



UNIVERSITY OF MARYLAND

SCHOOL OF PUBLIC AFFAIRS
CENTER FOR PUBLIC POLICY & PRIVATE ENTERPRISE

2101 Van Munching Hall
College Park, Maryland 20742-1821
301.405.8754 TEL 301.314.8635 FAX
www.cpppe.umd.edu

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Contact: Kim Ross, 301-405-3988
Executive Director
kross@umd.edu

New Book Cites Opportunities for Modernizing Federal Government Supply Chains

National experts in supply chain management announced a series of recommendations in a new book, *Transforming Government Supply Chain Management*, which could dramatically increase the federal government's ability to deliver services more quickly and more reliably, while also generating billions of dollars in savings to taxpayers. The book is a collaborative project of the Center for Public Policy and Private Enterprise and the IBM Center for the Business of Government and is co-edited by Dr. Jacques S. Gansler, Interim Dean of the Maryland School of Public Affairs, and Robert E. Luby, Jr., Partner at IBM Business Consulting Services. Featured prominently in the book is the role of information technology in planning, tracking, ordering, controlling inventories and moving products.

Dr. Gansler explained, "The intent of this book is to speed up the public sector's transformation to the best supply chain management techniques in use by the private sector. There is an urgent need to improve the government's ability to deliver all of its broad range of products and services, but particularly in the area of responding to threats of domestic terrorism and international conflicts." Previously, he served as the Under Secretary of Defense for Acquisition, Technology and Logistics from 1997 through 2000. Dr. Gansler is Interim Dean and Professor at the University of Maryland's School of Public Affairs, and Roger C. Lipitz Chair at the Center for Public Policy and Private Enterprise.

The book looks at essential techniques to enable government to achieve standards that the commercial sector has already mastered. It incorporates findings from a series of dialogues between top government officials and top business leaders from companies including General Electric, The Boeing Company, Cisco Systems, Caterpillar, Visa USA, and Covisint. Senior public sector representatives participated from the Office of Management and Budget, General Services Administration, Defense Finance and Accounting Services, Defense Logistics Agency, NASA, the National Science Foundation, and more than 20 others.

"The key to modernizing supply chain management in the private sector has been internal and external digital integration, including new linkages between logistics, procurement, and finance operations," said Luby, a long-time consultant for the Defense Department and Defense Supply Centers and Defense Supply Chain Leader with IBM Business Consulting Services.

The authors say the government can and must do more to adopt available and proven tools for implementing a modern supply chain. These include:

- Instant, worldwide communications.
- Interoperable, flexible and secure information technology.
- Remote diagnostics and automated decision-making aids.
- Modern, high-speed transportation.

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Transforming Government Supply Chain Management presents examples and case studies showing how public and private sector organizations have successfully implemented modern, information-based supply chain management techniques. For example, as customers move through checkout lines at Wal-Mart, sales information is transmitted to suppliers, truckers and warehouse workers so they can make real-time ordering and shipping decisions. Barriers to using world-class supply chains—like those operated by Wal-Mart and Federal Express—in government agencies are identified and specific recommendations provided for removing these barriers.

Public-sector supply chains, such as the Department of Defense's logistics systems, average about four weeks for an order – when parts are on the shelf – and are not highly dependable or very flexible. The book's recommendations address key issues to transform government supply chain management so that it achieves the best in commercial organizations, delivering services and products on demand, with an order to receipt time in two days or less, with near perfect probability and considerable robustness to respond to unexpected contingencies and surge requirements.

Streamlining and modernizing government supply chains can be expected to result in substantial cost savings, as well as delivery-time improvements. By comparison, commercial firms have found that significant supply chain improvements can lower costs by 10 to 30 per cent. The Department of Defense spends more than \$80 billion annually on logistics support. In this case, even a 10 percent savings would free up \$8 billion annually for other pressing needs such as military equipment modernization.

Call for Major Reform in Federal Supply Chain Management

The book presents a plan for how government can dramatically reform its supply chain management practices, including:

1. **Removing cultural barriers** by making supply chain management transformation a top priority, engendering trust in the system, motivating employees to accept change, and developing a partnership between the public and private sectors.
2. **Overcoming legal barriers** like the “50/50” rule for staffing government depot work, mandatory paperwork, micro-purchasing requirements and preferential contracting rules.
3. **Tackling administrative hurdles** by simplifying business case requirements and aggressively implementing information systems and information security.
4. **Addressing resource obstacles** by upgrading IT systems and providing sufficient funding.
5. **Transforming government logistics** by catalyzing leaders; directing interoperability; implementing the right metrics; using commercial software, hardware, and services; analyzing available logistics data; and implementing continuous improvements.

Also described in the book's case studies are successful government initiatives, such as the National Science Foundation's (NSF) high-performing financial management system. By integrating grants management and human resource systems, NSF cut the time between its grant awards and receipt of funds from 2-3 months to just 48 hours.

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In another government success story, the defense medical logistics community implemented a suite of IT applications and other supply chain tools, cutting inventory from 380 to 10 days and order-to-receipt time from 20 days to 24 hours. The savings were estimated to be \$1.2 billion within the first four years.

University of Maryland's Gansler says, "Despite these successes, there has not yet been government-wide implementation. We hope this project will provide the tools needed for government agencies, trainers, and educators to fill that gap."

How to obtain the book

Transforming Government Supply Chain Management is published by Rowman & Littlefield Publishers, Inc. and edited by Jacques S. Gansler and Robert E. Luby, Jr. Copies of the book are available for purchase from online bookstores and from Rowman & Littlefield at www.rowmanlittlefield.com, 1-800-462-6420. **Note to Editor:** *Transforming Government Supply Chain Management* is free of charge to reporters by calling the IBM Center for the Business of Government at (202) 515-4504.

About the Center for Public Policy and Private Enterprise

The Center strengthens connections among government, business, academic, and nonprofit sectors in order to address complex public policy problems and speed improvements in the management and delivery of public services. The Center focuses on areas impacted by public-private linkages including supply chain management, national security, government sourcing, and economic competitiveness (e.g., for the biotechnology industry). Based at the University of Maryland's School of Public Affairs, the Center convenes leaders across sectors, researches and adapts best practices, and develops policy recommendations. For additional information on the Center, visit the Web site at www.cpppe.umd.edu.

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