Sustaining Warfighter Support while Reducing Cost

IDENTIFYING SAVINGS AND IMPROVING DLA’S SUPPORT TO THE WARFIGHTER

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Dramatically Decreasing Budgets Will Require Significant Behavior Change

Mandates for dramatic improvements exist

- Under Secretary Ashton B. Carter:
  - “We cannot support our troops…unless we achieve greater efficiency”
  - “DO MORE WITHOUT MORE”

$100B U.S. defense spending cut is just the start…$200B? $400B?

- Culture change is required

- Industry Best-In-Class supply chain management costs are less than 6% of sales

- Adaptive logistics and flexible supply chains are key

Customers will look for alternatives if they can’t find value within DoD

Anyone can be low-cost and low-performance – DoD must strive to deliver top performance at best value

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1 Based on The Performance Measurement Group’s 2010 Aerospace, Defense, & Industrial benchmarks.
The study identified supply chain flexibility as a key to supply chain optimization.

Five themes were identified for how to optimize in a downturn:

1. Engaging in End-to-End Planning / Sales and Operations Planning (S&OP)
2. Improving Supply Assurance
3. Achieving Competitive Advantage through Superior Collaboration
4. Utilizing partner supply chain architectures to extend capabilities
5. Linking Product Development to Supply Chain Planning

Although DoD’s mission is different from industry’s, increased pressures for improved service at lower costs offer a window of opportunity to adopt relevant commercial practices.
Tangible Benefits are Realized from Implementing Collaborative Planning Practices

1. Engaging in End-to-End Planning / Sales and Operations Planning (S&OP)

89% of industry leaders have implemented mature collaborative planning practices that involve all key organizational functions and partners.

Several opportunities exist for DLA to improve planning:

- Increase detailed understanding of future customer demand and criticality.
- Focus inventory positioning model on customer-facing considerations.
- Measure wait time and reliable on-time delivery from customer’s perspective.

Focus on understanding future customer demand and delivering total value to the customer.
Study Participants Regard Supply Assurance as a Primary Lever to Increase Flexibility

Supply assurance is a supplier’s ability to deliver goods to respond to a customers’ needs

78% of aerospace companies view supply assurance as critical to ensuring flexibility due to their high dependence on suppliers/partners

Several opportunities exist for DLA to improve supply assurance:

- Work internally to streamline contracting processes
- Work with suppliers to improve on-time delivery

Focus on streamlining contracting processes while also holding suppliers accountable
Change is Necessary to Sustain Support in an Era of Decreasing Budgets

Increasing synchronization with suppliers and connections with customers will yield better performance and lower costs

- Industry has made these changes and DLA can leverage commercial knowledge

DLA has made progress but continued evolution is critical to meet budget requirements without sacrificing service levels

- Decrease supplier variability through better contracting and accountability
- Improve planning and forecasting
- Evolve inventory models to focus on customer value

_Innovation of practices, processes, and methods are at the core of delivering “more without more”_