



▶▶ Creating a Win-Win for the Military and Commercial Suppliers

Blending best practices

As the military and their associated commercial supply chains come under increasing pressure to improve performance, Chris Brumitt, VP Aerospace & Defense, and Alfred Baumbusch, EVP Operations Excellence, at Maine Pointe, outline how supply chain collaboration and optimization is the key to unlocking billions of dollars for the military and commercial suppliers alike.

▶▶ The Question:

What are the challenges facing the military in North America?

Chris Brumitt: The shifting balance of global power and redrawing of traditional theaters of control have placed an emphasis on anticipating and responding to future tensions, emergencies and conflicts. The Trump administration has pumped a further \$60Bn into the American military, for example to defend new frontiers like protecting assets in space. This increased investment also needs further support through the military optimizing investments in its people, processes and assets to maximize mission effect. The US military budget adds up to over \$700Bn a year while employing over two million people. Investment has to be spent judiciously over the next few decades given that the thousands of contracts executed by the Pentagon total over \$300Bn (nearly 1\$Bn a day). Optimization and value-for-money are clear imperatives.

More specifically, there is tremendous pressure on the US military to support the warfighter. Given fighter aircraft delays such as the F-35, this means the nation's legacy fighter aircraft such as the F-15, F-16, F/A 18, Super Hornet and others need to be capable of flying total warfighter mission service of several thousands of hours beyond initial aircraft design plans. Maintenance Repair and Overhaul (MRO) for these aircraft must occur at a more rapid pace and a larger quantity of completion than originally planned. The number of MRO flow days utilized to bring the aircraft to total service capability must be reduced significantly. The same goes for the Global KC-135 Tanker fleet of over 470 aircraft. MRO flow days need to be reduced to enable larger economies of the in-service aircraft as new tanker technologies avail themselves to the Air Force and our allies.

▶▶ The Question:

What are challenges facing commercial suppliers?

Alfred Baumbusch: Let me build on the aviation theme. With new commercial aircraft orders and deliveries in 2017 and 2018 hitting new records, the global backlog of airplanes remains at an all-time high. In one sense this is great news for shareholders as new orders bode well for future revenue and send share prices upwards. The challenge is these record orders are putting exponential pressure on aircraft supply chains and operations. This increase

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in demand is having a knock-on-effect on the firms who service the needs of the military. Numerous delays, cost overruns and quality issues have been reported on many high-profile programs. That's why manufacturers and suppliers must aggressively tackle the need to boost the production rate on MRO requirements, as well as new aircraft, reduce cost, accelerate time-to-completion and improve the readiness rate for all warfighters. Addressing these issues is key if they are to improve their book-to-bill ratio which many analysts are concerned about. Effectively servicing the needs of the military from a cost, quality and readiness rate perspective is critical.



The Question:

What should commercial suppliers and the military do to overcome these challenges?

Chris Brumitt: Increasing demand for greater asset availability, cost efficiency and maintenance effectiveness are some of the key challenges facing the US military. To maintain a highly-effective mission-ready military capability, senior personnel need to drive improvement and optimization efforts across their maintenance and supply chains, fast.

Taking a commercial perspective, many suppliers need to fuel revenue and margins by accelerating time-to-completion and improving quality in the supply chain. This will enhance service and value-for-money for them and for the Pentagon. Driving end-to-end supply chain collaboration and optimization is the key to unlocking hundreds of millions, if not billions, of dollars to the Pentagon and commercial suppliers alike. The key question has to be, how do you accelerate measurable improvement across the military buy-make-move-fulfill supply chain to deliver the greatest value to the military and commercial suppliers alike? The answer is what we call Total Value Optimization™ (TVO).

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The Question:

Can you give an example of how commercial best practice and collaboration could be deployed to the benefit of both parties?

Chris Brumitt: Yes. Blending commercial best practice with the needs of the military is key. There's no question internal and external siloed thinking has to be a thing of the past. In our experience helping clients drive improvement across their global supply chain, there are significant untapped optimization opportunities because procurement, operations and logistics departments are not effectively integrated internally or with their supply base. If we expand this collaborative thinking further, significant savings and service improvements can be made. For example, using a Total Value Optimization™ approach, just think about the savings opportunities if the Air Force collaborated with a number of US airlines to leverage commercial maintenance best practice in their facilities. In short, sharing facilities where it makes sense as opposed to setting up a completely different set of facilities to do C&D-checks.

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If you would like to discuss any of the points raised in this article, email info@maineprime.com for a no-obligation and confidential discussion with one of our executives.

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