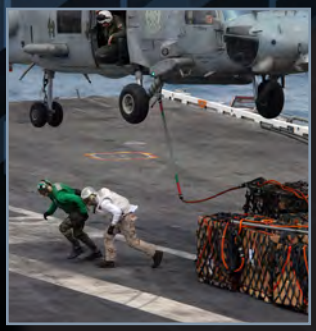

DEFENSE LOGISTICS AGENCY

DIRECTOR'S GUIDANCE 2013

DEFENSE LOGISTICS AGENCY

Fiscal Year 2013 Director's Guidance

Mark Harnitchek

Vice Admiral, SC, USN
Director, DLA

At the Defense Logistics Agency, 2013 is the year of Big Idea execution. In 2012, we identified strategic focus areas to achieve significant savings. In 2013, our ideas become actions that lay the groundwork for FY14 savings.

By focusing on excellence in our daily operations and driving additional transformational change, we are driving warfighters' success. We are building our future on a rock solid foundation of past accomplishments and getting out in front of warfighter and fiscal challenges.

This Director's Guidance is our road map to significantly improve support to the warfighter and dramatically reduce cost. And as we face an uncertain future frought with significant fiscal and strategic challenges, we must remain resolute and lead the way in innovation and transformation.

DLA's highly skilled, diverse and agile workforce is the keystone to our success. I'm counting on you to continue to do a superb job and make a difference each and every day. We must meet or exceed our basic business performance and pursue our strategies to meet the future. Every DLA employee has a role and responsibility to implement this guidance. Acting together, with enthusiasm, optimism and focus, we WILL achieve great things. Seize the opportunity; don't wait; and make things happen. What you do makes a difference!

"Significantly improve performance while dramatically reducing cost"

There are several emergent themes for DLA in 2013:

Afghanistan: Win the current fight and pivot to retrograde and transition:
Our approach is to utilize a regional approach through partnering with maximum early disposal, retrograde and lines of communication usage.

Contingencies and Humanitarian Assistance & Disaster Relief Support:
Our approach is to get ahead of requirements and have the right material based forward with contingency contracts in place to provide immediate support. Remember that responsiveness is the coin of the realm, so act with a sense of urgency. Our fellow citizens are counting on you.

Industrial & Platform Support:
Get ahead of logistics support for F-35, Littoral Combat Ship and Inventory Management and Stock Positioning at Fleet Readiness Centers, while supporting Strategic Network Optimization, Peak Policy and Next Generation forecasting and inventory reductions.

Our 2013 priorities to significantly improve performance while dramatically reducing cost are:

- **Decrease Direct Material Costs**
- **Decrease Operating Costs**
- **Reduce Inventory**
- **Improve Customer Service**
- **Achieve Audit Readiness**

DECREASE DIRECT MATERIAL COSTS:

"Be smart buyers of the right stuff"
Reduce material costs to achieve $10 billion in overall savings in five years

Strategies to reduce total direct material costs:

- Reverse auctions
- "Should Cost" analysis
- Commercial-type contract terms
- Substantial industry partnerships
- Performance Based Logistics and Prime Vendor contracts
- Procurement systems and process improvements
- Strategic sourcing

"Significantly improve performance while dramatically reducing cost"

DECREASE OPERATING COSTS:

"Improve process and productivity"
Reduce operating costs to achieve $10 billion in overall savings in five years

Strategies to decrease operating costs:

- Consolidate and co-locate infrastructure
- Achieve BRAC "Day 3" efficiencies
- Optimize the global distribution network
- Enhance retail industrial support
- Incorporate process improvements

REDUCE INVENTORY:

"Clean out the attic and keep it clean"
Right size both War Reserves and operational inventory

Strategies to reduce inventory:

- Review and adjust strategic requirements
- Right size inventories
- Leverage commercial supply chains without redundancy
- Enhance EMALL
- Improve planning and forecast accuracy

IMPROVE CUSTOMER SERVICE:

"Delight our customers"

Improve customer service and measure performance by customer standards

Strategies to improve customer service:

- Expand and strengthen customer/supplier collaboration … everyone in the enterprise should be talking to your suppliers.
- Excellence in inventory management: Buy enough, buy on time and execute the contract.
- Talk to your Service and COCOM customers … fix what's not right or doesn't work.

ACHIEVE AUDIT READINESS:

"Prove it"

Demonstrate our commitment to transparency and accountability.

Strategies to achieve Audit Readiness:

- Culture of judiciousness … this is an All Hands effort
- Identify and drive improvement opportunities.
- Expand Audit Readiness beyond process integrity to process excellence

"Significantly improve performance while dramatically reducing cost"

Give us your

BIG IDEAS

Improve Customer Service

Decrease Direct Material Costs

Reduce Inventory

Decrease Operating Costs

Achieve Audit Readiness

2013 Director's Guidance

DIRECTOR'S 2013 PRINCIPLES

We are living in historic times … doing things we've never done before … make some history yourself.

Push for smart things to do … don't wait for the requirement … or for folks to ask.

No one knows this stuff better than us … act like it.

I trust you … prioritize, do it your own way but get it done or ensure it gets done.

This is your time … do big things and make it better. If not you, who? If not now, when?

Relationships are key … build them and use them.

Take care of one another.

Keep promises.