
Structuring for the Future With TQL as the Foundation for NAVSUP's Security Assistance Business

By

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Introduction

The Naval Supply Systems Command (NAVSUP) Security Assistance Program (SAP) was featured in several issues of the DISAM Journal in 1993. This follow-up article focuses on Total Quality Leadership (TQL) and how TQL process improvement has contributed to achieving NAVSUP SAP corporate goals.

Overview

During the last four years, dramatic changes have occurred within our business operating environment—DMRs, downsizing, BRAC decisions, “Team ICP” restructuring (eliminating redundancies within the two Navy ICP organizations while maintaining two separate locations), the planned relocation of NAVSUPHQ from Washington, DC to Mechanicsburg, PA, inventory management reduction, the capitalization of accounting/financial management functions by the Defense Finance & Accounting Service (DFAS), Defense Business Operating Fund (DBOF) surcharges, the capitalization of ADP resources by the Defense Information Systems Agency (DISA), and the pending migration of service inventory management automated information systems (AIS) to a single DOD system managed by the Joint Logistics Systems Center (JLSC). Together, these changes represent the most concentrated challenge to our ability to structure for the future.

In addition, recent changes within the Security Assistance business environment—Foreign Military Sales (FMS) trends in the post-Gulf War and post-Cold War era, similar downsizing initiatives by many of our long-term allies, the emergence of significant trade blocs and global competitors to the U.S. defense industry (e.g., the European Economic Community), the Defense Security Assistance Agency (DSAA)-commissioned Logistics Management Institute study that reviewed consolidation and improvement opportunities within FMS logistics functions, has exacerbated the challenge we face to structure for the future.

The NAVSUP Security Assistance Program (SAP) infrastructure [which includes NAVSUP's Security Assistance Directorate (SUP-07), the Navy International Logistics Control Office (NAVILCO), and the Security Assistance staffs within the Fleet Material Support Office (FMSO), the Navy Ships Parts Control Center (SPCC) and the Navy Aviation Supply Office (ASO)] has responded to this collective challenge with a fully integrated approach. In spite of the many changes that affect the way we do business, our level of service to our domestic and foreign customers has consistently improved during the past four years. A long-term commitment to Total Quality Leadership (TQL) process improvement was the necessary foundation for developing SAP corporate consensus, building teamwork, integrating our goals, and improving customer support.

Who We Are

The NAVSUP SAP infrastructure consists of a dozen military officers and over 600 civilian personnel at NAVSUPHQ, NAVILCO, ASO, SPCC and FMSO. FMS case managers within the NAVSUP SAP infrastructure manage over 1,500 active FMS cases with a total case value in excess of \$3B. Collectively, the NAVSUP SAP infrastructure provides follow-on supply support [via Direct Requisition Procedures (DRP) and Cooperative Logistics Supply Support Arrangement (CLSSA) cases] and tailored logistics support to over 80 FMS customer countries. NAVSUP SAP logisticians, along with other Navy Hardware Systems Command (HSC) counterparts, participate in site surveys, Program Management Reviews and other weapons system Integrated Logistics Support (ILS) efforts to support our FMS customers.

The NAVSUP SAP infrastructure also has executive management responsibilities for the Management Information System, International Logistics (MISIL) which captures supply and financial data for over 3,000 Navy managed FMS cases. MISIL processes over 3,000,000 FMS supply and financial transactions on an annual basis. These transactions are the "life blood" for the NAVILCO staff, which monitors and reconciles supply records for each MISIL-managed Navy case, from case implementation through case closure. In addition, SUP 07 coordinates numerous issues with the DOD-wide SAP infrastructure and promulgates Navy-wide FMS supply/logistics policy.

Although 99 accounting-related billets at NAVILCO were capitalized and now belong to the DFAS Defense Accounting Office (DAO), Philadelphia, these DAO personnel are co-located at NAVILCO and remain a vital element in the NAVSUP SAP infrastructure. NAVILCO is also a customer service "clearing house" for FMS customer inquiries regarding supply and logistics matters. DAO Philadelphia (formerly NAVILCO Code 10) maintains the accounting records and monitors the financial status of MISIL-managed cases from case implementation through case closure. NAVILCO annually hosts two dozen Case Reconciliation Reviews (CRRs), to review the status of all open FMS MISIL-managed cases, with our major FMS customers. NAVILCO is also host to 25 on-site Security Assistance Foreign Representatives (SAFR) who are co-located with NAVILCO/ASO.

The NAVSUP SAP infrastructure represents nearly half of the Navy's FMS Administrative Funds budget (managed by the Navy International Programs Office—Navy IPO) and SUP 07 monitors the execution of these resources at NAVSUP field activities. Other notable NAVSUP SAP responsibilities include: Supply/Logistics Manager for the Saudi Arabia Navy; considerable involvement in the reconciliation of USN/Iran FMS records; Program Management oversight of the FMS Acquisition Services Team (FASTLINE) contract; the development of tailored allowance lists to provide initial support for FMS customers who acquire major weapons systems; and the development of software and AIS to meet the logistics support needs of our customers.

Deliverables as a First Step

TQL was first embraced within the NAVSUP SAP when SUP 07 developed a hierarchy of deliverables, objectives, and goals that are focused on continuous process improvement. These deliverables, objectives, and goals were synchronous with NAVSUP's corporate strategic plan. These deliverables, objectives, and goals were, in turn, integrated into the strategic plans of subordinate NAVSUP field activities. After first receiving formal TQL training, SUP 07 and the NAVSUP SAP infrastructure have engaged in Process Action Teams (PATs) in partnership with NAVSUP field activities, counterpart Hardware Systems Commands (HSCs), the other services, DoD agencies, and private industry. Tangible, measurable results and process improvements have been achieved in key business areas—logistics support, AIS support, and acquisition management.



SUP 07's internal commitment to TQL was simultaneously coupled with an outreach to the NAVSUP SAP community and external customer organizations to overcome organizational indifference and hostility. The members of the NAVSUP SAP infrastructure now meet annually to establish goals on a consensus basis and quarterly to review progress/problems associated with these goals. The annual goals are promulgated by the Commander. NAVSUP and these goals now receive command attention at each of the NAVSUP SAP field activities.

Other key individuals from NAVSUP field activities have also been invited to participate in the quarterly goals review meetings on an ad-hoc basis. The prospective Commanding Officer, NAVILCO, and the prospective Deputy Commander for Security Assistance, NAVSUP, both participated in the most recent quarterly goals review meeting. Significant FY 1993 goal-driven savings included: cost avoidance of \$400K in ADP maintenance/operations through identifying systems efficiencies; and \$2.5M in personnel cost avoidance by protecting SAP personnel from capitalization by DISA.

Logistics Improvements

In 1993, SUP 07 completed the execution of its new procedures for the renegotiation of CLSSAs with the customer countries who invest in our supply system stock. (NOTE: CLSSA renegotiation procedures were discussed in detail in a Spring 1993 *DISAM Journal* article.) These new procedures evolved from a TQL effort that utilized three separate PATs that performed a comprehensive review of the CLSSA process. Three additional CLSSA-related PATs are soon to be chartered by the SUP 07 Quality Management Board (QMB). One of the most significant results of these new procedures has been the identification of \$20.1M in material that represents the customers' share of excess DOD stocks—reducing our own DBOF excess stocks by a like amount. During calendar year 1993, the NAVSUP SAP infrastructure—in particular, the ICPs—marketed and sold over \$250K in Potential Reutilization stocks to FMS customers.

TQL PATs, chartered by the SUP 07 QMB, also had a vital role in improving several key FMS business indicators. The number and average age of open Reports of Discrepancies (RODs) submitted by our FMS customers has been reduced by 30 percent and 31 percent, respectively. The Navy ended calendar year 1993 with only one FMS ROD over two years old. The FMS ROD PAT recommended revising the threshold for writing off FMS RODs. This recommendation was tested and results indicated that if the policy had been implemented the Navy would have saved over \$100K during a twelve month period. An official policy change has since been implemented.

During the past four years, the percentage of FMS requisitions that fall into a “stale status” category was dramatically reduced from 26 percent to under 10 percent. The Navy Inventory Control Point (ICP) average Procurement Administrative Lead Time (PALT) associated with FMS procurements was reduced by 81 days (29 percent) for large purchases and 119 days (61 percent) for small purchases. Process improvement efforts at NAVILCO achieved a 25% reduction in the number of shipped/unbilled FMS requisitions during CY 1993. As a result of intensified attention, the number of MISIL-managed cases, forwarded for closure by DAO to DFAS, increased by over 30 percent during FY 1993.

Automated Information System (AIS) Improvements

AIS process improvements, initiated by the NAVSUP SAP infrastructure, include: the development of a centralized Repair of Repairables (ROR) tracking and management subsystem within MISIL [NOTE: the use of a Program Directive Line Item (PDLI) rather than a suballotment now makes the status of individual ROR transactions visible to the FMS customer]; MISIL being selected as the prototype for the DOD-wide Security Assistance Network (SAN); MISIL being the first of the service AISs to implement the new DSAA-mandated Excess Defense Article (EDA) software; the development of a Freight Tracking subsystem, and a Contract Accounting subsystem. [NOTE: the owners and customers (the HSCs) were actively involved in every step of the Contract Accounting development effort.] DFAS and DSAA have now both expressed an interest in expanding MISIL Contract Accounting to include all DOD FMS cases; the elimination of redundancies between the Navy Security Assistance Data System (NSADS) and MISIL processes and data bases; the process improvement-driven reduction in average MISIL software release implementation time from 75 to 45 days; the significant reduction of undistributed disbursements reported in MISIL; and the successful implementation of “MISIL Around the World”—which places realtime MISIL supply and financial data in the hands of the customers at remote, overseas sites, and Washington, DC foreign embassy sites.

Acquisition Improvements

Calendar year 1993 also saw the NAVSUP SAP infrastructure spearhead the successful award of a successor contract to the Simplified Acquisition (SIMPAC) contract (which provides a commercial mechanism for the procurement of non-standard material, less than \$25K, requisitioned by our FMS customers)—with no interruption in service to foreign customers. A PAT approach was employed, utilizing representatives of the NAVSUP SAP infrastructure, the Defense Logistics Agency (DLA), DFAS, and the Navy Regional Contracting Center (NRCC) Philadelphia. The PAT's persistence overcame many impediments to create a “paperless” process that allows the contract to utilize state-of-the-art technology [Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT)] from the initial receipt of requisition through the entire contract billing sequence.

The new contract—entitled “FASTLINE”—will honor requisitions from the Navy and other services, as well as foreign customer requisitions for non-standard and repairable material. Six months after the award of this contract, the cost of processing a single transaction has been reduced dramatically. In addition, FASTLINE represents a \$350K annual cost avoidance—saving the government the additional procurement specialist resources that would have been required to process the FMS procurement backlog at the Navy's ICPs.

Partnering

The NAVSUP SAP infrastructure has participated in several noteworthy initiatives with its counterpart HSCs. Recent partnership efforts with the Naval Sea Systems Command (NAVSEA) include: co-sponsoring an exhibit at the November 1993 Computer-aided Acquisition and Logistics (CALs) Exposition; the co-sponsorship of the NAVSEA/NAVSUP International Logistics Symposium to be held in May 1994; and co-sponsorship of the FMS Ship Transfer Logistics Support concept. [NOTE: This partnering effort has established the Fleet and Industrial Supply Centers (FISCs) as the focal point for waterfront logistics support to FMS ship transfer customers.] In 1993, this business generated \$8M in reimbursable work to FISC San Diego. Similar reimbursable work is now being coordinated at FISC Norfolk, FISC Jacksonville and FISC Puget Sound).

In a related effort, NAVSUP SAP representatives are teaming with NAVSEA to standardize the FMS Outfitting Supply Activity (OSA) function as it transitions from FISC Charleston to FISC Puget Sound. The most notable partnership effort with the Naval Air Systems Command (NAVAIR) is SUP 07's co-sponsorship of the FMS Logistics Process Improvement Team (LPIT), which includes key members of the aviation industry as well as key members of the Navy aviation ILS infrastructure. The Commanding Officer, NAVILCO, also chairs one of the key LPIT groups. The LPIT has already been instrumental in presenting potential USN FMS weapons systems sales, and ROR support, on a more competitive basis (vis-a-vis foreign and domestic (USAF) competition). Based on industry input to the LPIT, the NAVSUP SAP also developed a draft USN SAP Strategic Plan for Navy IPO consideration.

More Success Anticipated

As we apply a "constant, steady strain" to our business, the success generated by our TQL efforts in recent years will continue. The SUP 07 QMB recently identified five new CY 1994 PATs to examine discrete FMS business processes (three address CLSSA-related processes and one will examine an ROR process). Employee Involvement Groups (EIGs) and "tiger teams" (ad hoc matrix management groups) have also been chartered to examine and resolve issues of a more immediate nature. We are also examining several alternative approaches to long term supply support that may permit the retention of "dead stock" for resale to FMS customers who will be operating weapons systems that are no longer operated, maintained and supported by the USN.

Additionally, we are developing a "market basket" of handout material that advertises our expanding resume of logistics services to our potential customers. We are now exploring the application of ISO 9000 certification standards to our FMS logistics functions. We fully expect that our continued commitment to our hierarchy of deliverables, objectives, and goals will result in further improvements to our key business indicators.

The TQL path has not always been easy and it has not always been fun. Hundreds of hours of classroom training and thousands of hours of PAT-related work were required to achieve success. Progress could not have been achieved without the "bottom up" commitment of the hundreds of people involved in NAVSUP's Security Assistance business. Some early highly charged off-site meetings were necessary to confront organizational impediments to progress. Periodic off-site meetings are necessary to re-charge our TQL batteries and fine-tune our inter-organizational communication. From time to time, consensus must still be forged from occasional lapses into residual organizational hostility. We are also making efforts to eliminate any TQL redundancies that may exist within the NAVSUP SAP infrastructure to ensure that vital personnel resources are maximized.

The rewards and results of our common efforts speak for themselves. By making the painstaking commitment to TQL, we were able to respond to the many changes in our business environment on a proactive—rather than a reactive—basis. TQL is now embedded in our Performance Management Review System critical elements and objectives. We have TQL to thank for our current success and TQL is now our foundation for further process improvements and structuring for the future.