From Silos to Satisfaction: The Next Level of Logistics Performance

Presented to NDIA Logistics Conference

5 March 2003
Key Drivers of Performance

Warfighting Perspective

- Readiness Vs. Current Requirements

Innovation & Learning Perspective

- Workforce Capability Vs. Current/Future Roles

Process Perspective

- Logistics Performance Improvements Over Time

Resource Planning Perspective

- Efficiency

Ability to measure, manage and improve!
Enterprise Integration is the overarching enabler – governance/corporate decision making is the key!

• Use BSC Key Drivers to align/converge selected programs
• Make definitive plans to shut off laggards/resource drains
• Enterprise approach for 6 key solution components (next)
• Take advantage of performance based contracts to minimize “business risk” and maximize potential return on investment

A handful of key decisions can make the difference between success and failure…
Key Enterprise Solution Components

- **ERP** – delivers standard and flexible business processes, consistent transaction engine, dependable management information, **integrated financial data**

- **APS/SCM** – enables sophisticated demand planning and forecasting, supply planning and synchronization, collaboration across enterprise and with external stakeholders

- **IDE** – supports **extended transformed business processes** across enterprise, best of breed event management solutions

- **Corporate Data Strategy/Active Data Warehouse** - delivers critical support to BSC, TAV, and DRRS objectives from a single data source – “one version of the truth”

- **Customer Relationship Management** – defines enterprise customer, simplifies customer contact points, provides integrated customer view, cost savings from faster problem resolution and staff optimization

- **Integrated Performance Management** – provides basis for learning and institutionalizing transformed business model across workforce
Mainframe planning system can download input files to client/server manufacturing system.

Changes to inventory are synchronized in real-time between plan, inventory control and shop floor systems.

Available raw materials inventory is verified at time of order entry to provide customer with delivery date.

Customer gets tailored experience enabled by real-time supply chain visibility, contract manufacturing, and real-time product discounting are standard practices.

Organization expands product line to include wide range of add-on products manufactured and delivered by others.

As a customer order is received electronically, shop floor order is issued to make product and shipment is entered into transportation planning system. Customer is notified of impending shipment electronically.

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Integration Benefits Are Non-linear

Organizations no longer seek specific quantifiable benefits but rather more strategic benefits.

Process Integration

Responsive/Opportunistic Growth

Business Value of Interoperability

Mass Customization

Growth

Cost of Integration (In Average Time to Achieve)
Focus on providing the capabilities needed to achieve the desired future state

Today’s Challenge
- Internal Optimization Focus
- Reactive to Customer Complaints
- Limited, Ad-hoc Dialogue
- One Size Fits All
- Redundant, Siloed Customer Touchpoints
- Internal and Warfighter Confusion
- No Consolidated Customer View
- Services defined by Provider
- Limited Enterprise Integration
- Missing Data Limits Fact-based analysis
- Limited Customer Analytic tools and training
- Cannot measure Customer Cost to Serve

Tomorrow’s Outcomes
- Warfighter Outcome Focus
- Collaborative Planning
- Structured Customer Relationships
- Customized Services @ Enterprise Scale
- Integrated Service Channels
- Common Expectations and Understanding
- Enterprise Customer Portal
- Flexible Services Negotiated w/ Customer
- Customer-Centric Enterprise Integration
- Fact-based Hypothesis Testing
- Robust, Flexible Customer Analytic Capability
- Customer Cost to Serve managed
... involves a fundamental shift from “one size fits all” to flexible, tailored warfighter services which can evolve and scale as needed.
True Transformation is Hard, and Relying on IT Alone is Risky

Transformation Program Facts

- **ERP** implementations fail at a very high rate. Some have suggested that 70 percent of implementations fail to meet stated objectives\(^1\)

- Upwards of 70, 80, even 90% of **CRM** implementations don't deliver on their original promise.\(^2\)

- 61% of **acquisitions** in the past three years destroyed shareholder value.\(^3\)

Contributing Factors

- Leadership/Sponsorship
- Organizational Awareness and Alignment
- Interdepartmental Communication & Integration
- Workforce Performance
  - Competence
  - Capability
  - Confidence
- Motivation
- Commitment and Incentives

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\(^1\) “APICS – The Performance Advantage,” Volume 10 No. 13, January 2001

\(^2\) “Why CRM Implementations Fail...and What to Do About It”, LGH Consulting

\(^3\) “Mergers: Who Most Big Deals Don’t Pay Off,” BusinessWeek, 10/14/2002

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Focus on performance improvement...not just training

Performance Simulation

Multi-dimensional behavior change

Improve decision-making skills

Reduce time to competency and decrease time away from the job

Bloom's Taxonomy

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Summary

- IT Solution Components Available, Proven and Getting Even Better Every Day

- Enterprise Integration Necessary to Achieve Next Level of Performance

- Complete Success Requires Greater Attention and New Approaches to Institutionalize New Ways of Doing Business