

SAP Customer Success Story Defense and Security



“We now have a more agile, responsive, and effective Navy that is even better prepared to successfully complete its missions in support of the global war on terrorism.”

Ron Rosenthal, Program Manager, Navy ERP, United States Navy

AT A GLANCE

Summary

When the United States Navy set out to revolutionize its business affairs – part of its strategic effort to streamline its IT technologies and channel more funds to its primary mission of warfighting – it turned to SAP for solutions. After the success of its pilot programs, the Navy is already moving towards the implementation of a Navy-wide enterprise resource planning (ERP) system.

Web Site

www.navy.mil

Key Challenges

- Retire thousands of legacy systems or interface them with the mySAP™ ERP solution
- Create standard processes and master data
- Improve change management
- Interface mySAP ERP with Defense Department and other systems

Project Objectives

- Redesign business processes for finance, acquisition, supply, and maintenance
- Develop end-to-end capability with Navy-wide ERP system, initiated with 4 major pilot projects
- Provide accurate, consistent, timely financial data from a single source
- Enter next phase: convergence into Navy-wide ERP Program

Solutions and Services

SAP for Defense & Security solution portfolio, including mySAP Business Suite solutions

Why SAP® Solutions

- Each pilot independently chose SAP® solutions because they meet the need for a rigorous, disciplined ERP solution with global support
- SAP for Defense & Security functionality met mandate for use of commercial off-the-shelf technology

Implementation Highlights

- Top-down support, involvement of senior-level sponsors
- Pilot programs went live between 2001 and 2003, producing major benefits
- Collaboration among all teams on master data development and interfaces with other systems
- Rigorous adherence to the ASAP methodology from SAP
- Well-organized convergence effort begun in 2004

Key Benefits

- Financial statements available within 48 hours of period close
- Intermediate-level maintenance and repair time for ships reduced by 16%
- Inventory error rate reduced
- Total visibility of inventory assets
- Time to process purchase orders reduced from about 40 days to 40 minutes
- Hundreds of legacy systems retired
- Business system support reduced

Implementation Partners

- SAP Consulting organization
- IBM
- BearingPoint Inc.
- Electronic Data Systems

Existing Environment

Hundreds of disparate systems

U.S. DEPARTMENT OF THE NAVY

Navy's Multiyear ERP Program Crucial to U.S. Military's Revolution in Business Affairs

The United States Navy, as one of the nation's main pillars in the global war on terrorism, is moving on all fronts – military and business – to become an ever-more agile, responsive, and decisive force, capable of swiftly meeting and defeating a ruthless and persistent enemy anywhere and anytime.

The reality of the times, however, also dictates that the Navy must pursue its mandate for innovation and change in a fiscally constrained environment. On the business side, the Navy is meeting these challenges by adopting the best business practices that can be realized today through the use of commercial off-the-shelf (COTS) software solutions for enterprise resource planning (ERP). This is known as the Navy Enterprise Resource Planning Program, an ongoing, multiyear effort to link acquisition and support operations that serve the Navy's 500,000 military and civilian personnel, more than 280 ships and submarines, and 4,000 aircraft.

Through major pilot programs commissioned in 1999 – each powered by the SAP for Defense & Security solution portfolio – the Navy has already realized major business improvements in key processes: financial, maintenance, program management, and supply chain management. Equally important, they have provided a wealth of experience for the next phase, begun in 2004: the convergence of the pilot programs into a Navy-wide ERP system that will involve more than 80,000 users.



“The Navy’s ERP story is not unlike that of many corporations,” says Ron Rosenthal, program manager of Navy ERP, United States Navy. “We share the same objectives: to strip out the costs of value-chain inefficiencies by redesigning and integrating processes, gaining management visibility into operations, and eliminating the costly, disparate legacy systems that have proliferated over the decades.”

But the implications of the Navy’s effort are larger than those facing any commercial firm because it affects the future of a nation.

Revolutions in Military and Business Affairs

The Navy’s ERP Program is a crucial element of a massive top-down effort mandated by the Department of Defense (DOD) Joint Chiefs of Staff in their Joint Vision documents. These vision documents directed the U.S. Military Services to revolutionize

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and streamline their business processes to create an Internet-centric approach to joint warfighting, a concept that demands the ability to access information anytime, anywhere – a necessary ability for military deployments.

This military focus was followed by a complementary business vision, the Revolution in Business Affairs. In his February 2005 appearance before the U.S. Senate Armed Services Committee, Chief of Naval Operations Admiral Vernon Clark testified about the Navy’s progress in realizing the vision. According to Clark, “The Department of the Navy ERP initiative has created the

framework that will enable the transformation of key acquisition, logistics, and financial business activities into an integrated network of decision-making processes. The ERP program is expected to continue to improve integration, leverage economy of scale, consolidate legacy systems and software using the best business and commercial practices available, and align the President’s Management Agenda within the department.”

Navy leadership also recognized that accomplishing these goals would have a very positive impact on Navy personnel. According to former Undersecretary of the Navy Jerry Hulton: “As we reach out and recruit more and more young men and women to come into military and civilian service, we’ll need to show them that we’re a modern, energized, well-managed operation, or they’re going to find more exciting places to work. You can’t offer these young people a typewriter when they’ve grown up on computers and the Web.”

The Navy ERP Program is the engine for this business revolution; it also facilitates the Navy’s adoption of Internet-based technology for its joint and coalition warfighting efforts.

Pilot Programs Create the Blueprint

Armed with the above guidance and the support of senior Navy executives, the Navy began by establishing four pilot programs, which focused on three major functional areas: logistics, financial management, and program management. While differing in function and scope, each pilot had the same well-defined project goals: accurate, timely and consistent financial information, managed cost drivers, standard business processes, and an integrated end-to-end capability.

The Navy pilot programs focused on specific challenges. For instance, major support dollars have historically been consumed by the supply chain and intermediate-level maintenance (dock-side ship repairs and air squadron maintenance, short of major overhauls performed by depots). Disparate processes and systems that vary from site to site and the lack of standard parts databases have hampered real-time visibility into the maintenance and material status of ships and aircraft and the available maintenance resources.

For program management, different systems for acquiring and maintaining different equipment meant managers labored to consolidate information required by command leadership and financial regulators. Financial management had similar data access and visibility issues, which also prevented the Navy commands from achieving full compliance with the Chief Financial Officers Act of 1990 and its requirement for annual auditable financial statements from all government departments.

Unanimous Choice: SAP® Solutions Meet the Needs

For the four pilot programs, the choice of the COTS technology was critical to achieving standard, integrated processes and common databases. The basic requirements were robustness, discipline, and global support. Whatever came off the shelf had to have tremendous breadth and depth of functionality and be able to be implemented without major customization.

Independently, each pilot team or its system integrator chose the SAP for Defense & Security solution portfolio, including SAP® R/3® software, and the ASAP methodology from SAP. (SAP R/3 functionality is now found in the mySAP™ ERP solution.) Faced with the rigorous demands of the Navy's extensive and diverse pilot programs, SAP for Defense & Security would be put to the test – by some of the world's toughest customers.

NEMAIS: Reducing Repair Time

The Naval Sea Systems Command (NAVSEA) is the Navy's largest acquisition organization, comprising personnel and technical resources devoted to designing, building, repairing, and modernizing ships and their weapons systems. NAVSEA and the Fleet Forces Command joined in piloting the Navy Enterprise Maintenance Automated Information System (NEMAIS), the goal of which was to install ERP for all shore-based, intermediate-level maintenance activities around the world. NEMAIS was rolled out to three U.S. regional centers in 2003 and two Pacific facilities in 2005, serving a total of 10,000 users.

With data on more than 215 non-nuclear ships loaded into the SAP system, NAVSEA has realized benefits such as a 16% reduction in average total repair time (from 96 to 81 days), immediate job rejection notification (compared to a delay of 20 days previously), and a 43% reduction in the number of processes performed.¹

1. Source for all specific benefits is *Navy ERP Newsletter*, September 2004.

SIGMA and Cabrillo: Faster Financial Reports and Purchase Orders

The Naval Air Systems Command (NAVAIR) provides program management – contracts, logistics, and corporate operations for all Navy and Marine Corps aircraft, as well as air-launched munitions. The NAVAIR pilot, SIGMA, was initiated in 2000 to integrate finance, project planning and budgeting, procurement, and workforce management into one system using one set of master data. Implemented in 2002, SIGMA's product has

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become the financial system of record for NAVAIR's \$23 billion annual budget, supporting NAVAIR's general fund, as well as the NAVAIR Working Capital Fund. SIGMA serves more than 16,000 users at 10 primary sites and 173 global locations.

SIGMA now provides rapid access to program plans and budget information and has improved decision making in the fielding of weapons systems. Among the specific results of the pilot program using SAP solutions, SIGMA has shown a 66% improvement in the time it takes to process financial statements, which are now available within 48 hours of period close. In addition, the SAP solutions have allowed NAVAIR to retire 52 legacy systems. In recognition for its SIGMA accomplishments, NAVAIR received the 2005 Impact Award from Americas' SAP Users' Group (ASUG). The ASUG award for the best SAP software implementation is based on strategic alignment, ROI, best practices, innovation, project scope, and other improvements.

The Space and Naval Warfare Systems Command (SPAWAR) – another major acquisition command for the Fleet, provides the warfighter with knowledge superiority by developing, acquiring, and providing integrated life-cycle support for communications, IT, and space systems. SPAWAR's Project Cabrillo

went live in 2001 and serves 3,500 users at the SPAWAR System Support Center in San Diego, Calif. As the pilot program for the Navy Working Capital Fund, it integrated several processes: strategic planning and management of finance, programs, procurement, assets, and human resources. In addition to ERP functionality, Cabrillo implemented the mySAP Supplier Relationship Management solution.

Cabrillo's key results included a 50% reduction in the annual cost of business systems support, a reduction in the time to process a purchase order (from about 40 days to just 40 minutes via electronic catalog buying), and the retirement of 38 SPAWAR legacy systems.

Next Step: Navy-Wide Convergence

With the successes and experience gained in implementing ERP solutions within such a diverse organization, the Navy was positioned to make a major decision on the next step. In 2003 Navy leadership determined that even greater efficiencies and economies of scale could be gained if the four pilots were merged into a single, Navy-wide ERP program. This led to the establishment of the Navy ERP Program office, charged with producing the seamless, end-to-end production system envisioned by Navy leadership in the late 1990s. The mySAP Business Suite family of business solutions has been selected for the converged ERP Program, and solution experts from the SAP Consulting organization, part of the SAP Services organization, are working full time with the program's teams.

Recognizing the scope of this effort, the Navy ERP Program office has laid out a multirelease approach to convergence, which started with combining the functionality of the pilots, as well as material requirements planning at the regional level. Today, the convergence project is already in the realization phase.

Navy ERP Organizations: Hard at Work Today

What are the issues and expectations as the Navy begins to roll out its ERP system Navy-wide? Many answers lie in the experiences of the pilot projects over the last five years – reengineering and integrating processes, training thousands of users, and solving master data issues. But paramount to the success of the pilot programs has been top-down support and the involvement and leadership of senior people. An additional success factor was that the pilot programs collaborated extensively with one another.

Rosenthal emphasizes that he and his ERP Program Management team fully understand the issues related to securing and maintaining executive support. “Deploying ERP to an organization as large and diverse as the U.S. Navy creates many challenges. Attention must be on uniting the large number of sponsors and stakeholders into a well-aligned catalyst to help propel us to a successful implementation.”

Managing Change: Education Critically Important

This is critical to managing change throughout the Navy and tens of thousands of users, says Rosenthal. “Education and information flow are critical to change management. We need to keep both our executive stakeholders and the men and women using the solutions informed and educated so we can spot and correct minor issues before they become major crises.”

In preparation for convergence, the Navy ERP Process Council and five working groups – all led by flag or high-level Senior Executive Service personnel – were established in 2004 to align Navy business processes and coordinate their interaction among five major functional areas: financial management, acquisition management, supply chain management, maintenance, and work force management, according to the new *Navy ERP Newsletter* (Issue No.1). “From the very beginning, we spent a lot of time creating a governance structure for this large undertaking,” says Rosenthal. “In addition to a senior executive committee, we added a process council, which oversees the end-to-end processes and assists in resolving process and business rule issues, and a board of advisors to work programmatic challenges.”

The Navy will be the first organization to say that implementing just one ERP solution is a big challenge. Says Rosenthal, “Implementing four of them is even more challenging and converging those four can seem daunting. Yet the Navy also realizes that the reward for successfully converging their ERP pilot programs into a single Navy-wide ERP system is well worth the effort. We now have a more agile, responsive, and effective Navy that is even better prepared to successfully complete its missions in support of the global war on terrorism.”