



DEFENSE REUTILIZATION & MARKETING SERVICE

**STRATEGIC
BUSINESS PLAN
2002 - 2007**

**DEFENSE REUTILIZATION AND MARKETING
SERVICE (DRMS)
STRATEGIC BUSINESS PLAN**
(This plan is the blueprint for DRMS' journey into the 21st Century)
2002 –2007

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COMMANDER'S MESSAGE

To All Members of the Defense Reutilization and Marketing Service:

This is an exciting and challenging time to be associated with a dynamic Government organization that is undergoing a metamorphosis; we are truly changing the way we do our business. This year we celebrated our thirtieth anniversary as DoD's property disposal activity. We have a proud history. Today we're looking toward the future, the twenty-first century, and embracing the opportunities that accompany the challenges ahead. I appreciate and commend your support and dedication in executing the goals and strategies described in this plan. I believe, by working as a team, we will achieve our vision to be "DoD's provider of choice for worldwide reuse, recycling and disposal solutions."

/s/

JOHN A MARX
Colonel, USA
Commander

FOREWORD

The Defense Reutilization and Marketing Service (DRMS) is a Lead Center of the Defense Logistics Agency (DLA). The DRMS mission is to provide the Department of Defense with services for the disposal of material no longer needed for national defense, comply with legislative and regulatory requirements, protect the public good from dangerous defense items, and pursue maximum value for tax dollars. This mission includes responsibility for property reuse (including resale), hazardous property disposal, demilitarization, precious metals recovery and recycling program support.

In 1994, DRMS was designated as a reinvention lab under the National Performance Review (NPR) for the study of privatization alternatives. A review of such alternatives led DRMS to adopt, in 1996, an Enterprise Management (EM) model as our method of reaching performance improvement and cost reduction goals. The EM model required DRMS to take a look at our operations in their entirety. Analysis showed the business could be better managed by examining groups of activities within the business individually based on their outputs. This led us to segment our services into six major business units: Logistics (receiving and warehousing), Reutilization/Transfer/Donation (RTD), Usable Sales, Scrap Sales, Demilitarization, and Environmental. By defining and evaluating each business segment, we have found opportunities for improvement, identified outsourcing/privatization opportunities, and clarified fundamental Government responsibilities. The EM model also embraced the idea of operating in a competitive environment, allowing our customers a choice in selecting service levels and, in some cases, the service provider. To achieve our goal of cost effective, excellent service, we were required to rethink the way we do business. DRMS embraces the concept, of whenever possible, "managing information, not property." This is our operational strategy for the future. In many cases DRMS can manage the information about excess property in order to find a customer for that property, without ever taking physical custody of the property. The implementation of the Balanced Scorecard (BSC) (the BSC is a tool to help us change the way we do business, identifying our strategies, measurements and initiatives

for the future), with the pursuit of significant business innovations and tailored customer services, will enable DRMS to fulfill our mission responsibility while providing peak performance at the best prices - *best value to our customers, employees, partners and shareholders.*

I. EXECUTIVE SUMMARY

MISSION: To provide the DoD's best value services and deliver great performance to our customers for the reuse, transfer, donation, sale or disposal of excess/surplus DoD property.

This is in direct support of DLA's Mission: "To provide best value logistics support to America's Armed Forces, in peace and war...around the clock, around the world."

DRMS will provide consistent, efficient and effective business practices and high quality service resulting in outstanding mission execution and optimum financial performance to DoD and ultimately the taxpayer. DRMS will emphasize its role as a valuable source of supply for the military services. DRMS will transition the business to a lean, "virtual" enterprise - becoming managers of information, not property, and skilled with the knowledge workers DoD needs for the future. DRMS will utilize a hybrid of public and private service providers to execute mission responsibilities, to ensure our ability to provide best value support. For all services it furnishes, DRMS will solidify its position as the provider of choice of its mission responsibilities for DoD.

VISION: DoD's provider of choice for worldwide reuse, recycling and disposal solutions.

Again, supporting DLA's Vision of "Right Item, Right Time, Right Place, Right Price, Every Time...Best Value Solutions for America's Warfighters."

DLA/DRMS Values:

People...care for our people, our community, and our environment – their safety and their diversity.

Service...focus on customer service.

Excellence...expectation of professionalism and quality, teamwork and recognition to teams and individuals based on contributions to achieving Agency objectives.

Innovation...investment in improvements for the future.

Trust...fostering relationships based on honesty, credibility, respect and fairness.

II. DRMS STAKEHOLDERS AND EXPECTATIONS

The DoD disposal process is extremely complex, complicated by concerns over proper demilitarization, potential risks from Ammunition, Explosives and other Dangerous Articles (AEDA), environmental safety, trade security control issues, and providing contingency and combat support. There are a variety of “customers” and beneficiaries of the services DRMS provides, and many people and organizations are impacted by how well and efficiently we provide our services. These people and organizations are DRMS’ “stakeholders.” They each have a unique and widely varying set of expectations, making it an extreme challenge to keep them satisfied. Each stakeholder must be considered independently as we undergo changes for our future. What satisfies one stakeholder may very well impact the success of another. Objectives must be carefully balanced and aligned among the stakeholders. For DRMS to succeed, our stakeholders must understand and ultimately support our strategies.

A. CUSTOMERS

DRMS’ primary customer is the military, both as a generator of property and as a potential property recipient through the reutilization (reuse) program. DRMS exists to serve the Department of Defense and military units. Ultimately, the military is the customer who pays our bills, and they expect affordable, responsive, effective disposal services. Military budgets are directly impacted by the performance of DRMS. We must provide on time, reliable, consistent support, through prompt issue of requested property or by efficiently dealing with unneeded property in order to take it off their hands as soon as possible. In addition, we have a variety of other “property recipients” as our customers through the transfer, donation and sales programs. They have similar expectations for on-time, reliable, friendly, efficient services. Many others benefit from DRMS management and oversight of excess AEDA, environmentally regulated (HM/HW), and DEMIL-required property. This property is regulated for disposal in compliance with complex federal, state, and/or host nation and international laws and regulations. Through compliant performance, we minimize risks and potential liabilities to DoD, national security interests, and the general public.

B. WORKFORCE

DRMS believes our workforce is our true competitive advantage. We are a service organization and our people deliver that service. DRMS has a complex workforce including full time civilian and military personnel, local nationals in many foreign countries, as well as temporary and part time personnel. They expect and deserve to be treated fairly and be provided the tools and training necessary to deliver world-class service. The workforce depends on honest communication of our goals, our constraints, and our reasoning for what we are doing, especially as it impacts them personally. To be successful we must provide our people with recognition of their contributions and opportunities for growth and personal improvement.

C. SUPPLIERS/PARTNERS

Critical stakeholders in our changing business are our suppliers and business partners. They bring to DRMS external expertise and resources, acting as our partners, to develop mutually beneficial relationships. These associates expect stable, professional, reliable, preferably long-term relationships that provide the maximum economic benefits to both participants. DRMS must be flexible, to the largest degree possible, in developing partnerships and working with our suppliers/partners, to ensure the creation of a successful team.

D. SHAREHOLDERS

Shareholders provide us the policies and authority to operate. Examples are the Defense Logistics Agency, the Office of the Secretary of Defense, the Congress and ultimately the taxpayer. As we seek to improve service, we must institute changes with consideration of the total cost to DoD and the taxpayer. Our shareholders want a Government that “works better and costs less.”

III. OPERATING ENVIRONMENT

A. STRATEGIC PERSPECTIVE

The Department of Defense, specifically each military service (our primary customer), has experienced a period of dramatic downsizing over the last decade. The DoD has steadily been reducing spending since reaching an all time high in 1989. The infrastructure of the military services has experienced a similar reduction during the same timeframe. This resulted in an increasing disposal workload for DRMS that peaked at \$29.3B (acquisition value) in 1993 before beginning a slow but steady decline. In addition, the logistics community has adopted the concept of “focused logistics.” Information, logistics and transportation technologies will be fused to deliver the right support at the right time and place. The overall plan is to streamline logistics support while sustaining a more capable combat force, in concert with “full spectrum dominance”. These changes in the operating environment combine to result in a drastically changing workload for DRMS. This decline is anticipated to continue over the next several years before reaching a relatively stable state in about 2005. Although the volume of property may be down, this time of austerity within the DoD budget environment provides a unique opportunity for DRMS to emphasize the valuable service provided through the reutilization program. Every DoD dollar saved through reutilization that avoids an alternative procurement action, frees up funds to be used to sustain and modernize the military forces. To remain viable in this new environment, DRMS must seize this business opportunity, in addition to responding with strategic changes to improve performance and reduce costs.

B. BUSINESS PERSPECTIVE

DRMS supports the Quadrennial Defense Review (QDR), Defense Reform Initiative (DRI), and Joint Vision 2020 and is committed to changing our business philosophy and processes. The DoD, DLA and DRMS must modernize, as has the commercial world, by reengineering and streamlining. Sound sourcing decisions, reductions in our infrastructure, and improvement in business processes are all critical to the future success of DRMS. DRMS' plans are fiscally responsible and executable, encompassing technological innovations, streamlining processes, and utilizing a quality workforce that includes the use of the private sector for the performance of activities the private sector does best. Our shareholders will give their attention to funding military force modernization and will expect other links in the logistics chain (such as disposal) to bear the bulk of the resource reductions. We will be required to "do better with what we have."

IV. DEFINING OUR DIRECTION

DLA and DRMS play a critical role in ensuring continued logistics support for the accomplishment of DRMS, DLA, DoD and Joint Vision 2020 missions. To ensure support and accomplishment of these goals, DLA established four goals from which near-term objectives are developed: The DLA goals are:

- Goal #1: Provide responsive, best value supplies and services consistently to our customers.
- Goal #2: Structure internal processes to deliver customer outcomes effectively and efficiently.
- Goal #3: Ensure our workforce is enabled and empowered to deliver and sustain logistics excellence.
- Goal #4: Manage DLA resources for best customer value.

The DLA strategic plan establishes the DLA vision for meeting DoD' support challenges for the next 10-15 years. It outlines the initial goals and objectives that will guide DLA near-term efforts. DRMS has a significant role in DLA's successful accomplishment of the stated objectives. This plan is developed in consideration of the overarching goals and objectives of DoD and ensuring DRMS' cost effective provision of high quality services.

The objectives described herein assume continued emphasis on smart sizing and sourcing decisions. Sizing decisions refer to the capabilities and infrastructure necessary to support mission requirements given a specific customer base. Decisions related to taking on new mission or new customers for the existing mission will be closely monitored. Our sourcing decisions relate to both "who" will perform the work and whether DRMS will be the single service provider for the DoD or whether the customer would benefit from having a choice in service providers. Sizing and sourcing decisions have a significant impact on the efficiency of the organization and DRMS' ability to meet financial and performance commitments. These decisions will be made in consideration

of the best interests of the DoD and the taxpayers. This guiding principle is an important factor in the execution of this plan. Effective use of partnerships and competition are critical factors in DRMS' plans to provide "best value" services. By applying good business decisions to our sizing and sourcing concerns, we will continue to meet mission requirements while providing maximum benefit for funds expended by DoD and the taxpayers.

DRMS' Strategic direction, as delineated within this document assumes that DLA and DRMS will continue mission responsibilities as currently defined and provide support at levels similar to those in recent years. However, this strategy also provides for flexibility and agility, and is not constrained within the current operating environment.

VI. GOALS, STRATEGIES AND OBJECTIVES

DRMS seeks a balanced approach to strategic management. In years past, DRMS, like many businesses, primarily focused on financial performance, paying less attention to areas like process improvement and ensuring the workforce has the tools necessary to produce. To ensure proper emphasis on all areas of the business, we have developed goals that focus on four quadrants or business perspectives, using the balanced scorecard tool: customer, internal processes, learning and growth; and financial. The DRMS goals support DLA and DoD goals, are linked to performance and monitored using a balanced approach.

A. GOALS

Goal #1:

DLA: Provide responsive, best value supplies and services consistently to our customers.

DRMS: Meet or exceed our customers' expectations

Goal #2:

DLA: Structure internal processes to deliver customer outcomes effectively and efficiently.

DRMS: Streamline and improve processes to deliver the most effective disposal services.

Goal #3:

DLA: Ensure our workforce is enabled and empowered to deliver and sustain logistics excellence.

DRMS: Create an environment to encourage innovative thinking and ensure our workforce is enabled to deliver and sustain world-class performance.

Goal #4:

DLA: Manage DLA resources for best customer value.

DRMS: Provide disposal services of maximum value

B. STRATEGIES/OBJECTIVES. The strategies are intended to propel DRMS into the future and ensure progress toward the stated goals. The strategies are corporately developed and are designed to meet long-range business needs over the next 5-7 years. Successful implementation of these strategies will further our progress in preparation for continuing as the DoD's provider of choice for disposal solutions in the year 2020 and beyond. The objectives highlighted will ensure the accomplishment of the strategies. (Note: (D#. #) following an objective indicated support of DLA objective. For example (D.1.1) indicates that DRMS objective supports DLA Goal 1, Objective 1.)

Goal #1: Meet or exceed our customers' expectations.

Strategy C-1: Focus, manage, and measure DRMS support by customer segment based on customer needs.

Objective: Improve customer satisfaction to 90% by the end of FY07. (D.1.1)

Strategy C-2: Negotiate and honor performance agreements with customer segments.

Objective: Improve customer satisfaction to 90% by the end of FY07. (D.1.1)

Strategy C-3: Ensure seamless DRMS support to customer segments during the customer's transition through the continuum from peace through MOOTW to war.

Objective: Develop support plans for all OPLANS and CINC. (D.1.5); plus supported by Action Plan number DRMS-1.

Goal #2: Streamline and improve processes to deliver the most effective disposal services.

Strategy IP-1: Maximize supply chain effectiveness & efficiency using supply chain concept to meet customer needs.

Objective: Implement improvement processes to ensure supply chain effectiveness and efficiency by the end of FY07.

Strategy IP-2: Develop compliant accountable processes that are independent of volume surges.

Objective: Implement measurements and improvement processes for information accuracy that are compliant with applicable standards and independent of workload volume by FY07.

Strategy IP-3: Leverage industry by building partnerships among DRMS, public and private customers and suppliers.

Objective: Complete public/private competitions under OMB Circular A-76 procedures for identified functions through FY04. (D.2.14.); plus supported by Action Plan number DRMS-2. Implement a comprehensive sourcing strategy that ensures supply chain effectiveness and efficiency by the end of FY07.

Strategy IP-4: Implement improved processes that take advantage of technology and business practices in order to provide best value to our customers.

Objective: Improve processes that take advantage of Information Technology and new business practices to improve market shares and meet or exceed predicted return on investment to provide best value to our customers by FY07.

Goal #3: Create an environment to encourage innovative thinking and ensure our workforce is enabled to deliver and sustain worldclass performance.

Strategy LG-1: Deliver the proper knowledge and skills to meet our commitments to our customers.

Objective: Identify gaps between workforce competencies and the skills required to meet mission requirements for 100% DRMS positions by the end of FY07. (D.3.1.); plus supported by Action Plan number DRMS-3.

Strategy LG-2: Create and manage the DRMS corporate culture.

Objective: Improve the employee perception of the DRMS culture to an average rating of 3.5 or better by the end of FY04, and 4.0 or better by the end of FY07.

Strategy LG-3: Provide a quality work environment.

Objective: Improve the level of employee satisfaction on the DRMS climate survey to an average rating of 3.5 or better by the end of FY04, and 4.0 or better by the end of FY07. (D.3.3).

Goal #4: Provide disposal services of maximum value.

Strategy F-1: Ensure that DRMS resources its operational strategies.

Objective: DRMS will fund 100% of POM initiatives that support strategic plan objectives. (D.4.4.); plus supported by Action Plan DRMS-4.

Strategy F-2: Manage costs of internal processes/activities to provide best value to the customers.

Objective: DRMS will fund 100% of POM initiatives that support strategic plan objectives. (D.4.4.); plus supported by Action Plan DRMS-4.

Strategy F-3: Ensure confidence in DRMS financial stewardship.

VII. MONITORING AND IMPLEMENTATION

This revision to the plan was again developed to support the implementation of our Balanced Scorecard. While striving to clearly support our shareholders goals and strategies, we've also aligned our business strategically and balanced our goals between the four business perspectives: customer, internal processes, learning and growth, and financial. Through the monitoring of metrics and initiatives identified in our Balanced Scorecard, we will track progress toward attainment of these goals and strategies throughout the business cycles. These corporate strategies will be cascaded throughout

the organization, translated to specific business area objectives and action plans, and monitored. Annually, business areas will develop a “Game Plan” that emphasizes specific areas of the business requiring focus during the upcoming fiscal year in order to achieve the corporate strategic goals. DRMS will regularly monitor our strategies, measurements and initiatives to evaluate tactical and strategic performance, carry out in-process reviews to report business area performance, and continually monitor financial and business performance using tools such as Activity Based Costing (ABC). Customer satisfaction will be emphasized through continual affirmation of customer values and monitoring performance based in customer needs. Through on-going analysis, DRMS will identify impediments to goal satisfaction and develop action plans to resolve problems. Periodically, this Strategic Business Plan will be reviewed to update, evaluate and prioritize objectives in support of the established goals. Following these reviews, DRMS will issue updates to this plan as required.

VIII. CONCLUSIONS

The Federal Government, DoD, DLA, and DRMS are undergoing a drastic transition, from the traditional Government operations into agile, technologically advanced agencies, using innovative business solutions to support demanding customer requirements. DRMS is challenged to continue this evolution, to implement the necessary changes to remain a competitive service provider, and to execute this strategic business plan in a manner that ensures continued and improved support to all the stakeholders of DRMS. While taking seriously the requirements to reduce costs and infrastructure and embrace outsourcing/privatization, all efforts will be closely managed to ensure service quality is not sacrificed and mission responsibilities are not compromised. Through the use of advancing technology and innovation business practices DRMS will solidify our role as “DoD’s provider of choice for worldwide reuse, recycling and disposal solutions.”