Strategy Research Project

LCMC IMPACT ON PRODUCT MANAGEMENT OFFICES

BY

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USAWC STRATEGY RESEARCH PROJECT

LCMC IMPACT ON PRODUCT MANAGEMENT OFFICES

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LCMC IMPACT ON PRODUCT MANAGEMENT OFFICES

A significant change in how acquisition organizations and co-located Army sustainment commands operated was directed in 2004 by the United States Army Acquisition Executive (AAE), Mr. Claude Bolton.[1] His initiative was to form Life Cycle Management Commands (LCMC) within various geographic locations in the United States for the Army to better support delivery of military products to soldiers.[2] Strategic leadership changes for these well-developed organizations are often perceived, within the organization, as a paradigm shift from how they have functioned and performed. Change is often resisted and challenged due to how the change is implemented and what the change is. This paper focuses on the issues in the implementation and effectiveness of this initiative within a Program Management Office (PMO) of the Program Executive Office Combat Support & Combat Service Support (PEO CS&CSS) located at Warren, Michigan will be analyzed. This analysis will review some of the more critical LCMC concepts through initiation and implementation, program of record issues, and general PMO funds management as to their overall effects on a Program Management Office. These changes and concepts all were instituted during a time of war; when all the organizations were in full support of this effort. The metrics on how well the LCMC concept is working at the PMO level is important for determination if this new organization structure is successful or must morph into a different structure. Findings from this study will be helpful for future planning which are summarized in the conclusion.

Management Background Information

The Tank-automotive & Armaments Command (TACOM) has Title 10 authority for sustainment management, parts control, sustainment funding and life cycle sustainment management on all tracked and wheeled ground equipment utilized within the Department of Defense (DoD).[3] TACOM has been assigned Primary Inventory Control Activity (PICA) authority.[4] TACOM has the vested requirement to fulfill these legal obligations as the PICA for all users registered as Secondary Inventory Control Activity (SICA) sites.[5] TACOM also maintains the mission to assist other DoD activities for equipment management where efficiencies and economies of scale can be accomplished or on a request basis. TACOM is also responsible to 150 countries that use TACOM equipment and has over 3,000 fielded end items.[6] TACOM is responsible for providing all the contracting activities required for all of the organizations under its umbrella along with six industrial organic depot installations.[7]

The Goldwater-Nichols DoD Reorganization Act of 1986 established that acquisition Program Managers (PMs) that shall work within a Program Executive Office (PEO) structure no more than three levels below Presidential level.[8] This has resulted in effective life-cycle control and management of government programs within the DoD. Department of Defense Directive 5000.1 notes that the Program Manager is the designated individual with responsibility for, and authority to, accomplish program objectives for development, production, and sustainment to meet the operational needs of the users.[9] The PM shall be accountable for the credible cost, schedule, and performance of his managed systems while reporting to the Milestone Decision Authority (MDA). The Program Manager is the single focal point for issues that affect his product line of equipment.[10]

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TACOM has a chain of command through the Army Material Command (AMC), then to the Department of the Army.[11] The Program Managers have a chain of command through the PEO and then to the Assistant Secretary of the Army for Acquisition, Logistics & Technology ASA(ALT).[12] The Research and Development Command has a chain of command to the Department of the Army with an alliance as a partner within TACOM.[13] The newly formed TACOM LCMC has an Executive Steering Committee that is comprised of personnel from each of the organizations working to transform the LCMC into an efficient entity.[14] The stated goal of the LCMC is to get products to the war fighter faster, make the products even better, minimize life cycle costs, and enhance the effectiveness and integration of the acquisition, logistics, and technology community.[15]

LCMC Background

The concept of LCMC establishment was codified by a Memorandum of Agreement (MOA) between the Assistant Secretary of the Army for Acquisition, Logistics and Technology ASA(ALT) and the Commander of the United States Army Material Command.[16] The goals were: get products to Soldiers faster, make better products, minimize life cycle costs, and enhance the synergy and effectiveness within the acquisition community.[17] This review is of the Warren, Michigan area, and a geographically located PMO, PM Assured Mobility Systems (AMS) command within it. The LCMC concept was to integrate efforts between TACOM, the PEO, and the Tank-Automotive and Research Branch (TARDEC) of the Research Development and Technology Command (RDECOM) collocated aboard the Warren, Michigan complex. This initiative was to provide an integrated, broadened approach to the product

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development system and its life cycle systems support. Command relationships were established by the MOA. Program management responsibility flowed from the AAE through the PEO to the Program Managers as vested by statute. Dual-hatted senior executives ensured that leadership support for the LCMC initiative was developed across the senior executive levels.[18] Performance appraisals of senior executives were developed to include RDECOM, TACOM and the PEO senior leadership as either a rater, intermediate rater or senior rater via opposite organizations.[19] This action tied each of the senior leaders to the success of the whole LCMC organization vice their separate area. PMO raters were still through the PEO CS&CSS but had requirements for meeting LCMC objectives. Metrics for the measurement of LCMC progress were to be developed and Integrated Process Teams (IPT) put together from the organizations as to how this would be implemented.[20] It appeared rather uncomplicated, and the MOA noted that it should only take six months to fully implement.

LCMC Implementation

Initial implementation of the LCMC in the PEO and PMO was met with shock and dismay by personnel within the organization. The LCMC concept was viewed as a hostile takeover of the organization. The command structure and relationships within the PEO and TACOM were not released. Personnel from the PEO and PMO were fearful of being rolled into the TACOM organization, losing their key positions and control of their programs.[21] Surveys conducted at a later date supported the concerns of the work force. This fear was exasperated when TACOM personnel indicated that they could possibly be taking over management of PMO and the PEO. The first electronic mail message to the work force from the TACOM commander was released on 14 June

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2005, almost one year from the release of the initial LCMC planning information.[22] This message was meant to soothe the work force, and explained, how this process would begin. A full year of strategic time for implementation of the program was lost along with an uproar in the workforce that did not understand the new concept. All the commands did not answer the questions of the LCMC concept, with little to no strategic communications from senior leadership. Major General Lenears had just taken over as the TACOM Commanding General. General Lenears was able to tell immediately that the pulse of the organization was not correct. He was a very astute leader with a "hands on" leadership style who started out immediately by requesting a command survey for the TACOM community.[23] The survey noted serious issues with the LCMC concept, due to everyone in the command having their own opinion as to what it was and how it would work. The electronic mail from Major General Lenears was written in a personal manner, asking for help of everyone in the command to work through the LCMC implementation. He immediately set up Executive Steering Committees (ESC) to work out the guidance and joint policy that was to come out of LCMC.[24] MG Lenears conducted town hall meetings with the other organizations to show a joint force in how they were going to tackle this project. Several town halls were conducted over a short time frame, for the entire work force, where the rumors and questions were taken head on and answered. Damage control was in place to get the process moving and to have worker buy-in. LCMC was noted as a method of transformation and the commands would indeed complete this process. These details had not been passed to the work force before so they did not know that their future was dependent upon making the organization more agile and lean. The DoD had instituted information collection on the

Warren site as a facility that might be closed. The TACOM community knew that information was being sent to this commission but the agency was sworn to secrecy, with no releases of information.[25] This caused more rampant rumors and concerns of command wide personnel. The Base Realignment and Closure (BRAC) decisions were going to be made during this time frame adding to the fear factor of the work force. BRAC was used as one of the reasons to implement LCMC; leveraging that an efficient organization working as a well oiled machine would be more difficult to close down.

During 2006, additional guidance was provided from the Army Material Command (AMC) and the Military Deputy (MILDEP) to the Assistant Secretary of Acquisition and Logistics for the Army.[26] No initial guidance had been released as to what a LCMC would look like when it was done. The input from the guidance was for the organizations to use collaboration to solve any difficult problems in setting up the LCMC.[27] Over a two year period, this was the only published guidance for the LCMC. Each LCMC had broad brush guidance and the ability to end up with a finalized structure and arrangement different than any other LCMC. It is not known if this level of guidance from the MILDEP and AMC was done on purpose or just forgotten as no other guidance or direction was provided; ignoring the magnitude of effort. Articles were written in 2005 on the LCMC concept along with its implementation success.[28] While the policy and organizations had not been set up or were functioning as a LCMC, victory seems to have been declared at the senior leadership level. No changes on any LCMC concepts had been implemented into the PEO, RDECOM and TACOM after almost three years of limited talk for this effort.

The LCMC sites would establish a sort of enterprise zone with industry that surrounded the facility. The delays of getting the LCMC concept approved were compounded by the 2006 BRAC. The 2006 BRAC realigned many functions and closed many bases. The TACOM LCMC picked up much of the organization structure being transferred from BRAC locations due to their strategic importance, relating back to why the initial concept was conceived. The LCMC implementation in early 2007 was still limping along at TACOM. The senior level officials had embraced it along with the political base causing success in getting funding and presenting a case for its success. The local commands still have not fully implemented on how it would work. Senior leadership officials set up numerous off-site meetings where they put together the process and final organization based upon input from the ESC. This information was codified and placed into a booklet called the TACOM LCMC Playbook.[29] The LCMC Playbook has a signatory page from all leaders of the organization along with the vision, principles, responsibilities, MOA, IPT, funding, and was written at a level that the work force could understand and see the vision of where it was taking the organizations.[30] This change was presented as cultural and critical to the health of the organizations and was tied to the success of all agencies in the LCMC, not just each individual organization. Training was started for all leadership positions within every organization. Every supervisor from General Service Grade 13 and above received training on how the organization was to function.[31] The TACOM G3/5 set up an IPT to work through any difficult areas or conflicts for all the LCMC organizations, providing a single focal point for input of issues. All LCMC information was posted on an easy to find web site, for ease of comprehension and distribution to the workforce. This surge of effort got the

LCMC implementation rolling with all leaders embracing its principles. Each of the organizations, based upon the Play Book, knew where they fit in and how they were to operate in this environment.

The Warren, Michigan area had expansions of defense industry organizations ranging from Oshkosh, BAE, General Dynamics and many others with budgets exceeding $450M. Michigan Senators Carl Levin and Debbie Stabenow embraced the LCMC concept and noted it as a lead element for the research and development of future systems within the United States Army.[32] They ensured that over $3B for hardware programs and $100M for research was fully funded with all the funding going to the TACOM LCMC or agencies closely affiliated with the organization.[33] The end result was that the political process had quickly embraced LCMC transformation and was rewarding them with full funding of many programs. The results of this funding flowed quickly through the three chains of command, with all the organizations receiving additional funding for critical program work.

The surge in management coupled with the intensified training and expectation of leadership became the tipping point of getting the LCMC fully accepted by the work force. The organizations had seen the value of the concept by increased budgets and BRAC realignments that brought in new activities. It was no longer viewed as a threat but a new part of how the organizations would function as a team. Senior management had intensified their effort to incorporate the concept; they were under scrutiny from political support of the issue and funding initiatives, so they had to make it work.

The TACOM LCMC goals are still being fine-tuned within all the organizations. They have evolved to what works best for their situation and location. Whether it was

intentional or not, the senior level guidance did not help the organizations in establishing the LCMC concept. It took three years of inactivity to get the concept in place. This occurred probably as a result of political and higher management changing much faster and embracing the concept. Local level management set upon a course of waiting it out to see if it would eventually go away as another form of management changes that would fade out. Personnel in all of the local institutions looked at protecting their own areas of interest to the detriment of the directed change. The commands in 2004 needed to conduct the level of effort that was done in late 2007 for institution of the new LCMC concept. Probably one of the most important items was the publishing of the vision which was communicated through the well thought out TACOM LCMC Playbook that in detail laid out how everything was going to be done.[34] Perhaps its publishing was contingent upon input from the ESC effort but the workforce needed to be brought into the process, thereby eliminating rumors and innuendo issues.

The PMO received one of the best changes in operating culture because of the LCMC institution. AMC is commanded by a four star general (GO) and ASA(ALT) is commanded by a three star general, both with different chains of command. The acquisition command is by law required to provide life cycle control over their systems through the PMO structure. The AMC command is to provide sustainment of fielded systems. The command relationships were often strained due to control of systems being conducted by a junior GO who was to be in charge of support provided by a four star GO. This strained relationship caused support issues at the LCMC level, where the support organization wanted to control PMOs. The TACOM LCMC operating principle notes that the PMO is the life cycle manager who will rely on the expertise from

stakeholders in fulfillment of the PMO mission.[35] This change resulted in a TACOM

reorganization to align their structure to better provide PMO support. The end result is a

unified effort for providing the best system support while fully meeting the statute law

requirements.

TACOM LCMC has tied this concept into management for all the organizations.

All supervisors within the PEO, PMO, TACOM and TARDEC are graded on their

appraisals as to how well they are supporting the concept.[36] The LCMC implementation

is required for promotional questions on every panel for personnel achieving leadership

positions. All the organizations have banded together for a Strategic Plan developed in

2008 and were the first ever with every organization compiled into one over arching

document.[37] The TACOM LCMC G3/5 office is still managing an active IPT with all

organizations for issue and disparity cases. The LCMC concept from start to where it is

at today has taken almost five years, with the bulk of the changes coming in the past

two years.

Program of Record

DoD directive 5000.02 provides guidelines on acquisition programs for the DoD.[38]

Program Managers move systems through acquisition processes guided by meeting

MDA approvals along each step: Milestone A, Milestone B and finally into production

and fielding after Milestone C.[39] These decision points are the acquisition phases

required for management of programs. A system that has moved through Milestone C is

advanced into becoming a Program of Record (POR) system. POR systems have a fully

validated requirement and are placed into the PPBES/POM cycle for funding which is

tied back to Congressional appropriations. Each DoD service that has PICA

responsibility along with the PM managing the system must meet the requirements for POR systems. The systems that fall under the TACOM LCMC umbrella must complete a process called Type Classification (TC) and Material Release (MR).[40] This process has extensive checklists with approval by agencies that must sign off on the requirements before the system is allowed to meet its Milestone C for full production. Equipment is not allowed to be released for military personnel use until it has been either pushed through the POR process or through an expedited release process due to urgent requirements.

The process for equipment certifications by the Major Army Commands (MACOMs) such as the TACOM LCMC is Army Regulation (AR) 700-142.[41] This regulation ensures that equipment is safe, suitable and supportable thereby meeting the guidance and regulatory requirements of the DoD 5000.1 and 5000.02 series of regulations. Each MACOM works through the processes mapped out for their unique equipment. DoD agencies also have the same process requirements to meet the safe, suitable and supportable requirements for acquisition of an equipment system. Program Managers must push a system through the MACOM directed process, in the case of the United States Army, that is called Type Classification and Material Release This process spelled out per AR 700-142 sets the standards that all equipment used by Army personnel must achieve prior to its release.[42] This fulfills the requirement of having standardized and supportable equipment vice non-standard equipment and also meets the safety requirements.

The rapidly changing war time environment has posed a challenge to the normal peacetime equipment development with cycle times that average five to ten years

before release of a system for military use. Non Developmental Items (NDI) and Commercial Off the Shelf (COTS) equipment has been used to rapidly fill urgent material war requirements along with spirals of technological equipment spin offs that are not fully developed but provide a significant enhancement to the war fighters. The current Army Strategy is to continue developing and fielding spiral spin-outs as they occur for modernization and getting the best possible benefits to the operational forces. Much of this equipment is generally commercially available and with certain tweaks is made suitable for military use or is used as is. The constantly changing environment of modern warfare will require the rapid delivery of state of the art non-standard equipment to continue giving the competitive edge for military forces. This equipment is currently being provided to the war fighters through an abbreviated TC/MR process by PMOs.

During the time period of 11 April 2002 to 20 October 2008, the TACOM LCMC had 396 Urgent Material Releases (UMR) submitted by Program Managers for 3,586,544 systems that were bought for the war effort.[43] Program Managers are required to submit an extensive UMR package that mimics the TC/MR package and certifies the systems are safe, suitable and supportable subject to any limitations that are noted and approved through standard risk reduction procedures.[44] The submission of these non-standard systems for a UMR by one LCMC reflects a paradigm shift in standards being used to field equipment expeditiously to the war fighter and the extent of equipment numbers that has been rapidly fielded.

UMR equipment is not a POR system and as such is funded through supplemental funding. The Army's base budget does not fully cover the cost of both current and future readiness requirements. The link to securing long term funding and

inclusion into the PPBES/POM cycle is by acceptance and inclusion into that process via, for the U.S. Army, AR 700-142 creating a standard item. Current policy guidance for any UMR equipment that has been purchased is that it may be used in the environment and area where it was requested but it cannot be brought back to the United States.[45] UMR equipment for accountability purposes is carried as Theater Provided Equipment (TPE) subject to overseas war usage regulations. The equipment in essence becomes a throw away item unless steps are taken to place it into the DoD POR system.

Millions of equipment items have been purchased that were critical to the support of the war effort. The acquisition cost of these items was significant and the Government Accounting Principles of Federal Appropriations Law and other statutes within the Federal Acquisition Regulations (FAR) require proper control and use of these resources.[46] No action has been taken to roll the long term upkeep of these systems into the PPBES/POM process. The equipment items will require RESET or RECAP to maintain their useful nature based on the rigors of wartime use. Failure to resource and maintain these items will lead to their degradation and eventual disposal. Program Element Group (PEG) lines need to be established if the resources are to be kept within the DoD system; all based upon placing the systems through a TC/MR process per current guidelines.

The TACOM LCMC has not worked to resolve the UMR versus TC/MR issue confronting the PMO on already fielded equipment. The standing process is being used with no changes or future thought about relevance of fielded UMR systems. PMO offices must still follow the current regulations on fielding equipment and no PPBES/POM PE lines have been established for sustainment of an ever increasing fleet

of war time fielded equipment. Over three and one half million systems will go into obsolescence without any supportability if this issue is not resolved. PMO, by law, have to care for their equipment throughout its life cycle, and as such will have to work the TACOM LCMC to do one of the following recommendations. First, the PMO can continue to treat UMR equipment as non-standard items. Equipment fielded to overseas commands will not be brought into the Army system of POR. No RESET or RECAP of the equipment via defense depots will occur other than Contractor Logistic Support (CLS) at overseas locations. PPBES/POM inclusion will not occur with any development of funding along PEG lines. The replacement of this equipment through the POR system must immediately start to ensure inclusion into the PPBS/POM process and to fund for the Future Army. Congressional actions required for establishment of replacement items. Possible Foreign Military Sales of the items could occur, if authorized, to recoup funding that could be used for future procurement. Readiness issues will need to be addressed as the equipment degrades due to long term war time usage. Second, the PMO can allow the TACOM LCMC to be the lead element for providing input as to the restructure of AR 700-142 which will develop a shortened process of converting non-standard UMR fielded equipment to POR systems.[47] The UMR equipment has superbly performed in a war environment, which with proper documentation can be fully substantiated. The TACOM LCMC could convene an IPT tasked organized for a minimal time frame to deliver the abbreviated process which shall be used by all MACOMs for conversion of UMR fielded equipment. This effort can be conducted as a cost savings effort and reported back to Congress on how the Army is a good steward of the taxpayers funding. A thorough inventory of all UMRs must be

conducted up front to begin this process. Some equipment will not be identified as potential POR candidates, necessitating removal and replacement by follow on systems. Once completed this will allow all the systems to be incorporated into the PPBS/POM process, and establish the equipment on permanent unit allowances. Third, the PMO can request the TACOM LCMC change AR700-142 and other pertinent regulations to allow UMR equipment into the United States for training use. This will allow the equipment to be used as training assets and incorporation of the UMR equipment into training equipment funding streams. This solution will allow a funding base to be established in PPBS/POM for the systems and allow their use until they can be replaced via the POR process. This will allow all the systems to be used until they degrade to a point requiring disposal. This will not allow the systems to become a POR but will allow sufficient time for POR equipment to replace the older systems. This action does save equipment for potential training assets but depends upon receiving more Congressional funding to buy additional POR systems for use as replacements.

These actions must be pushed forward by the PMO as the TACOM LCMC has not taken this issue to task on POR systems. Use of the TACOM LCMC IPT or ESC process requires an immediate start to work this high profile issue. The TACOM LCMC process is not supporting the rapid fielding of equipment needed for the modern war fighter and placing burdens on the PMO. TACOM LCMC can be the lead agent for correction of a process affecting DoD equipment, saving valuable procurement funding that is a sunk cost for UMR fielded equipment. This would tie in with the Total Army Analysis (TAA) 10-15 as noted in the Army Strategy published in 2008 that is working to

capture unprogrammed requirements and roll them into the future force to include its funding process.[48]

<u>Funds Management</u>

The U.S. Army has 27 different appropriations used in execution of its missions.[49] Congressional funding is received by each organization within the TACOM LCMC for their type management of the same system based upon research, procurement or sustainment. The bottom line up front (BLUF) on funds management is the three organizations that comprise the TACOM LCMC each predominately use a different type of Congressional funding.[50] The use, budgeting and priority of spending these resources have not been historically coordinated towards providing the best overall system management based on the life cycle of the end product. PMO provide for the life cycle management of their systems through use of Other Procurement Army (OPA) funding, Research Development, Test and Evaluation (RDT&E) funding and sometimes limited other funds for specific use. TACOM receives Operations and Maintenance (OMA) funding, Army Working Capital Funding (AWCF) and Foreign Military Sales (FMS) funding, all used for sustainment or purchase of designated systems. TARDEC receives RDT&E funding along with limited OMA funding for support of research. Each organization has determined the priority for funds management without working funding as a coordinated team. The PMO is required to life cycle manage the system but the sustainment and research effort are funded and managed by different agencies which the PM does not have direct control over.

The LCMC implementation guidance provides no plan to fully integrate the financial effort needed for life cycle system support. The TACOM LCMC published its

first ever consolidated Strategic Plan in 2008.[51] The plan spells out the need to minimize product cost and to make the acquisition of systems more efficient with no additional guidance for the LCMC agencies. The synchronization of overlapping agencies and actions on funding support is critical to provide the PMO the teamwork it needs for system life cycle support. This action would reduce duplication of effort, maximize system support with funds from all three agencies and provide a harmonized strategic funding plan for all the agencies. The PMO, in support of equipment throughout its life cycle, will have to work with the TACOM LCMC to perform one of the following recommendations. First, the PMO can continue using the same administrative process and try to coordinate his actions with two other agencies for synchronization of efforts. This action goes against the principles of the LCMC which require standard business procedures that facilitate day to day operations. The PMO cannot provide the system financial overview with the current methods of operation. This inability is causing poor financial management of funding due to overlaps and gaps of budgets, funding and color of money issues. Second, the PMO can enlist the help of the ESC or work through the TACOM LCMC G3/5 for establishment of an IPT to develop an integrated financial record that allows each of the three LCMC partners to have a total funds overview. Each system within the LCMC and managed by the PMO could then be provided the best financial oversight with the ability of the three agencies to meet and plan out the resources needed. The ability to smooth out gaps and types of funds issues will increase readiness, reduce duplicity and allow management of the systems with complete knowledge of the financial status of all funding. Third, the PMO could hire an outside agency to coordinate the funding effort of all three agencies and to provide

expertise on funding streams and fleet management. There are many commercial firms that work fleet management and system integration issues that could provide possible solutions or methods for the LCMC agencies. Fourth, the PMO could apply a cross section of each of the three referenced actions to provide a hybrid solution for resolution of this issue.

These actions must be pushed forward by the PMO as the TACOM LCMC has not taken this issue to task on funding. Use of the TACOM LCMC IPT or ESC process would start to resolve this coordination and control issue. The TACOM LCMC process is not supporting the funds coordination that is needed by the PMO to make the best financial decisions for systems management. TACOM LCMC can be the lead agent for correction of this process by taking action to come up with a methodology that could possibly be applied across the entire LCMC effort in the U.S. Army. Resolution of this issue could enhance system funding and also aid the LCMC to champion additional funding efforts by having a complete financial plan for each fielded system.

Conclusion

The LCMC implementation process has taken hold and is being fully integrated within the TACOM agencies. The process was delayed due to the normal challenges that any change process will go through. It is now embraced by the agencies as a paradigm shift in how they worked from a stove-piped type organization to now working as a fully integrated IPT based along equipment lines that are overseen by the PMO. This change will evolve into the organization's culture within time. The final structure of the LCMC is not complete, much like a living organization it will morph and change over time to what best suits the entire organization. The dividends of the LCMC are being

recognized in efficiencies, enhanced budgets, and meeting the goals of getting the right products, faster, cheaper and on time to the troops. The PMO must use the change process within the LCMC to push forward the POR and funding issues that have been brought forth. These issues require resolution but the cross functional lines areas must be addressed by the LCMC. The LCMC must take issues through the IPT process to continue the advancement of the causes or the institution will loose all the ground that has been taken for the LCMC. The challenge of the PMO and the LCMC will be to keep the strategic communications between them on any and all issues so they can be worked towards resolution within the developed processes.

Endnotes

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