21st Century Logistics for a 21st Century Military

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21st Century Logistics for a 21st Century Military

The numbers themselves describe the extent of the challenge: A $32 billion organization that handles 45,000 purchase requests each day, runs 26 distribution centers, manages more than five million consumable items, employs more than 22,000 people in the United States and 28 other countries, and serves a field operation located in some of the most austere and hostile parts of the world.

That is the work of the Defense Logistics Agency (DLA) of the United States Department of Defense. DLA provides logistical support to America’s Armed Forces, operating in peace and war, around the clock and around the world to make sure America’s troops have the supplies and materials they need.

Compounding the challenges of meeting this mission is the rapidly changing nature of the military itself. Advances in technology, changes in the geopolitical landscape, and mandates for greater cost efficiency in government have required the military to act with greater agility and speed while reducing cost.

As it sought to create a 21st century supply chain system, DLA had several goals in mind. For example, it wanted to reduce costly inventories, while improving its military customers’ access to supplies and equipment; work with suppliers to ensure better quality products; provide faster, more reliable customer service; and ultimately, lower overall supply chain costs.

But changing the way in which DLA does business presented some unique challenges. Any logistics enterprise serving the U.S. military must be able to support the demand surges caused during periods of heightened operations, while being financially viable during periods of low demand. Above all, the supply chain must deliver to America’s warfighters the right items at the right time to the right place at the right price — every time.

DLA took a proactive approach to addressing these problems and implementing an organization-wide solution. It turned to Accenture as its partner to help it transform. And together they have transformed the way DLA does business.

DLA and Accenture entered into a six-year Business Systems Modernization (BSM) program that began with the contract award in August 2000. The overall goal of BSM is to modernize DLA’s supply chain systems and processes, including order fulfillment, supply and demand planning, technical quality, procurement and financial management. When
completed, DLA will be a virtual logistics enterprise of geographically separate but operationally connected supply centers.

The key to the implementation has been smoothly phasing in the BSM solution while continuing to meet DLA’s constant and critical responsibility to keep America’s troops supplied. Each new phase brought increased functionality and access by more users to a growing number of supply items. As one DLA official described the challenge to a reporter: “It’s a lot like swapping out engines on a multiengine military aircraft, one at a time, while the plane is in flight.”

Accenture brought to this engagement extensive experience from the commercial sector — including best practices in the areas of business process engineering, supply chain management and large-scale implementation of commercial-off-the-shelf software products — as well as a deep knowledge of government.

From the outset, DLA’s commitment to modernizing its business systems has been unwavering. Leadership recognized deficiencies in existing systems and actively sought to modernize the organization’s practices. They acknowledged the need to adopt emerging technologies, streamline operations and transform the agency from a reactive manager of inventory to a proactive broker of information.

DLA believed this radical transformation — from a buyer and warehouse of supplies to an agile and responsive manager of information — would enable the agency to meet its overriding objective to speed the delivery of products to America’s fighting forces by:

- Enhancing supply chain capabilities in order to reduce logistics cycle times, reduce customer wait time and increase customer satisfaction;
- Re-engineering DLA processes by implementing appropriate best business practices;
- Achieving an environment that provides asset visibility through the supply chain leading to decreased material costs and improved customer service.

The linchpin of this effort was replacing major DLA legacy systems — the 35-year-old Standard Automated Material Management System (SAMMS) and the Defense Integrated Subsistence Management System (DISMS). These systems reflected DLA’s legacy organizational structure and work processes, which lacked real-time capabilities, relied on obsolete software and used outdated technology. Compounding these shortfalls, the system was fragile, high maintenance and increasingly unreliable.

DLA’s plan was to address these issues by using more efficient and affordable commercial-off-the-shelf software products, rather than designing, developing and maintaining its own unique system. DLA was especially interested in software packages currently in use by commercial industry leaders that had a proven track record of scalability and configuration superiority.

Working with Accenture, DLA was able to configure SAP’s Enterprise Resource Planning (ERP) software and Manugistics’ Advance Planning and Schedule (APS) package. This solution allows for direct supply chain collaboration between DLA’s customers and suppliers that dramatically increased the responsiveness of DLA’s supply chain and is contributing to reducing DLA’s operating costs.

The result is a highly integrated approach that maximizes the benefits of supply chain management by aligning the supply chain and its processes for customers, suppliers and DLA. This approach is focused on three themes:

1. **Total asset visibility** increases readiness and lowers supply chain cost by promoting efficient resource and asset use. It provides real-time information that allows customers and suppliers to make better decisions.

2. **Synchronization** enables collaborative relationships with suppliers and customers. These business partnerships

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**Major Milestones**

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<tbody>
<tr>
<td>Contract award</td>
<td>Release 1.0</td>
<td>Release 1.1</td>
<td>Release 1.2</td>
<td>Release 2.0</td>
</tr>
<tr>
<td>836 users</td>
<td>1,266 users</td>
<td>1,266 users</td>
<td>1,316 users</td>
<td>BSM now runs</td>
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<tr>
<td>175,000 items</td>
<td>25,000 items</td>
<td>Complete phase-in</td>
<td>$3 billion of DLA</td>
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<td>Concept demo</td>
<td>(including battle dress uniforms, clothing and textiles, begin phase-in of rations, soda, and combat logistics)</td>
<td>of rations, expand phase-in of accessories, tents, flags and insignias</td>
<td>business, begin phasing in 34 categories over 21 months, 5.2 million items shipped</td>
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Supply Chain

The Accenture BSM approach maximizes the benefits of supply chain management by aligning the supply chain and its processes for customers, suppliers and DLA.

Best Practices:

Collaborative planning
Supplier management
Performance measurement and management

were enabled by the creation of a new organizational structure that was aligned "one-face to the customer and one-face to the supplier." Overall, it lowers costs, creates flexibility during times of surging demand, and allows DLA to respond faster to its customers.

3. Key performance indicators (KPI) align DLA organizations with performance targets and DLA processes, with particular emphasis on new focus areas of demand management, customer service and strategic sourcing, and DLA’s strategic objectives.

While phasing in this system, DLA and Accenture met a number of major milestones, where a growing number of users gained access to the new processes and system capabilities. At the same time, DLA’s legacy systems were phased into retirement. Most importantly, DLA customers were seeing a dramatic improvement in processing time. Under the legacy system, it took on average 12 hours from the time a requisition was received until a Material Release Order was issued. Under BSM, that time had been cut to just 45–60 minutes. This was supported by implementing transaction-oriented processes that enabled DLA to more efficiently manage requisition processing and improve responsiveness to the customer.

These changes are helping DLA fulfill its mission in support of America’s troops:

- Supporting program managers in achieving weapon systems availability goals with a minimum of resources;
- Improving combatant commander and Joint Task Force view of readiness;
- Allowing the military services to make better decisions based on better information;
- Linking the elements of the supply chain from customer order through delivery, thus creating dramatic improvements in response time and reliability.
- Consistently providing responsive, best value supplies and services to DLA customers; in other words, the right items at the right time in the right place at the right price every time.

Today, DLA's Business Systems Modernization program is providing improved logistics support for the Department of Defense, doing its part to help the department support America's troops and ensure a stronger defense.

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About Accenture Defense

Accenture’s Defense industry group delivers strategy, operations, IT and mission services that enable departments of defense, the intelligence community and federal agencies to achieve high performance and support the warfighter at speed. With the help of Accenture’s capabilities, worldwide presence and experience, clients meet mission goals, mitigate risk and realize cost savings. Visit www.accenture.com/defense for more information.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With approximately 177,000 people serving clients in more than 120 countries, the company generated net revenues of US$23.39 billion for the fiscal year ended Aug. 31, 2008. Its home page is www.accenture.com.