



# Land & Maritime Supply Chains Business Conference & Exhibition



## Transforming DLA

*Aligning the agency and our supply chains to the war fighter*

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Director

Defense Logistics Agency



# Discussion Points

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- **The Enterprise**
- **Transformation**
- **Performance Trends**
- **Summary**

The background of the slide features a large, wavy American flag with stars and stripes. At the bottom, there is a dark silhouette of a group of people standing together. The overall tone is patriotic and formal.

# **The Enterprise**



# The DLA Enterprise

**FY01 Sales/Services: \$17B**  
**FY02 Sales/Services: \$21.5B**  
**FY03 Sales/Services: \$25B**  
**FY04 Sales/Services: \$28B**  
**FY05 Projection: \$31.3B**

- **Land/Maritime/Missiles: \$3.2B**
- **Aviation: \$3.6B**
- **Troop Support: \$12.9B**
- **Energy: \$7.6B**
- **Distribution: \$2.8B**
- **Other: \$1.2B**

- **~95% of Services' repair parts**
- **100% of Services' subsistence, fuels, medical, clothing & textile, construction & barrier materiel**

## Foreign Military Sales

- **Sales: \$813.8M**
- **Shipments: 501K**
- **Supporting 124 Nations**

## Scope of Business

- **54,000 Requisitions/Day**
- **8,200 Contracts/Day**
- **#54 Fortune 500 – Above Walt Disney**
- **#2 in Top 50 Distribution Warehouses**
- **26 Distribution Depots**
- **5.2 Million Items – eight supply chains**
- **24.7M Annual Receipts and Issues**
- **1411 Weapon Systems Supported**
- **144.0M Barrels Fuel Sold (FY 04)**
- **\$14.6B Annual Reutilizations/Disposals**

## People

- **21,333 Civilians**
- **504 Active Duty Military**
- **668 Reserve Military**
- **Located in 48 States/28 Countries**



# Top Five Priorities

- **Mission** –

- *Support to the War Fighter*
- *Distribution Process Owner*

- **One Enterprise** –

- *Seamless Partnering for War Fighter Logistics Support*

- **Alignment** –

- *To War Fighters...To Supply Chains*

- **Transformation** –

- *Enhanced Capabilities for the Future War Fighter*

- **People** –

- *Transforming Our Human Capital and the Workplace*



# One Enterprise

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- **Enterprise-wide Corporate Board**
- **Organizationally centralized functions and services:**
  - Financial
  - Information Technology
  - Human Resources
  - Support Services
  - Legal
- **ERP – Business Systems Modernization**
- **One Enterprise – One of my Top-Five Priorities!**



# War Fighter Driven

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## *Aligning the Enterprise to the War Fighter*

- **Senior VP for Customer (war fighter) Operations**
- **Customer facing organizational structure**
- **Rationalizing customer's Points of Contact**
- **DLA employees embedded in key customer organizations**
- **DLA employees deploy along side war fighters**
- **Customer Relationship Management Program**
- **Performance Based Agreements**
- **War fighter outcome metrics briefed monthly to Corporate Board**

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# **The Transformation**





# Key Supply Chain Transformation Initiatives

- **Business Systems Management (BSM)**
- **Supplier Relationship Management (SRM)**
- **Global Stock Positioning (GSP)**
- **Base Realignment and Closure (BRAC)**
- **Work Force**

**5 of 13  
Major  
Transformation  
Initiatives**



# Business Systems Modernization (BSM)

- **Enterprise Resource Planning (ERP) to manage the agency's 5.2 million items**
  - Replaces numerous '60s & '70s vintage systems with single, Commercial-Off-the-Shelf (COTS) system
  - Processes reengineered to best practices
  - Cycle times dramatically reduced
  - Savings in inventory and personnel
    - payback period 2009
  - Improved war fighter support
    - Joint interoperability
    - Better Demand Forecasting – by customer – through collaboration
  - Improved data integrity
  - “Clean Financial Opinion” in accordance with CFO Act
- **Full-scale deployment underway...complete SEP 06**



**ERP...a critical  
Supply Chain  
Management  
Enabler!**



# Supplier Relationship Management (SRM)

- **Strategic Material Sourcing (SMS)**

- DLA manages 5.2 million items
- ~500,000 items are the agency's major business drivers
- Goal: assured availability, cost & quality for business drivers

- **Strategy**

- Leverage competition
- Develop long-term contracts
- Establish prime vendor relationships
- Establish corporate contracts
- Buy capability rather than stock for surge requirements
- Minimize procurement cost drivers
- Minimize logistics costs
- Insurance stock where essential





# SRM (cont'd)

**27 of 29 SSA's  
In Place**

- **Strategic Supplier Alliances (SSA)**
  - Partnering initiatives with 29 top suppliers that are the sole source for materiel critical to America's defense posture
  - Goal: assured availability, cost & quality for this critical materiel
- **Strategy**
  - Negotiated, signed agreements between DLA and suppliers to collaborate to pursue common objectives
  - Specific, quantifiable objectives – number of items managed under the SSA, Administrative Lead Time, Procurement Lead Time, Quality issues, Backorders, Price Control, Delivery Performance, Sales Volume
  - Performance measured and monitored...Report Card



# Global Stock Positioning (GSP)

- **Portfolio of materiel positioning capabilities that ensures war fighter support while reducing inventory levels and cost of operations**
- **Balances trade-offs among inventory levels, transportation costs, availability of air lift to combat theaters...and funding levels**
  - **Strategic Distribution Platforms**
  - **Colocated Distribution Centers**
  - **Forward Stocking Sites**
  - **DLA Afloat**



# Base Realignment and Closure

## *BRAC 2005*

### Recommendations, if approved, will deliver transformational change for the agency

- All Depot Level Reparable procurement transitions to DLA
- The vast majority of consumable hardware items not managed by the agency today will transition to DLA
- Three military Service Inventory Control Points close

NPV  
\$1.9 B  
Over 20 years

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- Management of repair depot supply operations transitions to DLA
  - Two additional Strategic Distribution Platforms (SDP) created from existing Distribution Depots
  - One Distribution Depot close
  - Remaining Distribution Depots will provide only regional support

NPV  
\$2.9 B  
Over 20 years

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- Tires, compressed gasses and pre-packaged petroleum products transition to Direct Vendor Delivery

NPV  
\$.74 B  
Over 20 years



# Human Capital

## *Leadership, Workforce and Culture – A Top 5 Priority*

- **Central focus of Strategic Plan, Balanced Score, Business Plan and Transformation Roadmap**
- **Tracked in all senior leaders forums**
- **Human Capital Strategy Management team**
- **Model Workplace standards**
- **Climate/culture measured quantitatively & qualitatively**
  - **Assessed against commercial industry standards**
  - **Agency wide action plans in place, regularly tracked**
- **Leadership (SES to supervisor) performance evaluations directly linked to Human Capital transformation**
- **Executive Coaching to include 360 degree feedback for all leaders**
- **Skills gap analysis, corporate intern program**

**Rated GREEN by DoD on the President's Management Agenda  
Human Capital Scorecard**

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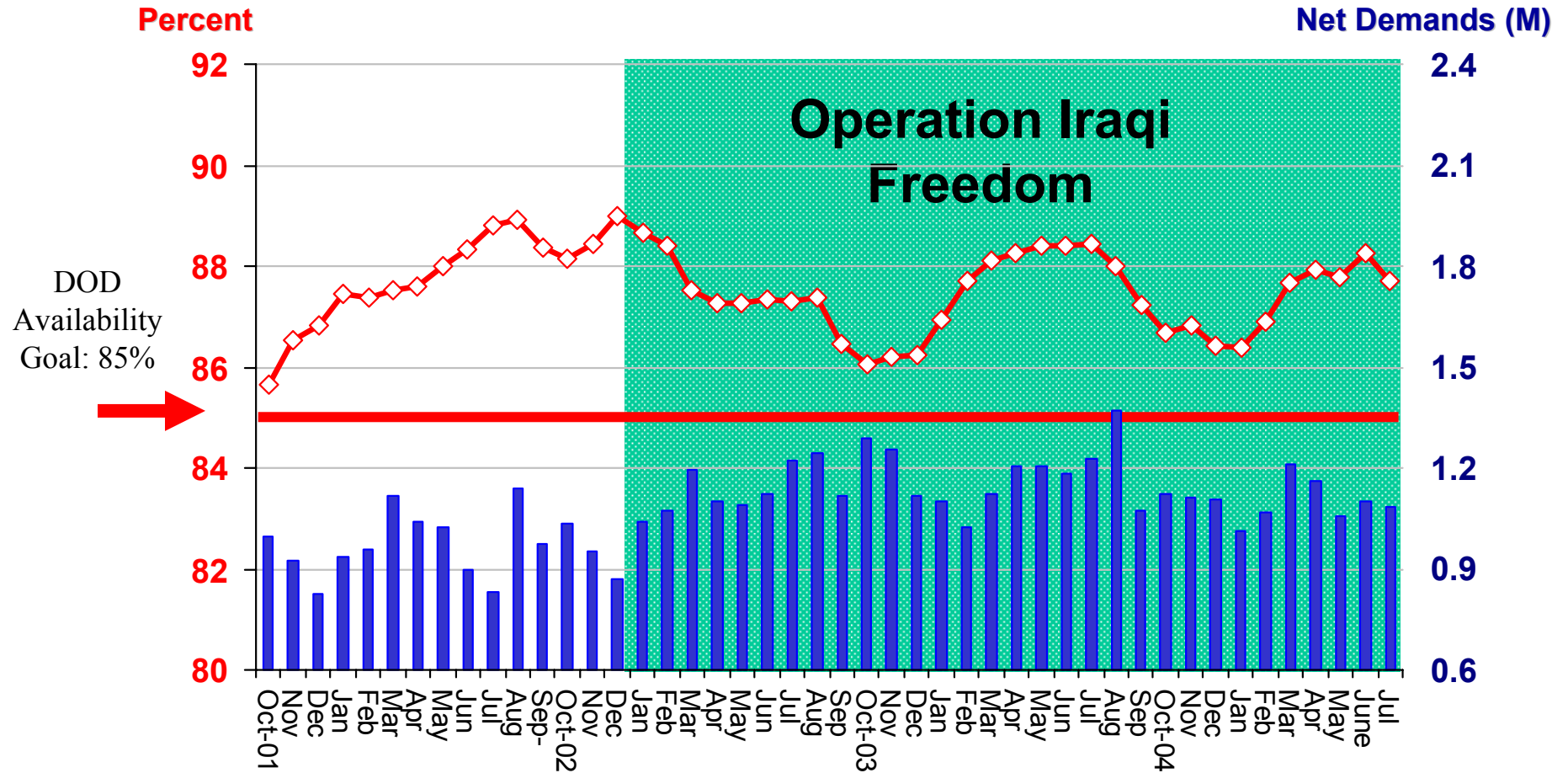
# Performance Trends





# Materiel Availability

## Aviation, Land & Maritime

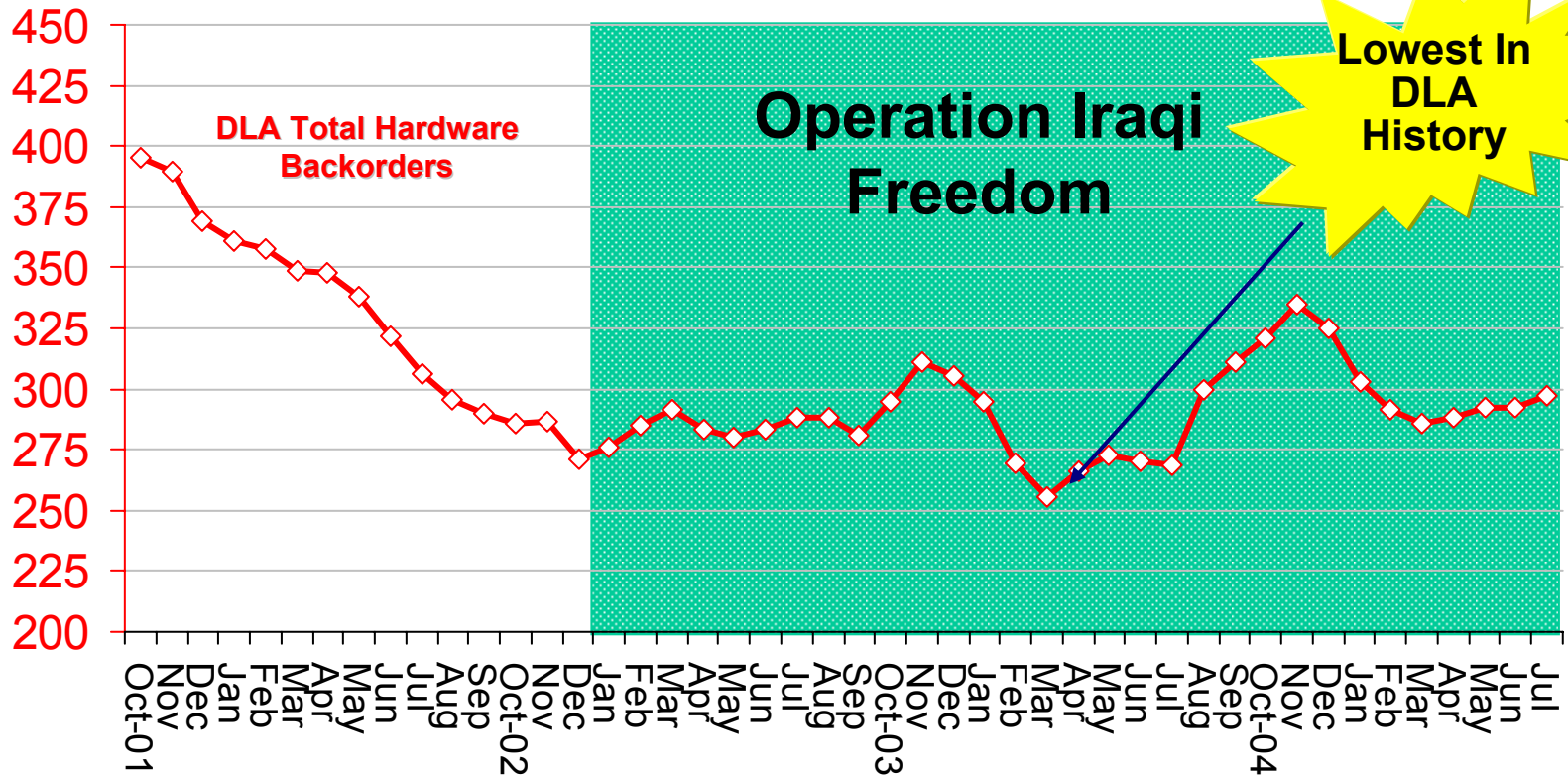




# Backorders

## Aviation, Land, Maritime

Thousands

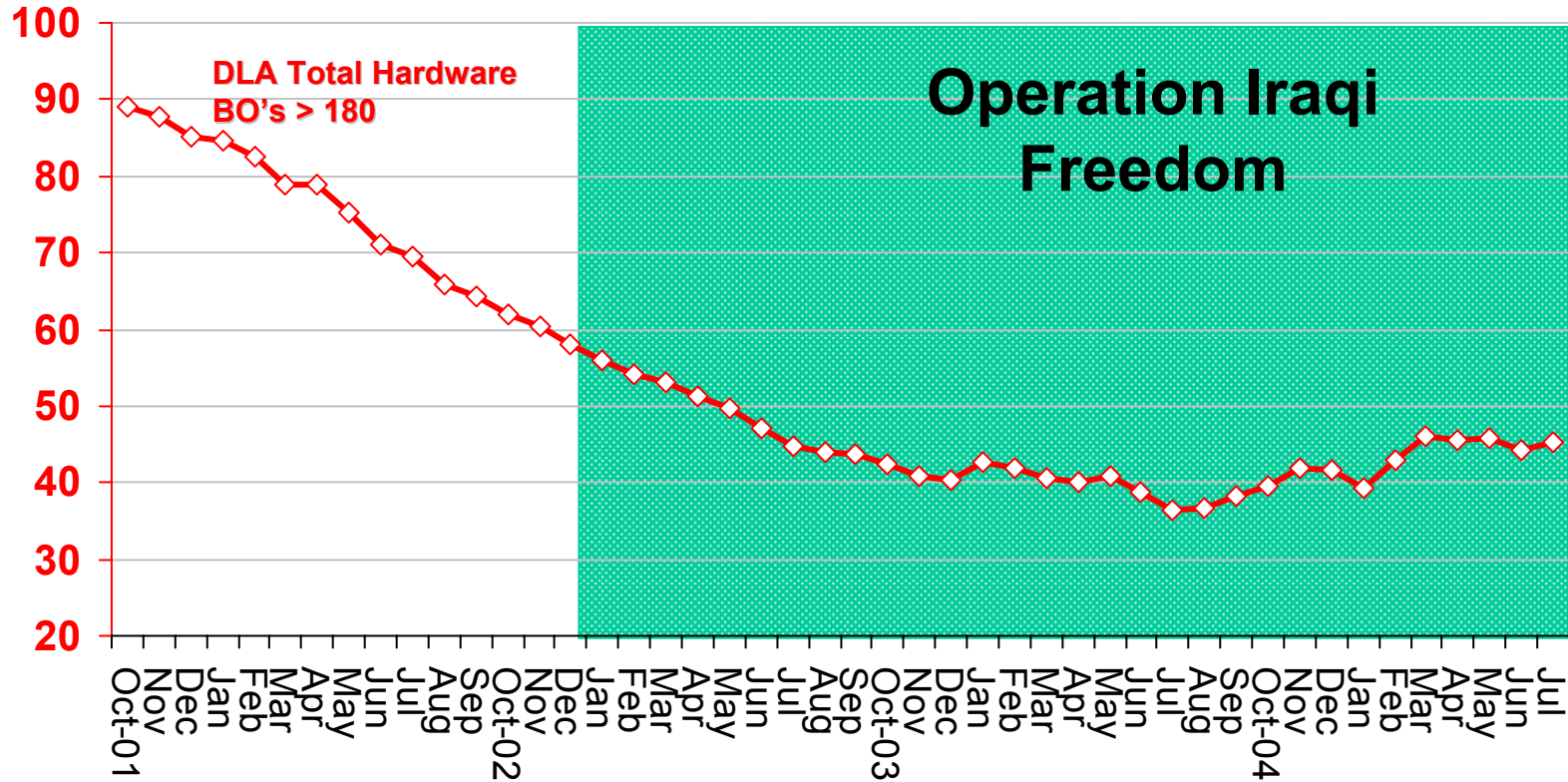




# Backorders > 180 Days

## Aviation, Land, Maritime

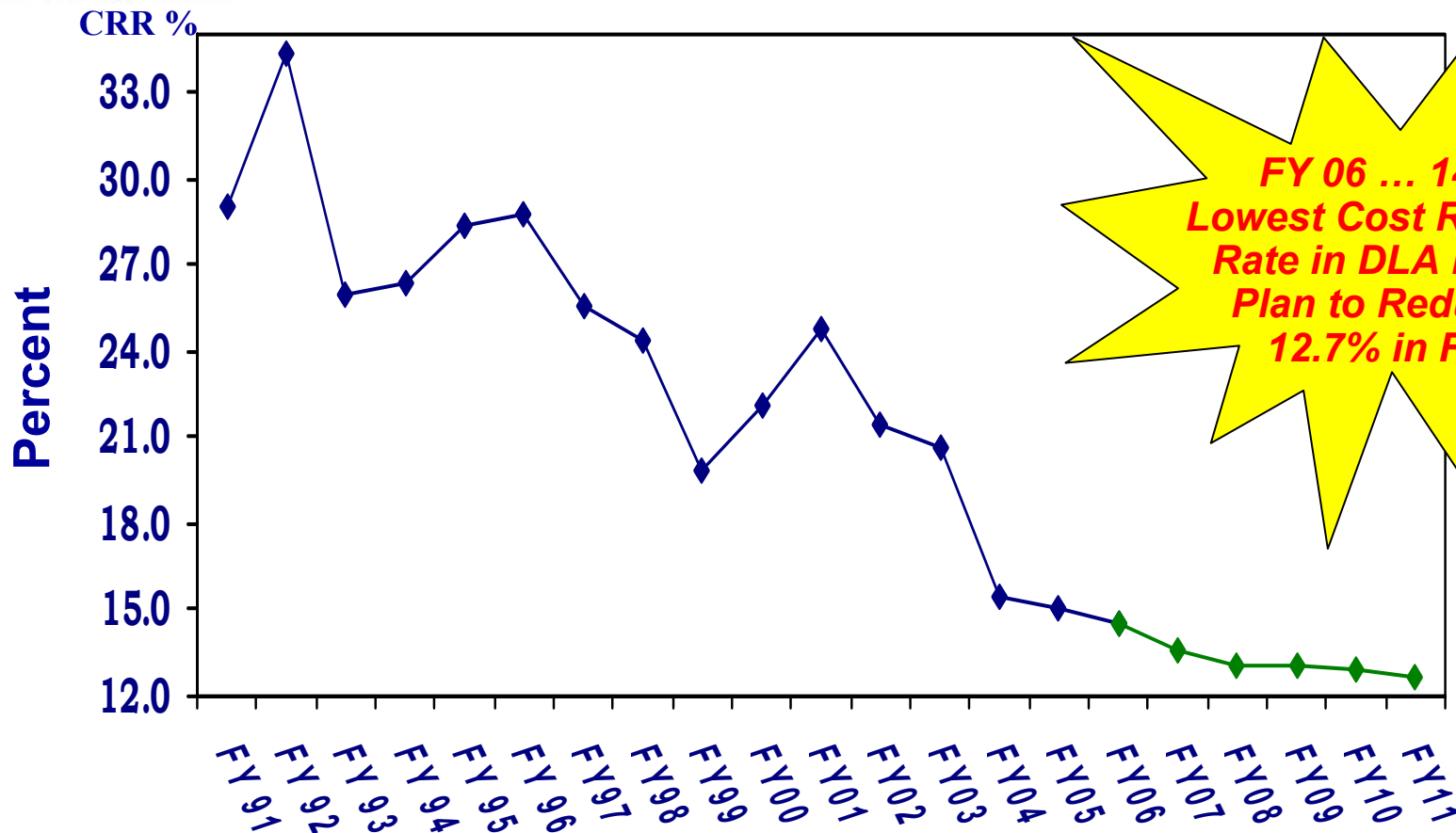
Thousands





# Cost Recovery Rates Over Time

(Operating Costs as a Percentage of Total Sales)



**Savings For The War Fighter**

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# **In Summary**



# Bottom Line

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- **Agency committed to transforming DLA's eight Supply Chains and to sustaining high levels of mission support**
- **Thirteen programs & initiatives plus hundreds of process improvements underway and delivering results today**
- **Designed in: Capability & flexibility to accommodate continually evolving requirements of the war fighter customer**