



Case Study: Defense Logistics Agency

Project: Business Systems Modernization Program

Technology: SAP R/3 Version 4.6C, Manugistics, PD2, SeeBeyond

Executive Summary:

Optimal Solutions Integration, Inc. has partnered with a prime contractor to improve the efficiency and effectiveness of supply chain and financial management processes for the Defense Logistics Agency (DLA) by taking lead in DLA's Business Systems Modernization (BSM) program, a sweeping, \$700 million endeavor to replace numerous, aged legacy systems with a single, fully integrated enterprise-wide system comprised of best-in-class commercial technologies.

Overview:

DLA supplies the nation's military services and several civilian agencies with the critical resources they need to accomplish their worldwide missions. DLA provides wide-ranging logistical support for peacetime and wartime operations, as well as emergency preparedness and humanitarian missions. Since its creation in 1961, DLA has grown to more than 23,000 civilian and military employees who work in all 50 states and 27 foreign countries. On an annual basis, DLA manages more than 4 million consumable items and 30 million distribution actions, delivering in excess of \$14 billion in supplies to America's armed forces around the world. For the past several decades, DLA has maintained an unwavering focus on responding quickly and effectively to needs of its military customers. Today, DLA is relied upon to make millions of critical supply items available to forces worldwide at the click of a mouse.

Business Challenge:

DLA's aging Standard Automated Materiel Management System (SAMMS) and Defense Integrated Subsistence Management System (DISMS) had become outmoded systems based on old business practices and obsolete technology. The systems were increasingly expensive to operate and maintain because of their excessive downtime, high operating costs, cumbersome modification processes, and poor performance. DLA determined that these systems were grossly inadequate to meet the future needs of the military services and war-fighting combatant commanders. Accordingly, DLA launched a Business Systems Modernization (BSM) program to replace mission-critical legacy systems with an enterprise-wide business system based on commercially available, off-the-shelf software, and to adopt proven and successful business practices used in the commercial marketplace.

DLA is working with Optimal and a prime contractor to mobilize the business process reengineering expertise and commercial technology integration experience needed to execute its BSM program and achieve its strategic objectives of improving the agency's supply chain and financial management capabilities.

Optimal Value

Drawing on the company's unparalleled experience with many of the world's largest, most complex ERP and supply chain management implementations, Optimal worked closely with DLA to assess the organization's primary business needs and to formulate major objectives for the agency's BSM program.

Business needs assessment:

- Replace DLA's legacy material management systems with best-in-class, commercially available supply chain management and financial management software to meet evolving military logistic requirements.
- Reengineer DLA's logistics and financial management processes to mirror best commercial practices in order to improve DLA's ability to support America's armed forces.
- Architect an integrated, open-systems solution that enables close collaboration with suppliers and allows DLA to respond to customer needs with greater speed and agility.

System design and implementation:

Optimal worked with DLA to develop a comprehensive strategic plan for replacing DLA's numerous, disparate materiel management legacy systems with best-in-class commercial technology.

After careful evaluation of DLA's business needs and systems requirements, Optimal helped DLA identify, integrate and customize the major commercial technology components for its BSM program, which included enterprise resource planning software from SAP, advance planning and scheduling software from Manugistics, Procurement Desktop-Defense from American Management Systems, and application integration technology from SeeBeyond.

Equally critical to DLA's BSM program, Optimal reengineered DLA's existing supply chain, financial management, order fulfillment, procurement, materials management, and other mission-critical processes to align with commercial best practices proven to streamline operations and drive enterprise-wide efficiency gains.

In addition to meeting the Department of Defense's stringent security requirements, notable implementation challenges included a highly complex integration landscape, which included 110 interfaces across 41 separate, logical connections to 19 different legacy organizations.

Business Success

The Optimal partnership with DLA and the development and implementation of a fully integrated, enterprise-wide supply chain management and financial management system have been highly successful.

The DLA's integrated, end-to-end materiel management, financial and procurement system has significantly lowered operating costs, enhanced supply availability—which is a measure of how well DLA fulfills orders for stocked materials—and dramatically decreased DLA items on backorder.

The new platforms also allow DLA to exploit new emerging technologies to further streamline supply chain processes and enhance total visibility of all DLA stock.