Achieving Desired Results with Less: Supply Chain Management

Vincent Feck, Colonel, USAF
Commander
DCMA Lockheed Martin Fort Worth
**Mission:** To provide Contract Administration Services to the Department of Defense Acquisition Enterprise and its partners to ensure delivery of quality products and services to the warfighter; on time and on cost

**Vision:** DoD’s leading experts in Quality Assurance; Cost, Schedule, and Supply Chain Predictability; and Contract Administration; enabling our partners to achieve contract objectives
Overview

- DoD’s Better Buying Power Objectives
- Cost of Quality
- Future DCMA Supply Chain Surveillance
Defense budget will be reduced automatically by about $500 billion by 2021
DoD Major Program Performance

- Major Program Cost Overruns
- Major Program Schedule Delays

Figure 1: Budget overruns continue to accelerate

y = 0.0175x - 34.827
R² = 0.8645

Figure 2: Schedule delays

Source: GAO analysis of DCO data.

ACQUISITION INSIGHT  GLOBAL ENGAGEMENT
Better Buying Power Objectives

- Deliver the warfighting capability we need for the dollars we have
- Get better buying power for warfighter and taxpayer
- Restore affordability to defense goods and services
- Improve defense industry productivity
- Remove government impediments to leanness
- Avoid program turbulence
- Maintain a vibrant and financially healthy defense industry

Obtain 2-3% net annual growth in warfighting capabilities without commensurate budget increase ($100 billion over next 5 years)
Quality and Supply Chain Management are key elements to improving productivity & driving out inefficiency
Why Focus on Cost of Poor Quality?

**Typical View**
- Profit
- Total Cost to sell, design, manufacture and deliver products

**Reality View**
- Profit
- COPQ
- Theoretical Costs

**Sales & Profit Erosion**

**A Better Way**
- Profit
- COPQ
- Theoretical Costs

**WHICH IS BETTER?**
As a company gains a broader definition of poor quality, the hidden portion of the iceberg becomes apparent:

- Customer Returns
- Inspection Costs
- Recalls
- Waste
- Rejects
- Rework
- Testing Costs

- Excessive Overtime
- Premium Freight Costs
- Customer Allowances
- Incorrectly Completed Sales Order
- Excess Inventory
- Unused Capacity
- Time with Dissatisfied Customer
- Excessive System Costs
- Complaint Handling
- Expenditures
- Excessive Field Services Expenses
- Lack of Follow-up on Current Programs
- Planning Delays
- Development Cost of Failed Product
- Excessive Employee Turnover
- Billing Errors
- Correcting Supplier Errors
- Excessive Field Services Expenses
- Overdue Receivables
- Excessive Employee Turnover
- Overdue Receivables
- Cancellation Charges
- Overtime
- Price Premiums
- Stock Outs/ Shortages
- Delayed Product Intro
- Equipment Downtime
- Parts Proliferation
- Supplier Switching
- Overtime
- Sorting
- Schedule Misses
- Expenditures
- Expediting
- Lost Production
- Special Inspection
- Duplications of Resources
- Scrap
- Rework
- Returns
- Non Conforming Material
Future DCMA Supply Chain Surveillance
Future DCMA Supply Chain Surveillance

- Supply chain risk assessments on all Surveillance Criticality Designator (SCD) A/B contracts
  - Initial assessment of prime contractor’s control systems
  - Past performance on like contracts
- Focus:
  - Applicable FAR/DFAR clauses
  - Applicable mgt system requirements (e.g. AS9100, ISO 9001)
  - Weapon System Code
  - Defense Priorities and Allocation Systems (DPAS) requirements
  - Surveillance Criticality Designation (SCD)
  - Special requirements (e.g. first article requirements)
  - Also, SOW, CDRLs and all applicable MOA and PBA
Future DCMA Supply Chain Surveillance

**Assess Risk**
1. Contractor System
2. Contract-Specific

**Assess Prime**
1. Procurement & Supply Chain systems
2. Scheduling accuracy
3. Sourcing strategy
4. Resources committed
5. Performance to plan
6. Continuous Improvement Process

**Monitor System Level**
1. Sourcing Strategy for materials & services
2. Supplier Qualification process
3. Procurement process (material flow)
4. Requirement Flow Down
5. Continuous Improvement Process

**Monitor Contract**
1. Supply Chain Mapping
2. Supply Chain Mfg Readiness
3. Material Records Management
4. DPAS Rated Order Surveillance
5. Supplier Performance Assessment
6. Delivery Analysis
• Assessment process to gather information about prime contractor’s supply chain performance

• Provides independent analysis regarding:
  • Supply chain risk levels
  • Supplier subcontractor performance through acquisition process

• Promotes the delivery of products & services within technical, schedule and cost expectations & …

Supports Department’s Better Buying Power Objectives