

Foreign Military Sales Reinvention in the Department of the Navy

Turning Ideas into Action

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Signs of change are everywhere, especially in the world of business and commerce, with daily reports of mergers, acquisitions, and spin-offs in search of profit and efficiency. The art and science of change embrace such concepts as total quality management, business reengineering, process redesign, and, more recently, the Department of Defense (DoD) Revolution in Business Affairs. Private-sector experts point to the benefits of change, as large corporations raise efficiency and sharpen the bottom line by cutting red tape and empowering workers.

But, does this approach work in the public sector, down the halls and inside the cubicles of government as well? Absolutely! "Reengineering is about operational excellence," wrote Michael Hammer and James Champy, in *Reengineering the Corporation*. Within government agencies, in an atmosphere where policy is more important than profit, the biggest challenges are breaking down the bureaucratic barriers and finding accurate measures of performance.

Change has made an indelible mark in the pub-

lic sector. For example, inside DoD, the Department of the Navy (DoN) office responsible for international policy and acquisition – the Navy International Programs Office (IPO) – has made great progress using business reengineering concepts. With its vast array of stakeholders, especially Navy and Marine Corps systems commands and program offices, "Navy IPO" has made change management an integral concept in its vision of how things are done. Navy IPO deals in policy matters such as international Research and Develop-

ment (R&D) agreements, and the application of export controls to limit the spread of sensitive technologies. But, in Foreign Military Sales (FMS), it's the world of acquisition and FMS program management where "the



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rubber meets the road,” and where FMS reinvention has produced the greatest impact.

International programs are important for three reasons: military, political, and economic.

In today's era of limited resources and interlinked economies, international cooperation in the defense sector leads to reduced unit cost in the acquisition of ships, aircraft, communications gear, and support or training equipment — everything that a modern military force needs to guarantee critical interests are protected.

Military

First, international programs contribute to cooperation between military forces, enhancing interoperability between U.S. forces and those of their friends and allies. This leads to the ability to operate in coalition with other nations, creating

a real force multiplier to either keep the peace or respond effectively in time of conflict.

Political

Second, an active set of international programs supports political objectives by strengthening contacts and ties among allies and friends to reinforce our alliances and promote regional security.

Economic

Third, in today's era of limited resources and interlinked economies, international cooperation in the defense sector leads to reduced unit cost in the acquisition of ships, aircraft, communications gear, and support or training equipment — everything that a modern military force needs to guarantee critical interests are protected. Certainly, we are

more secure when the U.S. economy is strong, as well as the economies of our allies and friends. Whether provided via FMS or direct commercial sales, the export of defense-related systems or services can only strengthen our own industrial base and expand the pool of talent and resources we will need to draw upon in time of war.

Not only are international programs a good idea, they are mandated in DoD acquisition regulations. Just look at the latest versions of the DoD 5000 series. Regulations explain that all DoD systems, where applicable, need to support successful joint and combined operations. This means the interoperability of systems to support the coalition warfighter, and the sharing between allies of promising technologies.

Early in the life of a program, an analysis of alternatives needs to include a careful review of what our allies can offer. The acquisition strategy must consider foreign participation, whether that means turning to similar projects by major allies or NATO organizations, options for cooperative development and production, the use of promising commercial options, or via the sales of U.S. equipment.

A Hotbed of Innovation and Change

Since 1997, Navy IPO has employed Integrated Product Teams (IPT) to study and realign its internal processes. Under the banner of “reengineering,” these IPTs, composed of our own employees, developed some valuable ideas and recommendations such as expediting contracts close-out; cutting out unnecessary steps in the processing of LOAs (Letters of Offer and Acceptance, which are the primary contractual vehicle between governments); and finding ways to make the foreign customer's money go further.

But this was just the start. On Sept. 9, 1998, the Secretary of the Navy gave formal status to the process of change when he chartered Navy IPO as a Reinvention Laboratory. He directed Navy IPO to “continue improving workforce

DoN FMS Reinvention Laboratory's 12 Working Groups

1- *Strategic Business Plan:* Work with industry to understand the future acquisition needs of friends and allies.

2- *FMS Four-Step Process:* Give structure to the FMS cycle. Work proactively to meet the Country's real needs, in four steps: Market Development; FMS/DCS Planning, Competition and Negotiation; Contract Execution; and Case Closure.

3- *Partnering With Industry:* Develop the concept of *Team International*, an Integrated Process Team approach involving the Under Secretary General (USG), industry, and the FMS customer.

4- *Improve Pricing and Visibility:* Improve visibility of the FMS process, making clear to the customer how his or her money is being used.

5- *Case Closure:* An extensive review of the FMS case and contract closure backlog. Identify the best ideas from numerous previous studies, including Navy IPO's 1996 Reengineering Study.

6- *Pursue FMS/DCS/MOU Combinations:* Pursue hybrid arrangements of FMS, direct commercial sales, and cooperative agreements (memorandum of understanding).

7- *FMS Reserve:* Establish the means to pay for the storage, inventory, and ordering of out-of-inventory items — those systems no longer actively used by U.S. forces, but needed by FMS customers.

8- *Strengthen the Country Program Director:* Concentrate on the human interface in this process — looking to improve training and empowerment of FMS desk officers or Country Program Directors.

9- *Sharing Reinvention Initiatives with Customers and Industry:* Provide the entire FMS community with information about FMS Reinvention.

10- *Best Business Practices:* Compile a listing of "Best Business Practices" from all existing sources, especially techniques used in the commercial sector to implement change.

11- *Program Management Lines:* Study the consistent and open application of Program Management Lines used in Letters of Offer and Acceptance.

12- *Improve the Disclosure Process:* Improve the USG technology transfer disclosure process, both within DoN and at the DoD/State Department level.

training, identify new ideas for cutting red tape, and renew its focus on customer service." The basis of all this activity was the National Performance Review, the goals of which were clear:

- Be customer-oriented.
- Cut red tape.
- Employ the best practices of the private sector.
- Make maximum use of advances in information technology.

The Director, Navy IPO, formed a Reinvention Laboratory Team in partnership with industrial professionals represented by the National Defense Industrial Association (NDIA). Co-chaired by Navy IPO and NDIA, three separate teams worked to identify systemic problems with FMS. In short order they submitted a set of more than 150 specific concerns, or "dissatisfiers" raised by customer countries, DoN, DoD, and U.S. industry.

Armed with this information, Navy IPO signed out a memorandum in early 1999, that called for the establishment of 12 new groups (shown in the left-hand column) — each charged with the responsibility of studying a specific area of concern. They reviewed past studies, offered their own issues, and developed recommendations suitable for action by DoN, DoD, and U.S. industry.

The working groups drew on the active participation of concerned U.S. agencies, including the Commerce and State Departments, as well as FMS international customers represented by the Washington Attaché Corps and acquisition staffs. This effort engaged more than 100 FMS professionals, and the work was done at minimal expense, with industry and attachés volunteering their time on a *pro bono* basis.

Putting the Good Ideas to Work

One recurring criticism focused on the penchant of Navy IPO and other FMS agencies to rely solely on FMS — the government-to-government agreement via a signed Letter of Agreement (LOA) — as the only vehicle to provide goods and services to a foreign military.

"Hybrid"

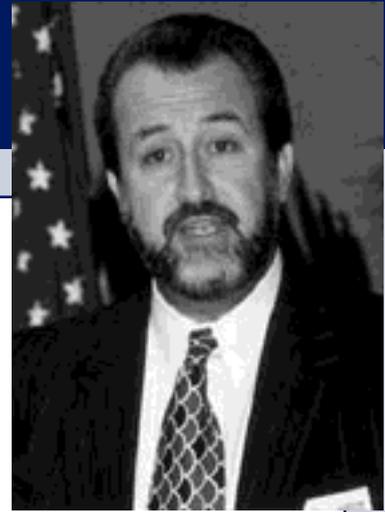
Instead, the new concept is the "hybrid case" — meaning that our coalition partner can construct a composite program by optimal use of hybrid arrangements, combining FMS, Direct Commercial Sales (DCS), and other requirements such as logistics, training, and software upgrades. This permits more careful consideration of related cooperative arrangements such as R&D, cooperative development, or cooperative life cycle support. And, although the U.S. government cannot speak for industry, and vice-versa, the exchange of information permits the customer to take maximum advantage of the U.S. industrial base and arrive at individual agreements that add up to a complete and often a highly innovative approach to building the total package. This, of course, is not without challenges. Navy IPO and the Defense Security Cooperation Agency are still working out details on how the FMS and DCS level of effort matches the funding received.

Team USA

A second change from the old ways of doing business was to provide a forum for cooperation — a concept first dubbed *Team USA*. Now more appropriately called *Team International*, the concept is simple. Program offices and agencies, industry, the foreign customer, policy and disclosure authorities — in short, all interested partners — are united to identify early on the needs of the international customer. This gives industry insights into the real needs of the customer; allows Navy and Marine Corps program managers to give their production lines an international aspect; improves communications on complex subjects such as licensing requirements; and allows customers to be clear about their preferences regarding timing, quantity, contracting, and payment schedules to name a few.

Moreover, *Team International* allows early identification of technologies to start the releasability process rolling within DoN, DoD, and the State Department. The concept is working — Team Harpoon, Team Aegis, Team Maritime Patrol Air-

Gibson LeBoeuf Deputy Director, Navy International Programs Office



Gibson G. LeBoeuf was appointed Deputy Director, Navy International Programs Office, in March 1997. In this position, he is responsible for developing, planning, and implementing the Department of the Navy's International Programs, primarily: Security Assistance; Cooperative Production and Research and Development; Technology Transfer; Foreign Procurements; Foreign Comparative Testing; and Export Licensing. He manages a budget in excess of \$100 million per year.

LeBoeuf is a member of the Senior Executive Service (SES) and a member of the American Society of Engineers. He currently serves on the Secretary of the Navy's Hispanic Council, and is a member of the Senior Executive Association and the Harvard Business Club of Washington, D.C. He also is a member of the National Association of Hispanic Federal Executives. LeBoeuf is listed in *Who's Who in America*, and is a recipient of the Hispanic Engineer National Achievement Award. He has lectured extensively to government agencies, both military and civilian, in areas related to diversity, social change, gender, and race relations.

Before his appointment as Deputy Director, he was holder of the Navy Chair at the Defense Systems Management College, where he was a professor of Program Management, lecturing on acquisition policies, practices, and trends within the Department of the Navy.

During the 102nd Congress, LeBoeuf was on the staff of the Honorable Malcolm Wallop, United States Senate, where he was a Senior Legislative Fellow primarily involved with Senate Armed Services Committee defense-related issues.

Prior to his position on Capitol Hill, LeBoeuf was a Division Director in the Strategic Systems Program Office, supporting the POLARIS/POSEIDON/TRIDENT Strategic Weapons Systems (SWS), responsible for budgeting, contracting, technical, and program management functions for the United States and United Kingdom pro-

grams. He directed and reviewed ship designs for Fleet Ballistic Missile (FBM) and SWS applications, participating in numerous submarine sea trials.

LeBoeuf has more than 30 years' experience in marine, naval architecture, and mechanical engineering disciplines, including acquisition of major complex weapons systems. He earned a Bachelor of Science Degree in Mechanical Engineering in 1969 from the University of Detroit, and holds a graduate certificate in Engineering Management from American University, which he received in 1974. He is also a graduate of the Harvard Business School, having completed the Advanced Management Program in 1985.

In recognition of his outstanding contributions to the POLARIS/POSEIDON/TRIDENT Submarine programs, LeBoeuf received numerous awards and decorations, including a Senior Executive Service Performance Bonus Award; Superior Service Medals from the Navy and Department of Defense (2); Superior and Outstanding Performance awards (2); TRIDENT II Letter of Appreciation; Congressional letters of appreciation (2); Navy Unit Commendation and Lapel pin; FBM 10 and 20 Year pins; and a TRIDENT II Team Certificate.

LeBoeuf was born in San Juan, Puerto Rico. His native language is Spanish, which he speaks and writes fluently. English is a second language. He attended grade school and high school in Puerto Rico, graduating from La Academia del Sagrado Corazon, in Santurce in 1964. He attended college in the United States, graduating and going directly to work for the Department of the Navy Nuclear Ballistic Missile Submarine Program. LeBoeuf and his family currently reside in Virginia.

craft, Team Torpedo, Team Cobra, and several others attest to its success.

“Themes”

Additionally, FMS reinvention declared certain “themes” essential and inherent to all processes.

RESPONSIVENESS

The first theme is *responsiveness*, that is, responsiveness to the customer as well as U.S. industry. Harking back to the precepts of total quality management, we first discovered that all organizations must ask themselves: “Who is my customer?” Sounds simple, but this is not so easy in the defense public sector, where the “product” is “national security” or “homeland defense,” and one “customer” happens to be our Nation. With our renewed focus on customer responsiveness, once we identify our customers we make every effort to keep them in mind, listen to their needs, and ensure our processes meet their needs on-time, with the greatest cost efficiency possible.

In addition to changing the mindset of our own people, the renewed focus on customer responsiveness has led to better guidance on how to write Letters of Request, and shorter processing times for LOAs. And to ensure better customer participation in the final review of LOAs, we now convene a Quality Review Board prior to signature.

Likewise, our progress in Case Closure is another example of Navy IPO’s ongoing efforts to enhance customer responsiveness. Case Closure has been an intractable problem in FMS cases, largely because the FMS process was not “incentivized” to locate the old records needed to reconcile obligations with disbursements, close-out old contracts, and return the balance of the customer’s funds.

Since the spring of 2000, when the recommendations of the Case Closure Reinvention Working Group were put into action, the rate of FMS case close-out has improved by 54 percent, returning some \$500 million to our international partners. Emphasis on responsiveness

also led the Navy Inventory Control Point (NAVICP) in Philadelphia to create a commercial option to speed the delivery of spare parts. NAVICP is now offering its customers the use of a commercial buying service to help shorten their supply chain when requisitions cannot be filled promptly from normal U.S. spare parts bins.

VISIBILITY

A second important theme focused on customer *visibility*. Visibility of the process – sometimes referred to as “transparency” – leads to the elimination of unnecessary steps and reduced frustration on the part of the customer. A measure of visibility is provided simply by offering our international partners a seat at the table, either while planning out the program or during the execution, delivery, and financial management of the FMS case. Visibility requires access. The customer needs to reach someone who can answer questions.

At Navy IPO, the Country Program Director has been empowered as the single point of contact for the respective country or countries under his or her cognizance. Navy IPO’s Security Assistance Directorate was reorganized along the lines of a “matrix” organization, giving primary advocacy to the customer, with others acting as experts/advocates for Navy and Marine Corps systems: ships; aircraft; Command, Control, Communications, Computers, and Intelligence; logistics; and support. FMS reinvention also led to the appointment of a Navy IPO FMS Ombudsman, who serves as the customer advocate and problem-solver when an external perspective is needed. The Ombudsman does not bypass the Country Program Director. Rather, he serves as a listener, technical advisor, and “out-of-the-box” thinker to help our customers deal with a government bureaucracy that can appear complex and confusing to outsiders – foreign or not.

Navy IPO Support for DoD

Much is also happening in the broader security cooperation community within DoD, the Office of the Secretary of Defense staff, the other Military Depart-

ments, and related agencies such as the Defense Logistics Agency, the Defense Finance and Accounting Service, as well as the Defense Acquisition University (DAU). In the DoD arena, the Navy FMS Reinvention Laboratory drew upon and contributed to four landmark “white papers” developed and issued by the Defense Security Cooperation Agency in the 1999 time-frame. These papers, still actively in use, addressed Process Transparency, Pricing and Cost Recovery, Arms and Technology Transfer, and Business Processes.

Most recently, the Military Departments have been cooperating with Defense Security Cooperation Agency on four key IPTs. These teams have much to show for their efforts.

- The goal of the *Personnel and Training IPT* is to develop a career path and certification guidelines for the civilian workforce working in international affairs. It has also implemented a security cooperation internship program.
- The *Financial IPT* has institutionalized the use of a Standby Letter of Credit, streamlined payment schedules, and worked to improve the Case Closure process among all Military Departments, DoD, and related agencies.
- The *Partnering IPT* pursued further definition to permit international customer participation in the contracting process, formalized and disseminated guidance on *Team International* to the entire FMS community, and developed a Customer Handbook that will be available electronically as well as on paper.
- The *Business Process IPT* drew on the U.S. Army’s concept of a Customer Satisfaction Index to measure more accurately the execution of FMS cases, identified standardized business measures, implemented an electronic LOA countersignature to speed up processing, and developed additional guidance on Letter of Request preparation.

The U.S. defense acquisition community looks to DAU to educate DoD personnel on international programs. To

help strengthen these ties and to give program managers a better appreciation for the complexities of working with friends and allies, Navy IPO is partnering with DAU to present specific case studies that capture key concepts of defense cooperation.

For example, for the Advanced Program Management Course, international cooperation experts from Navy IPO helped develop an International Problem Set that requires the class to develop an international cooperative strategy for a hypothetical new Unmanned Aerial Vehicle acquisition program. Navy IPO personnel also participate in the actual presentation of strategies by assuming the role of the Component Acquisition Executive who is to receive the brief. Issues covered include identifying opportunities for cooperation, finding partners, the rules for disclosure of technologies, export licensing, international program security, and the FMS process itself. In addition, Navy IPO personnel regularly provide instruction on international cooperation to the Advanced International Management Workshop and the Multinational Program Management Course. We can expect this relationship between DAU, Navy IPO, and DoD's corps of program managers to continue.

Encouraging a Culture of Change

Navy IPO has embraced this evolution of reengineering and reinvention to arrive at a real environment of continuous process improvement. Simply put, the themes and tools of FMS reinvention have become part of our normal daily routine. The momentum of change continues along several lines.

Information Technology and Disclosure

During the past several years, Navy IPO has developed software to make optimal use of IT – Information Technology – via secure desktop computer as a means to automate the review of export licenses and streamline the Navy's internal processes for disclosure. With a tremendous volume of license requests from industry, the Navy is pursuing the ability to upload technical data from contrac-

tors electronically as opposed to direct mailing – the previous mode of delivery.

Currently, Navy IPO is performing electronic distribution of licenses, including technical and supplemental data, directly to Naval Sea Systems Command field activities. And for export controls and disclosure policy, Navy staffing times have been reduced dramatically with the fielding of a Web-based Technology Transfer Security Assistance Review Board. This system allows secure electronic staffing for offices internal to the Navy staff, informing them of the background and proposals of each case.

The Navy International Programs Office has a clear vision for the future. Ideas of FMS reinvention have been fully incorporated into our strategic plan.

Active Teaming with Industry

Communications between Navy IPO and its counterparts in industry have been helped greatly by “tailored” meetings, such as Company Day and the Navy/Industry International Dialogue (NIID). Company Day permits individual companies to meet, one-on-one, with Navy IPO leadership. They trade briefings on each other's mission, goals, products, and processes. Even more effective is the exchange of issue papers, where specific concerns are submitted formally for discussion to correct wrong perceptions or take action, as needed, to fix problems. NIID is an adjunct to the Assistant Secretary of the Navy (Research, Development and Acquisition)

annual meeting with industry CEOs. Meeting bi-annually, the NIID has become a widely attended conference assembling industry and the entire DoN acquisition community – often with the participation of foreign attachés – to meet with the Director of Navy IPO, exchange ideas, and hear about recent initiatives in FMS, disclosure, cooperative programs, or certain *Team International* initiatives.

Active Teaming with International Customers

Navy IPO has developed a close relationship with the embassy and acquisition communities in the Washington area. Representatives meet periodically with the Foreign Procurement Group, an engaged and active committee representing the acquisition staffs who work most closely with FMS, helping us understand our customer better. Further, the DoN profits from the close relationship with foreign navy and air force logisticians established by the NAVICP's International Office. The Security Assistance Foreign Representatives are provided offices at NAVICP in Philadelphia to gain visibility into the delivery and support of U.S. components and spares.

Engagement with U.S. Stakeholders

The DoN FMS community encompasses all Navy and Marine Corps systems commands, program offices, Program Executive Offices, the Navy Ammunition Logistics Command, and U.S. Navy/ U.S. Marine Corps training field activities, which plan and execute some 4,000 FMS cases valued at about \$2 billion each year. To help maintain oversight of these transactions, the Director, Navy IPO, chairs a monthly video teleconference at which individual FMS offices brief their performance in executing the strategic plan and meeting the annual goals. Further, Navy IPO has developed a set of performance measures that are now being applied to high-profile FMS cases and contracts to keep our program offices – and the foreign customer – out of trouble.

Campaign Plan

The need exists to match the milestones of new U.S. acquisitions to the pro-

curement plans of our friends and allies. Accordingly, the Director of Navy IPO has directed the development of a list of key programs – the Campaign Plan – describing individual programs that merit advocacy by Navy and Marine Corps leadership when meeting with their foreign counterparts. This includes programs such as the Joint Strike Fighter; the F/A-18 E/F Super Hornet; heavyweight and lightweight torpedoes; and the Multifunctional Information Distribution System, or MIDS – the miniaturized version of Link-16. This is not “marketing,” but rather a means to achieve the interoperability and economies of scale so key to the value of international programs.

Performance-Based Budgeting (PBB) The Government Performance Review Act of 1993 requires government agencies to link their goals and priorities to the actual budget requests. Navy IPO, in conjunction with Defense Security Cooperation Agency, is undertaking an ambitious program to create the tools and common terms that would allow all government agencies conducting FMS programs the ability to measure accurately their workload and the funding that supports it. We expect PBB to become not only an excellent tool to see how our performance relates to our goals, but also an indispensable tool in continuous process improvement.

A Clear Vision of the Course Ahead

The Navy IPO has a clear vision for the future. Ideas of FMS reinvention have been fully incorporated into our strategic plan. Change is alive, and is integral to our processes and to empowering our employees. The goal is an important one. As friends and allies are able to meet their acquisition needs, Navy IPO – and all its stakeholders and partners – achieve better coalition warfighting capabilities and economies of scale for Navy and Marine Corps acquisition.

Editor's Note: The author welcomes questions and comments on this article. Contact him at LeBoeuf.Gibson@hq.navy.mil.

Defense Electronic Business Education and Training

The Defense Electronic Business Program Office is pleased to announce the inauguration of its eBusiness education Web site – *edLINK* – and the Defense Electronic Business education and training list serve.

The mission of the Defense Electronic Business Program Office is to accelerate integration of eBusiness techniques into DoD's operations. We created *edLINK* to provide easy access to DoD eBusiness course information. The *edLINK* Web site is designed specifically to provide DoD instructors with information that can easily be incorporated into current and future courses. Prime candidates include courses related to program management, contracting, logistics, supply, and supervisor or manager development.

In addition to *edLINK*, our companion list serve broadcasts evolving, pertinent eBusiness information to DoD's education and training community. We anticipate that the list serve also will become a useful communication network for the exchange of eBusiness curriculum-related information among all of the list serve members. To join the list serve, simply go to the *edLINK* Web site at <http://www.interactionnet.com/edLINK/index.htm> and follow the instructions provided. For *edLINK* **general** questions or information, contact Stanley Dubowski at:

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