Cross Functional Teams

Each of the seven cross functional teams will operate under the sponsorship of an Executive Director. The sponsor will provide executive guidance, assist the team in getting appropriate resources, help remove impediments to accomplishing the objective, act as the project's senior ambassador and champion the project before the ESG.

The seven cross functional teams will have full time team leaders and full time deputy team leaders.

Each team's first task will be to clarify the objective taking into account focused logistics in JV 2010, related objectives in other plans and performance contracts, the attached descriptions from the DLSC Leadership Council and customer: input.

In addition to clarifying the objective, the team leaders and deputy team leaders will define the scope of the objective, draft a charter, propose a rough plan of action, and propose team structure and composition.

Teams will brief their scope, charter, and POA&M to their sponsor and, subsequently, the June ESG.

The teams are designed to work in parallel. All Team leaders and OPRs are responsible to ensure that other teams, PLFAs and DLSC Directorates are informed of team direction and progress

After ESG approval of their charter, each team will develop detailed milestones for measuring achievement of the plan of action and appropriate customer or process oriented metrics for measuring outcomes.

DESCRIPTION

OBJECTIVE

1.1 Exceed a 95 % reliability rate for on-time products and service by FY00.

BACKGROUND:

Existing measures of DLA's supply, distribution, and transportation processes do not tell us how consistently (reliably) DLA performs based on method of support or customer needs. Each process or business area currently has valid measures, but they cannot be used as a composite assesment of overall "reliability." A growing portion of our supply support comes directly from commercial sources rather than depot stocks. Customers may not require faster delivery or priority transportation in all instances, so existing Logistics Response Time (LRT) statistics do not provide meaningful information to assess "reliability" of DLA's supply chain.

DISCUSSION:

The cross functional team will conduct an in-depth analysis of the problem, as presented in background above. The team shall document observation; identify short and long term solutions in terms of metrics; system changes; and, develop a transition plan to ensure the desired outcomes. The team should also recognize on-going initiatives in support of related objectives

MILESTONES:

The team shall publish a Plan of Action and Milestones (POAM) and negotiate lead action responsibilities.

RESOURCES:

The membership should include functional experts from supply, distribution, and transportation. PLFA and DLSC members will ensure all methods of support (e.g., DVD, Prime Vendor, depot stocks) are represented. Members should be familiar with internal reports data elements, and sources of information to track requisition and shipment history. This team will also be augmented by systems experts capable of determining techniques available to enhance use of LRT data sources and provide technical solutions to achieve team recommendations

METRIC:

The team will define a measure of success for determining when the cross functional team can be disestablished, as well as, the method used to validate attainment of the strategic objective, or modification of objective.

ISSUES AND CONCERNS:

It is recognized that this is a large “elephant,” so the team’s approach should build on actions that can be accomplished incrementally and accepted by the various “process and organizational owners” to institutionalize the changed process. current issues effecting this objective include:

The National Performance Review Act/OSD goal to reduce LRT by 50% by 2000 currently is not measured by “reliability (get it to the customer when he wants it). The OSD LRT goal is to get it to the customer as quickly as possible. The DoD systems being used (Logistics Metrics Reporting System (LMARS)) to measure LRT is still evolving with many enhancements planned (probably > 2 years of work) and must be considered as a macro measure. If objective 1.1 is truly an LRT measure of on time delivery requested by the customer, then it is in potential conflict with the QSD goal.

As the shift to commercial practices (SCP) expands, less LRT information will be provided to the LMARS database, because virtual prime vendor (VW)

agreements do not result in providing standard requisitioning information to our DLA Automated Addressing System Center (the producer of LMARS reports). However, if hardware center VPV agreements are as successful as those associated with medical/subsistence commodities, customer satisfaction should improve.

- D) With a supply availability rate goal of 85% (based on limiting availability) can we realistically achieve a reliability rate of 95% for all DLA products?

RECOMMENDATION:

Establish a team to work on preparing mechanisms to meet the objective. A first step is to clearly define and achieve consensus on precisely what the fixus of this objective should be.

1.3 Achieve and sustain a 90% customer satisfaction level Establish OPR: DLSC-C
Team

Background:

Under current operations, DLS_CC captures one of the supporting metrics as written in previous plans and management reviews. That metric is based on quarterly surveys administered to random samples of customers (Identified by DODAAC) who respond to a single question, "Overall, how satisfied are you with PLFA X products and services?" Although this metric is firmly based in a statistically valid process, it does not represent an integrated approach covering the various processes and initiatives, which ultimately result in customer satisfaction. Further we have not collected data over a sufficient period to support casual analysis. In other words, we cannot yet link a given resource (e.g. more reps) to a predicted movement survey.

Nonetheless, based on data collected so far, we can derive that customers' level of satisfaction is related to a number of factors including:

- Our ability to be responsive to customer needs (e.g. Prime Vendor, Tailored Support)
- The customer's ability to communicate with us (e.g. Call Center, Customer Visits)
- Affordability of our products (e.g. competitive pricing, market basket analysis) etc.

The wording of the objective allows flexibility in the measure or measures used to determine the customers' satisfaction level. By using a scheme of more than one customer satisfaction measure we can:

- Improve our ability to explain shifts in customer response
- Better direct scarce resources to actions improving the causative factors with biggest payoff
- Moderate relation to the seasonal or random swings of a single indicator
- Better plumb the reactions of groups of individual customers who have significantly different pattern of survey response based on their positions in their organizations
- Look at our performance though the metrics of senior staff commands

Discussion:

We recommend the team systematically identify the underlying measurable performance factors influencing DLSC customer satisfaction. These factors would form a consistent measurement scheme for DLSC customer satisfaction. The work inspired and managed y this team might include:

Metric Development

- A literature search (possibly done by an academic contractor)
- Establishing benchmarks with the NPR, public and private sector concerns
- Development of a proposed metric set
- Discussions on the proposed metrics and their application with selected customers segments (possibly using the same-customer segments by the end of FY 2000)
- Trial application of the metrics using past and current data – discuss results with customers and stakeholders
- Application of the metrics with consensus of the customer segment and significant stakeholders
- Initiate regular reporting to customers and stakeholders

Customer Satisfaction Improvement

(Possibly reconstitute the tam at this point because the team missions changes substantially)

- Identify customer satisfaction drivers as measured by the metrics
- Prioritize possible changes to obtain most increase in satisfaction for the investment – discuss with customers and stakeholders
- Develop sub-plans to improve operations achieving improved satisfaction
- Resource sub-plans
- Monitor accomplishment

Milestones: The team should estimate the time necessary for the tasks after the more completely define the tasks and after the resources available to the team are established. Even so, milestone estimates at the beginning of a project are notoriously optimistic. Given those provisos, if the resources below are provided, it might be possible to work the first three steps in parallel during the first four months after the team is assembled. The remaining four steps leading to the initiation of regular reports might take an additional eight months for a total of one year.

The follow-up steps to improve customer satisfaction depend on the usefulness of the merits established to identify actionable satisfaction drivers. It would be premature to estimate milestones at this point.

Resource Estimate: The initial team to initiate regular reporting should consist of at least one member from each PLFA and four HQ members one each from DLSC – B, C, L, P. Estimate two work years for team chief and deputy, two for permanent support, six for team members (one third time for four months per person) over the first year. Work done by contract will require funds. If a contractor is used to assist in the first three steps of metric development, estimate two to three work years of effort, \$200,000 to \$300,000.

Metric: The team is to develop the metrics and then find ways to improve. The Review and Analysis charts should reflect the “dashboard” of metrics available after the team’s first phase.

Issues and Concerns: There are two concerns:

First, is the consistent application of resources over the long term that this project needs. The project is within the state of the art in the private sector but successful application requires a long-term effort and commitment. However, even the completion of phase one, metric development would be of substantial benefit to DLSC.

Second, while the team is in operation PLFAs and HQ must pursue customer satisfaction improvements. There might be a temptation to wait until the metrics are established and customer satisfaction drivers identified. There might be a temptation to recognize the team as the agent for customer satisfaction improvement in DLSC. Succumbing to either temptation would decrease the responsibility process owners in the PLFAs and HQ must have to make sure their processes satisfy the customer.

Recommendation: We should avoid analysis paralysis. Some of these actions can take place in parallel. Metrics can be refined or replaced as we go.

Prepared by J.J. Miller, DLSC-CC, 767-7556

1.4 Establish tailored support arrangements for our top 100 customers by the end of FY00 Establish Team OPR: DLSC-C

Background:

This objective is a first step toward providing our customers improved readiness and customer satisfaction through tailored support. More capable information and communication systems, application of commercial practices and, most importantly, training and strategic application of DLSC's workforce permit us to tailor our delivery of supplies and services. Tailoring should improve supply chain integration to selected segments of high readiness impact, high volume customers.

Discussion:

Accomplishment of this objective depends upon the success and extension of the lead center concept. For each segment of customers identified a sub-team, chartered under the lead center will approach the customers in the segment, negotiate tailored supply and services delivery using all the tools and all PLFA contributions, including performance metrics. The scope of this plan assumes that all DLSC PLFAs will contribute to the tailored effort under the lead center. The scope is based on the assumption that DCMC will do its own top 100 tailoring because the DCMC business is substantially different.

Draft Plan of Action:

Identify top 100 customers

Process:

- Draft list in DLSC HQ using supply chain techniques to segment top 100 customers based on service requirements
- Staff with PLFAs, senior Service and CINC customers. Achieve consensus on final list and segments

Issues:

- Need to agree that there is one DLSC list of top 100 and that all PLFAs will tailor delivery of supplies and services to those 100 customers through this process. E.g. DLIS would approach the customers in the segment with consonance with the lead PLFA sub team. This is essential to maintaining one face to the customer.
- Need to agree that in addition to improving service, the objective of the customer selection and segmentation effort is to achieve efficient cost recovery.
- Need to recognize that similar service requirements can cut across customer type and commodity distinctions. This implies that the same class of customer may have similar requirements. E.g. - address ALCS and NADEPS as a group or as individuals in a group.
- Agreeing on the list and segments is more important than precisely selecting and segmenting customer using some quantitative criteria. That is, the final list may have more or fewer than 100 customers. Customers may be included on non-quantitative criteria such as contingency planning.
- How and when is the list to be adjusted? A simple process with the sub team for a segment suggesting a change and the lead PLFA approving could be considered.

Approach customers

Process:

- Assign leading PLFA to each segment of customers
- Leading PLFA assembles a sub-team from the other PLFAs doing business with that segment of customers including DDC personnel from co-located or primary serving depots and customer service representatives.
- Sub team training including segment mission and characteristic, negotiating techniques, cost control, performance metrics, logistics tools available e.g. prime vendor, link, etc.
- Sub team meets with a sample of the customers in the segment and listens to customer goals and requirements.

- Sub-team develops performance-based contract to support customer segment goals and meet requirements.
- Sub team analyzes methods and costs with help of lead PLFA business/resources office.
- Sub-team develops negotiating positions including the best alternative to negotiated agreement (BANTA)

Issues:

- Customers do not have just one voice – they have multiple projects and input from supply, receiving, budget, etc.
- Customers may not be comfortable with the negotiating process.
- Customer budget constraints?
- Insufficient numbers of people trained to do this in HQ and PLFAs
- Can performance contract provisions to be developed from a menu? Can a general menu or toolbox be developed prior to customer contact?
- Tools needed to provide agreed level of support may not be mature enough. Application of new logistics tools can be complex and labor intensive. Simplicity in approach may enhance understanding and reduce risk.
- Cost accounting data on past costs are not available. ABC is not equally applied through out DLSC. Cost estimates are not sufficiently precise.
- What freedom is there in pricing services?

Agree to support contract

Process:

- Modeled on commercial practice and current Inter-service Support Agreement process

Issues:

- Who has the authority to agree for DLA?
- If there are reorganizations, budget reductions and changes in direction from OSD, how do we maintain continuity of support through the course of the agreement? Or would such changes trigger mass renegotiations?
- How are contracts of this nature enforced? The private sector has well-established infrastructure of arbitrators and courts, which we do not.

Deliver support in accordance with the contract terms

Process:

- Use current systems and tools to deliver support.
- Insure maximum reliability.
- Could an on-site cadre be established if required?

Issues:

- How does DLSC workforce track and react to multiple commitments?
- Are we willing to support the cost increases that may be necessary to assure higher levels of reliability
- Can we simplify application, training and system requirements for both customer and DLSC?

Follow up

Process:

- Establish metrics based on contract performance with regular reviews.
- Meet with customer regularly to present “Howgozit” and look ahead to customer requirements.

Issues:

- Different metrics for different customer segments, how would that be integrated into current performance reviews?
- Can customer contract metrics be normalized?
- How will we integrate customer-generated metrics?
- How do we foster quick response to customer and outside generated changes?
- How will this arrangement work in contingency operations/war?

Resources: The team to establish the top 100 customers, the customer segment and assign the lead PLFA should consist of at least one member from each PLFA and four HQ members one each from DLSC – B, C, L, P. Estimate four work years for team chief and deputy, eight for permanent support, and twelve for team members (one third time for four months per person per year) over the first two years. Once sub-teams are established the main team should become the central project resource and management facility. If successful the main team may be used to establish sub-teams for segments not covered in the first 100.

Metric: The obvious metric is the percent of 100 customers covered by the tailored support agreements. However, there may be other measures better suited to the complexities the team will encounter.

Recommendations: this is new territory for most people in DLSC. The only way we can achieve the objective is to start and adjust as needed. Recommend we start two segments and two sub-teams.

Produced by J.J. Miller, DLSC-CC, 767-7556

GW1 1.5 Introduce an order entry system which allows for multiple line item orders and processing by the end of FY2000.

Background:

This initiative evolves from the envisioned end state in Joint Vision 2010 (Focused Logistics), **with tailored logistics support** provided to forward-deployed units that are on the move. Today's supply system provides a single line item entry and delivery system -- if ten parts are needed to fix a tank each part must be ordered as an individual line item and depending on the supply status of each part, there is no guarantee that the parts will arrive together. The thrust of this initiative is to order everything via a single input through a multi-line ordering system as a "kit" or package and have it delivered in the same manner (having nine out of ten parts to fix your tank doesn't get it to move forward!).

Discussion:

If one takes this objective at face value (the replacement or augmentation of the current single line item requisitioning process with a multiple line item requisitioning system), then it is **revolutionary** in nature and impacts all levels of supply and distribution systems. Prior to pursuing a system solution, an entire new set of operational business rules will need to be developed **with our trading partners in the both the DOD and Federal community**. Additionally, it will require a significant restructuring of the transactions used to communicate with our customers and suppliers. In this regard, the new **DLMS** transactions (variable length EDI transactions developed to the ANSI public standard and intended to replace the 80 character length transactions) are also configured to deliver and track a single line order-not a multi line order. Once the business rules and new transactions are developed, then the system requirement can be defined and pursued.

It may be easier to visualize the complexity of the business change and system support needed by expanding upon the example described in the "background" paragraph above and **taking** a more detailed look at the ramifications on support systems.

Expanded Example: The customer needs ten parts to fix a tank. The ten parts are managed by six different ICPs (three DLA, two Army, one Air Force). Seven of the parts are DLA managed, two of the parts are Army managed and one is Air Force managed. Six of the parts are in depot stock requiring materiel release orders (MROs), two parts are in contractor stock requiring delivery orders (DOS), one part is out of stock awaiting a replenishment buy delivery, and one part is a nonstocked item requiring a direct vendor delivery type procurement action. For the six parts having depot stock, the necessary stock is in three different depots.

A. Order Construction: The customer needs 10 parts to fix a tank

1. Today the customer would place 10 single line item orders (many customers have system assistance when ordering whereby they are only entering on a PC screen item identification data, quantity, etc. and the system configures the remaining data necessary for a complete order...such as the supply source to whom the order is to be sent). By definition, a single line item order is one item ordered on each transaction/requisition. Each transaction has a unique transaction number by which both the customer and the supplier identify the order in their respective systems and under which they communicate all relevant supply and shipment information inclusive of ultimate receipt and billing. Each order flows through the various systems and processes independent from other orders.

2. Under this objective, the customer would place one multiple line item order for the 10 parts. By definition, a multiple line item order is **more than one** item ordered on a single transaction. To accommodate this, new order placement transactions would need to be developed. **Although** a unique transaction **number** could be assigned to this order, it would no longer be sufficient to communicate using this number alone. All systems would need to **changed** to communicate using the transaction number in combination with the another data element, most likely the item identification number (NSN/Part number, etc.). This alone is a change of significant magnitude. Additionally, business rules and **system** support **need** to be developed based on the **answer** to questions like the following.

- a. Would the order identify which parts within the order are essential to equipment operation vice those that are not?
- b. Would the order identify the assembly point to which individual shipments are to be directed?
- c. Would the order identify if the customer is willing to accept a short shipment and identify what parts the package could be shipped without?

8. Order Placement: The ten parts are managed by six different ICPs (three DLA, two Army, one Air Force).

1. Today, the 10 distinct single line item orders would each be processed through the retail support system and for each order that retail can't support, they would send the requisition via the Defense Automatic Addressing System Center (DAASC) to the wholesale ICP managing the item for support.

2. Under this objective, business rules and system support must be developed. The following questions provide an example of what is involved:

- a. If retail can't fill the entire order, will they fill part of the order and pass the rest or will they **pas** the entire order and maintain order/package integrity?
- b. For the total or partial order sent forward, will it be sent in its entirety to each ICP responsible for a portion of it or will each ICP only receive that portion of the multi-line order applicable to them?
- c. How will the requisitioner know what ICPs are responsible for each part of his order?

C. ICP Processing: At the six different involved ICPs, six of the parts are in depot stock requiring MROs, two parts are in contractor stock requiring DOS, one part is an out of stock item awaiting a stock replenishment delivery, and one part is a nonstocked item requiring a direct delivery type procurement action.

1. Today each single line order would be processed independently with the result being six or more MROs, two DOS, a direct delivery recommendation to procurement and a backorder. Release of available assets would be immediate. Status on each of these actions with estimated ship dates (ESDs) would simultaneously be provided to the customer.

2. Under this objective, business rules and system support must be developed. The following questions are intended to provide a sample of what is involved:

a. In order to deliver as a single package, would all shipments be held in abeyance awaiting the arrival of the nonstocked part requiring a procurement action or the backordered item awaiting a replenishment buy?

b. If delivery is to be withheld, would this be accomplished at the ICP level or would MROs be generated and the shipment be held at the depot?

c. If not all assets are immediately available for the package/kit build, would the ICP allocate the available assets to the order, i.e., make them unavailable for other requisitions received in the interim time from receipt of the initial order until the availability of all ordered parts?

d. Would there be conditions under which the ICP could reclaim a part set aside for one package and assign it to another because its availability would complete some other order of equal or greater importance?

e. Would there be conditions under which a package would be shipped short, i.e., without all its parts or with less than the full quantity for each part ordered?

f. If the package is shipped short, how will this be communicated to the customer and how would the missing items or short quantities be identified?

g. When required, how would the multiple involved ICPs communicate with each other regarding the multi-line order?

h. How would the ICP communicate these decisions to the customer? Would status be provided on the individual parts within the order and then an overall status on the package relative to the estimated release date?

I. If delivery is withheld at the ICP level until all parts are available, what happens if upon MRO release, a denial occurs for one or more of the items at one or more depot?

D. Order Packing/Shipment A kit is generally a predesignated set of items put into a single package and managed under a distinct NSN. While the individual items may be managed by multiple ICPs, the kit itself has a single source of supply and they are normally preassembled and stocked as a kit. The multiple line item order concept is in essence the requirement to identify and assemble "kits on-the-fly", i.e., there is no predesignated items for the kit and based on that fact alone they can not be preassembled and stocked. By-the-way, for the aforementioned six

items out of ten items ordered that have depot stock, the stock is in three different depots.

1. Today single line MROs and DOS would be generated and the items would be shipped individually or, when feasible, consolidated as part of a shipment unit of unrelated items destined for the same consignee and being shipped on the same day from the same depot. Confirmation would be provided to the issuing ICP and shipment status would be provided to the customer on each discreet order.

2. Under this objective, business rules and system support must be developed. The following questions are intended to identify a sample of what is involved:

a. How would the assembly and/or staging point be determined and how would that information be communicated to all concerned parties (customer, depot, all ICPs, etc.)? Would the assembly point be the depot that has the most stock relative to a particular order? Would there be one or several predesignated assembly points? Would this be customer determined?

b. How would the information relative to the total order be communicated to the assembly point for prepositioned data purposes? How would any subsequent changes to the order resulting from customer cancellations or modification actions be communicated?

c. Would the assembly point receive status from all involved ICPs relative to the status of each individual item in the multi-line order (backordered, shipped, etc.) in order to facilitate workload planning?

d. Would the assembly point itself provide status to all for completed assembly and shipment?

e. How would the assembly point resolve any supply discrepancies (received wrong item, over/under shipments, etc.)? Would they submit a discrepancy report in behalf of the customer? Would a process be developed to rectify problem items within an order prior to shipment?

f. Would a periodic reconciliation between assembly point records and ICP records be required?

g. Would there be a charge to the customer for the assembly point function?

h. Would the customer receive shipment status on the individual lines shipped to, LAle assembly point or only receive shipment status when the total package is shipped?

E. Order Status/Receipt/Billing/etc. :

1. Today as described above, each order flows through the system independent of other orders. All related transactions to the order are also single line and process independent, from other orders, e.g., follow-ups, cancellations, modification, status transactions, billing transaction, receipt acknowledgment, MROs to depots, DOS to contractors, etc.

2. Under this objective, a determination would need to be made if all or some of the requisition related transactions will also need to be redesigned to be multi line functional. Business rules and system support must be developed. Sample questions indicative of what is involved follow:

- a. Would the customer be able to follow-up for status on individual parts within the total order or would he follow-up for total status of the order or both? Would the customer be required to submit separate follow-ups to the multiple ICPs involved?
- b. Would the customer be able to cancel individual lines within the total order?
- c. Would billing be for the total order or for each individual part within the order? When would billing take place? At time of part release to the assembly point? At time of kit build completion? At time of assembly shipment?
- d. Would the customer acknowledge receipt of the entire package or the individual parts within the order? How would this work under a ship short scenario?
- e. Would supply status be provided for each individual part within the order as supply actions take place or will the customer only receive status on the total order?

F. Summary/Perceived Benefit:

The above discussion is intended to highlight the potential impact at all levels of supply resulting from the introduction of a multiple line item order system. The magnitude is great enough that certain prerequisites may be required to facilitate such an endeavor. For instance, all systems may need to be variable length record processing compliant before a multi line system could be instituted. Additionally, either a single ICP order processing system or a virtual ICP system may be necessary for all of DLA or DoD.

Against the investment necessary for change, we need to compare the benefit of the process. As the process is described in the 'background' paragraph above, the benefit is not self evident. While it is agreed that having nine out of ten parts to fix a tank may not get it to move forward, the multi-line process described above does not indicate how it facilitates the customer receiving the tenth part any sooner. A multi line requisition will not make an out of stock item available any faster. It will not cause a nonstocked item procurement action to result in delivery sooner. In fact, having the multiple line items assembled and shipped as a single package may actually increase the delivery time, especially if the parts need to be shipped to an assembly point first and then transhipped to the customer. While having the forward deployed unit receive all the parts to fix the tank in a single package may be desirable, it does not seem to be dependent on a multi line order processing system. There may be simpler solutions.

G. Alternative: On the surface this appears to be a support problem better solved at a local level rather than at the wholesale system level. In lieu of a multi line item order processing system, the end results may be achievable with a simple PC software package fielded at the logistics level responsible for support of the deployed unit, i.e., the direct support unit or supply support activity level. This PC application could link the work order number normally assigned to a piece of equipment requiring repair to the multiple single line requisitions generated to obtain the repair parts. This could be achieved by adding the work order number to the input screen currently used by the customer when generating requisitions and building a local data base as a by product of the requisitions submission process.

The single line item requisitions could then be submitted through the retail support system to the multiple wholesale ICPs. No changes would be necessary to their business rules, interfacing transactions or system application programs. The requisitions could process independently with the ship-to destination being the logistics unit responsible for support to the deployed unit. As

the materiel against each requisition is received, the local supply system could update the work order cross reference file. When the final receipt is posted to the cross reference record, a local build directive could be produced for the repair package required by the deployed unit.

Initially, this could be accomplished using the current 80 rp fixed length MILS transactions. However, with the implementation of the DLMS, additional data could be added to the new variable length single line transactions to facilitate the above process. For instance, the aforementioned work order number is already a part of the new requisition transaction set and status formats as well as other related transactions. Having this data element be part of the requisition format could simplify the local data base requirement of cross referencing requisition transaction numbers to work order numbers.

There could be many variations of the above theme, however, relative to them all is the immediate release of available materiel to local logistics support unit who would control their own destiny and optimize asset usage based on local intelligence relative to the equipment fleet being supported.

Robert M. Vitko/DLSCLS/767-1601

2.1 **Achieve \$500 million in life cycle cost (LCC) reduction Initiatives in partnership with the Senkes by FY00** DLSC-B, OPR

The DOD Logistics Strategic Plan and other OSD guidance directs the Department to reduce life cycle costs. Information age data and communications enhances the ability for process integration along previously disparate segments of the (weapon) system life cycle from conception to disposal. This objective is established as a goal as starting point for increasing DLA contracting and logistic expertise and involvement earlier in life cycle. It measures customer benefit from DLA involvement. (Note: This background was prepared by Phil Marchese, DLSC-BBP)

DLSC needs to develop a strategy/plan/process to maximize our scarce resources in employing tools/projects/initiative/programs such as Virtual Prime Vendor/Prime Vendors (VPVs/PVs), Industrial Forecasting Support Groups (IFSGs), Dedicated Truck Service, Savings that Value Enhancement (\$AVE), and Distribution 2005, and in participating in Service outsourcing initiatives such as C-17 Flexible Sustainment, Apache Prime Vendor Support and the MIO9 Fleet Management Pilot Program, to achieve the most savings in LCC for the Services and DLA. We need to rapidly identify opportunities to partner with the Services as they arise, prioritize which opportunities have the most payback, engage the Service Customer and offer out assistance, bring to bear the right people to plan with the Service (and prime contractor, when applicable), and to bring to bear the right people/tools/projects/ programs in an integrated fashion to execute what we plan. A process/means for capturing the cost savings will be necessary.

Milestones:

Nothing has been accomplished on this objective as a whole. However, the following types of tools/projects/initiatives would help DLA/DLSC achieve the objective in partnership with the services (there are undoubtedly numerous other DLA/DLSC initiatives that are ongoing that we would need to identify/consider under this objective):

o Virtual Prime Vendors/Prime Vendors (VPVs/PVs) being pursued by the DSCs (DLSC-P and DLSC-AI have overall lead at HQ):

- DSCR's VPV for C-130 Prop Shop at WR-ALC (completed); Examples of others in process: DSCC's VPV for Avionics at WR-ALC (possible roll-out to other major Industrial Facilities repairing avionics/ electronic items), DLSC's PV for Industrial Support (Bench Stock) (NADEP North Island is first site near contract award; rollout to all three ALCs (non BRAC) and other major Industrial Facilities planned); DSCR's VPVs for various Weapon System Platforms in process or planned: C-S, C-141, C-130, and F-15 PDM lines at WR-ALC, and F-M/Ed at NADEP JAX).

Cost Savings/Benefits: Reduced wholesale and retail inventory, improved forecasting just in time/faster delivery, reduced handling/packaging costs, reduced cost of doing business/surcharge-contracting/item management costs (one long-term contract for many NSNs vice many small contracts for individual NSNs), reduced total delivered cost, reduced customer downtime for items awaiting out-of-stock parts, redeployment of warfighter resources, etc.

Industrial Forecasting Support Groups (IFSGs) for Major Maintenance Programs at the Depot Level DLSC-C has overall HQ lead, a DSC is in charge of individual IFSG projects).

- Current JFSC projects: UH-60/CH-47, Paladin/FAASV, M1 Family of Tanks, C/KC-135 Aircraft ICBM Modernization, C-5 TF-39 Engine, QC-ALC Engine Structural Integrity Program, CH-46 Dynamic Component Upgrade, Ticonderoga-Arleigh Burke-Spruance-Kidd Class Fleet Modernization Program (FMP), Aircraft Carriers FMPs, AAV Transmission Rebuild, AAV RAM/X Program.

Cost Savings/Benefits Some IFSG projects have been more successful than others. The aim is to partner *with the* Maintenance Customer in an intense/focused manner to jointly determine/forecast parts needed and to supply them just in time. Avoids buying/stocking the wrong parts, enables buying and supplying the right parts just in time, cuts maintenance cycle times, reduces awaiting parts line stoppage/work arounds, etc. Paladin/FAASV IFSG for LEAD very successful--PM Paladin won PM of the year award. AAV Transmission rebuild IFSG for USMC Albany, GA on target to save \$34 million.

Service Outsourcing initiatives for Weapon System Logistic/Sustainment Support (DLSC-C has HQ lead); Examples: C-17 Flexible Sustainment Apache Prime Vendor Support; MIO9 Fket Management Pilot Program. etc.)

- Most of savings generated by Service functions that are being outsourced such as the Service Weapons System and Repairable Integrated Materiel Management Center Functions (e.g., estimated reduction of 240 FTEs at AMCOM fix IMMC functions currently performed in-house for the Apache AH-64 Helicopter); contractor ability to manage/repair/turn repairables around faster (reduced cycle times for repairs) with cost reductions from less repairables needed in the pipelines; reliability improvements in components that reduce life cycle costs; etc. Although important to DLA's ability to remain the customer's logistics combat support agency to include continuing to manage/supply consumable material across weapons systems and lowering consumable material prices/costs through our nationally leveraged buying power by teaming with the Service's prime contractor/the service, the DLA contribution to lower costs is very small in the total savings projected for these Service Outsourcing initiatives. However, if many programs go this way in the future, the costs of the DLSC infrastructure to support those remaining Weapons Systems with Organic Logistics Sustainment Support will see higher costs of support from DLA/DLSC. Therefore, DLA/DLSC must remain the consumable materiel logistics provider in partnership with the Service Prime Contractor to keep overall DOD costs to the minimum/reduce overall costs.

Dedicated Truck Service from DDC depots and Premium Service (FEDEX run DLSC depot in Memphis) are also contributing to lowering life cycle costs for specific customers on a limited scale at this time (HQ lead is DLSC-LDT).

Savings the Value Enhancement (SAVE). SAVE was created to maximize savings in the reliability and maintainability area. SAVE engages the assistance of the Services and contractors by providing monetary incentive for them to identify and improve DLA-managed items which the military customers find to be problematic. SAVE projects increase DLA/DOD savings and capture life cycle savings while maintaining customer satisfaction. (HQ Lead is DLSC-LEE)

Distribution 2005. Goal is to reduce distribution infrastructure by making greater utilization of the Primary Distribution Sites (PDSs). By reducing distribution infrastructure the surcharge for distribution services is reduced which contributes to Service Life Cycle Cost Savings. (HQ Lead DLSC-LDD).

Resources:

Team members would include highly talented and expert people from DLSC-C, DLSC-L, DLSC-T, DLSC-AI, DLSC-B, DLSC-I, DDSC, FO, DCMC, DDC, the DSCs, DCRSU Customer Support Representatives, and our customers

Metric:

A process/means for capturing cost savings will be necessary.

Issues and Concerns:

The types of tools/projects/initiatives/programs that can help achieve LCC savings may also contribute to one or more other objectives in the DLSC long range business plan and these objectives associated cost savings-how do you take credit for the savings for initiatives that cross objectives to avoid double counting but still meet the aggressive metric for savings under each objective?

How do we capture the cost savings with the Services? How do we report or avoid reporting these savings in our GPRA reports and other reports to our stakeholders and OSD without running the risk of OSD or other overseeing bodies taking these dollar savings away from the Services in future POM/budgets-the unfair double counting situation if the Services also report such savings or have already been told to take the

cuts, the money is withdrawn, and they have to scramble to find ways to meet the cuts? The Services are likely to not provide us with such savings information for these reasons, and also, may not have easy, readily available methods/databases to capture such savings.

How does Lead Cutter Concept play in this, if any? DSCR for Air Force and Army/Navy Aviation; DSCC for Navy (less Aviation) and Army (less Aviation); DISCIDSCP for Tmop and Gcocml Support-role of the Weapon System Support Maoagm under Lead Center Concept of Operations applicable in any way?

Recommendation:

None at this time.

POC: CAFT Pete Raymond, DLSC-B, DSN 427- 1544

4.2	Conduct 40% of sales through virtual enterprise arrangements by FY03	Establish Team	DLSC-P SPONSOR
-----	-----------------------------------------------------------------------------	-----------------------	-----------------------

Background:

This flexible statement permits the inclusion of yet to be conceived arrangements in our measure of business conducted with a minimum of Government infrastructure, inventory, direct costs and overhead. Today, our Corporate (DVD), Prime Vendor (PV), Virtual Prime Vendor (WV) Contracts, and E-Mall initiative contribute to this subset of our business. The intent of this objective is linked to several objectives in the DoD Logistic Strategic Plan and other OSD guidance to reduce infrastructure, inventory acquisition workforces and increase paperless contracting procedures.

Discussion:

The initial work to be done is for the ICPs and DLSC representatives to examine collectively existing and upcoming corporate contract (DVD)JPV/VPV/Electronic Mall initiatives and roll-out plans, to determine whether current efforts will enable DLA to reach the 40% goal. The following areas need to be examined closely: 1) whether sufficient personnel are assigned at each ICP to implement these programs, 2) how personnel resources at all ICPs can be used most efficiently to accomplish speedy roll-outs, 3) how coordination and support (both assignment of personnel resources, and provision of information) between ICPs can be optimized for initiatives that cross ICP lines, 4) how potential overlaps (i.e., where different ICP initiatives may interface at the same customer location) are handled, and 5) what the challenges (such as greatly increased need for extensive data-crunching to develop and administer the initiatives) to speedy roll-outs are. Based on this exploration, the team needs to develop solutions and seek management support for implementation of solutions that will catalyze reaching the goal-

To accomplish the work above, a matrixed working level team should be developed, with membership from DLSC-P, -C, -L, -I, -B, and -AL. In conjunction with members from the ICPs, they will address implementation issues that arise, obtain funding/resources for extensive data analysis, evaluate implications of programs for changes in organizational structure, and assist with program integration issues.

Milestones: To be determined by the ICPs and monitored by the established team.

In addition to the DLSC members listed under "Discussion", the team should consist of representatives from the appropriate disciplines, and from appropriate managerial levels, at the ICPs, so that the initiative may benefit from their requisite expertise in assessments, and ability to facilitate ICP implementation of approved team recommendations.

Metric:

The current metric is percentage of net sales @ cost accounted for by orders placed against corporate (DVD)/PV/VPV contracts and against the E-Mail.

Issues and Concerns:

- First quarter does not reflect E-Mail (not yet implemented) and corporate contract (DVD) (not yet included in definition) transactions.
- Anticipate expansion of PV/VPV programs to be labor-intensive, require extensive analysis of large volumes of data and be dependent on customers' willingness/ability to engage in new business arrangements.

Recommendation:

Recommend: 1) DLSC Commander task the ICPs and Headquarters to participate in this effort to guarantee success; 2) That ICP high level managers be accessible for decision-making and implementation of recommendations on cross-ICP coordination, overlap, and resource issues.

prepared by R. Thomas, DLSC-POA, 767- 1373

4.5

Deploy web technologies and interfaces on our systems and databases by the end of FY02

OPR: DLSC-I

Background:

DLA has committed to web-enabling information through the DLA Strategic Plan, the DLA information Technology (IT) Plan and the DLSC Long Range Business Plan.

Discussion:

The Agency has initiated a multitude of web-enabling projects. A meeting held Dec 97 highlighted over 85 projects at 12 activities.

The DLSC Executive Steering Group agreed to establish a **cross-functional**, headquarters/field supported Integrated Product Team (IPT) to provide policy recommendations, develop a long-term strategy and execute the program.

The Joint Logistics Commanders (JLC) approved the formation of a Joint Group for Web Interface (JG-WI) at their Feb 10th meeting. The CIO will lead this joint group, but will rely on the DLSC IPT and other business areas for input from a DLA perspective.

Milestones:

Significant work has been completed in terms of inventorying initiatives and identifying opportunities for integration

Specific milestones:

- Finalize and approve Charter
- Develop long-term vision and strategy
- Articulate customer functional requirements
- Implement data standardization solution
- Assess network capacity, speed, reliability
- Apply information security directives
- Develop Service integration approach
- Identify joint interoperability possibilities

Resources:

The IPT's chartered membership tentatively includes reps from DLSC-I/C (Co-chairs), CI, DDSC, DRMS, DLIS, DSCR, DFSC, DSCC, DISC, DSCP, DSDC, DAASC and DDC

Metrics: (DLSC support for corporate IT Plan in terms of web-enabling)

- **Develop an** Internet infrastructure migration strategy with milestones and estimated costs by FY99
- Standardize on a corporate-wide, web-based search engine by FY99
- Deploy new business applications on the web in tandem with versions which operate within client/server architectures in FY99
- Identify customer requirements for web-based data and deploy 100% of verified requirements on the web by FY02
- Web-enable the customer complaint process by FY00

Issues and Concerns:

Challenges will include:

Interfacing with warfighter legacy systems data

Integrating initiatives with convenient access & Standardizing Data

Implementing adequate security measures without inhibiting program progress

Recommendations:

Data standardization at the mid-tier for SAMMS data across Inventory Control Points represents the greatest challenge in the near term.

Prepared by CAPT(sel) Paul J. Masters, DLSC-I, (703) 767-3543