

The Transformation Journey

Rear Adm. Daniel H. Stone, SC, USN

Rear Adm. Daniel H. Stone, SC, USN, became commander, Naval Supply Systems Command and 43rd chief of Supply Corps in July 2004. Stone leads a worldwide workforce of over 24,000 military and civilian personnel who provide a broad array of logistics support and retail services to U.S. and allied naval forces. As chief of Supply Corps, he is responsible for community management of over 3,800 active and Reserve Supply Corps officers and over 32,000 active and Reserve enlisted personnel.

In April, Stone spoke with *Defense AT&L* from his office in Mechanicsburg, Pa., and shared his vision for NAVSUP, explaining how the organization is working to reverse over-specialization among the workforce, and how the

creation of future sea bases will allow the rapid delivery of personnel and material from bases on the high seas all over the world.

Q *Adm. Stone, after about eight months [at the time of the interview] in your current job, what is your vision for NAVSUP?*

A In the words of the CNO [*chief of Naval Operations*]: “Warfighting capability is a given for our Navy.” Readiness has been, is, and always will be NAVSUP’s key focus, and it will be my focus. Enhancing our ability to deliver cost-wise combat capability through logistics to our warfighters and our customers will always be our greatest challenge.

Three major NAVSUP initiatives will enhance readiness and help us achieve the CNO’s vision.

The first is transformation. In Transformation Phase I—initiated by my predecessor, Vice Adm. Justin D. McCarthy, in the summer of 2002—we better aligned the organization with the mission, collapsed flagpoles and stovepipes, and made major strides in singling up materiel management with a more global strategy. We are currently in the second phase, which focuses on identifying products and services and aligning corporate costs to our products and services. This phase also includes driving down the costs by introducing efficiency into processes with the deployment of Lean Six Sigma methods. [*Six Sigma is focused on reducing variation and improving process yield by following a problem-solving approach using statistical tools. Lean is primarily concerned with eliminating waste and improving flow.*]

The second part of this vision is recapitalizing our information technol-



ogy systems with a Navy enterprise resource planning system. This involves completely replacing the IT logistics business systems we use today and installing the new system on over 251,000 desks across the Navy. The goal is a real-time central database that allows for flexibility and integration of the entire logistics pipeline.

The third initiative is our human capital strategy. This Navy-wide HCS effort will allow us to recapitalize our workforce in order to provide the right skills at the right time to accomplish the right work. HCS is to NAVSUP what recapitalization of weapons systems is to the Navy. We are a support community, and we follow the lead of the warfare communities. Our approach to HCS is to build a strategy for the supply community throughout the Navy—officer, enlisted, and civilian.

Through these three initiatives, we will keep pace with the modernization of our Navy. We need to think not only about the next two years, but also about what our Navy will look like in the next 20 years. That's the challenge that's been presented to this organization. The NAVSUP enterprise and the Navy's supply community have a history of success in meeting the mission of supporting the warfighter. That support continues today, and we are looking ahead to deliver the logistics capability the Navy needs tomorrow. Transformation is a journey, not a destination. This is a great team, and I have full confidence that we will deliver. Adding value and being a part of bringing this vision to fruition will be one of my greatest achievements.

Q
Can you expand on your remark that implementing HCS is to the Supply Corps and NAVSUP what recapitalization of weapons systems is to the fleet? How will HCS improve the readiness and responsiveness of your organization?

A
The right quality and number of trained professional joint warfighters are necessary to take on the challenges of the 21st century. We must always invest in our people and their warfighting excellence, which is expressed when the CNO says, "Mission first, people always." People remain at the heart of all we do and are the capital asset of this enterprise. We've already done considerable work in identifying the skills and knowledge we're going to need to build an intelligent and agile workforce.

Technological improvements over the last several decades have driven increased specialization. In turn, increased specialization has driven a larger force. Our platforms cannot accommodate, nor can we afford, further increases in staffing to support this specialization trend. Therefore, we're now moving to a more generalized skill set, using experienced sailors who know how to use knowledge to solve problems. This type of sailor allows us to have a smaller, more efficient, flexible workforce.

Rear Adm. Stone meets crew members during a routine visit aboard the nuclear-powered aircraft carrier USS Nimitz in the Pacific Ocean, March 2005. U.S. Navy photograph by Photographer's Mate 2nd Class Elizabeth Thompson.



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Commander, Naval Supply Systems Command, and Chief of Supply Corps



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Commissioned as an ensign in the United States Navy upon graduation from Villanova University, Pa., in 1971, Stone attended Navy Supply Corps School in Athens, Ga. At sea, he served as supply officer of the aircraft carrier, USS Ranger (CV 61), 1987-89; of the nuclear guided missile cruiser, USS Long Beach (CGN 9), 1982-84; and as the aviation supply officer aboard the aircraft carrier, USS Constellation (CV 64), 1976-78. He is qualified as a naval aviation supply officer.

A distinguished progression of shore assignments culminated in his immediate past position as director of logistics and engineering, North American Aerospace Defense Command and United States Northern Command, Peterson Air Force Base, Colo., from 2002 to 2004.

Stone holds a master's degree in business administration from the University of Florida. His decorations include the Defense Distinguished Service Medal, the Defense Superior Service Medal, the Legion of Merit with two gold stars, the Navy Meritorious Service Medal with three gold stars, and various personal and command awards.

To capitalize on common skills, we need to identify where we have unique skills, such as in the aviation and submarine communities, and ensure proper alignment of those skills and capabilities. We are also looking for ways to develop our senior enlisted workforce to assume division officer-level assignments. Specifically, as the Navy recapitalizes the fleet with new ships like the Littoral Combat Ship and DD(X) with smaller crews, our human capital strategy needs to identify and develop our supply en-

listed troops who will man these ships to manage our support processes. .

Force shaping is about developing personnel programs and policies that provide an optimal blend of organizational alignment, personal growth, and personal development. On the civilian side of the enterprise, recruiting, training, and retaining the best people are top priorities for shaping the future NAVSUP workforce and ensuring consistently superior quality of service.

Q *Sea basing, putting in place mobile seagoing logistics platforms, promises to make the oceans a permanent base for conducting military operations by placing at sea an unprecedented amount of firepower, maneuver forces, command-and-control systems, and logistics capabilities that are needed to project and sustain military operations. How important is sea basing to the NAVSUP mission?*

A Critically important because access, overflight clearance, and basing rights for military operations around the world are no longer a given. Because our maneuver space is the high seas, our Navy has an advantage in overcoming those obstacles. Sea basing is intended to provide highly responsive and adaptive support to the combined U.S. joint forces and coalition forces.

The concept requires that all Services will develop logistics systems that support operations from a sea base. Current studies look at the ability of the sea base to conduct selective materiel offload and rapidly deliver personnel and materiel to and from the sea base via high-speed connectors. The increased use of joint logistics interoperability and leverage of new technologies will be crucial to sea basing. The concept focuses on "places" where the warfighter is not operating on bases, which gives the Navy the freedom to exploit and maneuver globally on the high seas. In many cases, these may be non-traditional operating areas. Sea basing will need to be a synchronized capability that's brought together as needed.

Q *How does the command ensure that the supply chain can meet surge requirements?*

A Your question really frames the mission of the logistics community. The DoD supply system is a global network of capability that brings together DoD and commercial capability to support the warfighter. We've tested the commercial vendors nationally to ensure that they could respond to a fleet sortie order within 96 hours.

For example, we rely heavily on the Defense Logistics Agency to satisfy our need for subsistence and clothing. Our extraordinary DLA teammate has established a global

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network of companies with proven capability, ready to supply units anywhere. Ships and submarines keep at least several weeks of food aboard. During our 2004 surge exercise, prime vendors were able to provide 98 percent of provisions for Navy customers.

The staging and movement of bombs or ordnance to our forward forces is the responsibility of the Naval Operational Logistics Support Center, a NAVSUP activity based in Norfolk, Va. NAVSUP is responsible for moving munitions to where they are needed, and we must respond to requisitions. NOLSC fully supports this endeavor, providing Navy and Marine Corps (aviation) non-nuclear ordnance life-cycle inventory management logistics support service.

When it comes to spare parts, my team manages a very complex supply chain. Navy, DLA, and commercial sector companies partner to position and replenish assets aboard our deployed units. To fund the supply chain to produce the desired output, we work closely with the fleet and the OPNAV [Office of the Chief of Naval Operations] staff to determine surge requirements and the necessary resource levels to achieve fleet supply readiness objectives.

Q *The basic concept of "Virtual SYSCOM" is one of shared goals and integrated operational concepts: a codified method that enables different Naval commands to work together to identify redundant processes and achieve numerous efficiencies in overall business management. How did the Virtual SYSCOM concept evolve?*

A In 2003, leadership from NAVSEA [Naval Sea Systems Command], NAVAIR [Naval Air Systems Command], SPAWAR [Space and Naval Warfare Systems Command], and NAVSUP came together to identify redundant processes and achieve numerous efficiencies in overall business management in support of the CNO's Sea Enterprise and Sea Power 21 goals and objectives.

Their goal was to collaborate in order to achieve cost-wise, integrated business and technical practices to better support the Navy. In 2004, the concept broadened, as cross-functional SYSCOM teams and "functional communities" were charged with examining their collective effectiveness, reducing their cost of doing business, and integrating their capabilities in a more seamless manner to better serve the warfighter.

The Virtual SYSCOM provides a consistent broad base of cost, technical, and programmatic support for shaping Navy investments that transcends individual commands and programs. The Virtual SYSCOM itself will be a center of excellence as it becomes a clearinghouse for sharing and promoting information on cross-SYSCOM efficiencies and best practices.

Q *And what's NAVSUP's role in the Virtual SYSCOM?*

A We now look at all logistics issues through a logistics partnership council, which was initiated by the Virtual SYSCOM and then expanded to include the fleet and Marines. This partnership will realize savings by identifying and streamlining common processes, standards, and policies.

Q *What is being done to ensure satisfactory relationships between NAVSUP and industry?*

A It's important that we always look for ways to leverage commercial capability to better manage the supply chain. Our supply chain management strategy necessitates that we work closely with our industry partners and employ their best practices.

For example, my team recently visited FedEx® facilities to look at best practices because the use of express transportation is a supply chain enabler.

The increased use of performance-based logistics contracts is an excellent example of NAVSUP's commitment to redefine traditional industry/government acquisition roles and responsibilities. Through performance-based logistics, a single supplier provides the materiel to meet

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a customer's requirements, without the intervention of, or need for, organic inventory managers or intervening storage, materiel handling, and transportation systems. At the same time, there's increased product availability, reliability, technology insertion, and obsolescence management at a lower total cost to the fleet customer and the Navy.

We're applying PBLs across the Navy weapons systems, and there's a deliberate process to identify and implement PBL opportunities, including a thorough business case analysis. Thus far, the experience with these efforts has been positive.

Q
What impact will remote sensing have on the supply chain?

A
We've joined with the DoD logistics community to embrace automated systems. Supply officers around the globe can track the use and re-supply status of repair parts, consumables, etc., while on board Navy ships, in port, or under way. We have begun to employ RFID [radio frequency identification] similar to the technology that Wal-Mart and the commercial sector are using. Plans are to integrate this automated capability into new and existing platforms. Tomorrow's Navy platforms, like the DD(X) [the U.S. Navy's future multi-mission surface combatant designed to deliver precision strike and fire support], will monitor the status of on-board repair parts, consumables, and sustainment by means of information systems using RFID—not just on board but from support centers ashore.

This distance support concept is key to successfully reducing crew sizes on the new ships that will be delivered in the next 10 to 15 years.

Q
What is NAVSUP doing to meet the just-in-time concept of supplies?

A
A just-in-time concept of support is one approach that can be used to deliver combat capability through logistics. The driver in selecting which method we use to provide support to our forces is the response timeframe required to meet the mission. Once we know what response is required, cost and rush factors are applied. In some cases, a just-in-time approach is best; in other cases, the rush/cost analysis will point us toward a positioned inventory solution. In all cases, we look to balance cost and response.

Q
How is NAVSUP working to support the Department of Navy's goal to standardize logistics across the Navy-Marine Corps team?

A
In 2003, the deputy CNO (fleet readiness and logistics) and the deputy commandant (installations and logistics) signed an agreement—a "terms of reference"—to integrate the two Services' logistics functions. The overall objective is to achieve a coordinated program that ensures naval logistics capabilities are used to their full potential in support of the fleets and forces under assignment to combatant commanders. Currently, there are 14 integration prototype initiatives grouped under requisition processing and supply support; information technology; materiel distribution and tracking; education and training; and operational logistics support.

Naval aviation logistics is a good example of Navy and Marine Corps integration. Almost every aspect of aviation support runs through common processes, whether it is readiness reporting or requisitioning a repair part. We use the same allowancing tools and run the same maintenance and supply information systems. This allows Blue/Green interoperability, regardless of whether it's a USMC Hornet Squadron flying off a carrier or a Navy squadron rotating through a Marine Corps Air Station in Japan. The shared support system works well today and is a good example of Marine Corps/Navy teaming.

Q
Adm. Stone, thank you for your time.

A
It's been a pleasure.