



## Exception Management: A Partnership Story

Thursday, November 03, 2005

Michael Taffe

So often we hear business success stories about things like effective partnerships, collaboration, creativity, dedication, execution excellence, shared goals, outstanding technology, and the like. We throw around terms like “partners,” “passion,” or “synergy.” Well, if this story were a question on a multiple choice test, the answer would be D) All of the above.

When the Office of the Secretary of Defense (OSD), **Blue Agave**, and **Science Applications International Corporation** (SAIC) put their collective heads together to solve a particular problem that one of the government agencies was having with “frustrated cargo,” they did it right. Not only did they succeed, but they also set the stage for future achievements within their own organizations, and potentially within yours as well.

This is a story of collaboration and learning. And yes (at the risk of using an often misused/overused word), a story of true *synergy*. It’s about a customer having the strength of character to hold a mirror up to its own operation, knowing the reflection might not be that flattering, but realizing the exercise could yield potentially great benefits. An organization not being afraid of change because the people in it understand that continuous improvement is a byproduct of effective change management. It is a story of believing that in order to effect progress across functional boundaries, you have to think and act differently to become a more efficient and effective organization.

### But first, let’s start at the beginning

There are small companies, midsize ones; and even bigger ones still. Then there is the mega-company. You know, the biggest and best known guys that are the poster children for some technology use advancement or unique process improvement. You all know the names, the ones that everyone else wants to emulate because they believe whatever improvement and execution magic that company found just might rub off.

Now, take one of those companies and multiply it times 50, and you are starting to get an idea of just how big the Department of Defense (DoD) “company” is. You think you have it tough managing your supply chain? You say you have lots of daily challenges? Now, imagine yourself responsible for the world’s largest supply chain. Namely, the one that supplies the federal government with the many things it needs to successfully support its military forces all over the world. A supply chain that among other things does the following:

- Manages approximately 6 million different items. Some of those individual items (like airplanes) have 6 million component parts, many of which are managed as spare, separate items.
- Manages approximately 27 million orders per year.
- Executes on the order of 8,200 contracts per day.
- Manages almost 75 million square feet of storage space.
- Has an end customer that often picks up and moves its operation to another location—sometimes several times in a single day.

That is a flat-out tough gig. Just think, on any given single day, there will be some \$80M in goods flowing through the supplier/customer pipeline in support of this supply chain, the end of which is frequently a moving target.

With an operation that large spanning multiple organizations with multiple protocols, policies, and procedures, there are bound to be things that go wrong. There will be things that need to be corrected in short order to ensure that the flow of goods successfully continues.

In the case of one of the government agencies, the problem had to do with something it calls “frustrated cargo,” or goods that fail to move along their intended delivery path.

It seems that some of the cargo that was supposed to flow through certain locations was being held up for myriad reasons, which were not immediately obvious to the people in the process. Certainly everyone thought they were all doing the right thing and following procedure, but somewhere along the line things were breaking down and the goods were not getting to their intended destination on time.

So many haystacks, so few needles. Solving a problem on this scale is daunting to say the least. Where does one start?

### Find some partners, find the problem, and find the solution

The OSD decided to begin by evaluating tools, technologies, and techniques to see just what it might be able to do about getting to the bottom of this problem. The team realized that what it knew about the difficulties in the

pipeline was just a starting point, and that it would need to pick a subset of the symptoms to initially analyze and attack. It felt it needed to find some technology applicable to business activity monitoring and exception management. More specifically, it needed tools that could do the following:

- Supply real-time evaluation of the health of a given process.
- Proactively identify potential problems.
- Prioritize the issues for the decision makers.
- Offer a predetermined set of potential solutions to those problems.
- Recurrently analyze the process for continuous improvement.

The OSD enlisted the help of service provider SAIC to assist with the technology infusion and change management process. Together they went out and evaluated technology vendors that might be able to help with the concept of business activity monitoring and exception management.

After reviewing several potential partners, they settled on Blue Agave, which had the right combination of being hungry yet humble and providing scalable, solid technology. Its *Active Performance Management (APM)* software would soon become the cornerstone of the frustrated cargo solution.

### **The team was together—now, where to start?**

After brainstorming a number of areas where it felt *APM* could be used, the team decided to apply it to the frustrated cargo in two aerial ports: Dover, Delaware, and Charleston, South Carolina. Additionally, it chose the Defense Logistics Agency (DLA) distribution depot in Richmond, Virginia.

Since it did not make sense to try to fix every problem at once, the team first looked at the flow of hazardous material through these selected locations. In order to do this, data from multiple disparate systems had to be amalgamated and interpreted. Multiple organizations and protocols had to be coordinated, and a rather complex series of project events got underway. The objective was to somehow collect the appropriate in-process real-time data and have enough information to learn why the hazardous material was being held up and how to resolve the problem.

As the project team began to collect data, several things became clear. Among them was the fact that there were multiple problems that were causing the delay in delivery. In some cases, the documentation varied, depending on where the material was originally packaged. In other cases, the documentation was good, but the people in the process interpreted it differently, which uncovered some basic training consistency issues.

Each day, more information was uncovered that permitted the people in the process to take corrective actions, codify the process, and standardize the procedures, thereby improving the operation. In very short order, using Blue Agave's *APM* software, the customer was able to uncover inconsistencies in process approach—in one case right down to a single individual. In that case, it was an individual performing a process in a consistent manner, but due to a training error, was doing so incorrectly. With a small amount of retraining, the problem was quickly solved.

As it gained momentum, the project team started to see some significant improvements and uncover some misconceptions. It turned out that 25% of the cargo frustrations had no basis in fact. The shipments were just fine. They were slowed due to interpretation and some inconsistencies in documentation. All problems were fixed with training and procedure alignment.

As the project matures, the results show consistent improvement. Resolution time has been greatly reduced, and as a result of the information being gathered, performing effective root-cause analysis has been greatly enhanced.

### **The software**

John Murphy, project manager from SAIC, says the software implementation went so smoothly that "the technology infusion and integration were non-events." Murphy felt that the Blue Agave software was robust, scalable, and bulletproof. Other than scheduled maintenance and one power failure in a particular building, the software had run without fail, around the clock, for more than a year.

### **It's all about culture**

It's great to have outstanding software and great integration partners at your disposal. However, for a project like this to be successful, it also requires a solid cultural underpinning and extremely cooperative participants. In discussions with John Murphy from SAIC and Jim Morganstern, Vice President from Blue Agave, both pointed out that success came from effective cultural management supported by solid technology. You have to get past the turf wars and historical imperatives and solve the problems in the process. Driving toward execution excellence becomes part of the mantra of success.

The willingness of the customer to look deeply within its operations and be willing to make the necessary changes to ensure execution excellence led to the success. No amount of technology or systems integration can substitute for a customer willing to look past the problems in its own operation and embrace the changes necessary for success.

### **What's next...?**

Following the initial success in the first three locations managing hazardous material, the DoD has expanded the use of *APM* to other commodities in the two aerial ports. Additionally, it added the General Services Administration (GSA) location in Burlington, New Jersey for a number of varied parts being transported through that location. The results continued to be encouraging.

"We believe that the capability of supply chain event management technology has potential at both the operational and enterprise levels of the Department. The challenge will be to determine how best to incorporate supply chain event management into the Department's requirements articulation and investment processes at a time when there are many other ongoing logistics transformation initiatives," according to Earl Boyanton, Assistant Deputy Under Secretary of Defense for Transportation Policy.

### **Why is this story important to you?**

We all know that change is constant and a fundamental requirement for successful process excellence and competitiveness. This was a story of three partners that truly worked together to solve a problem of unknown origin. They proved that the right mix of cultural conversion, technology infusion, and plain old hard work can yield outstanding results.

If it can work for the largest of the largest, then just maybe it can work for you.

Do you have your operational systems in place? Are you collecting vast quantities of data, but are still not sure you are making the progress you should be in terms of execution excellence? You need to give some serious thought to the concept of business activity monitoring and exception management.