Federal Aviation Administration

Logistics Center

strategic plan

2003 - 2007

Presidential Award for Management Excellence, 2002

Introduction

Purpose

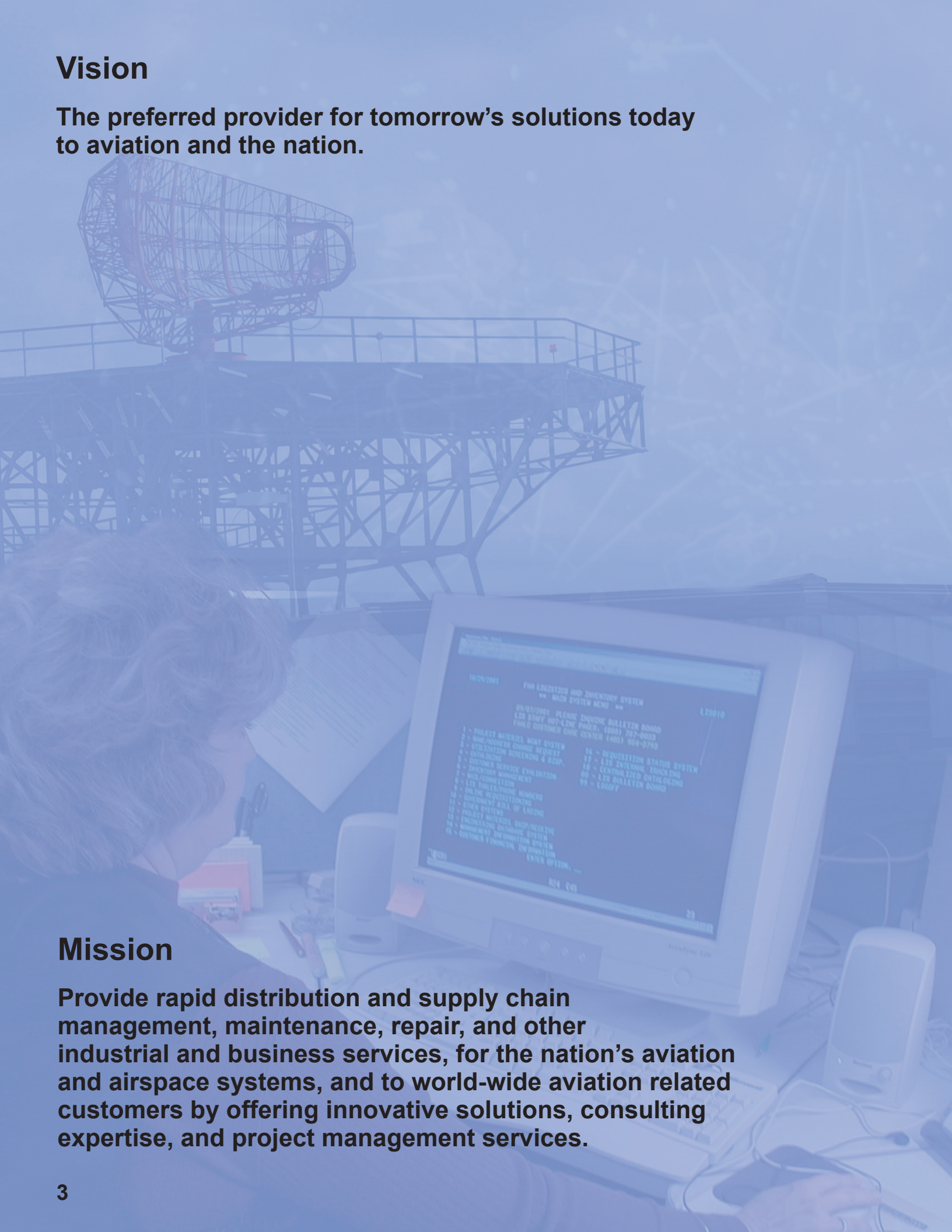
The Federal Aviation Administration (FAA) Logistics Center Strategic Plan describes the strategic direction and business focus for the next five years within the FAA. The Logistics Center is organizationally aligned under the Mike Monroney Aeronautical Center and the Assistant Administrator for Region and Center Operations. As is the case with many organizations that are part of a larger government Agency, strategic priorities may change with little notice due to factors beyond our control or influence. Envisioning the future is never easy under these circumstances, however, it is always challenging.

Process

Consistent with our commitment to continuous improvement in all areas of the Logistics Center, the strategic planning process was modified with the objective of enhancing the usefulness and applicability of this plan. The primary planning team, comprised of the senior managers, mid- level supervisors, and non-supervisory employees conducted pre-planning research and analysis in order to develop a Strategic Planning Model, and to revise the planning process. An Executive Strategic Planning Team was commissioned with membership comprised of Logistics Center Managers, Union representatives, and Center of Excellence representatives. The Executive Strategic Planning Team reviewed the FAA Strategic Plan, primary customers' strategic plans, and even some potential competitors' strategic plans to assess external factors and ensure consistency with the Agency's strategic direction. A comprehensive analysis of future workload demand, completed by the Logistics Center Business Systems Group, was used extensively by the support group to predict future markets for Logistics Center services. The Strategic Planning Executive Team also utilized feedback from internal users. The feedback identified gaps in the previous plan that, if filled, would improve the plan's value as a framework for supplemental business plans developed by the Logistics Center divisions, groups, and teams.

Vision

The preferred provider for tomorrow's solutions today to aviation and the nation.



Mission

Provide rapid distribution and supply chain management, maintenance, repair, and other industrial and business services, for the nation's aviation and airspace systems, and to world-wide aviation related customers by offering innovative solutions, consulting expertise, and project management services.

Organizational Values

We Believe In and Are Committed To...

- **Results Oriented –** The Logistics Center constantly drives for results and success. We drive issues to closure, persist despite obstacles and opposition, and maintain a high energy level. Our employees readily put in the needed time and effort to achieve results.
- **Innovation –** The future of the Logistics Center is assured only as long as it welcomes and rewards innovation, creativity, and resourcefulness. We recognize "trial and error" as being elements of innovation and continuous improvement. Innovation has been the cause of success for the Logistics Center.
- **Customer –** Customer Service is our driving force. Our wish is to continually strive to satisfy our customer by delivering results, providing quality products and services, and exceeding our customers' expectations.
- **Quality –** We provide the best quality in all of our products and services. Our goal is to exceed industry benchmarks.
- **People –** People are our most important resource. We respect the individual's dignity and value their contributions. We invest in training and education to give our employees the tools to make the Logistics Center a world-class organization.
- **Teamwork and Collaboration –** The Logistics Center provides a positive and challenging environment that supports the achievement of mission goals and fosters team spirit. We are partners with our customers, stakeholders, suppliers, and are committed to union/management partnerships.
- **Integrity and Openness –** The Logistics Center values trust, sincerity, honesty, and candor in relationships both personally and organizationally. We encourage our employees to express ideas, opinions, and thoughts in an honest and genuine manner.
- **Corporate Citizenship –** The Logistics Center values a positive corporate image and is sensitive to our corporate responsibilities to the community. We actively participate and support community involvement.

Organizational Values Will Be Achieved Because We Strive to Achieve...

- Everyone understands the vision and prioritie s of the organization
- People enjoy coming to work and take pride in the job they do
- Everyone is treated with respect
- Leaders model the value of employee involvement and customer satisfaction
- People are committed and loyal to this organization
- Everyone knows who their customers are and their needs
- Everyone has the opportunity to influence how the work is done and what it costs
- We know and measure how well we are doing in satisfying customers
- Ideas are exchanged openly
- We systematically analyze and improve how the work is done
- Decisions are usually made by consensus
- Employees are encouraged to participate in center-sponsored health programs

Key Business Processes

These key business processes singularly, or in combination with others, are the key processes required to deliver products or services to our NAS and aviation-related customers. Each strategic business unit or support group performs one or more of the following key processes:

- Repair, fabrication, and overhaul of NAS and aviation-related systems and equipment which includes both centralized repair and site overhaul
- Storage, distribution, and transportation services
- Supply chain management for NAS parts and supplies
- Consulting services
  - Technical consulting services related to sustainment of NAS and equipment
  - Life cycle planning consulting services related to acquisition, supply support, maintenance, and decommissioning
  - Provider of a sub-contractor base comprised of professional, technical and management service providers
- Liaison and advisory service to Washington, DC headquarters customers, field activities and other governmental agencies
- Support to aviation-related customers providing engineering, contract management and acquisition, project management, and sustainment expertise
- Provider of advanced system and technology solutions

RESULTS
NATIONAL CONTRACTING SERVICES

How We Accomplish Our Mission

The Logistics Center is organizationally aligned by product lines and major support services. Each division is essentially a distinct business unit, capable of providing end-to-end services to a specific customer or segment of customers. All divisions and groups report to the Chief Operating Officer or Chief Financial Officer who act in close coordination on day-to-day operations. The Program Director provides overall direction and vision for the organization.

Strategic Business Units*

- Distribution Center Division
- Radar Product Division
- Aircraft Product Division
- Product Services Division
- Navigation, Landing, and Weather Product Division
- Automation/Communications Product Division
- Projects and Consulting Group

Support Groups*

The primary mission of the support groups is to provide business services and related support to the strategic business units, however, they may have some functions that are self-sustaining business operations.

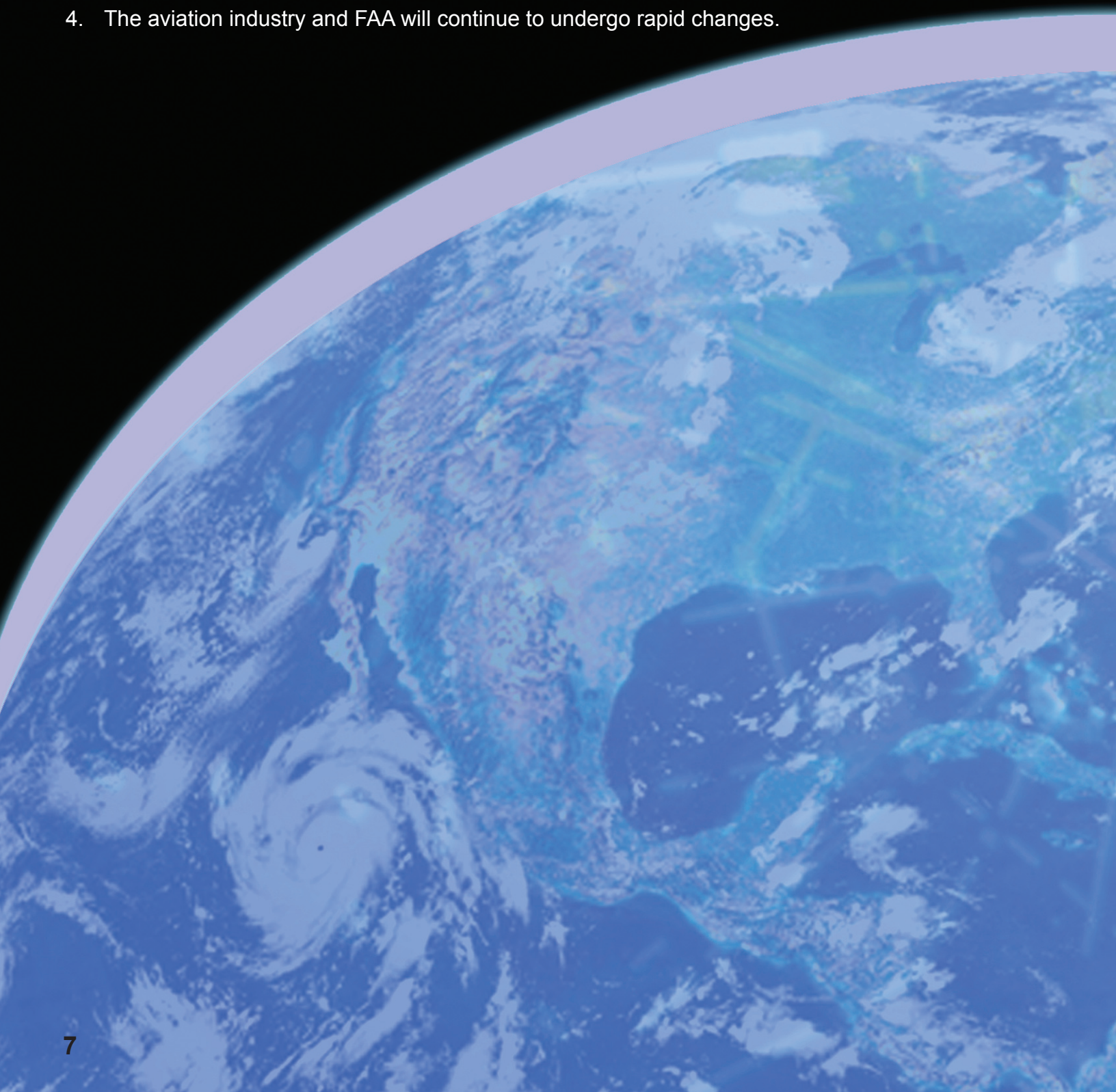
- Business Systems Group
- Quality Systems Group
- Information Systems Group
- Customer and Business Development Staff

*As a market-based organization, we are constantly responding to the rapid changes and shifts in our environment. Therefore, our business units and support groups may change to meet emerging priorities, mission objectives, and customers needs.

Assumptions

This strategic plan is predicated on the following assumptions:

1. The FAA will continue to require core logistics from the Logistics Center.
2. The Logistics Center will generate increased revenue through development of new lines of business.
3. The FAA will continue to support a revolving fund environment.
4. The aviation industry and FAA will continue to undergo rapid changes.



Environmental Assessment

Major Factors Affecting the Future

- FAA modernization including a phased replacement of many traditional ground-based navigation systems by Global Positioning Satellite (GPS)
- The need for the Logistics Center to operate as a business and give the American public the best value for their dollar
- Customer behavior changes as funding is distributed and decentralized in a revolving fund
- Emergence of national business units such as the Terminal Business Service (ATB) and other performance-based organizations will change decision makers and relationships
- Changes in program funding and direction due to national interests
- Political, legal, technological, environmental, and economic barriers to entering new markets
- Competition will continue to put pressure on the operating strategies of the Logistics Center
- Trend toward outsourcing gove rnmental functions will continue

Strategies

The Logistics Center will employ three key strategies to achieve our vision and position the Logistics Center for future success:

- Grow the Logistics Center as the provider of choice for aviation-related equipment through re-engineering, repair, and supply chain management of future and legacy systems
- Enable our customers to address fast-paced needs by generating and marketing innovative solutions such as the Logistics Center Results vehicle
- Provide project management and consulting solutions to expedite NAS facility modernization

Strategy Statement

Background

The Logistics Center Strategy Statement is a recurring feature of our Strategic Plan. The Strategic Plan is a tool to guide managers, supervisors, and employees throughout the organization in making business and operational decisions. The Vision Statement clearly defines our key characteristics and how we want to be viewed by our customers and external stakeholders. The Mission Statement describes in broad terms our primary function and ultimate responsibility and serves as a guide to our workforce. Our objective is for the workforce to know our strategy and use it as they would any other tool at their disposal.

Logistics Center Strategy Statement

The Logistics Center will continue to provide logistics support to our customers, and a primary thrust will continue to be the repair and distribution of NAS equipment and systems.

Our business focus is multi- faceted encompassing three distinct areas of emphasis represented by our strategies outlined on Page 9. Each focus area has common strategic themes, specifically, growth and expansion of the Logistics Center's capabilities and business activities, continued improvements in the core business functions, and continuing to provide value added service to our customers.

We will constantly seek to improve the quality of our products and services, and be alert to new business opportunities that will add value to the service we provide to our primary customer, the FAA, and ultimately the flying public. We will demonstrate our pride and commitment as public servants dedicated to provide unique products and services that are second to none. Providing the best value to our customer will be a prime objective, and we recognize lowest cost does not always represent the best value.

Linkage to FAA Strategic Plan

FAA Strategic Goals, Key Initiatives and Performance Goals

The FAA has three key mission goals:

- Safety—By 2007, reduce U.S. aviation fatal accident rates by 80 percent from 1996 levels
- Security—Prevent security incidents in the aviation system
- System Efficiency—Provide an aerospace transportation system that meets the needs of users and is efficient in the application of FAA and aerospace resources

The Logistics Center will contribute to the accomplishment of all of these goals. The clear connection between our mission and these goals is illustrated in the FAA FY-2000 President's Budget Submission and Performance Plan. In that submission, the Agency's funding is linked to one of the three agency strategic goals. The source of our funding as well as, our primary FAA customers' funding is tied directly to the System Efficiency goal. As a result, the Logistics Center strategic goals and performance targets are aimed at improving the utilization of resources and achieving results that improve the operational availability of the NAS.

Strengths, Weaknesses, Opportunities, and Threats Analysis Summary

The Logistics Center strategies were developed based on a situational analysis considering current environmental factors, both internal and external, that could affect the future of the Logistics Center. The strengths, weaknesses, opportunities, and threats (SWOT) associated with each were analyzed. The results of this SWOT analysis formed the basis for identification of our strategic objectives. We established objectives that leverage our strengths, eliminate our weaknesses, neutralize threats, and take advantage of opportunities.

Strategic Objectives, Measures, and Targets

The Logistics Center's strategic objectives, measures, and targets were developed using the "Balanced Scorecard Approach." The Balanced Scorecard Approach says the success of an organization is dependent upon balancing various aspects of the organization to achieve overall success. Managers must look at the organization from four basic perspectives

- The Customer Perspective – What must we do to satisfy and retain current customers and attract new customers? Customers in this context are primarily the end –user of our products or services.
- The Financial Stakeholder Perspective – What must we do to satisfy our financial stakeholders? Our key financial stakeholders are the American public, taxpayers, and those in government concerned with the impact of our actions and services. Our stakeholders are interested in the value we bring to the nation through our business.
- Internal Business Perspective – What core internal business processes drive the results we want to achieve under the customer perspective and the financial stakeholder perspective? For these processes, what level of performance must we achieve?
- Learning and Innovation Perspective – What must we do to develop people and technology to support our internal business processes and improve our capabilities so that we can continue to add value for our customers and our financial stakeholders?

*Definitions of major innovations are that warrant a significant customer-wide announcement through letters, web, and other open means. Minor innovations are those determined by the CFO and COO to be innovations.

The Logistics Center Balanced Scorecard consists of the following:

Strategic goals translate our broad strategies into action goals to achieve our vision of the future. Measures describe what we will measure to determine whether or not we have met our goals. Targets for the measures are set 1-3 years out and are designed to s-t-r-e-t-c-h our performance. ***If*** we achieve these targets, we will transform the Logistics Center and achieve our vision.

THE CUSTOMER PERSPECTIVE

Strategy 1: Grow the Logistics Center as the provider of choice for aviation-related equipment through re-engineering, repair, and supply chain management of future and legacy systems.

STRATEGIC OBJECTIVE	MEASURE	TARGET
• Increase Customer Satisfaction	• Customer Satisfaction Rating	• Establish the customer satisfaction baseline by FY03 and improve rating by 10% by FY07
• Increase Quality Ratings	• Number of LSF supplied E&R parts reported defective per 1000 E&R Sales (*Customer Reported) • Number of LSF supplied parts reported shipping errors per 1,000 sale	• Increase LSF supplied overall parts Quality Rating by 10% per year, based on FY02 baseline of 97.9% • Increase LSF supplied parts shipping Quality Rating by 15% per year based on FY02 baseline of 99.5%
• Increase customer support to enhance system availability	• Response time, backorders, and issue effectiveness	• Establish the baseline by FY03 and improve 25% by FY07 for each measure

Strategy 2: Enable our customers to address fast-paced needs by generating and marketing innovative solutions such as the Logistics Center “Results” vehicle.

STRATEGIC OBJECTIVE	MEASURE	TARGET
• Increase innovative outcomes to be adopted and used by customers	• Number of innovations; scope of innovations	• Minimum of one major innovation per year and at least three (3) minor innovations to achieve $100M revenue by FY07

Strategy 3: Provide project management and consulting solutions to expedite NAS facility modernization.

STRATEGIC OBJECTIVE	MEASURE	TARGET
• Complete projects on time and within budget	• Universal Service Agreement (USA) requirements	• Meet 100% of USA requirements according to customer satisfaction
• Establish baseline for customer satisfaction on USA/ SOs	• Customer Satisfaction Survey	• Improve by 10% by FY04

Definitions of major innovations are that warrant a significant custtomer-wide announcement through letters, web, and other open means. Minor innovations are those determined by the CFO and COO to be innovations.

THE FINANCIAL STAKEHOLDER PERSPECTIVE

Strategy 1: Grow the Logistics Center as the provider of choice for aviation-related equipment through re-engineering, repair, and supply chain management of future and legacy systems.

STRATEGIC OBJECTIVE	MEASURE	TARGET
• Increase revenue and margin	• Revenue and cost entries in DAFIS/Delphi general ledger account	• Achieve $250M in revenue and obtain 4% margin from operations annually by FY07 • Increase Margin from Operations to a minimum of 2.5% by FY03
• Achieve a return on investment (ROI) for the Agency when selected to provide Logistics Support for new systems	• Margin divided by inventory from operations	• ROI of at least 10% on new business
• Decrease or stabilize core product prices	• Reduction in overhead burden assigned to Product Divisions	• Reduce overhead by 5%

Strategy 2: Enable our customers to address fast-paced needs by generating and marketing innovative solutions such as the Logistics Center "Results" vehicle.

STRATEGIC OBJECTIVE	MEASURE	TARGET
• Increase new business sales	• Revenue and cost entries in DAFIS/ Delphi general ledger account	• Achieve $100M in revenue in FY07 and obtain 1% margin from operations annually
• Maintain cost-effective service fee structure for Results vehicle	• Fee schedule at or below competition	• Annual comparative analysis yields Results at/or better than competition
• Obtain/maintain profitable Results business	• Net margin over operations	• Direct and overhead costs decrease each year to minimal sustainment requirement
• Decrease or stabilize core product prices	• Amount of corporate overhead covered by new business	• New business covers 15% of corporate overhead

Strategy 3: Provide project management and consulting solutions to expedite NAS facility modernization.

STRATEGIC OBJECTIVE	MEASURE	TARGET
• Increase project sales	• Revenue and cost entries in DAFIS/Delphi general ledger account	• Achieve $150M in revenue in FY07 and obtain 4% margin from operations annually

THE INTERNAL BUSINESS PERSPECTIVE

Strategy 1: Grow the Logistics Center as the provider of choice for aviation-related equipment through re-engineering, repair, and supply chain management of future and legacy systems.

STRATEGIC OBJECTIVE	MEASURE	TARGET
• Reduce the number of reds and yellows in the Supportability Report and the number of bad actor Line Replaceable Units (LRUs) in the R&M report	• Current number of systems reported in the Supportability Report • Number of bad actors	• Decrease the number of nonsupportable, unreliable and maintainable LRUs
• Increase the number of projects organically supported	• Volume and value of touch labor vs. Contractor Depot Level Support (CDLS) contracts • Number of systems selected for Logistics Center support • Volume of non-FAA business	• Increase the volume of touch labor sales by 10% per year through FY07 • Add one system per year for Logistics Center support • Increase volume of non-FAA business by $10M per year
• Reduce average repair time for LRU repair and establish an improved methodology for standard repair times	• Average repair time	• Reduce average repair time for LRU in repair facilities by 10% over FY01 baseline
• Improve product delivery processes and systems	• Percent of time to fill a customer requisition on cataloged items within the customer's expected timeframe • Warehouse Management System (WMS) Exception Closure Report	• Establish fill-rate baseline by the end of FY03. Increase number of customer orders filled by 50% by FY07. Include orders filled from Distribution Center stock only, not Planned Direct Ship (PDS) shipments • Achieve 100% receipt closure within 48 hours by end of FY-04
• Improve internal cost analysis process and capabilities	• Availability of valid financial information necessary to achieve financial objectives and targets related to cost reduction • Number of analysts with financial management skills and analytical tools developed	• Cost reduction goals under financial perspective are met • Establishment of cost analysis capability in each PD and Group by FY03

Strategy 2: Enable our customers to address fast-paced needs by generating and marketing innovative solutions such as the Logistics Center "Results" vehicle.

STRATEGIC OBJECTIVE	MEASURE	TARGET
• Improve qualified vendor base to provide additional vendor (or incumbent) opportunities	• Number of new "incumbent" vendors*	• Increase NQVL (National Qualified Vendors List) by 10% per year for customer's recommended incumbents
• Improve marketing and communications of Results vehicle	• Number of new or repeat customer Results orientations per year	• Increase number of new or repeat customer orientations by 10% per year

Strategy 3: Provide project management and consulting solutions to expedite NAS facility modernization.

STRATEGIC OBJECTIVE	MEASURE	TARGET
• Increase customer base	• Revenue and cost entries in DAFIS/ Delphi general ledger account	• Increase revenue from nontraditional customers annually by 20%

* Incumbents = vendors not currently on the Results vehicle, but highly recommended by customers.
Note: In the event goals are not met, the cause cannot be attributed to a lack of valid financial reports or analyses.

THE LEARNING AND INNOVATION PERSPECTIVE

Strategy 1: Grow the Logistics Center as the provider of choice for aviation-related equipment through re-engineering, repair, and supply chain management of future and legacy systems.

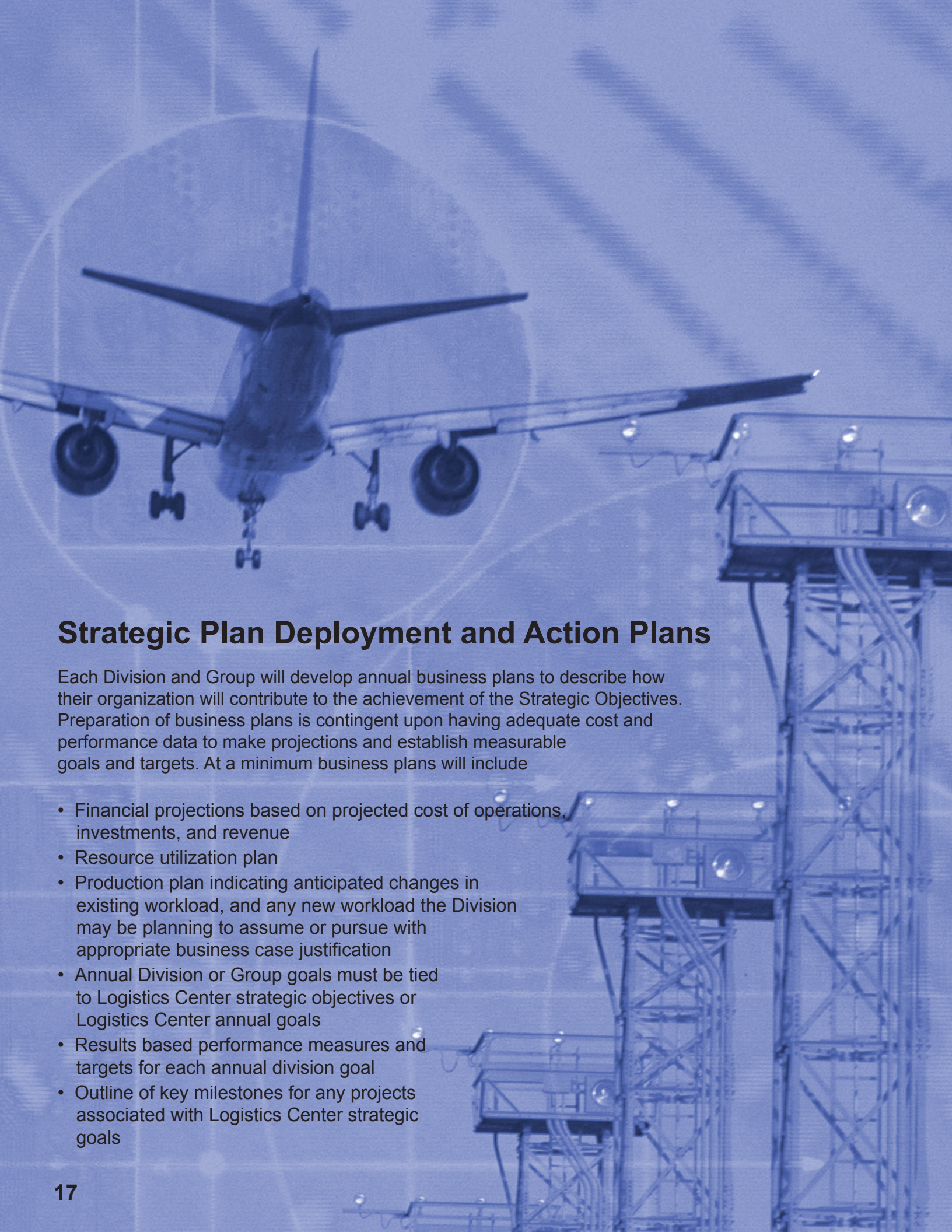
STRATEGIC OBJECTIVE	MEASURE	TARGET
• Develop workforce strategies that will guide the Logistics Center to identify and train to competencies; acquire technical certifications; recruit, develop, retrain; develop leadership and plan for succession	• Strategic Workforce Action Plan	• 100% implementation of Strategic Workforce Action plan by end of FY05
	• Managerial 360 degree assessment	• Leadership Development Program and Succession Planning Programs are implemented by end of FY04
	• Percentage of current competency inventories completed and training and development completed	• Competency inventory based on future state of the Logistics Center and training matrix by the end of FY03.
	• Number of certifications	• Certifications for selected series achieved by the end of FY04
	• Percent of increase in Individual Development Plans (IDP)	• Increase IDPs by 10% per year
• Integrate an automated warehouse management system	• Implementation of automation	• Automation implementation by the end of FY03

Strategy 2: Enable our customers to address fast-paced needs by generating and marketing innovative solutions such as the Logistics Center "Results" vehicle.

STRATEGIC OBJECTIVE	MEASURE	TARGET
• Increase number of annual technology or tool innovations	• Number of innovations; scale of innovations	• Minimum of one major innovation per year and (2) minor innovations to achieve $50M in additional acquisition volume per year
• Improve formal sales/CSR skills of sales and production teams	• Number of formal training courses completed annually per team member	• 2 relevant courses per team member per year

Strategy 3: Provide project management and consulting solutions to expedite NAS facility modernization.

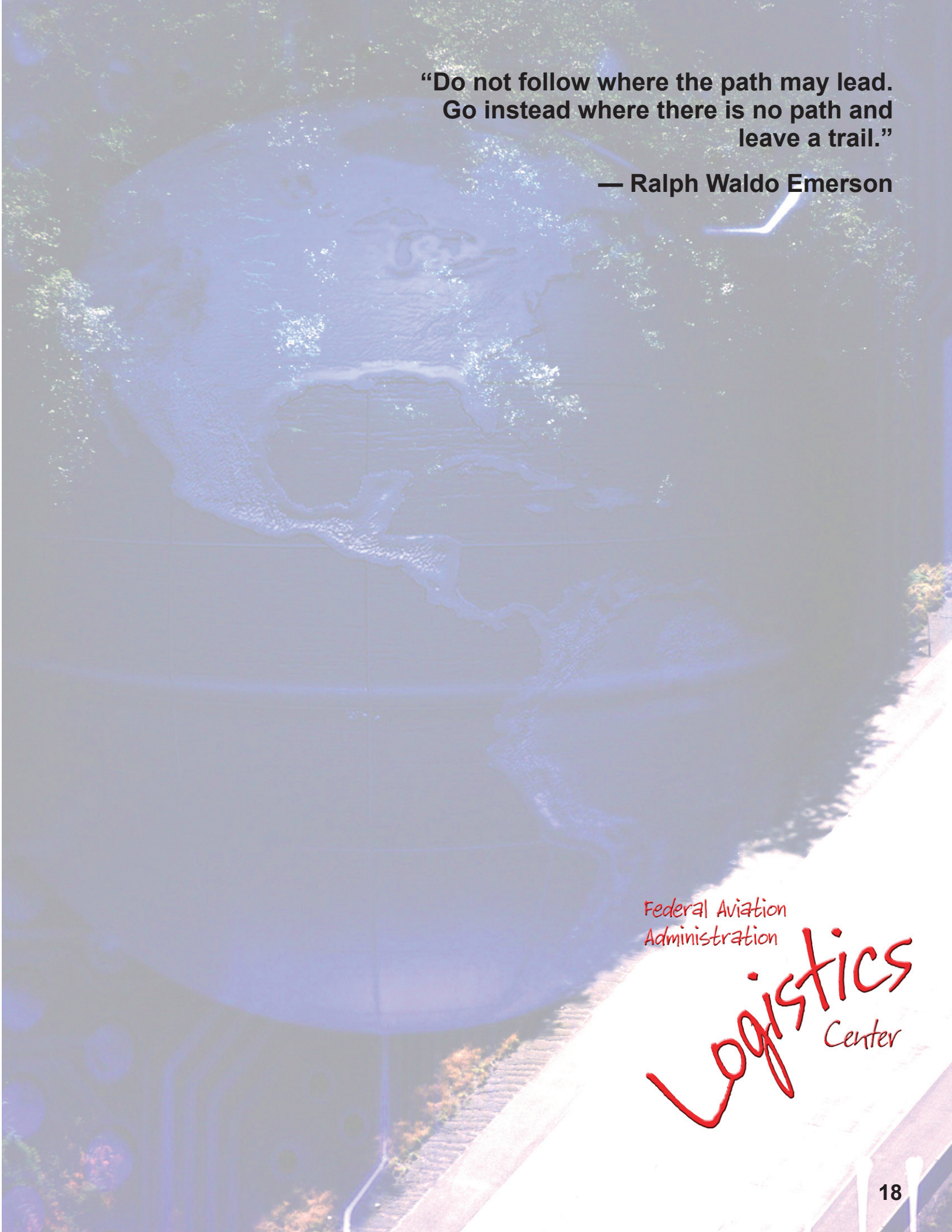
STRATEGIC OBJECTIVE	MEASURE	TARGET
• Increase project management and consulting capability. (performance, schedule, cost)	• Number of certified project managers and engineers	• 85% of project management and consulting workforce certified by end of FY07



Strategic Plan Deployment and Action Plans

Each Division and Group will develop annual business plans to describe how their organization will contribute to the achievement of the Strategic Objectives. Preparation of business plans is contingent upon having adequate cost and performance data to make projections and establish measurable goals and targets. At a minimum business plans will include

- Financial projections based on projected cost of operations, investments, and revenue
- Resource utilization plan
- Production plan indicating anticipated changes in existing workload, and any new workload the Division may be planning to assume or pursue with appropriate business case justification
- Annual Division or Group goals must be tied to Logistics Center strategic objectives or Logistics Center annual goals
- Results based performance measures and targets for each annual division goal
- Outline of key milestones for any projects associated with Logistics Center strategic goals



**"Do not follow where the path may lead.
Go instead where there is no path and
leave a trail."**

— Ralph Waldo Emerson

Federal Aviation Administration

Logistics Center

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