

# Innovations in Logistics Modernization

## Wholesale Logistics Modernization Program (WLMP) Will Overhaul Army's Logistics System

VICTOR J. FERLISE

In this era of continuing downsizing and budget decrements, the biggest challenge we face is finding creative and innovative solutions to the problems that confront us, coupled with the perseverance to see them through to successful conclusion. The U.S. Army Communications-Electronics Command (CECOM) and its Commanding General, Army Maj. Gen. Robert L. Nabors, recently encountered and successfully confronted such a challenge when faced with the pressing need to overhaul the Army's automated logistics systems. At the same time, Gen. Nabors was charged with implementing a mandated reduction of 1,400 personnel spaces with a corresponding budget decrease.

### No Longer State Of the Art

By the early 1990s, a wide chasm had grown between the Army's requirements for logistics automation and the capabilities of its two antiquated logistics and depot maintenance systems: the Commodity Command Standard System (CCSS) and the Standard Depot System (SDS). These systems dated back to the early 1970s, were based on Common Business Oriented Language (COBOL), were tied to the Defense Information Systems Agency's (DISA) mainframe/megacenter batch processing, were increasingly complex, and were very expensive to maintain.

Through a patchwork series of enhancements effected by very dedicated government workers at CECOM's sup-



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port centers in St. Louis, Mo., and Chambersburg, Pa., the Army limped along with these systems through the 1970s, '80s, and '90s.

### **Joint Logistics System**

The Department of Defense (DoD) attacked this problem in the early 1990s with the Joint Logistics System (JLS). The objective was to generate new code for all logistics systems throughout DoD. During this period, the Services were precluded from adding any enhancements to CCSS and SDS, making these systems even more out of step with both the Army's logistics needs and modern, technological advances

and attempted to sell their solutions to DoD and the Army. Industry's objective, of course, was to obtain a sole-source contract for installing new proprietary systems. The other obvious alternative, consistent with the Army's traditional approach to solving a problem of this nature, was to expend hundreds of millions in capital investment money by awarding a contract for the development and installation of a new logistics automation system specifically designed to meet the Army's needs.

Several studies were made in this area and some Services did, in fact, award such contracts. With either approach, however, the Army still had to maintain

able. Our workforce, immersed in maintaining our COBOL-based systems, was unable to keep pace with the increasingly rapid technological advances required to create, integrate, and maintain a new system. And we still had downsizing targets to meet. In short, there was no way to solve our problems without adopting a bold and innovative approach.

### **Taking Stock**

To quote Dr. Albert Einstein, "In the middle of difficulties lies opportunities." In fashioning the solution — known until recently as Logistics Modernization (LOGMOD), now referred to as the Wholesale Logistics Modernization Program (WLMP) — we began by taking stock of the opportunities available to us.

- First and foremost, the acquisition leadership throughout DoD was committed to acquisition reform — not reform for reform's sake, but to achieve substantive innovations in the processes the government uses to acquire products and services.
- Second, we did have the cash flow of approximately \$40 million a year for maintenance, which could be expected to increase over time.
- Third, automation advances had resulted in systems much more adaptable, upgradeable, reconfigurable, scalable, and interoperable than was possible when the initial COBOL systems were built.
- Fourth, the commercial sector had expended significant amounts of money in developing the science of supply chain management via velocity management and similar techniques. Companies were advertising that, within one day of receiving an order, they could have a product en route to any customer in the world.

So again, the challenge was to find a way that the Army could capitalize on the advances that had occurred in the commercial world and DoD's commitment to acquisition reform, that did not require the influx of additional dollars over and above the estimated annual maintenance costs.



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in automation and supply chain management. For a variety of reasons, JLS failed to produce the desired results. Meanwhile, the Army continued to march forward toward a completely digitized force, while dragging behind archaic logistics systems.

While the Army's situation became more acute, industry took significant steps forward in automation and supply chain management for the commercial sector

the existing systems at a cost of almost \$40 million per year until a new system was in place. Once the new system was in place, the cycle would begin again and we would soon be facing the problem of maintaining the new software and keeping up with ongoing technological advances.

The problems confronting us were many, and would have been insurmountable had we clung to the traditional ways of doing business. The money — the investment capital— was simply not avail-

## Strategic Partnership

After consideration of various alternatives, we focused on the development and implementation of a strategic, partnership-type arrangement that would contractually commit all our business in the logistics automation area to one contractor over an extended period of time. Further, we would reserve the right to extend the term and expand the scope of the contract as the needs of the government dictated. We would develop a Request for Proposal, thereby generating a serious competition among commercial bidders to ultimately attain a single strategic partner. This, we anticipated, would bring us forward to a modernized system of logistics services.

Accordingly, we structured a solicitation that would prompt industry to partner across disciplines to compete for CCSS and SDS modernization. We made a fundamental switch from the procurement of systems to the acquisition of services. To keep the effort manageable, we purposely limited modernization to two systems unlike JLS, which proposed a “silver-bullet” solution to fix all logistics systems.

At the outset we recognized, as did industry, that this approach could achieve savings of about 20 percent in DISA's megacenter processing. To this end, we worked extensively with DISA, who supported us in every way. My personal belief was that, while the savings in processing costs would be fairly stable, the savings in maintenance costs would be increasingly and significantly higher because of the agility of modern automation systems.

## WLMP — It Takes a Team

To ensure the successful implementation of our proposed solution and with the enthusiastic support and commitment of all CECOM Directors and key players at the Army Materiel Command (AMC), we established what we called the WLMP Team, headed by Paul Capelli, an outstanding leader from our Logistics and Readiness Center, as the project manager. We populated the team with a multitude of experts, the best and brightest, from across CECOM and AMC.

The team took the nucleus of the plan and synergistically improved it in innumerable ways. One example was the award factors to motivate the contractors. We structured the solicitation so that the contractor would be highly motivated not just to satisfy, but to exceed the Army's needs throughout the 10 years of performance. In our initial guidance, we made it clear to industry that the competition was not only for the initial award, but also for the long term. The solicitation reflected that, as our strategic partner, the successful offeror would continue to receive our business if it tendered the desired results during the term of the initial contract.

## Concerns

The plan was met with considerable resistance by our union. Unlike the American Federation of Government Employees' participation with the Navy during their 1997 transition of the Naval Air Warfare Center, Aircraft Division, to Hughes; the National Federation of Federal Employees, despite our efforts, declined to participate with us in the WLMP process. The union was committed instead to an A-76 competition in which the government workforce would compete with industry for the work. We knew that approach was not viable in this case, and we were concerned about what would happen to our employees when a contractor inevitably won the A-76 competition.

Under A-76 procedures, government employees are guaranteed rights of first refusal for employment “openings” under the contract in positions for which they are qualified. However, there was no guarantee that the successful offeror would have enough, or any openings for our government employees or that the openings would be with pay, benefits, or hours comparable to their government jobs.

Accordingly, we obtained a waiver to the A-76 process and focused our efforts on ensuring that the successful contractor would guarantee our employees a comparable job with comparable benefits. We were seeking a win-win situation — an award to a contractor who would

excel at modernizing our logistics systems, make a profit, and guarantee our employees a “soft landing”

As is often the case with new ideas, the plan sparked concerns within the government bureaucracy and created a great deal of interest in Congress. Innumerable trips to Capitol Hill were required for meetings with staffers and congressmen, as well as with officials at various levels in the Army and DoD. Fortunately, the program enjoyed the support of key leaders such as Dr. Jacques S. Gansler, Under Secretary of Defense, (Acquisition, Technology and Logistics); retired Navy Adm. David Oliver, Principal Deputy Under Secretary of Defense (Acquisition, Technology and Logistics); the Secretary of the Army; and the Army Chief of Staff.

## Response From Industry

Our greatest expectations were exceeded by the response from industry to this new and innovative approach to doing business. Rather than proposing individual system solutions, industry collaborated on a scale that I have not seen in almost 30 years of government service. They built cross-functional teams to meet the government's needs in the best way possible. The competition was extraordinary and resulted in two outstanding proposals from market leaders. As we reviewed the proposals, it was clear that industry had bought into our concept, was prepared to do business in this new manner, and was excited about leading the way in acquisition reform.

Industry was also very interested in hiring our people. There were other COBOL systems still in existence and, while our experts could not rival industry's ability to build new systems, they were outstanding at repairing old systems. Therefore, our employees had an intrinsic value to the contractors above and beyond efforts associated with their performance of the WLMP contract. The winning contractor agreed to offer our employees a minimum three-year contract, \$15,000 bonus (in some cases more), comparable pay and benefits, training, and a job site in St. Louis or Chambersburg, their original place of

employment. We had truly achieved our objective — a win for industry, a win for our employees, and a win for Army logistics.

### The Bottom Line — Keeping Pace

More importantly, our logistics modernization business process review resulted in a changed paradigm, a new way of doing business. It is the embodiment of acquisition reform and represents an outstanding acquisition achievement that will provide the Army with a support system to keep pace with the digitized force and successfully rival any commercial system.

Additionally, since it is trading on commercial technologies, it will keep pace with continuing advances in supply chain management and automation. It will cost no more than we were spending on maintenance, and requires no additional capital investment expenditure. The associated reduction in government employees will bring us a step closer to achieving our manpower efficiencies while simultaneously providing a soft landing for our employees.

This was an extremely challenging program and an enormous opportunity for all the outstanding people who made WLMP a reality. All of us involved with the program are proud of this achievement and look forward to more success in the future. There are many innovative ways of doing business, but our bureaucracy is often uncomfortable with change and trains us, from day one, to follow established procedures. That mentality constrains our thinking along narrow paths that will not easily lead to successful resolution of the kind of challenges that await us.

It is difficult for us within government to fashion solutions like WLMP; nevertheless, for both logistics and communications systems, this type of innovation is the essence of CECOM's contribution to the Army of the 21st century and beyond.

**Editor's Note:** The author welcomes questions or comments on this article. Contact him at [ferlise@mail1.monmouth.army.mil](mailto:ferlise@mail1.monmouth.army.mil).

## Inside DSMC

**R**etired Navy Rear Adm. Mike Sullivan became the Navy Chair, DSMC Executive Institute, effective March 20, 2000. Prior to his retirement from active duty in late 1998, Sullivan was the Principal Deputy Assistant Secretary of the Navy (Research, Development and Acquisition). A graduate of the University of Kansas, he completed his M.B.A. at the University of North Carolina at Chapel Hill. He also attended the Industrial College of the Armed Forces and Carnegie Mellon University's Program for Executives.



**J**ohn C. Wilson Jr., became the DoD Chair, DSMC Executive Institute, effective Feb. 1, 2000. Wilson comes to the College from the Pentagon where he served for the past year as Director of Systems Acquisition, Office of the Under Secretary of Defense (Acquisition, Technology and Logistics). Prior to his Pentagon assignment, he was the Executive Director of the Air Force Electronic Systems Center, Air Force Materiel Command, Hanscom AFB, Mass. A member of the Senior Executive Service and federal employee since 1974, Wilson holds a Bachelor of Business Administration in Accounting from the University of New Mexico and a Master of Arts in Business Management from the University of Northern Colorado. He is a Certified Public Accountant; holds professional designations in Cost and Price Analysis and Contract Management; and is Level III-certified in Program Management, Financial Management, and Contracting.



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