Sea Enterprise

Right Force
Right Readiness
Right Cost

Resourcing tomorrow’s fleet!

Sea Power 21

Projecting decisive joint capabilities!

30 Mar 04
Mr. Mark Honecker
Director
Logistics Planning & Innovation
Sea Enterprise Questions?

- What is Sea Enterprise?
- Why Sea Enterprise?
- How is the Navy approaching Sea Enterprise?
- What’s changing with Sea Enterprise?
What is Sea Enterprise?

Sea Power 21

SEA ENTERPRISE
Resourcing Tomorrow’s Fleet...optimum resource allocation, increased productivity, enhanced procurement

- Identify & harvest efficiencies
  - Divest non-core functions
  - Organizational streamlining
  - Manpower reduction through technology insertion and process alignment

- Fund future readiness
  - Enhanced investment in warfighting capability
  - Accelerate transformation

- Inculcate culture of productivity

Right Force... Right Readiness... Right Cost...
What is Sea Enterprise? Balancing our Priorities

**Right Force**
“Transforming our force must occur within existing resources.”

**Right Readiness**
“Our focus must be on readiness and productivity... readiness at any cost is not the answer.”

**Right Cost**
“Allowing costs growth at the rate of inflation is not an option.”

*Delivering maximum return on taxpayer investment!*
Why Sea Enterprise?
#1. Our Leadership is Demanding It!

What Are Our Leaders Saying?

“...transforming the military. What is different today is this sense of urgency: The need to build this future force while fighting this present war. It is like overhauling a car engine while you are going 80 miles an hour.”

George W. Bush
President of the United States

“We simply have to transform this place. It is every bit as important to the success of the global war on terrorism as the other things we're doing.”

Donald B. Rumsfeld
Secretary of Defense

“...this is a time of transformation - one because the leadership in government has dictated it, and two I’ve already defined it, a great deal of change is going to take place whether anybody has mandated it or not.”

ADM Vern Clark
Chief of Naval Operations

“The business of ‘I need, I want, I gotta have,’ and the endless list of requirements that are foisted and passed up the line to D.C. with some great expectation that Santa Claus will arrive tomorrow is not going to cut it. We need to start making some hard decisions down here!”

ADM William J. Fallon
Commander Fleet Forces Command
Why Sea Enterprise?
#2. Right for the Taxpayer!

Competing Priorities:
- Rebuilding Iraq
- Homeland Security
- Infrastructure
- Prescription Drug Plan
- Social Security

FY 2005 Federal Budget
$2,400B

- Mandatory Funding
- Interest Payments
- Discretionary Funding

FY 2005 Discretionary Funding
$914B

- DoD
- Other Govt Agencies

Right Force...
Right Readiness...
Right Cost...
Years of under investment in new acquisition/modernization...

...Results in aging Force Structure

Why Sea Enterprise?

#3. Right for our Sailors!
Why Sea Enterprise?
#4. Right for our Navy!

Operations vs. Investments

Arrest and reverse the growing cost of operations!

Operations vs. Investments

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Operations vs.
Why Sea Enterprise?
#4. Right for our Navy!

Planned vs. Procured

Ship Construction

- Qty at POM
- Proj Qty at Execution
- Qty in PB-05

Aircraft Procurement

- Qty at POM
- Proj Qty at Execution
- Qty in PB-05

History says 26% reduction in quantity
History says 36% reduction in quantity

Right Force...
Right Readiness...
Right Cost...
# How is the Navy Approaching Sea Enterprise?

## Strategic Imperatives

### #1: Change Culture/Behaviors
- Readiness & productivity
- Execution & accountability
- Enterprise focus
- Align incentives
- Communicate the vision

### #2: Improve Structures and Processes
- Leverage existing initiatives
- Identify better ways of doing business
- Focus metrics...drive performance

### #3: Harvest Savings
- Savings targets
- Enhance financial flexibility (e.g., 2-yr OM&N, escrow account)
How is the Navy Approaching Sea Enterprise? 
Execution Focus

“Follow-through is the cornerstone of execution...”

Excerpts from EXECUTION: The Discipline of Getting Things Done (Bossidy/Charan)

Fewer than 15 of the 100 or more companies I have studied have successfully transformed themselves!”
John P. Kotter
Author, Leading Change

• Execution...  
  • Is a discipline, and integral to strategy 
  • Is a major job of a leader 
  • A core element of an organization’s culture

• Need to “operationalize” our culture 
  • Don’t think ourselves into a new way of acting... 
    act ourselves into a new way of thinking!

• “Strategies most often fail because they aren’t executed well.”

Planning (PPBES)

Managing the Plan

- Ensure Execution
- Decision Making Process
- Policy Generation

CNO Leadership
- Policy
- Structure
- Mechanisms

Product... Right Force Right Readiness Right Cost

“Right Force... Right Readiness... Right Cost...”
How is the Navy Approaching Sea Enterprise? Governance/Process

**Governance**

- CNO

**Process**

- PB-05
  - CNO Maj Command Reviews
  - Assessing & Adjusting Execution
  - Identify New Opportunities

- POM-06
  - Identify New Opportunities

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**Senior Navy Leadership driving innovation and execution!**

**Right Force...** **Right Readiness...** **Right Cost...**
How is the Navy Approaching Sea Enterprise?
CNO Echelon II Reviews - Feedback

CNO talks about.....
- *Sea Enterprise* essential to *Sea Power 21*
- Leader’s job is to accomplish mission and control costs
- Enhancing productivity
  - Understanding and controlling costs
  - Defining and measuring output
- Trading off risk vs. capabilities
- Maximizing ROI
- Can no longer afford:
  - Costs growing at the rate of inflation
  - Readiness at any cost

CNO focuses on.....
- Alignment (leadership, organizations, authorities)
- Where are the “humanoids”?
- HR strategy...right mix Civ/MIL/Ktr
- Barriers to efficiency
- Output metrics and ROI
- Right output/right cost/right risk?
- “Skunkworks” ideas

"Our focus must be on getting the Right level of readiness at the Right cost so we can afford the Right force for our future Navy"
1. Diminishing Returns (Right Output)
2. Shifting the Curve (Right Cost... Skunkworks)

Δ Output > Δ Cost
Δ Output < Δ Cost

“Bend in the Knee”
### Where we’ve been:

- NAVFAC (2x)
- MSC
- BUMED (2x)
- NETC (2x)
- CNR-Southeast
- NAVSEA (3x)
- NAVSUP
- NLSO
- NAVRESFOR
- CNI
- NPS
- CNP
- ONI
- CPF
- CNR-Hawaii
- SPAWAR
- CNR-Southwest
- NAVAIR (2x)
- CNATRA
- CNR-South
- CFFC

### What we’ve found:

#### Organization
- Alignment w/Sea Enterprise
- Leadership Alignment (Internal)
- Streamlined Organization
- Process for Innovation/“Skunkworks”

#### People
- Knows Where the People Are
- Reserve Utilization
- Core/Non-core
- HR Strategy

#### Money
- Understands Cost of Business Lines
- Controls Costs
- Uses ROI to Make Decisions

#### Culture
- Culture of Readiness
- Culture of Productivity
- Uses Metrics to Monitor Performance
- Uses Metrics to Manage Performance
- Understands/Accepts Risks
- Challenges Assumptions (Internal)
- Challenges Assumptions (External)
- Senior Leaders Engaged in Execution
- Applies Best Practices/Benchmarking

### Where we’re going:

- NAVSUP Follow-up: Apr 04
- CNP Follow-up: Apr 04
- MSC Follow-up: May 04
- NLSO Follow-up: Jun 04
- WESTPAC: Jun 04
- Europe: Jul 04
- CNP Follow-up: Apr 04
- MSC Follow-up: May 04
- NLSO Follow-up: Jun 04
- WESTPAC: Jun 04
- Europe: Jul 04
How is the Navy Approaching Sea Enterprise?

Governance/Process

Sea Enterprise BOD
VCNO-ASN(RD&A) (Co-chairs)
DNS-N1-N4-N6/7-N8
NAVAIR-NAVSEA-CFFC-CNI
USMC - others as required

Senior Navy Leadership driving innovation and execution!

Right Force... Right Readiness... Right Cost...
How is the Navy Approaching Sea Enterprise?

Sea Enterprise Initiatives

Ensuring execution of ~$40B in programmed savings initiatives

Sea Enterprise Savings Initiatives

SE BOD Savings Assessment
(May 03)

Achievable (Low Risk)

Achievable (Mod Risk)

Cumulative %

Strategic Sourcing
System/Support Divestiture
Enterprise Resource Planning
Workload Validation
Force Structure/Decommissionings
Multyear Procurements
Acquisition Organization Efficiencies
Ownership Cost Reductions
Navy-Marine Corps Internet
IT Legacy Application Reductions
Other

Right Force...

Right Readiness...

Right Cost...
Disciplined method to identify FYDP savings
- Consistent with CNO guidance
  - Identify underlying enterprise costs
- Echelon IIIs drive results

Ground rules
- Single target assigned at Echelon II level
  - Replaces multiple targets for LOE, manpower, disinvestments
- Echelon II allowed full latitude to identify savings opportunities
  - Real savings is goal vice cost avoidance
- “Fixed Costs” are exempted
- SE BOD/2 Star Panel serve as clearinghouse for proposals
  - Risk assessed, budget detail provided

Executing commands assume larger role in risk decision making!
### What’s Changing with Sea Enterprise? Assessment

#### Kotter’s “Eight-Stage” Process

<table>
<thead>
<tr>
<th>Level</th>
<th>1 Establishing a Sense of Urgency</th>
<th>2 Creating the Guiding Coalition</th>
<th>3 Developing a Vision &amp; Strategy</th>
<th>4 Communicating the Change Vision</th>
<th>5 Empowering Broad Based Action</th>
<th>6 Generating Short Term Wins</th>
<th>7 Consolidating Gains &amp; Producing More Change</th>
<th>8 Anchoring New Approaches in the Culture</th>
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What’s Changing with Sea Enterprise?

✓ **Enterprise-wide:**
  - Approach to transformation
  - View of targeted efficiencies
  - Decision-making
    - Resource allocation
    - Risk determination

✓ **Senior leaders engaged in execution**
✓ **Savings directed to recapitalization**

*Sea Enterprise is a journey...we are well on our way!*
Sea Enterprise
Your Role

- Embrace Sea Enterprise vision
- Challenge assumptions/encourage innovation
  - Maintain enterprise perspective
  - Discern between “wants” and “needs”
- Maximize productivity
  - Define and measure output
  - Understand, control and reduce cost
  - Trade-off risks vs. capabilities
- Drive execution to accomplish mission
  - Focus on product of the plan
  - Manage by metrics

Sea Enterprise is a journey...you need to lead!
Questions?

http://usn.hq.navy.mil/SeaEnterprise