DB&A Report

NAVSEA/PEO Case Study

Missed project deadlines at NAVSEA/PEO Aircraft Carriers were resulting in six-figure cost overruns. But with help from DeWolff, Boberg & Associates, the Program Executive Office is getting the job done on time and on budget.

Aircraft carriers

are much more than mere ships.

DeWolff, Boberg & Associates is a management consulting firm specializing in helping companies of every description achieve their objectives through improved performance or resource utilization.

They are cities at sea, complete with their own airstrips, nuclear power sources, and advanced radar systems. Given the formidable size and complexity of these carriers, it's no wonder that construction schedules are charted in years rather than months. But despite these generous lead times, the government agency responsible for these projects was missing deadlines—and losing financial ground by the millions.

The Program Executive Office for Aircraft Carriers is responsible for constructing new carriers, overhauling existing carriers, and keeping in-service carriers in top condition. For years, NAVSEA/PEO Aircraft Carriers had been missing project-completion dates on a consistent basis, resulting in multimillion-dollar cost overruns, strained relations with contractors and naval staff, and loss of credibility among appropriations bodies. PEO directors were well aware that changes had to be made. And in the wake of the September 11 terrorist attacks on the United States, it became more critical than ever to ensure that work on our nation's carriers would be complete by the appointed date.

On the recommendation of a trusted vendor, the PEO enlisted the help of DeWolff, Boberg & Associates to help them outline a strategy for change. Thirty-four weeks later, NAVSEA/PEO Aircraft Carriers had begun a successful transformation from a passive to a proactive culture, leading to savings and cost-avoidance of more than $360 million.

Running Out of Options

NAVSEA/PEO Aircraft Carriers is a relatively new office. Prior to its creation in 1998, it was a part of the Team CX, which was composed of Carriers, Expeditionary Warfare, and SEA 91. From the very start, the newly created PEO found itself playing catch-up. And now, things were at risk of falling even further behind.

To begin with, the PEO was faced with heavy turnover. Approximately 90 percent of critical management positions were held by personnel who had been in the position for one year or less, and the PEO was painfully aware of the significant amount of knowledge and experience that was being lost with each retirement, resignation, or reassignment.

In addition, the reactive culture of the PEO tended to reward daily "heroics," which reinforced the behavior of going full-throttle to solve the emergency of the day. This not only robbed the team of proactive project management time —it also led to burnout, which was a growing problem for NAVSEA/PEO Aircraft Carriers. And with the workload on annual outlay of funds basis projected to increase from $1 billion to $2.3 billion over a five-year period, the office was ill-equipped to meet the growing demand.

Perhaps most troublesome, however, was the fact that those in charge—Program Executive Officer Admiral Roland Knapp and Deputy Program Executive Officer Brian Persons—weren't finding out about delays until it was too late to get things back on track in time to meet delivery dates.

"Information coming late to us would have a financial impact on us, because it really limits your options to be able to restructure contracts or reallocate resources," Persons explained.

Staff and budgets were already being taxed to their limits. And due in part to Operation Enduring Freedom, the workload was still on the rise. Based on existing performance metrics, NAVSEA-PEO Aircraft Carriers simply didn't have enough people to meet the projected demand. They requested more money for more personnel to fill the gap—but their request was denied. As a result, they had no choice but to change the way they did business.

The PEO had brought in consultants before, and had also launched various internal initiatives. But each time, the efforts stalled.

"That's where Admiral Knapp and I realized that we really needed to go find the right outside help to make this happen," Persons said. "And now that we were convinced we needed outside help, it was a matter of finding the right person to help do the job."

On the recommendation of their largest contractor, Northrop Grumman Newport News, the PEO engaged DeWolff, Boberg & Associates. The Virginia shipbuilder is now reporting annualized savings of $4 million to $5 million, thanks to a highly structured workload management program developed by the consulting firm.

"The deciding factor was that we had what I call empirical evidence that it really did work, because we saw it in action with our prime contractor," Persons said.

Initial Findings

Before DeWolff, Boberg & Associates could help the PEO chart a course for change, their consultants needed to gain a realistic perspective of the day-to-day operations at

the Washington, D.C. facility. After a two-week period of observing Assistant Program Managers (APMs) on the floor, the DeWolff, Boberg & Associates team concluded that poor communication was a serious obstacle for the organization.

Poor Internal Communication

First and foremost, internal communication was virtually nonexistent. Workers who had been doing the job for several years tended to do their jobs by memory, with no system in place to share their knowledge with new team members. Because so much operational information existed only "between the ears" of the seasoned workers, new employees were having a difficult time getting up to speed. This caused a great deal of frustration among new team members, not to mention a dramatic loss of productivity.

Failure to Deliver to Vendors

Not surprisingly, DeWolff, Boberg & Associates also found that external communication was poor. For example, a number of project delays were directly attributable to the PEO's failure to provide contractors with the equipment, software, or information the contractor needed to move forward—and their failure to notify contractors of these issues until it was too late to work around them. These delays are especially costly, because even if contractors don't have the tools they need from the Navy in order to finish the job, they're still under contract to dedicate their crews to that project. As a result, cost overruns could easily reach up to $12 million to $15 million per month.

No Room for Error

In addition to the communication problems the PEO was facing, DeWolff, Boberg & Associates observed that there were no standard operating procedures or project schedules in place to keep projects on track. Jobs had deadlines, but no timelines. And long lead times of seven to 10 years gave workers no sense of urgency. Once delays began to happen, there was no plan in place to get things back on track in time to meet the deadline.

"Basically, they were kind of running their program in the dark," said Project Chief Keith Leary of DeWolff, Boberg & Associates. "They couldn't get any information on how well the programs were performing."

Armed with these observations, along with vital data gleaned from surveys and questionnaires of supervisory staff, DeWolff, Boberg & Associates went to work on a comprehensive management program to transform the PEO from a reactive culture to one of proactive, systematic management.

Reverse-Engineering to Move Ahead

The first order of business for DeWolff, Boberg & Associates was to develop a management operating system to ensure that program objectives were met on time and within cost. Consultants laid out schedules for each of the different programs, then worked backward from the deadline to process-map the steps that had to happen along the way in order for projects to be completed on schedule. This shifted the focus from long-term deadlines to short-term goals. Principle events and sub-tasks were then charted on Gantt charts to be placed in highly visible locations.

Plans for Reducing the Learning Curve

Next, DeWolff, Boberg & Associates recommended strategies to help the client meet those goals, including periodic management training workshops, as well as the implementation of floor-based metrics to encourage person-to-person information sharing.

A Program to Measure Progress

Also recommended was the introduction of a weekly activity log, enabling managers to review and prioritize the tasks each team member is pursuing; a weekly countermeasures log, documenting what happened, what the potential impact will be, and what corrective actions are required; and a monthly balanced scorecard, highlighting monthly indicators and tracking performance.

Putting the Plan into Action

Bottom-up change is the key to the DeWolff, Boberg & Associates approach—so the PEO agreed to institute APM huddle meetings every other day. This provided a regular opportunity for workers and managers to review the progress of various projects as indicated on Gantt chart, keeping everyone in the loop at every step and helping the PEO gain buy-in from employees at every level.

Proactive Management

The PEO also agreed to implement weekly Operational Review Meetings to discuss key metrics. Did things happen in the order they needed to happen? Were there cost overruns? What action needs to be taken to get back on track? By asking these questions on a weekly basis, APMs became better prepared to identify problems and take corrective action early on.

"If they missed a target, they knew they were going to have a problem," Leary explained. "It gave them time to develop an action plan to correct it so they wouldn't be late. Or, they could contact the contractor and say, 'Is there a way you could do a workaround? Not charge us the 12 million dollars?' "

Identifying Strengths

Another helpful recommendation from DeWolff, Boberg & Associates was to have APMs conduct "best practice" spot checks. This allows them to identify value versus non-value-added activities within the financial, logistics, and program management areas. These spot checks also give APMs a better understanding of what their team members' strengths and weaknesses are, which enables them to better plan their work.

Spiral Development

All these changes may sound like a lot to swallow. But because these new protocols were enacted with a "spiral-development" philosophy, everything didn't have to happen at once in order to be effective. The PEO had the flexibility to move ahead quickly or slowly, depending on how readily the changes were embraced.

"My analogy is, it's like putting a screw into a wooden board—you do it one turn at a time," Persons explained. "You go too fast, and you either break the screw or break the wood. So you want to continually just tighten that screw all the time."

Sticking With the Basics

As it happens, progress has been swift within NAVSEA/PEO Aircraft Carriers. In fact, the new protocols made such a positive impression that many personnel asked them to extend the program to an electronic format. But DeWolff, Boberg & Associates convinced the PEO that sticking to a low-tech approach is in their best interest. By hand-writing reports and discussing results face to face, users are learning the concepts that drive the process rather than simply entering something into a machine. They're also compelled to have one-on-one conversations with coworkers and supervisors, rather than relying on passive communication tools such as email. In the case of NAVSEA/PEO Aircraft Carriers, the process itself is perhaps the most critical part of the solution.

Running a Tighter Ship

Almost immediately after implementing the changes recommended by DeWolff, Boberg & Associates, NAVSEA/PEO Aircraft Carriers began to see monetary results. The restructuring of the CVN 77 new construction program saved the office a whopping $300 million, while a $55 million cost overrun was circumvented on the CVN 76 (Ronald Reagan) project. They also saved $5.97 million in contractors off roll and manpower avoidance. And because the process is repeatable, the client is equipped to sustain and improve upon results without the need for ongoing intervention from DeWolff, Boberg & Associates.

The management operating system also gives PEO supervisors the quantifiable data they need to support the PEO's contribution-based compensation and appraisal system—something that, until now, was measured purely by subjective appraisals. With these objective performance measures now in place, a worker's performance can be calculated, rather than estimated.

Others within the military are beginning to recognize the value of the process as well. In fact, four other NAVSEA offices and other parts of the Department of the Navy are currently patterning programs after this approach, following the advice of Chief of Naval Operations Admiral Vern E. Clark:

"Please get out and show the rest of the Navy this program. It is exactly what I want every organization in the Navy to do...now!"

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