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## **DOD'S HIGH-RISK AREAS**

# **Observations on DOD's Progress and Challenges in Strategic Planning for Supply Chain Management**

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Highlights of [GAO-10-929T](#), a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

The Department of Defense's (DOD) management of its supply chain network is critical to supporting military forces in Iraq, Afghanistan, and elsewhere and also represents a substantial investment of resources. As a result of weaknesses in DOD's management of supply inventories and responsiveness to warfighter requirements, supply chain management is on GAO's list of high-risk federal government programs and operations. In July 2010, DOD issued a new *Logistics Strategic Plan* that represents the department's current vision and direction for supply chain management and other logistics areas.

Today's testimony draws from GAO's prior related work and observations from an ongoing review of DOD supply chain management, and, as requested, will (1) describe DOD's prior strategic planning efforts in the area of logistics, (2) highlight key elements in the new *Logistics Strategic Plan*, and (3) discuss opportunities for improvement in future iterations of this plan. In conducting its ongoing audit work, GAO reviewed the *Logistics Strategic Plan*, compared elements in the plan with effective strategic planning practices, and met with cognizant officials from DOD, the military services, and other DOD components as appropriate.

[View GAO-10-929T](#) or [key components](#).

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## DOD'S HIGH-RISK AREAS

### Observations on DOD's Progress and Challenges in Strategic Planning for Supply Chain Management

#### What GAO Found

Prior to the publication of its new *Logistics Strategic Plan*, DOD issued a series of strategic planning documents for logistics over a period of several years. In 2008, DOD released its *Logistics Roadmap* to provide a more coherent and authoritative framework for logistics improvement efforts, including supply chain management. While the roadmap discussed numerous ongoing initiatives and programs that were organized around goals and joint capabilities, it fell short of providing a comprehensive, integrated strategy for logistics. GAO found, for example, that the roadmap did not identify gaps in logistics capabilities and that DOD had not clearly stated how the roadmap was integrated into DOD's logistics decision-making processes. GAO's prior work has shown that strategic planning is the foundation for defining what an agency seeks to accomplish, identifying the strategies it will use to achieve desired results, and then determining how well it succeeds in reaching results-oriented goals and achieving objectives. DOD said that it would remedy some of the weaknesses GAO identified in the roadmap.

The July 2010 *Logistics Strategic Plan*, which updates the roadmap, is DOD's most recent effort to provide high-level strategic direction for future logistics improvement efforts, including those in the area of supply chain management. The plan provides unifying themes for improvement efforts, for example, by including a logistics mission statement and vision for the department, and it presents four goals for improvement efforts with supporting success indicators, key initiatives, and general performance measures. One goal focuses specifically on supply chain processes. The plan is aligned to and reiterates high-level departmentwide goals drawn from both the 2010 *Quadrennial Defense Review* and the 2009 *Strategic Management Plan* for business operations. Key initiatives in the plan appear to focus on issues that GAO has identified as needing management attention.

While the *Logistics Strategic Plan* contains some of the elements necessary for strategic planning, it lacks some detailed information that would benefit decision makers and guide DOD's logistics and supply chain improvement efforts. The plan lacks specific and clear performance measurement information (such as baseline or trend data for past performance, measurable target-level information, or time frames for the achievement of goals or completion of initiatives), definition of key concepts, identification of problems and capability gaps, and discussion of resources needed to achieve goals. Further, linkages to other plans and some key related activities under way within logistics are unclear, and it is similarly unclear how the plan will be used within the existing governance framework for logistics. Without more specific information in the *Logistics Strategic Plan*, it will be difficult for DOD to demonstrate progress in addressing supply chain management problems and provide Congress with assurance that the DOD supply chain is fulfilling the department's goal of providing cost-effective joint logistics support for the warfighter.

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the Department of Defense's (DOD) progress and challenges in developing a strategic plan to resolve long-standing problems with supply chain management. DOD manages a vast and complex supply chain network—providing everything from spare parts and base support items to food and fuel—that is vital to supporting operations and maintaining readiness. As you are aware, supply chain management is critical to supporting military forces in Iraq, Afghanistan, and elsewhere, and it also represents a substantial investment of resources. While there are many aspects to supply chain management, at its essence it is the operation of a continuous and comprehensive logistics process, from the initial customer order of materials or services to the ultimate satisfaction of the customer's requirements. DOD's goal is to provide effective and efficient supply chain management and to deliver the right items to the right place at the right time.

As a result of weaknesses in DOD's management of supply inventories and responsiveness to warfighter requirements, supply chain management has been on our list of high-risk federal government programs and operations since 1990. We initially focused on inventory management and later determined that concerns extended to other aspects of the supply chain, including requirements forecasting, asset visibility, and materiel distribution.<sup>1</sup> For many years, DOD has recognized a need to improve logistics support and supply chain management, and has issued a series of planning documents, including strategies, vision statements, and roadmaps. Earlier this month, the Office of the Secretary of Defense (OSD) issued DOD's new *Logistics Strategic Plan* that represents the department's current vision and direction for supply chain management and other logistics areas.<sup>2</sup> DOD intends to update this plan annually.

In our statement today, we will (1) describe DOD's prior logistics-related strategic planning efforts, (2) highlight key elements in DOD's new *Logistics Strategic Plan*, and (3) discuss opportunities for improvement in

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<sup>1</sup>GAO, *High-Risk Series: An Update*, [GAO-09-271](#) (Washington, D.C.: January 2009); *High-Risk Series: An Update*, [GAO-07-310](#) (Washington, D.C.: January 2007); and *High-Risk Series: An Update*, [GAO-05-207](#) (Washington, D.C.: January 2005).

<sup>2</sup>Department of Defense, Office of the Secretary of Defense, Principal Deputy Assistant Secretary of Defense for Logistics and Materiel Readiness, *Department of Defense Logistics Strategic Plan*, July 2010.

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future iterations of this plan. Our statement is based both on previous GAO work and observations from our ongoing review of DOD's efforts to improve supply chain management. In our ongoing review, which is being performed under the authority of the Comptroller General to conduct evaluations on his own initiative, we interviewed DOD and component officials to discuss the development of the *Logistics Strategic Plan* and reviewed relevant documents, such as current DOD-wide and service-level plans and strategies. We also compared elements in the plan to practices found in effective strategic planning that we have identified in previous work. This work is being performed in accordance with generally accepted government auditing standards.<sup>3</sup>

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## Background

Before addressing these issues in detail, we would like to review two primary reasons why effective and efficient supply chain management is important for DOD. First, supply support to the warfighter affects readiness and military operations. In fact, the supply chain is a critical link in determining outcomes on the battlefield and can affect the military's ability to meet national security goals. We previously reported on problems with supply distribution support in Iraq, including shortages of critical supply items and weaknesses in requirements forecasting, asset visibility, and distribution. DOD took steps to address such issues, for example, by establishing a joint deployment and distribution operations center to coordinate the flow of materiel into the theater. Second, given the high demand for goods and services to support ongoing U.S. military operations, the investment of resources in the supply chain is substantial. DOD spends billions of dollars to purchase, manage, store, track, and deliver supplies. It is particularly important that these substantial resources are effectively and efficiently invested in light of the nation's current fiscal environment. In fact, the Secretary of Defense has recently stated that given the nation's difficult economic circumstances and fiscal condition, DOD will need to reduce overhead costs and transfer those savings to force structure and modernization priorities.<sup>4</sup>

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<sup>3</sup>Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

<sup>4</sup>Remarks delivered by Secretary of Defense Robert M. Gates in Abilene, Kansas (May 8, 2010).

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Congressional interest has likewise focused attention on areas within DOD's logistics portfolio that are in need of improvement. One such area is inventory management. The Fiscal Year 2010 National Defense Authorization Act requires DOD to prepare a comprehensive plan for improving the inventory management systems of the military departments and the Defense Logistics Agency (DLA), with the objective of reducing the acquisition and storage of secondary inventory that is excess to requirements. We understand that DOD is finalizing the development of its comprehensive plan and expects to release that plan later this year.

As noted earlier, DOD supply chain management has been designated by GAO as a high-risk area. GAO's high-risk designation is intended to place special focus on programs and functions that need sustained management attention in order to resolve identified problems. We have reported that in order to successfully resolve supply chain management problems, DOD needs to sustain top leadership commitment and long-term institutional support for its strategic planning efforts for supply chain management, obtain necessary commitments for its initiatives from the military services and other DOD components, make substantial progress in implementing improvement initiatives and programs across the department, and demonstrate progress in achieving the objectives identified in supply chain management-related strategic planning documents. We have also encouraged DOD to develop an integrated, comprehensive plan for improving logistics. While we have previously noted progress DOD has made toward improving some aspects of supply chain management, demonstrating sustained improvement has been a continuing challenge due in part to a lack of outcome-oriented performance measures that are consistent across the department and that are linked to focus areas, such as requirements forecasting, asset visibility, and materiel distribution, and related initiatives.<sup>5</sup>

In addition, successful resolution of weaknesses in supply chain management depends on improvements in some of DOD's other high-risk areas. For example, modernized business systems and the related

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<sup>5</sup>For our prior statements on supply chain management, see GAO, *DOD's High-Risk Areas: Efforts to Improve Supply Chain Can Be Enhanced by Linkage to Outcomes, Progress in Transforming Business Operations, and Reexamination of Logistics Governance and Strategy*, [GAO-07-1064T](#) (Washington, D.C.: July 10, 2007); *DOD's High-Risk Areas: Challenges Remain to Achieving and Demonstrating Progress in Supply Chain Management*, [GAO-06-983T](#) (Washington, D.C.: July 25, 2006); and *DOD's High-Risk Areas: High-Level Commitment and Oversight Needed for DOD Supply Chain Plan to Succeed*, [GAO-06-113T](#) (Washington, D.C.: Oct. 6, 2005).

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investments in needed information technology are essential to the department's effort to achieve total asset visibility, an important supply chain management issue. Regarding financial management, we have repeatedly reported that weaknesses in business management systems, processes, and internal controls not only adversely affect the reliability of reported financial data but also the management of DOD operations. Such weaknesses have adversely affected the ability of DOD to control costs, ensure basic accountability, anticipate future costs and claims on the budget, measure performance, maintain funds control, and prevent fraud.

DOD's new *Logistics Strategic Plan* is intended to support other recent strategic planning efforts in the department, including the completion of the 2010 *Quadrennial Defense Review* and the publication of the 2009 *Strategic Management Plan*.<sup>6</sup> The *Quadrennial Defense Review* is a congressionally mandated report that provides a comprehensive examination of the national defense strategy, force structure, force modernization plans, infrastructure, budget plan, and other elements of defense programs and policies. The review is to occur every 4 years, with a view toward determining and expressing the nation's defense strategy and establishing a defense program for the next 20 years. Also in response to legislative requirements, DOD issued the *Strategic Management Plan* in 2008 and updated it in 2009. The *Strategic Management Plan* serves as DOD's strategy for improving its business operations, and describes the steps DOD will take to better integrate business with the department's strategic planning and decision processes in order to manage performance.

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<sup>6</sup>Office of the Secretary of Defense, *Quadrennial Defense Review Report* (February 2010), and Office of the Deputy Chief Management Officer, *Strategic Management Plan* (July 31, 2009).

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## Prior DOD Logistics Planning Efforts Identified Goals and Initiatives but Fell Short of Providing a Comprehensive, Integrated Strategy

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### Sound Strategic Planning Is Critical to an Agency's Results-Oriented Management

A key starting point in developing and implementing an effective results-oriented management framework is an agency's strategic planning effort. Our prior work has shown that strategic planning is the foundation for defining what the agency seeks to accomplish, identifying the strategies it will use to achieve desired results, and then determining how well it succeeds in reaching results-oriented goals and achieving objectives. Developing a strategic plan can help clarify organizational priorities and unify the agency's staff in the pursuit of shared goals. If done well, strategic planning is continuous, provides the foundation for the most important things the organization does each day, and fosters informed communication between the organization and its stakeholders. Combined with effective leadership, strategic planning provides decision makers with a framework to guide program efforts and the means to determine if these efforts are achieving the desired results.

The Government Performance and Results Act (GPRA) and associated guidance from the Office of Management and Budget (OMB)<sup>7</sup> require, among other things, that government agencies periodically develop agencywide strategic plans that contain certain necessary elements to be used by the agency and external stakeholders in decision making. Furthermore, recent OMB guidance concerning GPRA-related strategic plans stated that such a strategic plan should also provide sufficient context to explain why specific goals and strategies were chosen.<sup>8</sup> The

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<sup>7</sup>Government Performance and Results Act of 1993, Pub. L. No 103-62 (1993), and OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget* (Aug. 7, 2009).

<sup>8</sup>OMB Memorandum M-10-24, *Performance Improvement Guidance: Management Responsibilities and Government Performance and Results Act Documents* (June 25, 2010).

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strategic planning requirements of GPRA and its implementation guidance generally only apply to agencywide strategic plans.<sup>9</sup>

While GPRA does not apply to DOD's *Logistics Strategic Plan*, our prior work has identified many of GPRA's requirements as the foundation for effective strategic planning. Our prior work has shown that organizations conducting strategic planning need to develop a comprehensive, results-oriented management framework to provide an approach whereby program effectiveness is measured in terms of outcomes or impact, rather than outputs, such as activities or processes. Such a framework includes critical elements such as a comprehensive mission statement, long-term goals, strategies to achieve the goals, use of measures to gauge progress, identification of key external factors that could affect the achievement of goals, a description of how program evaluations will be used, and stakeholder involvement in developing the plan. DOD internally has recognized the importance of these critical elements. For example, the Office of the Assistant Secretary of Defense for Logistics and Materiel Readiness directed each of the services to conduct strategic planning for depot maintenance and to submit plans that focus on achieving DOD's strategy. The services were directed to include in their depot maintenance plans many of the same strategic planning elements just mentioned.<sup>10</sup> In addition, we have reported that a strategic planning process should align lower-level goals and measures with departmentwide goals and measures, assign accountability for achieving results, be able to demonstrate results and provide a comprehensive view of performance, and link resource needs to performance. Further, such a strategic planning process and the resulting plan should set strategic direction, prioritize initiatives and resources, establish investment priorities and guide key resource decisions, and monitor progress through the establishment of performance goals and measures. Finally, we found in previous work that DOD's prior strategic planning efforts for logistics lacked information necessary to be more useful tools for senior leaders, such as the inclusion of identified logistics problems, performance measures, and a method for integrating plans into existing decision-making processes.

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<sup>9</sup>DOD views the *Quadrennial Defense Review* as fulfilling the requirement for an agency strategic plan.

<sup>10</sup>See, for example, GAO, *Depot Maintenance: Improved Strategic Planning Needed to Ensure That Air Force Depots Can Meet Future Maintenance Requirements*, [GAO-10-526](#) (Washington, D.C.: May 14, 2010).



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## DOD Has Issued Prior Strategic Plans on Logistics and Supply Chain Management

Over a number of years prior to the publication of its *Logistics Strategic Plan*, DOD issued a series of strategic planning documents for logistics and the management of its supply chain. These plans have differed in scope and focus, although they have typically included a number of high-level goals and related initiatives. For example, for a period of several years beginning in the mid-1990s, DOD issued a series of strategic plans for logistics. Later, the 2004 DOD *Logistics Transformation Strategy* attempted to reconcile several of DOD's ongoing logistics approaches, namely focused logistics, force-centric logistics enterprise, and sense and respond logistics.<sup>11</sup> In 2005, DOD issued the first iteration of its *Supply Chain Management Improvement Plan* to address some of the systemic weaknesses that were highlighted in our reports. That same year, DOD produced its *Focused Logistics Roadmap*, which catalogued current (“as is”) efforts and initiatives.

Building on the “as is” *Focused Logistics Roadmap*, DOD recognized the need for a comprehensive, integrated strategy for transforming logistics and released its *Logistics Roadmap* in July 2008 to provide a more coherent and authoritative framework for logistics improvement efforts, including supply chain management.<sup>12</sup> DOD indicated that the roadmap would be a “living” document and that future updates would incorporate new initiatives and programs, report progress toward achieving logistics capability performance targets, and help connect capability performance targets to current and planned logistics investment for an overarching view of DOD's progress toward transforming logistics.

The roadmap documented numerous initiatives and programs that were then under way and organized these around goals, joint capabilities, and objectives. However, we found that the roadmap was missing information that would make it more useful for DOD's senior leaders.<sup>13</sup> First, it did not

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<sup>11</sup>Focused logistics was a concept for force transformation developed by the Joint Chiefs of Staff that identified logistics challenges and capabilities needed to meet the challenges. Force-centric logistics enterprise was an OSD concept for enhancing support to the warfighter that encompassed six initiatives. Sense and respond logistics was a future logistics concept developed by the department's Office of Force Transformation that envisioned a networked logistics system that would provide joint strategic and tactical operations with predictive, precise, and agile support.

<sup>12</sup>Office of the Secretary of Defense, Deputy Under Secretary of Defense for Logistics and Materiel Readiness, *Department of Defense Logistics Roadmap*, July 2008.

<sup>13</sup>GAO, *Defense Logistics: Lack of Key Information May Impede DOD's Ability to Improve Supply Chain Management*, [GAO-09-150](#) (Washington, D.C.: Jan. 12, 2009).

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identify the scope of DOD's logistics problems or gaps in logistics capabilities. Second, it lacked outcome-based performance measures that would enable DOD to assess and track progress toward meeting stated goals and objectives. Third, DOD had not clearly stated how it intended to integrate the roadmap into DOD's logistics decision-making processes or who within the department was responsible for this integration. A comprehensive, integrated strategy that includes these three elements is critical, in part, because of the diffuse organization of DOD logistics, which is spread across multiple DOD components with separate funding and management of logistics resources and systems. Moreover, we stated that without these elements, the roadmap would likely be of limited use to senior DOD decision makers as they sought to improve supply chain management and that DOD would have difficulty fully tracking progress toward meeting its goals.

To address these weaknesses, we recommended that DOD include in future updates of its *Logistics Roadmap* the elements necessary to have a comprehensive, integrated strategy for improving logistics and to clearly state how this strategy would be used within existing decision-making processes. Specifically we recommended that DOD

- identify the scope of logistics problems and capability gaps to be addressed through the roadmap and associated efforts;
- develop, implement, and monitor outcome-focused performance measures to assess progress toward achieving the roadmap's objectives and goals; and
- document specifically how the roadmap will be used within the department's decision-making processes used to govern and fund logistics and who will be responsible for its implementation.

DOD officials concurred with our recommendations and stated that they planned to remedy some of these weaknesses in their follow-on efforts to the roadmap. DOD officials subsequently stated that they had begun a series of assessments of the objectives included in the roadmap in order to identify capability gaps, shortfalls, and redundancies and to recommend solutions. As part of this assessment process, DOD officials stated that supply, maintenance, deployment, and distribution managers had been tasked with determining which specific outcome-oriented performance metrics could be linked to each of the objectives and goals within the roadmap in order to assess progress toward achieving desired results. DOD officials said that the results of these assessments would be included in the next version of the roadmap, which was scheduled for release in 2009. DOD further stated that a joint Executive Advisory Committee made

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up of senior leaders responsible for implementing logistics programs and initiatives had been established to guide the roadmap process to ensure that it is a useful tool in decision making.

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## DOD's 2010 *Logistics Strategic Plan* Provides High-Level Strategic Direction

The 2010 *Logistics Strategic Plan* is DOD's most recent effort to provide high-level strategic direction for future logistics improvement efforts, including those in the area of supply chain management. According to DOD officials, the plan serves as an update to the 2008 *Logistics Roadmap*. They further explained that the plan is an effort to identify the enduring and ongoing logistics efforts within the department and provide a good balance between the need for specificity and generality, without the level of detail included in the prior roadmap and with a broader scope than that provided in the *Supply Chain Management Improvement Plan*.

The *Logistics Strategic Plan* articulates the department's logistics mission and vision.<sup>14</sup> The plan further states that to continue improving logistics support to the warfighter, it is essential that all elements of DOD's logistics community take steps to better integrate logistics with strategic planning and decision processes and to manage logistics performance. To drive the department's logistics enterprise toward that end, the plan includes goals, key initiatives, and some information on how DOD plans to track progress, including general performance measures. Through the inclusion of these elements, the plan provides unifying themes for improvement efforts.

The *Logistics Strategic Plan* reiterates high-level department goals drawn from both the *Quadrennial Defense Review* and the *Strategic Management Plan*. For example, the *Logistics Strategic Plan* incorporates two of the *Strategic Management Plan's* business priorities: support contingency business operations to enhance support to the deployed warfighter and reform the department's acquisition and support processes. In addition, the *Logistics Strategic Plan* contains four logistics goals:

Goal 1: Provide logistics support in accordance with warfighter requirements.

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<sup>14</sup>According to the plan, DOD's logistics mission is to provide globally responsive, operationally precise, and cost-effective joint logistics support for the projection and sustainment of America's warfighters. The logistics vision is to have a logistics enterprise ready to support any combination of combat, security, engagement, and relief and reconstruction operations.

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Goal 2: Institutionalize operational contract support.

Goal 3: Ensure supportability, maintainability, and costs are considered throughout the acquisition cycle.

Goal 4: Improve supply chain processes, synchronizing from end-to-end and adopting challenging but achievable standards for each element of the supply chain.

The plan lists 30 key initiatives related to the four logistics goals. According to a senior DOD official, the initiatives were selected based on the determination of officials within the Office of Assistant Secretary of Defense for Logistics and Materiel Readiness and were subsequently provided to the military services for review. In our review of the plan, we noted that key initiatives appear to focus on issues that we have identified as needing management attention. For example, our prior work on warfighter and logistics support in Iraq and Afghanistan has identified issues that directly relate to initiatives that support Goal 1—provide logistics support in accordance with warfighter requirements. We recently testified that DOD has taken steps to improve distribution of materiel to deployed forces in Afghanistan; however, we found several challenges that included difficulties with transporting cargo through neighboring countries and around Afghanistan, limited airfield infrastructure, and lack of full visibility over cargo movements.<sup>15</sup> The *Logistics Strategic Plan* contains an initiative to facilitate logistics support for Afghanistan, including interagency coordination and development of transportation and distribution alternatives, as needed. In addition, our work has also raised concerns about the lack of risk assessments conducted for DOD’s Civil Reserve Air Fleet program, and DOD’s management of the program has not provided air carrier participants with a clear understanding of some critical areas of the program. DOD’s *Logistics Strategic Plan* includes a related initiative.<sup>16</sup>

With regard to Goal 2—institutionalize operational contract support—we have issued reports over a period of many years on progress and problems

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<sup>15</sup>GAO, *Warfighter Support: Preliminary Observations on DOD’s Progress and Challenges in Distributing Supplies and Equipment to Afghanistan*, [GAO-10-842T](#) (Washington, D.C.: June 25, 2010).

<sup>16</sup>GAO, *Military Airlift: DOD Should Take Steps to Strengthen Management of the Civil Reserve Air Fleet Program*, [GAO-09-625](#) (Washington, D.C.: Sept. 30, 2009).

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with contract support during contingency operations. We testified in March 2010 that DOD had taken steps to institutionalize operational contract support by appointing a focal point to lead efforts, issuing guidance, and beginning to determine its reliance on contractors; but we also identified ongoing challenges associated with contractor support. These challenges include inadequate oversight and management of contractors, providing training on how to work effectively with contractors during operations, ensuring proper screening of local and third-country nationals, compiling reliable data on the number of contractors supporting U.S. forces in contingencies, and identifying contractor requirements.<sup>17</sup>

Our prior work related to Goal 3—ensure supportability, maintainability, and costs are considered throughout the acquisition cycle—includes reviews of weapon system life cycle management, depot maintenance, and sustainment costs. For example, while we have noted that DOD has placed increased emphasis on life cycle management, we reported recently that DOD lacks key information on weapon system operating and support costs and therefore may not be well-equipped to analyze, manage, and ultimately reduce these costs.<sup>18</sup>

Although all four goals of the *Logistics Strategic Plan* have aspects relating to supply chain management, Goal 4 explicitly addresses the need to improve supply chain processes. DOD identifies four success indicators and three performance measures for this goal. The success indicators address both the efficiency and effectiveness of DOD’s supply chain management. For example, one success indicator states that enterprisewide solutions for the management of inventories and services will optimize total supply chain costs, and another states that effective demand planning will increase forecast accuracy and reduce costs. The performance measures, which are listed separately from the success indicators, include the percent of negotiated time definite delivery standards met globally (by combatant command), the percent of actual

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<sup>17</sup>GAO, *Warfighter Support: Continued Actions Needed by DOD to Improve and Institutionalize Contractor Support in Contingency Operations*, [GAO-10-551T](#) (Washington, D.C.: Mar. 17, 2010).

<sup>18</sup>GAO, *Defense Management: DOD Needs Better Information and Guidance to More Effectively Manage and Reduce Operating and Support Costs of Major Weapon Systems*, [GAO-10-717](#) (Washington, D.C.: July 20, 2010).

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demand compared to forecasted demand,<sup>19</sup> and number of days of customer wait time (time from submission of order to receipt of order) by lift area. The *Logistics Strategic Plan* lists 12 key initiatives that support Goal 4. The key initiatives focus on, among others issues, life cycle forecasting, the distribution process, automatic identification technology, and the department's human capital strategy for logistics personnel. We have reported on some of these issues. For example, we reported in 2009 that DOD has taken steps to implement automatic identification technologies, such as item unique identification and passive radio frequency identification, to identify and track equipment and supplies, but has experienced difficulty in fully demonstrating return on investment to the military services responsible for implementation.<sup>20</sup>

The *Logistics Strategic Plan* also includes some information on how DOD plans to track progress. The plan lists success indicators and performance measures under each goal, and it states that the plan will be implemented by following the performance management framework found in the *Strategic Management Plan*. This framework contains six steps: plan, set targets, cascade measures, align processes, assess and report, and correct. By modeling the performance management framework of the *Logistics Strategic Plan* after that of the broader *Strategic Management Plan*, DOD officials expect that this alignment will naturally have a complementary, behavior-shaping influence on organizations subject to both plans.

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<sup>19</sup>Although not noted as such in the *Logistics Strategic Plan*, the performance measure for the percent of actual demand compared to forecasted demand is described as under development in the *Strategic Management Plan*.

<sup>20</sup>[GAO-09-150](#).

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## *Logistics Strategic Plan Lacks Specificity Regarding Strategies and Time Frames*

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### Plan Lacks Detailed Information in Several Areas

Although the *Logistics Strategic Plan* contains some key elements of an effective strategic plan and provides unifying themes for improvement efforts, it lacks detailed information regarding strategies and time frames that would help to specify how and when goals will be achieved. In our review of Goal 4, which focuses on supply chain processes, we found that detailed information was lacking in several areas, which may limit the plan's usefulness as a tool for decision makers, including:

- **Performance measurement information.** While the plan presents three performance measures associated with Goal 4, it lacks baseline or trend data for past performance, measurable target-level information, or time frames for the achievement of goals or completion of initiatives. These are among the characteristics of successful performance measures that we have identified in our prior work.<sup>21</sup> Such elements are needed to monitor the progress of implementation efforts and to determine how far DOD and its components must go to achieve success. In addition, there is not a clear linkage between the three measures and the success indicators or key initiatives under Goal 4. A senior DOD official stated that the performance measures in Goal 4 were included to present information about the overall functioning of the supply chain rather than specific improvement efforts.
- **Key concepts.** Some concepts in the plan express broad, positive ideas but are not fully defined. For example, Goal 4 states that processes should be “synchronized end-to-end,” and a success indicator states that supply chain costs should be “optimized.” The plan, however, does not define what aspects of the supply chain need further synchronization, how costs should be further optimized, or

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<sup>21</sup>GAO, *Agency Performance Plans: Examples of Practices That Can Improve Usefulness to Decisionmakers*, GAO/GGD/AIMD-99-69 (Washington, D.C.: Feb. 26, 1999), and *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, [GAO-03-143](#) (Washington, D.C.: Nov. 22, 2002).

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how DOD will gauge progress in these efforts.

- **Problems and capability gaps.** The plan does not include a discussion about overall departmentwide or DOD component-specific logistics problems or challenges, nor does it indicate the extent or severity of any identified capability gaps. Such information is necessary to establish a clear and common understanding of what problems and gaps the plan is trying to address. For example, the plan does not discuss logistics problems encountered during operations in Iraq and Afghanistan. We raised a similar concern about the 2008 *Logistics Roadmap*.
- **Resource needs.** The plan does not discuss resources needed to implement improvement efforts. As noted, an effective strategic planning process should be able to link resource needs to performance, prioritize initiatives and resources, establish investment priorities, and guide key resource decisions.

In the absence of more detailed information in these areas, the usefulness of the *Logistics Strategic Plan* for decision making may be limited. Measuring performance, for example, allows for tracking progress toward goals and gives managers crucial information on which to base their decisions. In addition, if the plan included information on problems, capability gaps, and resource needs, managers could use the plan as a basis for establishing priorities for formulating, funding, and implementing corrective actions. DOD has recognized the need to include some of this information, and the plan states DOD's intent to establish baseline performance and then measure that performance against interim targets through an annual assessment process.

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### Plan Does Not Show Explicit Links with Related Supply Chain Management Plans and Activities

Although the *Logistics Strategic Plan* is linked to some broader strategic plans, it does not show explicit links with other strategic plans of supply chain or logistics defense components, and the link between that plan and some major logistics activities is not clear. These plans and activities could have a major role in shaping future logistics capabilities and functions. Some DOD components have issued their own strategic plans, but the linkages between the logistics-related issues in those plans and the *Logistics Strategic Plan* are not transparent. DOD states in the *Logistics Strategic Plan* that the combatant commands, military departments, and defense agencies should review and revise their respective strategic plans and associated goals, objectives, measures, and targets to reflect the *Logistics Strategic Plan's* broader priorities. Moreover, DOD indicates



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that logistics leaders at the component level may find it necessary to realign operations and organizational structures to better integrate functional activities with larger end-to-end processes. However, the mechanism for ensuring that needed changes are made is not specified.

Further, the plan does not reflect some activities and information that could affect supply chain management. For example, the military services have ongoing supply chain management improvement efforts under way; however, there is no explicit mention of these service-level efforts or goals, initiatives, or measures, even though the services have important responsibilities for carrying out logistics and supply chain functions. In addition, officials from various components stated that the Joint Supply Joint Integrating Concept, co-led by the Joint Staff and DLA, is a major ongoing effort. However, this concept is not discussed in the *Logistics Strategic Plan*. The purpose of this concept is to guide development and employment of future joint supply capabilities.

It is not clear how the *Logistics Strategic Plan* will be used within the existing logistics governance framework to assist decision makers and influence resource decisions and priorities. For example, the plan states that the Joint Logistics Board and executive-level functional logistics governance bodies play critical roles in providing oversight and guidance to implementation of the *Logistics Strategic Plan*. While the Joint Logistics Board and other bodies may play critical roles in DOD's supply chain management improvement efforts, their roles are not defined in the plan. In addition, the organizations responsible for key initiatives included in the plan are not identified.

Similarly, the plan does not clearly define how oversight of plan implementation will occur. The plan briefly mentions the development of a Logistics Strategic Management Report that, along with a management dashboard of measures maintained by the Under Secretary of Defense for Acquisition, Technology and Logistics, will be used to report progress. However, the specific process or responsibilities for ensuring that corrective actions are taken in response to underperformance are not detailed in the plan. DOD officials stated that corrective actions are the responsibility of process or activity owners, while the responsibilities defined in the *Logistics Strategic Plan* include "implement corrective actions" as a responsibility of the Assistant Secretary of Defense for Logistics and Materiel Readiness. In its description of performance management, the plan states that accountable individuals will identify and implement corrections. Lastly, budget development is an important aspect of the existing governance framework, yet DOD has not shown how the

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plan will be used to help shape logistics budgets developed departmentwide or by individual components.

In conclusion, strategic plans need to remain at a high enough level to provide a clear vision and direction for improvement, but without more specific information in the *Logistics Strategic Plan*, it will be difficult for DOD to demonstrate progress in addressing supply chain management problems and provide Congress with assurance that the DOD supply chain is fulfilling the department's goal of providing cost-effective joint logistics support for the warfighter.

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Mr. Chairman, this concludes our prepared remarks. We would be happy to answer any questions you or other Members of the Subcommittee may have at this time.

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## Contacts and Acknowledgments

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