



NAVY ACQUISITION REFORM INFO-ALERT



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EMPLOYEE INCENTIVE PLAN

The Advanced Communication Intelligence (COMINT) Voice Processor (ACVOP) Program is a software intensive project, which had undergone two waves of staff turnover attributed to the competitive labor market. Core staff for the project consists of approximately 10-12 full time personnel. The total contract value is approximately \$6.5M; fixed fee profit of 8.5% equates to .5M. The prime contractor is Sanders, a Lockheed Martin Company.

While the government cannot in any way determine what Lockheed Martin does with profit earned from its programs, the government believed that a bonus pool targeting the core staff was the best way to incentivize retention and productivity of contractor personnel. The intent was to provide a fund from which the individuals supporting the program can be incentivized to reach the company's and the customer's goals.

This Win/Win approach has benefits for the company (retention of qualified personnel, high morale, increased productivity, etc.) and the government (recovery of schedule, low cost of incentive for a major impact on performance, etc.). The government had only to provide \$50K bonus pool funds, and modify the contract with an "H clause" to achieve impressive productivity gains and personnel retention. The company agreed that the bonus pool would be used for employee bonuses only.



LOGISTICS RESPONSE TIME (LRT)

Reducing LRT continues to be a key part of DOD's and the Navy's overall strategy to provide faster customer service to our afloat and ashore customers by improving our supply system process. This includes satisfying off-station customer requirements from the point of requisitioning through receipt, namely the Requisition Submission Time (RST), Naval Supply Inventory Control Point (NAVICP) Time, Depot Processing, Transportation, and Receipt Take-up Time.

NAVICP continues to work with the Deputy Under Secretary of Defense (Logistics) to improve the measurement and reporting of LRT to make a more meaningful metric. The areas identified for improvement, are located in the individual supply system segments. NAVICP is committed to a 10% goal reduction in backorders to improve their time for FY99, and continues to work with the Defense Logistics Agency (DLA) for similar reductions. For RST a completed comprehensive requisitioning channel study has shown the best way to get each requisition processed. Improvements to the transportation segment including changes to the modes of transportation and increasing air eligibility of items. NAVICP will continue to pursue methods to expedite material to their customers.