



2001

President's Quality Award

August 2000

We Make Fleet Systems Dependable

Test, Training & Evaluation
Integrated Undersea Warfare Systems Dependability

NAVSEA
KEYPORT
Undersea Warfare Center Division

Fleet Material Readiness
Undersea Vehicle
Maintenance & Engineering

Life-Cycle Systems Supportability
Integrated Mine & Undersea
Warfare Supportability

Keyport, Washington

Keeping America's Navy #1 in the World

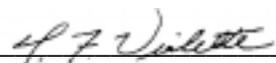
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2001 President's Quality Award

Application Organization

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Highest Ranking Official in Application Organization

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Size of Organization

Number of Employees: 1,259 Civilian, 29 Military, and approximately 500 Contractors
Number of Sites: 5
Budget for Preceding Year: \$100 - \$500M
List Sites: Keyport, Washington; Hawthorne, Nevada; San Diego, California;
Oahu and Kauai, Hawaii; Underwater Ranges in Washington,
California, Hawaii, and Canada.

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Commander, Naval Undersea Warfare Center

BASIC ORGANIZATIONAL DESCRIPTION

The Naval Undersea Warfare Center (NUWC) Division, Keyport, is located on Puget Sound, across the bay from Seattle, Washington. Keyport is a field activity of the Naval Sea Systems Command (NAVSEA). Team Keyport has a proud history and tradition of expertise and dedication in the unique field of Undersea Warfare (USW).



As part of NAVSEA, Keyport supports the corporate value statement **“Keeping America’s Navy #1 in the World.”**

Keyport’s mission is to provide test, training and evaluation; in-service engineering; U.S. Navy Fleet support, maintenance, and repair; and industrial support for torpedoes, naval mines, countermeasures, sonars, and many other undersea warfare systems. Keyport’s customer-driven objective is to **“Make Fleet Systems Dependable.”**

Because of the diverse locations of Keyport’s Fleet customers, Team Keyport is located at Keyport and Bangor, Washington; in Hawaii on the islands of Oahu and Kauai; in San Diego, California; and in Hawthorne, Nevada.

The Division is led by a Navy Captain as Commander, Naval Undersea Warfare Center Division, Keyport, and a civilian Senior Executive Service (SES) Executive Director. Keyport’s organizational chain of command is shown in Figure B-1.

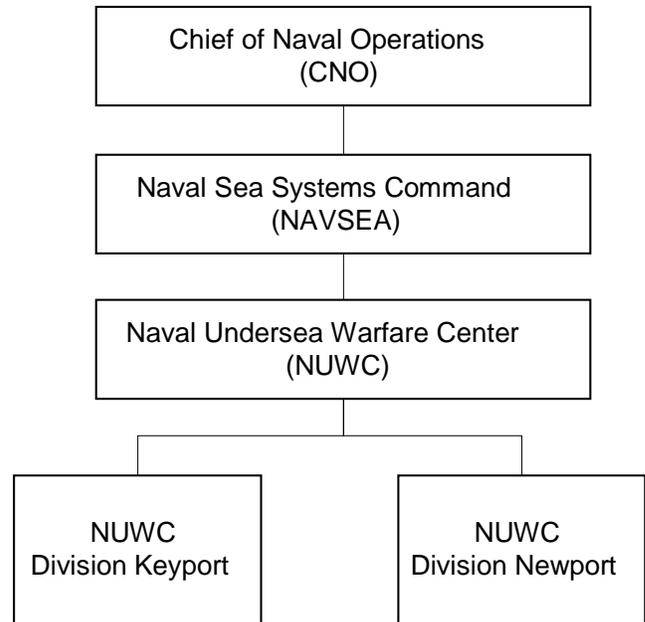


Figure B-1. Keyport Is a Major Component of the Navy’s USW Mission.

PRODUCTS AND SERVICES

We Make Fleet Systems Dependable.



Proven through Test, Training and Evaluation (TT&E): We provide full-spectrum Test, Training and Evaluation by providing the environments, conducting tests, and then evaluating the performance of USW weapons and systems. We provide test and evaluation support at precision fixed sites and any place any time with portable systems. The Test and Evaluation support



provides the warfighter confidence that the weapons and systems will work as advertised when required.

Available through Life-Cycle Systems Supportability (LCSS): We are a principal provider of life-cycle supportability insight, integration, and assurance for USW and Mine Warfare (MIW) systems. Life-cycle supportability encompasses engineering and logistics products and services to assure Fleet operational availability (A_0) and self-sufficiency with reduced Total Ownership Cost (TOC) and maintenance burden.

Sustained through Fleet Material Readiness (FMR): We are the principal provider of Fleet material support, modernization and advanced industrial technology, including preventive and corrective maintenance of undersea vehicles and other Fleet Combat Systems. Modernization and upgrade of these systems and components focus on improving performance, reducing required maintenance, and testing of new products for acceptance and delivery to the Fleet. Full-spectrum depot maintenance engineering services are applied to ensure that Fleet delivered quality, cost, and schedule expectations are satisfied. We exploit leading edge industrial technology and custom engineering to support the Research and Development (R&D) community with rapid prototype development and testing.

Keyport's Total Quality Journey: Keyport began its impressive Total Quality journey in the late 1980's. By 1992, Keyport had improved its processes to reduce costs, to better meet schedules, and to increase customer satisfaction. Keyport also reorganized along product and service lines to strengthen its customer focus and actions. In 1994, Vice President Al Gore presented Keyport the Federal Quality Institute's prestigious National Quality Improvement Prototype Award, recognizing Keyport as a role model for the rest of government in improving the quality of its goods and services.

Labor/Management Partnership: Keyport's Union/Management Partnership Council started in 1995 and received the National Defense Council Partnership Award in 1997.

The principal bargaining units at Keyport are the Bremerton Metal Trades Council and the

International Association of Machinists and Auto Workers. The International Association of Fire Fighters represents fire fighters. A nationally recognized union/management Partnership Council (PC) has been successfully functioning since March of 1995. In 1997, Keyport was awarded DoD's Partnership Council Certificate and was nominated in 1999 for the John N. Sturdivant Partnership National Award.

Customer Focused Organization: In 1998, Keyport furthered its customer focus by establishing a Customer Advocacy Group (CAG) to provide its customers with a single point of contact and an on-site advocate. From 1992 to 1998, downsizing in the Department of Defense (DoD) resulted in a work force reduction of over 60 percent at Keyport. During these trying times, Keyport strengthened its customer-focused culture and has now entered a period of modest growth. This reconstitution has several dimensions (training, awards, promotional opportunities, and moderate hiring), all important to future success.

NUWC Division, Keyport, has been honed and tempered by the defense drawdown. As a consequence, its leadership, vision, and culture have become a model for the rest of the Federal Government in quality improvement, performance enhancement, and efficient operations. These qualities are enabling Keyport to meet the undersea warfare challenges of the 21st century.

PRINCIPAL FACTORS DETERMINING OUR PERFORMANCE SUCCESS

Our core equities comprise our people, their knowledge, skills and abilities, our corporate USW expertise, and our facilities. Keyport's tradition of full-spectrum capability and excellent performance depends on maintaining our core equities, satisfying our customer requirements, and practicing good citizenship.

Our Work Force: The demographics of Keyport's work force provide for a capable skill mix necessary to efficiently perform its mission. At present, Keyport has 1,259 civilian employees and 29 military personnel on board. Of these personnel, 78 are stationed at the Hawaii site, 20 in California, 3 in Nevada, and 6 in British Columbia. The skills composition of the civilian work force is shown in Figure B-2.



Engineer & Scientist	458
Technician	156
Administrative & Clerical	205
Technical Support	154
Industrial Trades	296

Figure B-2. Keyport Has a Diverse Work Force to Accomplish Its USW Mission.

Our Major Market Areas: The work accomplished by Keyport's work force is augmented by the effective use of private sector contractor support in five basic areas:

- Logistics Support
- Technical Support Services
- Range Craft Operation
- Base Operating Support
- Administrative Support.

Keyport's primary customers consist of Naval Sea Systems Command (NAVSEA) and Program Executive Office (PEO) system managers, Naval Air Systems Command (NAVAIR), Naval Inventory Control Point (NAVICP), commodity managers, and the Fleet. These customers are the primary sources of tasking and funding. In FY 2000, customer-funded workload (costs) for Keyport (new funds) totaled \$200 million:

- NAVSEA (includes PEOs) - \$136M
- NAVAIR - \$23M
- NAVICP - \$16M
- Other Navy - \$17M
- Other DoD - \$8M.

Workload distribution in our key Product and Service Areas is:

- Test, Training & Evaluation - 29%
- Life-Cycle Systems Supportability - 27%
- Fleet Material Readiness - 44%.

Our Major Exequipment/Facilities/Technology: Meeting current and future customer requirements demands maintaining and upgrading our major facilities, equipment, and technology. Our annual Capital Purchase Program (CPP), our past and future successful Military Construction

(MILCON) Programs, and our partnerships with industry and academia strongly support new technologies and processes for the 21st century. Our leadership in Manufacturing Technology (MANTECH) and Information Technology (IT) is recognized throughout the Navy.

Our Regulatory Environment: Local, State, Federal, and Navy directives and regulations govern our operations. As a Navy Working Capital Fund activity, Keyport must be funded by customers rather than directly out of appropriated funds. This factor is the overriding consideration in our financial management and establishes a set of guidelines completely different from those rules used by institutionally funded activities. We are very successful at operating as a business and meeting all safety, occupational, environmental, financial management, and acquisition reform regulations and directives.

Our Community Stewardship: Due to the highly hazardous nature of many of the systems and processes in use at Keyport, strong emphasis is placed on safety, environmental, security, and fire protection. As good citizens, Keyport leaders and employees demonstrate strong involvement and support to our Community, to the Puget Sound region, and Washington State.

OUR CUSTOMER REQUIREMENTS

Keyport delivers a wide range of products and services to a diverse customer base. In 1999, 199 distinct customers received Keyport products and services. As part of the External Customer Satisfaction Survey Process, these customers were surveyed. Feedback from 79 of these customers shows overall satisfaction of 8.6 out of 10. This diverse customer base brings with it a variety of requirements and challenges.

To emphasize customer satisfaction, Keyport has adopted a principle to guide the translation of requirements via the CAG while ensuring organizational efficiency.

Our guiding principle, "**Quality for Our Customers . . . Improvement for Our Future,**" serves to focus achievement of customer expectations in a consistent and mutually beneficial manner. It drives us to view customer requirements in very basic terms: Performance, Cost, and Schedule. We strive to improve Performance,



reduce Cost, while maintaining Schedule. However, customer satisfaction drives the balance of Performance, Cost, and Schedule requirements.

Performance: In addition to meeting the technical requirements of the task, customers for weapons systems have a very high requirement for safety and reliability of products and services.

Cost: Customers are concerned with both the immediate cost of obtaining the product/service and the cost of supporting and sustaining it through its life cycle.

Schedule: Customers expect their requested products and services will be delivered on time as negotiated. Keyport offers a high degree of flexibility to react to changing requirements.

OUR SUPPLIER AND PARTNERING RELATIONSHIPS

Keyport has a history of established relationships with its suppliers, and lasting partnerships with other Navy activities, the private sector, academia, and foreign governments in order to deliver Fleet products and services. Supplier relationships and partnerships are categorized below. Our successful Supplier and Partnering Relationships provide best value products and services to our customers.

Original Equipment Manufacturers (OEMs): Keyport collaborates closely with OEMs to understand and resolve performance problems during the development, production, and acceptance testing phases of the contracts. As a Trusted Agent, Keyport functions as a technical advisor for the acquisition manager while maintaining a cooperative partnership with the OEM to ensure program success.

Supply System Managers: As a customer, Keyport's expertise and system knowledge are used to project and adjust demand rates and determine alternate sources and functional product equivalents. As a supplier, Keyport produces and repairs parts that the supply system manager must stock.

Support Services Contractors: Keyport also maintains well-established supplier relationships through long term technical or logistic support service contracts.

Academia: An important partnership is the long term interdependence with University Laboratories such as the Applied Research Laboratory (ARL), Penn State and the Applied Physics Laboratory (APL), University of Washington. Work with ARL and APL involves many types of research and development projects that the Navy sponsors.

Canadian Forces: For over 30 years, the U.S. and Canada have maintained a joint agreement for operation of the Nanoose Range site, which is considered a model of international cooperation and mutual military benefit. Keyport's Northwest Range Complex comprises the U.S. Navy's only cold-water undersea testing range.

OUR NEW ALLIANCES

We have initiated proactive actions to use innovative agreements to partner with industry and academia. Most recently, Raytheon Company moved their torpedo production facility to Keyport to co-locate it with Keyport's torpedo maintenance and life-cycle processes. The synergy of this partnership provides better support to the Navy. Our new alliance is a model of public and private partnership for the Navy.

OUR COMPETITIVE EDGE

Keyport's mission is assigned; however, it operates in a public and private competitive market. The Navy Working Capital Fund (NWCF) financial system requires that all operating costs be recovered from orders placed by customers. Labor rates must be affordable in order to meet customer expectations for cost. The NWCF environment creates and necessitates the "competition" to aggressively control billing rate escalation.

OTHER STRATEGIC FACTORS

In an environment of downsizing that has resulted in a work force reduction of nearly 60 percent, disruption and dislocations have led to stress in the work force, skill imbalances, declining morale, and loss of continuity in some important processes. In the face of these realities, Keyport has entered a period of reconstitution. This

reconstitution has several dimensions, all of which are important to future success:

- Focus on Keyport's strategic vector as **"Keyport...We make Fleet Systems Dependable,"** a corporate vision in which the entire work force shares.
- Revitalize the work force with training, awards, growth opportunities, and moderate hiring.
- Emphasize a structured business approach aligned with the Strategic Plan, using Malcolm Baldrige world class criteria and the International Organization for Standardization (ISO) quality standards.

The past 5 years have been most challenging, but have also resulted in an organization forged to meet the Defense posture for the 21st century. Out of this, Keyport leadership has formed a vision and culture that will chart the course for **"Keyport...We make Fleet Systems Dependable."**

CHANGES IN OUR STRATEGY

Keyport's business strategy is flexible and agile, and is constantly evolving to capture new opportunities and to leverage process improvements for the benefits of customers and stakeholders.

Our contribution to fulfilling the Naval Sea Systems Command's value statement of **"Keeping America's Navy #1 in the World"** is through synergy, innovation, and action to meet the USW challenges facing our Navy.

By reaching out to other Navy, DoD components, universities, and private industry we form genuine partnerships. The synergy we derive through these partnerships enables us to accomplish what no single group or organization can. Encouraging innovative ideas and approaches from those that understand the challenges and know the technology and systems is essential to the future success of the Navy. It is through action that innovative ideas are implemented, solutions are developed, and our customers' expectations are met.

Keyport's relevance to our Navy is **"Making Fleet Systems Dependable"**— proven through Test, Training and Evaluation; integrated through Life-Cycle Systems Supportability, and sustained

through Fleet Material Readiness.

SIGNIFICANT ACCOMPLISHMENTS

- 2000 President's Quality Award Finalist.
- One of the highest Productivity Ratios in the Navy (85 percent).
- Saved over \$28 million (FY 96-FY 99) through Depot consolidation.
- On track to save over \$53 million (FY 00 - FY 05) through Business Process Reengineering, Smart Buying Habits, and Strategic Sourcing initiatives.
- International Organization of Standards (ISO 9000) registration of all processes used to deliver high quality torpedoes to the U.S. Navy.
- Winner of eight National Partnership for Reinventing Government Awards, also known as "Hammer" Awards. Keyport has earned eight times as many Hammer Awards as would be expected for an organization of its size. Total cost savings of these initiatives exceeded \$31 million. A ninth Hammer Award nomination adds an estimated savings of over \$3 million.
- Keyport and its Union partners use Interest-Based Negotiations and other techniques to quickly resolve employee grievances and issues. As a result, there has not been an Unfair Labor Practice filed since 1985.
- Best Practices identified by Keyport's customers include: Web-based ISO 9000 Process, Web-based Directives Control System, External Customer Survey Process (started in 1991), Internal Cultural Survey Process (begun in 1991), Lightweight Torpedo Engineering Control System, and the Corporate Balanced Scorecard Process. Keyport has 6 "Best Practices" and 20 "Great Idea" processes identified in NAVSEA's Best Process Improvement Link (BPIL) site: <http://bpil.navsea.navy.mil>.
- Keyport supports Navy Regionalization in Puget Sound as a means of reducing costs by sharing common facilities across the region. For example, over \$7 million in cost avoidance resulted from establishing a Regional Cleaning and Metal Preparation partnership with the Puget Sound Naval Shipyard in Bremerton, Washington.

CATEGORY 1 – LEADERSHIP

1.1.a. Senior Leadership Direction

The central leadership mechanism used at Keyport to set and coordinate corporate direction is built into the linkage of the Board of Directors (BOD) to the operational organization. This relationship is detailed in Keyport Directive KPT 5223. The process is depicted in Figure 1.1-1.

The Keyport leadership system recognizes the multi-faceted needs of the organization for leadership (focused on establishing direction, aligning people, and motivating the work force) and management (focused on planning and budgeting, organizing and staffing, controlling, and problem solving). This leadership system makes it possible for Keyport to respond to an environment charac-

terized by rapid change, align strategic vectors, and engage resources toward achieving its goals.

The BOD brings together the Command executives (Commander, Executive Director, and Deputy Executive Director) with the Associate Directors. This body works through consensus-building to develop the corporate vision, guiding principles, goals and objectives, policies, metrics, and investment decisions. By virtue of their responsibilities and external connections, the Commander, Executive Director, and Deputy Executive Director contribute a total enterprise perspective and critical information about the operating climate to the BOD. Other key individuals, including the Chief Staff Officer and Detachment representatives, participate as advisors to the BOD.

Our Leadership System

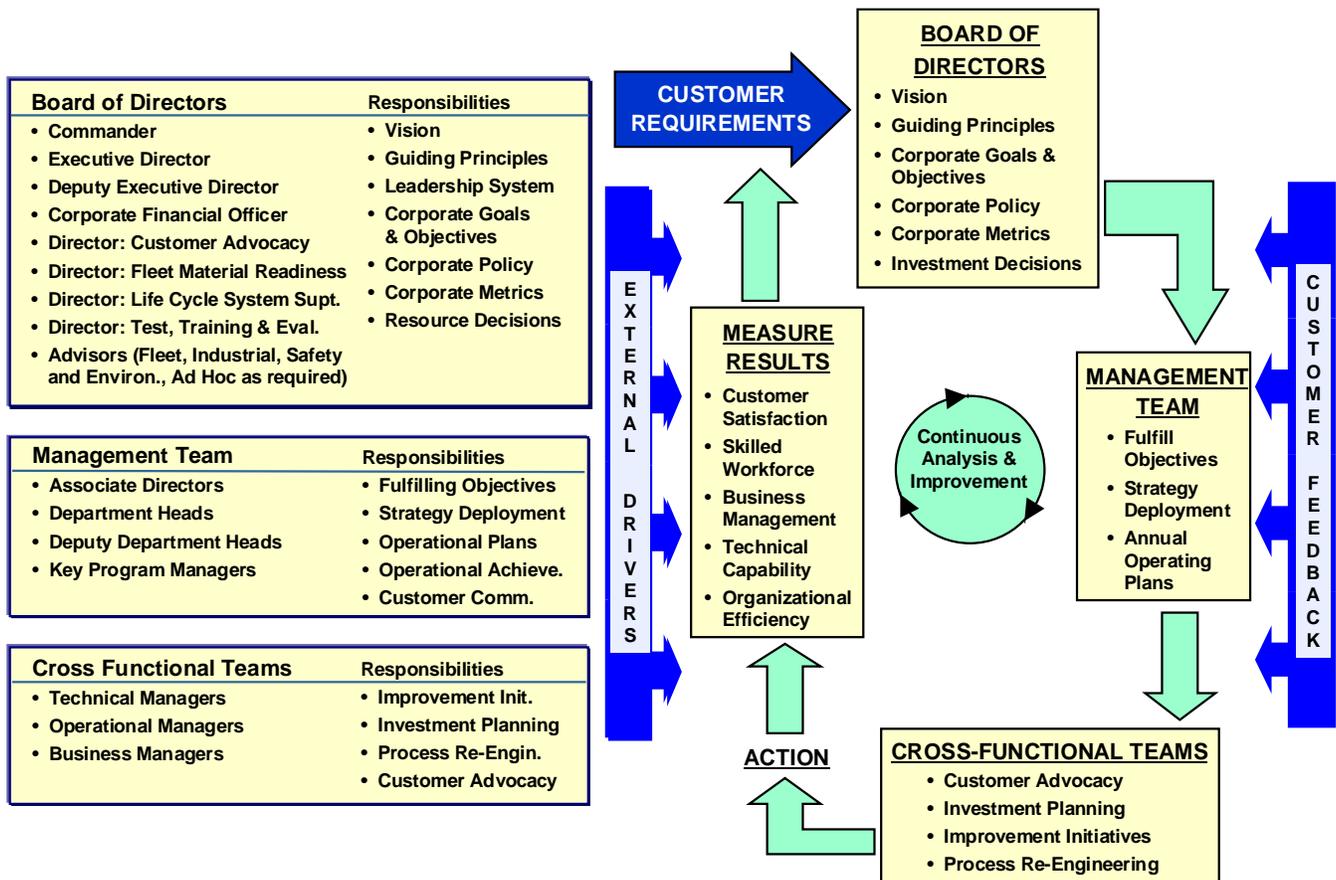


Figure 1.1-1. NUWC Division Keyport Leadership System Puts Compelling Focus on Customers and Continuous Analysis and Improvement.

An important feature of the roles of the Associate Directors in the BOD forum is their participation as advocates for key corporate thrusts, not only as senior managers of the line organization. These "dual hat" roles are summarized in Figure 1.1-2.

LINE ORGANIZATION ROLE	BOARD OF DIRECTORS ROLE
Associate Director, Business Services Group (Code 10)	Corporate Financial Officer
Associate Director, Undersea Vehicles Group (Code 30)	Director for Fleet Material Readiness
Associate Director, Combat Systems Support Group (Code 40)	Director for Life-Cycle System Supportability
Associate Director, Undersea Warfare Test, Training & Evaluation Group (Code 50)	Director for Test, Training and Evaluation
Associate Director Customer Advocate Group (CAG)	Director for Customer Advocacy

Figure 1.1-2. Associate Directors Have a Dual Role to Advocate Key Corporate Thrusts.

The roles of the Corporate Financial Officer and Director for Customer Advocacy reflect the importance of balanced business performance and customer service to Keyport's future. The other three positions provide corporate focus on Keyport's three Technical Leadership Areas: Test, Training and Evaluation, Life-Cycle Systems Supportability, and Fleet Material Readiness.

BOD meetings typically include participation from the Fleet Operational Support Department (Code 90) as well as key department heads in advisory roles.

The Management Team component of Keyport's leadership system consists of the Associate Directors, Department Heads, Deputy Department Heads, and key program managers. This team directs the operational organization in which products and services are provided to customers, and corporate support services are accomplished. The Associate Directors who lead the Management Team provide an important link to the strategic processes of the BOD. They bring their shared strategic consensus to the BOD and provide a critical fulcrum for leveraging strategies into operational actions.

In order to turn strategic decisions into tactical actions, facilitate continuity, and coordinate operations, a Director's Steering Committee meets bi-weekly. These meetings include the

Chief Engineer for Fleet Operational Support Department (Code 90).

Since a major reorganization in 1992, the direct production and service components of Keyport have been aligned to support major product lines. (See Figure 1.2-4., page 7). This alignment imparts organizational customer focus and allows each product line group or department to fashion its processes consistent with the requirements of its market area.

The Undersea Vehicles Group (UVG) and the Combat Systems Support Group (CSSG) provide a good illustration of differences in product line requirements. The UVG concentrates its attention on the stringent and specialized requirements (such as tightly controlled process procedures) of working on weapon systems involving high explosives, hazardous propellants, and undersea environments for a small set of customers. In contrast, the CSSG has a highly diverse customer base with diverse requirements requiring rapid adaptation of personnel and other resources. Organizational separation of these two groups enables both to freely respond to the requirements of their customers without encumbering either one with unnecessary restrictions.

Each of the product line groups or departments has a significant role in one or more of the three Technical Leadership Areas as shown in Figure 1.1-3. An important strength of the leadership system is that it provides a mechanism for simultaneously allowing the product line organizations

		TECHNICAL LEADERSHIP AREA		
		TT&E	LCSS	FMR
PRODUCT LINE ORGANIZATION	Undersea Vehicles Group		X	X
	Combat Systems Support Group		X	X
	USW Test, Training & Evaluation Group	X		
	Industrial Tech & Operations Dept			X
	Fleet Operations Support Department	X	X	X

Figure 1.1-3. Keyport's Product Line Organization Links to Technical Leadership Areas.



to focus on their customers while also creating linkages through the Technical Leadership Areas.

The Cross Functional Teams of the leadership system are created as necessary to apply corporate resources to specific priorities and tasks that span many parts of Keyport. The teams may be permanent or temporary, addressing priorities that are enduring, periodic, or one-time in nature. Keyport's leadership system is further developed and supported by processes for four key areas:

- Strategic Planning
- Human Resource Planning
- Corporate Metrics
- Leadership Communications.

Keyport directives establish the scope, purpose, process boundaries, and responsibilities for each of these processes.

Keyport's Business Plan sets the stage for defining, communicating, and sustaining uniform direction of all parts of Keyport. The Business Plan binds together the vision, mission, guiding principles, Technical Leadership Areas, strategic goals and objectives, and planning framework for Keyport. The statements and ideas in this concise document form the foundation for all other planning, initiatives, and operations.

To foster a work-force-wide understanding of the Keyport Business Plan, the plan has been deployed by distribution of printed copies, briefings through the organizational chain of command, and lunch time "brown bag" sessions. "Brown bag" sessions provide the Commander and Executive Director a forum for providing informal explanations and to field questions from those in attendance.

"We Make Fleet Systems Dependable,"

- **Proven** through Test, Training and Evaluation
- **Available** through Life-Cycle Systems Supportability
- **Sustained** through Fleet Material Readiness.

Our vision, as stated above, drives our operations to **"Keeping America's Navy #1 in the World."** This vision focuses Keyport to maintain the Navy's only undersea vehicles maintenance and

engineering activity, integrating Intermediate Maintenance Activity (IMA), depot, and In-Service Engineering (ISE) functions. We approach this through standardized best practices, data systems, logistics pipeline, and exercise and warshot operations. Partnered with primary torpedo production industry, we are the Navy's undersea vehicle maintenance manager, providing maintenance architecture, plans, and policy for all torpedoes; and we determine the source of supply for undersea vehicles maintenance services. As the chief tester and maintainer for all undersea vehicle requirements we are directly responsible to the Fleet for vehicle performance and reliability. In effect, the work of Keyport supports the Fleet by providing a bridge from program management, development, and production organizations to the waterfront. Our vision is the result of a review of external drivers and consultations with customers and stakeholders. Our vision provides Keyport with a unique strategic vector complementing the vision of the Division, Newport with linkage to the vision of NUWC and NAVSEA.

Communication with key constituencies is essential for Keyport's success. The leadership system applies focus on communications with these constituencies, emphasizing multiple avenues of communication and employing feedback and assessment. Key constituencies of communications processes are:

- Customers
- Keyport's Work Force
- Stakeholders
- Chain of Command
- Suppliers and Partners
- The Public, especially the communities in which Keyport operates.

A combination of leadership practices reinforces corporate directions, principles, and expectations. Some of the key supporting practices are summarized in Figure 1.1-4.

Internal communications with the work force are of particular importance for maintaining corporate alignment in today's environment of rapid change and challenge. Several practices are employed in order to connect with various parts of the work force, deliver different types of information, and

Key Leadership Practices
<p>Customer / Stakeholder Satisfaction</p> <ul style="list-style-type: none"> • Commander and Executive Director meetings with customers and stakeholders • Personal attention to Customer Survey Results by Commander and Executive Director • Personal attention by the Commander and Executive Director to high interest projects and programs • Frequent communication and visits with chain of command. <p>Teamwork</p> <ul style="list-style-type: none"> • Implemented Board of Directors in Leadership System • Reinforced use of Management Team and Cross-Functional Teams • Management Off-Sites • Emphasis on partnerships with other Navy organizations, private sector, academia, and foreign governments • Fostering of NUWC Keyport/Newport Collaboration. <p>Accountability and Recognition</p> <ul style="list-style-type: none"> • Performance Appraisal Standards that emphasize: Leadership, Performance, Productivity, Teamwork, Equal Employment Opportunity • Team and Individual Command Awards: Commander's Award for Excellence, Executive Director's Award for Technical Achievement, Total Quality Achievement of the Year, Service to Others Award, Award for Customer Service • Reinstated monetary awards in FY 97, when fiscal circumstances permitted. <p>Continuous Improvement</p> <ul style="list-style-type: none"> • Update and Validation of Strategic Plan • Implement new Leadership System • Expanding deployment of ISO 9000 methodology and certification • Conduct Business Process Re-engineering • Corporate Process Re-engineering.

Figure 1.1-4. Keyport's Leadership Practices Reinforce Corporate Directions and Principles.

Key Leadership Communication Practices
<p>Chain of Command</p> <ul style="list-style-type: none"> • Provides bi-directional communication of routine information throughout the work force. • Most often accomplished through bi-weekly Tech Brief meetings and weekly distribution of written Tech Brief summary, followed by regular staff meetings at all levels. <p>"Keynotes" Command Corner</p> <ul style="list-style-type: none"> • Regular message from the Commander in "Keynotes" publication. <p>"Weekly Wire"</p> <ul style="list-style-type: none"> • Direct e-mail communication from the Commander to All Hands to provide news and authoritative information. • Used to communicate significant developments as they occur, and with high frequency during especially stressful periods of downsizing. <p>Work Area Visits</p> <ul style="list-style-type: none"> • Scheduled and impromptu visits by Commander and Executive Director to work areas for direct conversations with the work force. <p>Brown Bag Sessions</p> <ul style="list-style-type: none"> • Informal lunch-time sessions with the Commander and Executive Director to brief any employees who choose to attend on topics of interest. • Several sessions often scheduled on a single topic (e.g., Business Plan, SIP/VERA, A-76 Studies, etc.). • Q & A taken from attendees. <p>Division Keyport Intranet Site</p> <ul style="list-style-type: none"> • Provides employees with follow-up availability of many leadership communications: Open Forums, "Weekly Wire," "Keynotes" Command Corner, Weekly Highlights, Plan-of-the-Week, and Keyport Directives. <p>Employee Bulletins</p> <ul style="list-style-type: none"> • Written summaries of information of critical interest to employees • Distributed to all hands.

Figure 1.1-5. Keyport's Mult-Faceted Approach to Internal Corporate Communications.

obtain feedback. Elements of Keyport's multi-faceted approach to internal corporate communication are illustrated in Figure 1.1-5.

1.1.b. Organizational Performance Review

Keyport assesses corporate performance and posture through a combination of techniques, both formal and informal. These leadership techniques include:

- Corporate Balanced Scorecard metrics, an array of measures used to assess progress in achieving strategic goals (Customer Satisfaction, Skilled Work Force, Business Management, Technical Capability, and Organizational Efficiency)
- Direct communications with customers, stakeholders, and employees
- Workload forecasts
- Periodic Technical Briefings
- Safety and Environmental Self-Assessments
- Vulnerability Assessments
- Structured Group Assessments of Keyport's strengths and weaknesses
- Management Control Program, inspections, audits, and certifications.

The information from these assessment techniques serves as critical inputs to both Keyport's near and long term planning and decision-making affecting areas such as budgets, hiring, training, capital investments, environmental awareness, security posture, organization structure, and partnering.

Keyport's leadership is involved in developing future business opportunities by establishing

relationships with potential customers, making targeted investments in promising ventures, and cultivating partnerships with other government and industry organizations. Keyport's leadership accomplishes this by briefing key individuals from customer and stakeholder organizations. Briefings focus on Keyport's capabilities, accomplishments, and strategies in order to establish awareness of potential customer and provider relationships and impart corporate commitment to the relationships.

Supporting Keyport's "We Make Fleet Systems Dependable" vision, many of these briefings are directed toward key officers and staff of Fleet commands.

In the beginning of FY 00, a significant focus of Keyport's leadership has been directed towards "reinvigorating the work force." This focus on the work force is a corporate response to growth, through hiring, development, and retention of employees. Three distinct initiatives have begun focusing on these key human resource elements. This effort follows a period of several years of difficult transition during which corporate attention necessarily has been on controlling costs and aligning the work force to match the customer base workload. Since 1992, the work force has been reduced by over 2,000 employees (nearly 60 percent)—culminating in a loss of over 600 employees in FY 97, and 87 employees in FY 98.

Reinvigorating the work force focuses on building for the future which complements other organizational thrusts and initiatives as outlined in Figure 1.1-6.

THRUST	INITIATIVES
Focus on Keyport's Strategic Vector	<ul style="list-style-type: none"> • Update and Deploy Strategic Plan. • Develop Keyport Vision Linked to Chain of Command. • Establish Corporate Consensus on Core Business Areas. • Identify Key Competencies. • Establish Customer-Focused Leadership System.
Emphasize Structured Business Approach	<ul style="list-style-type: none"> • Apply Business Acumen Aligned with Strategic Plan to Operations, Investments, and New Ventures. • Continue Deployment of ISO 9000/14000 Practices & Certification. • Apply Malcolm Baldrige Criteria to Corporate Assessment & Improvement.

Figure 1.1-6. Keyport Leadership Is Directing These Reconstitution Thrusts Toward Building for the Future.

1.2.a. Responsibilities to the Public

Due to the highly hazardous nature of many of the systems and processes in use at Keyport, strong emphasis is placed on safety, environmental, security, and fire protection programs. Figure 1.2-1 depicts Keyport's approach to assessing environmental programs and major environmental aspects. Program deficiencies are sought on a daily basis as program managers perform their duties. A yearly audit is conducted based upon known environmental aspects in each of our buildings and the main environmental aspects identified in our Environmental Quality Assessment (EQA) matrix. Customer and external audit

inputs are used to identify still other opportunities to improve. Ethics awareness and review are directed by Keyport's Command Legal Counsel. A Command Review staff, reporting directly to the Commander, supports investigations, audits of compliance, and assessments. Lastly, comparison of processes, knowledge, and methods of other facilities feed our improvement system as well. This system ensures processes provide the confidence that our organizational operations are responsive to public health, safety, and the environment.

Significant elements of the programs and processes relating to these four areas are summarized in Figure 1.2-2.

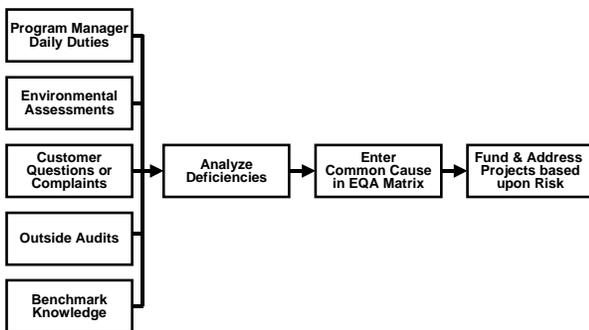


Figure 1.2-1. Keyport's Environmental Assessment Process.

1.2.b. Support of Key Communities

As a part of the Federal Government, Keyport leadership places high value on maintaining a strong, positive relationship with the communities in which it operates.

Keyport employees participate in many local civic programs to foster positive relations and contribute benefits to our neighbors. Some of the many programs and activities that comprise this multi-faceted community relations commitment are summarized in Figure 1.2-3.

Societal Responsibilities	
Safety	<ul style="list-style-type: none"> Occupational Safety and Health Self-Assessments Stringent qualification and certification of personnel ensure the safe handling and transportation of hazardous and explosive materials. An Explosive Safety Review Board, comprised of Department Heads responsible for explosive operations, oversees explosive safety policy development and implementation.
Security & Fire Protection	<ul style="list-style-type: none"> Keyport operates an active security program to instill awareness of security threats and responsibilities in employees. A security force controls access to the facility while employees and building security systems monitor activities of personnel. Policies and processes govern distribution, access, and accountability for classified material. An emergency response team prepares to quickly and effectively respond to mishaps of several types.
Environmental	<ul style="list-style-type: none"> Environmental Self-Assessments Keyport operates an aggressive hazardous materials program focusing on reduction of hazardous materials used and controlling wastes generated. Annual waste has been reduced by 10 million pounds since 1994. A specialized holding and transfer facility provides secure temporary storage of hazardous materials. An Energy Conservation Board, chaired by Keyport's Commander, leads an active Energy Conservation Program. Since 1985, Keyport's energy consumption has been reduced by 25% based on energy per square foot.
Ethics	<ul style="list-style-type: none"> Annual ethics training is provided for employees to maintain awareness of ethical responsibilities throughout the work force. Employees in sensitive positions prepare Financial Disclosure Reports for Legal Counsel review. A telephone hotline provides an avenue for employees to report instances of suspected waste, fraud, and abuse. Command Review staff supports investigation and resolution of reported irregularities.

Figure 1.2-2. Keyport Focuses Its Societal Responsibilities in Four Major Areas.



ACTIVITY	DESCRIPTION
Naval Undersea Museum	<ul style="list-style-type: none"> Provides permanent educational displays for the community to explore the undersea environment. Offers quarterly Distinguished Speaker Program for free public lectures on topics related to the undersea environment. Sponsors "Kids Adventure" with activities for children geared toward arts and crafts related to the undersea world. Summer Guide Program offers volunteer activity and work experience for local teens.
Restoration Advisory Board	Keyport's Restoration Advisory Board actively involves the community in identifying and evaluating alternatives for remediation of National Priorities List (Superfund) sites on the base. Membership includes Native American Tribal Leaders, community leaders, Washington State Department of Ecology, and Keyport's Installation Restoration Manager. Over many years, community involvement has been encouraged through newsletters, door-to-door surveys, workshops, and open houses.
Navy – Marine Corps Relief Society	Employees volunteer time before and after work and during lunch breaks to raise funds for active duty and retired service personnel and families who have emergency needs.
Mutual Aid Assistance Emergency Assistance	Agreements for reciprocal emergency fire and medical support with the City of Poulsbo and Jefferson County Fire District #2 improve overall emergency response capacities for the communities and Keyport.
Fisheries Support	Support and access to Keyport's pier facilities is provided to the Washington State Fisheries Department and the Suquamish Tribe for transfer of salmon fingerlings.
Ride Share	Since 1983, Keyport and the Kitsap County Transit Company have partnered in a "Ride Share" Program to offer carpooling, vanpooling, and bus service in order to reduce pollution and relieve congestion on local highways.
Computer Equipment Donations	Surplus computer equipment is donated to local schools and non-profit organizations. Employees volunteer their time to prepare and deliver computer equipment that is no longer useful to the command.
Poulsbo Chamber of Commerce	The Chief Staff Officer serves as military liaison to the Poulsbo Chamber of Commerce.
Nanaimo and Bremerton Bathtub Races	Since 1966, Keyport has participated and provided support to the Nanaimo (British Columbia, Canada) Bathtub Races and the Bremerton Blackberry Days bathtub races. These activities serve as goodwill gestures to the local community and the community of the Canadian allies test ranges in Canadian waters.
Recompression Chamber Medical Aid	For many years, the recompression chamber in Keyport's Dive Locker has been used for treatment of emergent medical conditions. Keyport's military divers, working with medical personnel, have provided life-saving support to treat medical conditions and emergencies for people from throughout the Puget Sound community.
Tutoring Program	Keyport employees support students in local school districts by providing one-on-one tutoring to help them succeed in subjects where they need help.
Holiday Cruise for Special People	Keyport's gig is used to give community children with disabilities a cruise to view holiday lights on nearby shores.
NUWC Scholarships	Since 1989, 54 \$1,000 Scholarships have been awarded to students in the community pursuing college degrees.
E.H. Lesinski Scholarships	Since 1992, 11 \$1,500 Scholarships have been awarded to students in the community pursuing Science and Engineering degrees.

Figure 1.2-3. Keyport's Leadership Maintains Strong Community Involvement and Support.

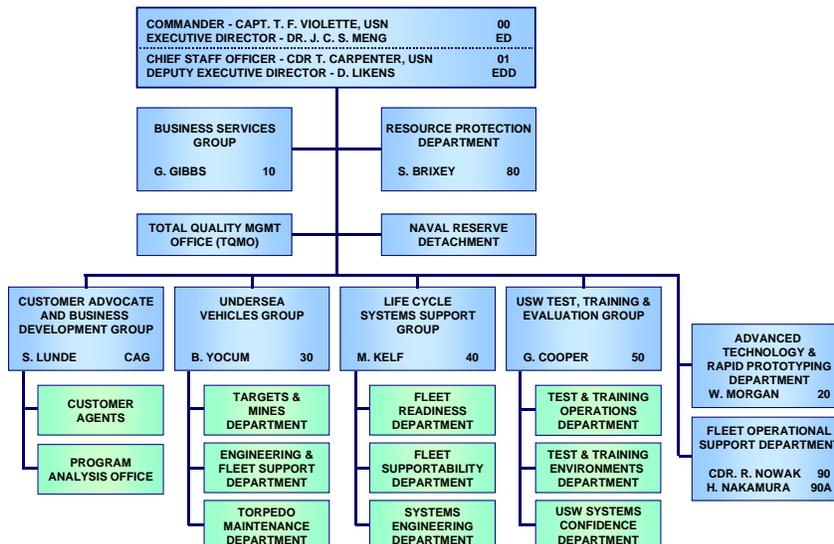


Figure 1.2-4. Keyport's Product-Line Organization Is Customer Focused.

CATEGORY 2 - STRATEGIC PLANNING

Formal Long Range Planning (LRP) has been conducted at Keyport for over 25 years. Themes for the LRP conferences are directed at the business future of the organization with comprehensive reports on emerging programs, issues, and initiatives dominating the agendas. Guest speakers from headquarters (military and civilian) as well as the private sector provide updates on subjects of organizational interest.

2.1.a. Strategy Development Process

Keyport has established a Vision 2010 as a strategy to reconstitute core equities. Keyport's Vision 2010 serves as the guiding foundation for our business plan strategies and introduces significant business planning paradigm changes through increased focus on recapitalization of our facilities and reconstitution of our work force. Towards achievement of our Vision 2010, goals and striving for optimal efficiency, operational goals for direct workload, investments, and work force have been developed through FY 05. Highlights include:

- Core equity direct workload levels conducive for reconstitution of our work force, supportive of durable stewardship of physical plant resources, and exploration of cost reduction initiatives. Funding and workload profiles reflect an approximate 20 percent growth from FY 00 to FY 05, with end-strength and expenditures commensurate with an operational goal to increase our direct workyears executions from 1,000 in FY 00 to 1,228 in FY 05.
- Comprehensive MILCON program of seven projects to be completed over 10 years, formulating three major facility centers for Division Keyport's mission workload in the 21st century.
- Increased Capital Purchase Program (CPP) authority commensurate with NAVSEA corporate strategies, projected increases in revenue, and Keyport's Vision 2010 objectives.
- Reconstitution of the skills, knowledge, and experience of our work force. With recruitment, development, and retention strategies developed towards establishing a highly skilled and efficient work force with staffing levels increasing from 1,262 in FY 00 to 1,551 in FY 05.

Keyport leadership is continually evaluating the business environment as part of the strategic planning process. A Corporate Workload Planning System based on customer-provided information is used for projecting workload. Customer requirements and feedback based on customer survey results and face-to-face contacts are also taken into account when formulating Keyport strategy. Through this process, performance, cost, and schedule aspects of customer requirements have become recognized as the fundamental drivers of market expectations.

Keyport's strategic planning process has recently been redesigned to strengthen organizational performance, improve our competitive position, and maintain alignment with corporate NAVSEA strategy.

The NAVSEA Strategic Plan provides direction and continuity for development of corporate strategy. The NAVSEA Commanders' Forum and Executive Steering Committee (ESC) and NUWC Management Team meetings execute and reinforce this plan. Keyport's Business Plan maps to this higher level plan and provides the vision, mission, Technical Leadership Areas, goals and objectives, and guiding principles for the organization.

Figure 2.1-1 shows the relationship of the leadership system's BOD, Management Team, and Cross Functional Teams in the strategic planning framework found in Directive KPT 5223-01.

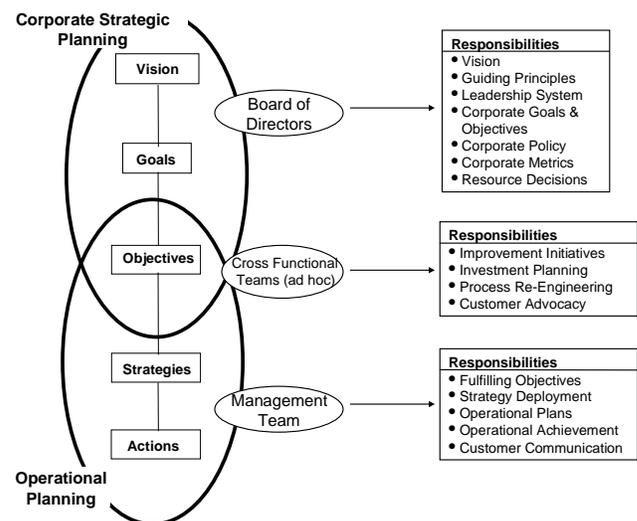


Figure 2.1-1. Keyport Focuses Its Societal Responsibilities in Four Major Areas.



In 2000, our strategy development and business planning was accomplished through four planning sessions designed to identify initiatives and strategies that fortify our core equities, enhance business development and strategic investments, and revitalize our work force.

Session One: "Reinvigorating Our Core Equities into the 21st Century." This session brought key leaders together to assess core equity preservation and discuss short and long term core equity initiatives and synthesizing business plan strategies.

Another aspect of the business environment evaluation is the attention to identify new business opportunities that may arise out of a customer need, referral, or emerging technology. In our "Strategic Business Development" session (Session Two) we identified potential business opportunities and capture methodologies and investments needed to attract and retain future business. This session resulted in a priority list of business development opportunities and necessary investments. Some were translated into long term strategies, while others are near term opportunities that require more immediate actions. This information supports decision-making regarding risks and potential strategies.

Our third Strategic Planning session focused on "Strategic Investment Planning" prioritizing CPP projects, investment projects, and the development of an execution plan of action and milestones. In this planning session we identified specific investment strategies to establish new capability, refresh technology, reinvigorate infrastructure, and position ourselves for new opportunities. Investments were considered for improving environmental compliance and energy cost reduction. For example, we initiated investments to replace HVAC and Refrigeration equipment containing Class I Ozone Depleting Substances (ODS) and to reduce energy costs with more efficient equipment. This investment will increase reliability and downtime, reduce equipment maintenance costs, and help us to meet the objective of complying with Navy Environmental Policy.

A key part of our strategy development involves revitalization of the work force. In our fourth

planning session we addressed specific reconstitution elements that will result in "Reinvigorating Our Core Equity Work Force." We are focusing on hiring, development, and retention to reinvigorate our work force.

To deploy our hiring strategies we are developing a recruiting process capable of meeting Keyport's needs for new employees in all disciplines. The recruitment process starts by defining annual employee recruitment requirements and cycles through an iterative hiring process involving work force management, recruiters, and line departments.

Work force development is aimed at establishing definitive career paths for major skill categories (covers all employees) and formalizing our education and leadership development programs. Our training and education strategic focus is on technical skills and knowledge in computer technologies and on project management. Growth opportunities are enhanced through rotational assignments in selected management areas to expand experience and increase management flexibility and potential.

For work force retention we are focusing on understanding the reasons people leave and then developing specific retention initiatives—key pillars to success that will result in Keyport being the place people want to work. Retention initiatives include Work and Job Design, Compensation, Career Progression, and Quality of Life. A significant change in the way General Schedule employees are currently compensated and recognized will be made possible next fiscal year as Keyport enters into the Science and Technology Reinvention Laboratory Personnel Demonstration Project. This Personnel Demonstration Project will afford employees with increased compensation possibilities (continuing and bonus pay) based on performance linked to strategic goals and objectives. Progress towards achieving strategic goals and objectives are important considerations in the awards and recognition process.

Hiring, education and training, growth opportunities, and recognition and compensation are described in the Human Resources Planning Process Directive KPT 5223-02, which also outlines the process by which they will be deployed. This

Human Resources Planning Process is clearly and deliberately mapped to our Vision and Business Development Initiatives needs.

2.1.b. Strategic Objectives

During our four strategic sessions, Keyport's Management Team also revalidated the Division Keyport Strategic Goals and brainstormed refinements to our technical measures so that they will be true indicators of Fleet interest items relative to our technical leadership areas. The resultant metrics will become part of our Balanced Scorecard for assessing progress towards strategic objectives. The Balanced Scorecard metrics are also reported quarterly to NUWC Center Management as part of a collective effort to align Division Keyport strategic objectives with those of the NUWC and compare performance between the two Divisions (Keyport and Newport). The objectives are categorized into five perspectives: Financial, Employee, Customer, Internal Business, and Learning and Growth. A measure, goal, progress "self-score," and a rationale that supports the information provided underpin each objective. Figure 2.1-2 shows the five perspectives and their associated objectives in summary form.

Keyport's recent strategy to hold stabilized rate increases at or below inflation levels has proven effective in the ever-shrinking, competitive DoD market segment. Figure 7.2-5 shows the result of this strategy. In this very austere environment, leadership has placed a high emphasis on financial performance to meet Net Operating Result (NOR) goals, and careful investment planning to ensure that technology investments have direct dividends to customers and business efficiency. Thus, A-11 Budget and CPP planning is driven by the strategic planning process of the leadership system.

The nature of Keyport's mission and its Business Plan commitment to safeguard employees, community, and the environment places leadership attention to budget and investment strategies that will protect employees in the workplace, protect the environment of the in-water ranges and surrounding community, and ensure continued compliance to state and federal laws. These priorities are balanced with the needs for technology investment for business performance. In addition to the weekly BOD meetings, manage-

FINANCIAL PERSPECTIVE
<ul style="list-style-type: none"> • Meet the Net Operating Results Target • Aggressively Manage Workload • Sustain Competitive Posture
EMPLOYEE PERSPECTIVE
<ul style="list-style-type: none"> • Develop and Retain World Class Work Force • Provide a Work Environment that Enhances Job Performance • Provide Leadership, Direction, and Communication • Reward and Recognize in Consonance with Keyport Goals
CUSTOMER PERSPECTIVE
<ul style="list-style-type: none"> • Increase Customer Satisfaction • Increase Customer Base • Ensure Customer Retention • Be Provider of Choice
INTERNAL BUSINESS PERSPECTIVE
<ul style="list-style-type: none"> • Reduce Product Defects • Reduce Cost of Doing Business • Provide Timely Response to Customers
LEARNING AND GROWTH PERSPECTIVE
<ul style="list-style-type: none"> • Improve Teamwork • Teaming Initiatives • Increase Capabilities/Competencies of Work Force • Increase Partnering with Industry and Academia

Figure 2.1-2. Keyport Accesses Chain-of-Command Alignment Through Balanced Scorecard Perspectives and Objectives.

ment planning sessions are used periodically during the year to address specific aspects of the strategic planning process and deal with emerging requirements and decision points that relate to strategic issues. Figure 2.1-3 depicts the related elements of the strategic planning process.

2.1.c. Strategy Deployment

The intersection of the two ellipses shown in Figure 2.1-1 represents overlap in the leadership system responsibilities for strategic planning. Once corporate goals and objectives are set by the BOD, the Management Team joins in to validate and solidify the objectives of the organization. This provides the basis for strategy deployment.

Essential to the solidifying of the strategic objectives is the understanding by all of the external drivers and common customer requirements. To provide this understanding, the planning session agendas include reports and presentations to the attendees on key issues related to the future of the business. These reports and presentations are often the result of pre-conference assignments to

**NUWC DIVISION, KEYPORT
STRATEGIC PLANNING PROCESS**

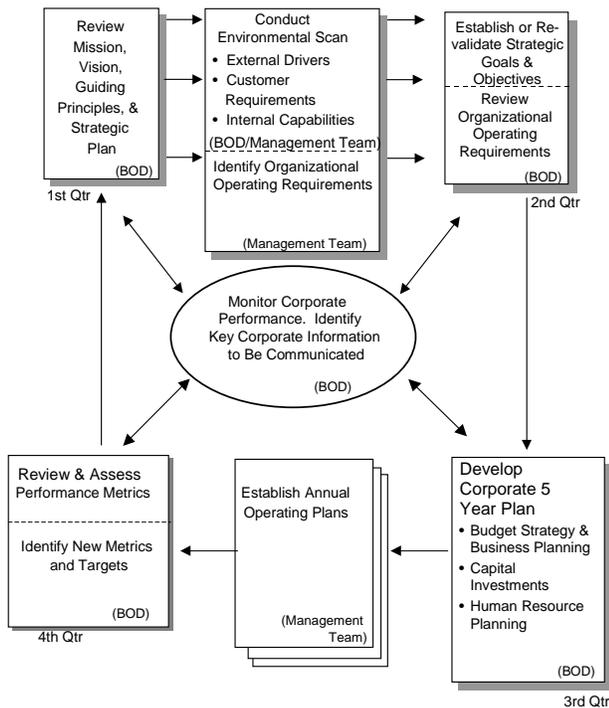


Figure 2.1-3. Keyport's Strategic Planning Process Is Based on Quarterly Activities.

each Technical Leadership Area and cross functional teams to research an issue and conduct situation audits and scans addressing the issues as they relate to Keyport. Once issues have been reviewed and discussed, and objectives and basic strategies have been agreed upon, the Management Team can translate them into actionable strategies for their own organizational planning and deployment.

2.2.a. Action Plan Development and Deployment

As part of the restructuring of the leadership and strategic planning systems, action plan requirements have been redefined. As shown in Figure 2.1-3, the BOD now develops a Corporate 5 Year Business Plan. This plan contains Keyport's Vision 2010 and focused elements including:

- Business Planning Alignment with NAVSEA Strategic Goals
- Customer Service Second to None

- Knowledge Management: The Right Knowledge for the Right People at the Right Time
- Business Processes: Excellence, Innovation, and Continuous Improvement to Attain the Best Results at the Lowest Prices
- Engineering: Disciplined Engineering Rigor, Process and Validation to Provide Safe, Effective, Affordable Systems
- Future Concept: Shape the Future Navy Through Robust Development and Transition of Concepts and Technology as a Continuum Across Programs
- Integrated Product Support: Effective, Timely, and Affordable Integrated Product Support for the Fleet
- Business/Financial Planning
- Investment Planning
- Environmental Protection Program

These objectives and strategies are used as the organizational Annual Operating Plans by the Management Team and are the central focus for our 5 Year Business Plan.

2.2.b. Performance Projection

Keyport is emerging from a period of significant industrial, technological, and economic reorganization. Since the end of the Cold War, we have focused on supporting and adjusting to the Navy's need to reduce costs and improve efficiencies.

As the Navy moves into the 21st century, Keyport is faced with many new challenges—the foremost of which is the reinvigoration of our core equities and achieving optimal efficiency in meeting the needs of the Fleet today, tomorrow, and for the Navy after next.

Keyport's Vision 2010 provides the focus towards meeting these challenges. Vision 2010 articulates our view of Keyport's role in supporting NAVSEA mission and meeting the long term technological and operational needs of the Navy through the 21st century. Category 7 provides projections in these strategic areas.

CATEGORY 3 - CUSTOMER AND MARKET FOCUS

3.1.a. Customer and Market Knowledge

Keyport's market and market opportunities are based upon higher-level mission assignments. The Keyport mission is focused through three Technical Leadership Areas to serve a market that comprises Keyport's current and potential customers.

Over the past year, Keyport's strategic planning process has looked at market opportunities by undertaking a comprehensive review of the forces that are affecting the national defense establishment—especially those in USW.

To fulfill its mission, significant market drivers are factored into the Keyport marketing strategy with one such driver being the competition for scarce resources in a declining budget environment. This driver represents an implicit requirement for Keyport to operate in a fashion that preserves the resources and capabilities required by the Fleet to meet national security contingencies. Other market influencing drivers are Navy downsizing, inventory reductions, privatization, Base Realignment and Closure, acquisition reform, and new technologies. Keyport has developed and continues to develop strategies to respond to outside market drivers. The strategies, which apply to all Technical Leadership Areas, are part of an overall marketing approach that is more effective and can result in new and continued workload for Keyport. Figure 3.1-1 shows the

relationship between Keyport's market segments, market drivers, and responding strategies.

New customers and workload are continuously pursued. The CAG is the process owner of the Corporate Business Development process, which is defined in directive KPT 5351-03. Through this process, depicted in Figure 3.1-2, corporate business opportunities are identified, evaluated, and pursued. Strategic Business Development has been formally incorporated into the strategic planning process. This past spring, executive leadership, department heads, and key technical personnel devoted a day to identifying and prioritizing business initiatives which we plan to pursue.

Additionally, each of Keyport's Leadership Areas utilized various methods to obtain new business and increase customer and market knowledge. The following examples demonstrate how this is primarily accomplished within each area.

Test, Training and Evaluation (TT&E). An essential element for customer research in this market segment is the use of one-on-one interviews with current customers and stakeholders. Program managers and department heads, who are organizationally aligned to the TT&E market segment, submit an annual business plan to define current business opportunities to be continued, and determine how and what new opportunities will be pursued. Major business plan categories include opportunity description, value assessment, requirements, risks and/or obstacles, and a Plan of

Market Segments	Market Drivers	Strategies
Test, Training and Evaluation (TT&E)	<ul style="list-style-type: none"> • Budget Reductions • Inventory Reductions • Navy Downsizing and Restructuring • Less Ranging and Proofing • Explosion in Technology • Acquisition Reform • Privatization • BRAC Committee • Greater Fleet Influence 	<ul style="list-style-type: none"> • Consolidate torpedo product lines into common processes • Establish a common depot • ISO 9000 Certification • Partner with industry, academia, other government agencies • Expand from torpedo proofing to broaden TT&E opportunities • Maximize use of resources to support multiple customers • Non-Developmental Item/Commercial Off-the-Shelf (NDI/COTS) Symposium • Move from continuous production to rapid prototyping • Concurrent engineering • Retain current workload and attract new work based on reputation.
Life-Cycle Systems Supportability (LCSS)		
Fleet Material Readiness (FMR)		

Figure 3.1-1. Keyport's Market Segments Are Directly Tied to Market Drivers and Responding Strategies.

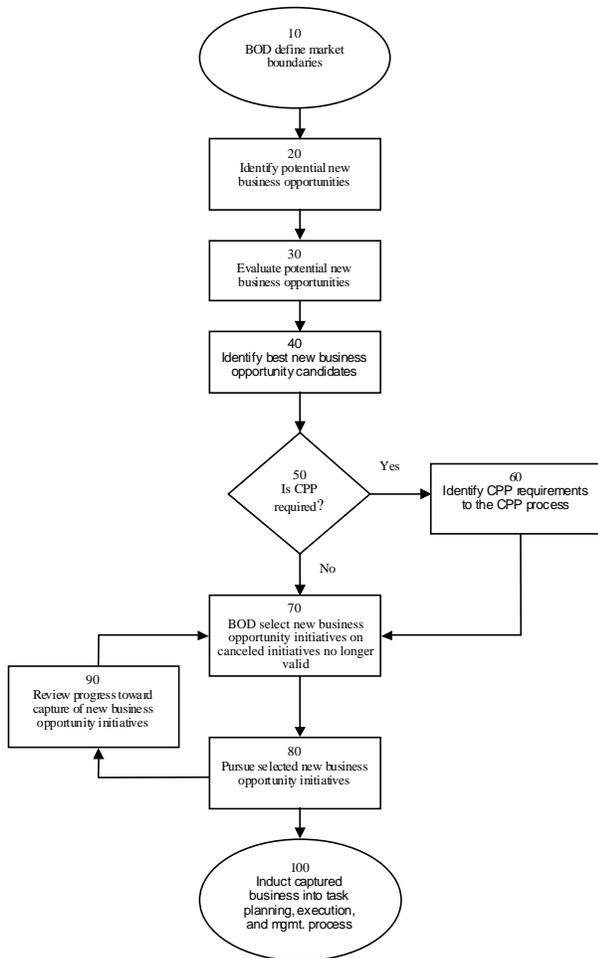


Figure 3.1-2. Keyport's Closed-Loop Corporate Business Development Process.

Actions and Milestones (POA&M). During the preparation of the business plans, careful attention is given to what customers have said in the past relative to the services provided. This is also one forum for defining possible new investment areas for existing and future customers.

Keyport also prepares its investment strategy through an annual CPP. The CPP documents the decisions on where to place new purchase dollars for investment in the future and to help refine the overall strategy for retaining current customers and addressing new customer requirements for the upcoming years. The CPP defines the strategy for customer/market continuation taking into account such things as current capabilities and long term projections of customer needs. Regular interaction with the Test and Evaluation community through DoD-level functions, such as the International Test and Evaluation Association and the Range

Commanders Council, broadens Keyport's view of customers and the marketplace. Presenting technical papers at functions like these provides visibility to a wide audience of Keyport's capabilities.

Life-Cycle Systems Supportability (LCSS).

Keyport's competencies and technical capabilities are marketed in this segment by inviting program office, Fleet, and command personnel to visit Keyport sites. Site visits provide a chance to provide technical briefings that convey Keyport's relevance and value to the Navy. Keyport aggressively pursues Fleet Headquarters and Type Commander personnel visits to develop their awareness of this market and to receive information on the changes occurring in the Fleet. Visits like these also form the beginnings of effective two-way communication. Additionally, Fleet customer knowledge and advocacy are pursued during the normal execution of shipboard installations, servicing, and testing. Personal relationships and mutual respect develop between shipboard customers and the Keyport team; and as these customers move on to higher command or acquisition roles, these relationships offer opportunities for future alliances and partnerships.

Another strategy for marketing in this segment is to have managers attend National Defense Industrial Association conferences on USW to address "Regaining USW Fleet Readiness." Another example is hosting Commercial Off-the-Shelf (COTS) Symposium to discuss the impacts of technological advances and acquisition reform initiatives. Conferences like these provide customer knowledge and are opportunities to discuss, firsthand with the customer, visionary concepts on undersea sensors, undersea vehicles, and mine warfare.

Fleet Material Readiness (FMR). Marketing for this segment is primarily aimed at the Program Executive Office Undersea Warfare (PEO-USW) with a focus on undersea vehicles and related program areas including Foreign Military Sales (FMS) opportunities. FMS continues to be an important market opportunity so Keyport includes the pursuit of FMS customers as an aggressive part of its overall market strategy. Market strategy

includes teaming initiatives with Division Newport and follow-on agreements with OEMs.

Customer Agents or program managers identify customers and their requirements for the market segments. The process management procedure, discussed in Category 6, provides guidance for identifying customers and their requirements and then documenting them in understandable terms so process managers, owners, and operators can effectively address them. Additionally, the procedure provides guidance on the development of customer communication and feedback mechanisms and the establishment of a customer interface for routine customer contact. When making commitments to customers, additional considerations are factored to ensure Keyport's capability to meet customer needs is realistic. For example, in addition to documenting customer requirements, Keyport also identifies regulatory requirements that may impact process performance. This is done so that the anticipation of customer needs and the development of new opportunities will include a complete, current, and accurate flow-down of all requirements to process documentation. The intent is to develop easily understood documentation that permits "doing the right work right the first time—every time," while documenting the method of regulatory compliance.

The customer-determined balance of performance, cost, and schedule represents a set of common customer requirements that are incorporated into all Keyport business areas. This balance, depicted in the Total Quality Triangle, sets the stage for the translation of customer specific requirements into product, service, and process features important to the customer.

Customer Agents and Project Teams do the translation of customer-specific requirements for use in developing product/service features and designing processes. The resulting requirements are documented and conveyed to project teams through procedures, directives, and memorandums. For example, customer requirements related to torpedo maintenance, repair, and upgrade are determined through the Program Objectives Memorandum (POM) process. This process projects product and service needs and related quantities for the next 5 years. POM information is used to determine what the requirements will be for

facilities, support and test equipment, production, manufacturing, personnel skills, manpower levels, and related support. With the information

obtained, a competitive determination is made to ensure viability for future POM submissions.

Range Improvement and Modernization (I&M) Strategy documents are another way to identify customer product and service needs. These documents provide the information for analyzing product, service, and process features. Analysis is coordinated using a Mission Elements Needs Statement, an Operational Requirements Document, and the Test and Evaluation Requirements document. Each customer is queried to find out what systems they currently use or expect to use in the future. The information is maintained to keep track of current customers and to project into the future what market area should/could be pursued.

Figure 3.1-3 summarizes the relationship between the Keyport market segment, specific customer requirements, and the common requirements of performance, cost, and schedule.

3.2.a. Customer Relationships

Keyport's customers have a variety of methods to provide complaint information directly to the product/service provider. These methods include standard Navy processes such as Technical Feedback Reports, Technical Manual Deficiency/Evaluation Reporting, Output Data Requests, and Consolidated Shipboard Allowance List Feedback Reports. Combat Systems customers also have the opportunity to provide complaints directly to project teams who install Combat Systems and Combat Systems components. Additionally, any complaints the Fleet might have are discussed during Integrated Logistics Support Management Team planning meetings where Fleet attendance is encouraged.

Customers also provide complaint issues directly to Keyport operating departments so that appropriate improvement actions can be initiated by those most knowledgeable of the customer "dislike." For example, Keyport's Hawaii Detachment received customer complaints regarding data transfer and communication problems between different time zones. The complaint led

Market Segments	Specific Customer Requirements	Common Requirements
Test, Training and Evaluation (TT&E)	Realistic undersea weapons test Reliable undersea weapons analysis Effective weapons training	Performance, Cost, Schedule
Life-Cycle Systems Supportability (LCSS)	Increase Fleet self-sufficiency Lower Fleet maintenance burden Reduce program life-cycle cost Enhance/improve weapons/weapons systems operational availability	
Fleet Material Readiness (FMR)	Torpedo/Target systems and components upgrade Torpedo/Target systems and components repair On-time scheduled maintenance	

Figure 3.1-3. Keyport's Market Segments Tie Directly to Specific Customer Requirements Including Minimum Requirements for Performance, Cost, and Schedule.

to technological improvements for data transfer and communications between Hawaii and their east coast customer. Additionally, the improvement resulted in secure unattended data transfer capability that allows exchange and update of information without the need for changes in personnel work schedules due to time zone differences. This application of Information Technology (IT) has evolved into a department-wide initiative to install secure connectivity and data storage as an enhanced data transfer/communication tool. In parallel, these efforts are consistent with the recent Fleet Information Technology for the 21st Century (IT-21) initiative assuring compatibility and connectivity for the future.

Keyport's approach for understanding customer expectations and obtaining feedback is tied to operational, support, and management processes. These processes incorporate planning sessions with the customer, direct program manager interaction with the customer, ad hoc meetings to discuss lessons learned, and process improvement teams and internal department initiatives aimed at improving customer satisfaction. Keyport maintains a Web-based "Customer Notebook" that provides a high-level look at a particular customer group. On one quad chart, a manager can see

current and future milestones, issues, funding profile, and customer satisfaction. An example of a Customer Notebook page is included in Category 7.1 Other methods include action item tracking, ISO quality system review, Torpedo Certification Examination Boards, corrective action/preventive action, tickler, monthly customer reports, Cost Schedule Status Reporting, repair turnaround time, and periodic Technical Briefings. Customer feedback is received primarily through customer contact employees or technical points of contact identified in each organization. Feedback ranges from short term operational issues to those more strategic in nature. An example of strategic focus is the monitoring of changes in both the Fleet and program offices. These changes represent the majority of external drivers to the Keyport business environment and, therefore, are given high priority in assessing Keyport's future.

Keyport uses a variety of methods to determine customer satisfaction on daily, weekly, monthly, and annual periods. Continuous contact with the customer is maintained through daily telephone calls, e-mail, and video teleconferences. Meetings between customers, Customer Agents, and Program Managers are conducted on a regular basis

to review progress made on various tasks. Fleet customers work directly with Keyport to review product performance and accept the product as satisfactorily meeting their needs.

3.2.b. Customer Satisfaction Determination

Customer satisfaction determination is also formally assessed through an annual survey process. The External Customer Satisfaction Survey Process, initiated in 1991, has been continually improved to facilitate the gathering of customer satisfaction indicators. Improvements include modifications to survey questions in order to better understand customer satisfaction and dissatisfaction; transfer of the responsibility for results analysis from a third party to the Customer Agent familiar with the customer and products/services produced; and development of an "Organizational Scorecard" for each of the Groups, providing a high level look at their results and improvement areas. Current improvement initiatives aim towards managing external customer surveys and their analysis through a Web-based environment. This Web-based environment will offer a real time review of the most current satisfaction statistics.

Performance Factors	
1.	Technical performance (quality) of our products and services.
2.	Timeliness of deliveries
3.	Value added to the product or service in relation to our cost
4.	Our understanding of your expectations and requirements
5.	Our ability to communicate effectively with you
6.	The right people communicating with you
7.	Our attitude, responsiveness, and accountability
8.	Technical capability of our personnel
9.	Comparison of our performance, cost, schedule to similar private and government activities

Figure 3.2-1. Keyport Annually Assesses Nine Customer Satisfaction Factors.

Keyport's external customer survey questions solicit scores, comments, and trends relative to nine performance factors. The results of the survey are shown in Category 7.1. The performance factors are shown in Figure 3.2-1.

The customer performance rating is expressed numerically from 1 to 10 with 10 being "excellent" and 1 being "terrible." An overall customer satisfaction indicator is derived by averaging the numerical rating of all nine performance factors. Customer comments and suggestions are also gathered on the survey, and compiled and analyzed to highlight customer "likes" and "dislikes." This year 199 customer surveys were sent out, with return and analysis of these surveys ongoing.

The Commander, Executive Director, Deputy Executive Director, Customer Advocate Group, and technical points of contact review customer survey data as it is received.

If a significant problem is identified, the Executive Director immediately responds with a personal follow-up letter or personal visit to the customer. For a routine response, the assigned Customer Agent makes customer contact within days of receiving the survey to extend Keyport's appreciation for completing the survey and identifying any actions planned for implementing improvements based upon the feedback.

As appropriate, meetings are scheduled with customers and senior Group-level managers to review progress of the improvement actions. We realize it is not only important to capture customer feedback, but it is vital to use the data to drive improvement efforts. A customer survey results report is also generated and distributed to the BOD and direct reporting departments. The report identifies trends and helps place proper priority on responding to areas of suggested improvement.

To maintain a customer focus, Keyport places personnel on Fleet staffs through the Division Fleet Representative (FLTREP) Program. This program is mutually beneficial to Keyport and the Fleet customer by providing a means to facilitate effective communication between the Fleet and Program Offices. As a member of the Fleet staffs, FLTREPs are able to better address customer support issues, monitor changes occurring in the Fleet, identify opportunities to improve products/services, and serve as a conduit to monitor customer satisfaction.

The FLTREP Program concept has been expanded by placing On-Site Representatives (OSRs) in many of our key customer offices.

CATEGORY 4 – INFORMATION AND ANALYSIS

4.1.a. Measurement of Organizational Performance

Keyport's selection and use of information and data is driven by its customers, stakeholders, and its Strategic Plan goals and objectives as defined by the Balanced Scorecard, Figure 4.1-1.

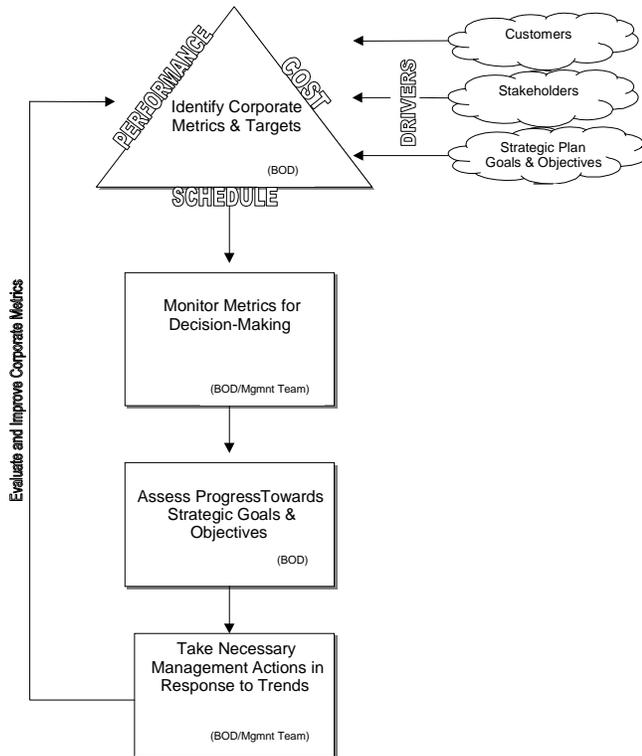


Figure 4.1-1. Keyport Utilizes a Balanced Scorecard Approach in Its Corporate Metric Process.

An important supporting component of the leadership system is a renewed emphasis on evaluating corporate performance based on a broad array of metrics in large measure derived from “comparative data” related to competitors and by looking at the “best practices” of other organizations. Individuals and teams determine the metrics and information they need to manage and improve their processes and attain their objectives. Information from Strategic Planning sessions and other corporate sources are posted on the Keyport Web site and are easily accessible by all Keyport employees. Improved communications at all levels is helping to balance the disparity between

the past, intense focus on financial aspects of downsizing to become equally focused on the non-financial aspects of the efficient organization of corporate materiel and personnel. The goal is alignment of information with strategic initiatives and values. The stated objective of Senior Leadership is the integration of information and technology.

Reflecting the importance of customer satisfaction, performance, cost, and schedule receive focused attention among metrics. These customer requirements are balanced with continued attention to attaining results that are of high importance to stakeholders and to achieving the range of strategic objectives that Keyport has adopted for its future success. Keyport's attention to corporate metrics has resulted in an improved organizational performance measurement system better aligned to the strategies of the Naval Undersea Warfare Center (NUWC) and the Naval Sea Systems Command (NAVSEA). Keyport indicators support chain-of-command stakeholder requirements to draw on internal metrics for subsequent reporting to NAVSEA. The major components of this organizational alignment and reporting are reflected in a set of strategic objectives tracked and analyzed using a Balanced Scorecard approach. The Balanced Scorecard provides the framework for assessing organizational performance specific to Keyport's strategic alignment with NUWC and NAVSEA. The framework affords “balanced” assessment through five different linked complementary perspectives.

For each objective and measure, a goal, prior year baselines, progress, and supporting data are managed and reported by assigned data owners. The data owner is also required to assign a numerical self-score that reflects goal progress based on a narrative rationale. The rationale considers the understanding of current business environments, improvement initiatives, or any factor that may influence measurement data or goal attainment. Numerical self-score values are “5 - Goal Exceeded,” “3 - On Target,” “1 - Needs Attention.” The data owners provide their metrics to the Business Services Group, who assembles the data into “spider charts” for use by leadership in assessing progress. This Balanced Scorecard allows leadership to assess each perspective using a single indicator chart, while assigned data

FINANCIAL PERSPECTIVE		EMPLOYEE PERSPECTIVE	
OBJECTIVES	MEASURES	OBJECTIVES	MEASURES
Meet the NOR Target	<ul style="list-style-type: none"> Net Operating Results (NOR) \$K/DWY 	Develop and Retain World Class Work Force	<ul style="list-style-type: none"> Employee Satisfaction Index Employee Retention Rate Non-mandatory Training Hours/Person
Aggressively Manage Workload	<ul style="list-style-type: none"> Sustain Direct Workyears (DWY) Base 	Provide a Work Environment that Enhances Job Performance, Product/Service Quality & Encourages Innovation	<ul style="list-style-type: none"> Quality of Work Life Safety Deficiencies Environmental Deficiencies
Manage Leverage Ratio	<ul style="list-style-type: none"> Total Leverage Ratio Direct Leverage Ratio 	Provide Leadership, Direction & Communication	<ul style="list-style-type: none"> Leadership Index Supervisory Feedback Process
Sustain Competitive Posture	<ul style="list-style-type: none"> Stabilized Workyear Rate Best Value Costs for the Customer 	Reward & Recognize in Consonance with Division Goals	<ul style="list-style-type: none"> Employee Recognition
CUSTOMER PERSPECTIVE		INTERNAL BUSINESS PERSPECTIVE	
OBJECTIVES	MEASURES	OBJECTIVES	MEASURES
Increase Customer Satisfaction	<ul style="list-style-type: none"> Customer Satisfaction Index 	Reduce Product Defects	<ul style="list-style-type: none"> Number of Post-Delivery Deficiencies
Increase Customer Base	<ul style="list-style-type: none"> Number of New Starts 	Reduce Cost of Doing Business	<ul style="list-style-type: none"> Infrastructure (G&A) Cost Efficiency Ratio
Ensure Customer Retention	<ul style="list-style-type: none"> Customer Retention Index 	Provide Timely Responses to Customers	<ul style="list-style-type: none"> Percent On-Time Deliveries In-Service Product Support Response Time
Be Provider of Choice	<ul style="list-style-type: none"> Relative Value Index 		

LEARNING AND GROWTH	
OBJECTIVES	MEASURES
Improve Teamwork	<ol style="list-style-type: none"> Team Player Index Teaming Initiatives
Increase Innovation-Related Initiatives for Products and Services	<ol style="list-style-type: none"> Number of Approved Reinvention Waivers New Starts Derived from Technical Visions Process Reengineering/Innovation
Increase Capabilities & Competencies of Work Force	<ul style="list-style-type: none"> Hours/Person Non-mandatory Training Special Focus Training Programs - Number of Participants Percentage of Employees with Masters Degrees
Increase Partnering with Industry and Academia	<ul style="list-style-type: none"> MOAs, EPAs, CRADAs Workshop/Symposia Days

Figure 4.1-2. Balanced Scorecard Performance Measurement System Aligned with Chain-of-Command Stakeholders.

owners manage the specific metrics comprising the particular perspective. Figure 4.1-2 shows the perspectives, along with their respective objectives and measures. The collection of “spider

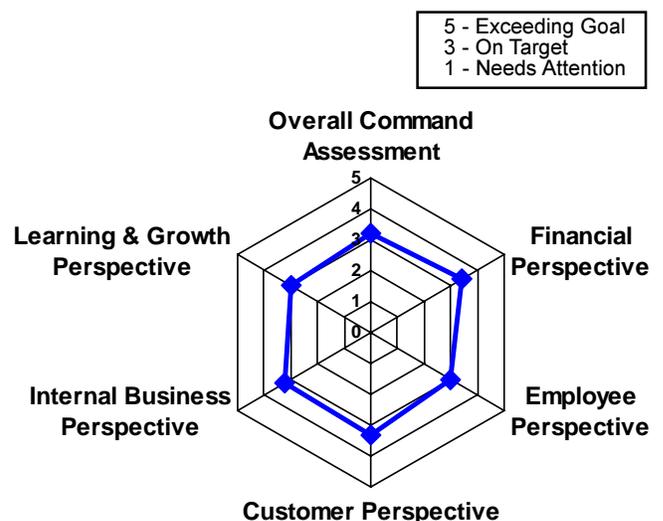


Figure 4.1-3. Balanced Scorecard Linkage.



charts” for each perspective is shown in Section 7.5. An overall spider chart links all perspectives for a snapshot of progress in all Balance Scorecard areas, Figure 4.1-3.

Keyport continues to assess its current set of balanced metrics to ensure they continue to reflect strategic alignment and maintain their effectiveness in terms of assessing Keyport organizational performance.

Since customer satisfaction is so important to Keyport’s success, significant focus is applied to indicators aligned with this perspective. A primary indicator of customer satisfaction is derived from the External Customer Satisfaction Survey described in Section 3.2.b. These surveys capture customer appraisals of Keyport’s performance and provide focused insight into customer views and concerns.

In addition to the Balanced Scorecard metrics, performing organizations, which may be at a department, customer advocate, program manager, or project team level, also monitor customer performance, cost, and schedule requirements associated with specific customer tasks. This is primarily done because customers often have unique product or service requirements and reporting expectations.

While the types of data of interest to the customer are often similar (performance, cost, schedule), the method and format for reporting are often different. These circumstances lead to the use of customized collection and reporting of program and project-specific data, usually at the program and/or department level.

Financial data related to expenditure of funds for labor, material, and contracts on individual customer orders is accumulated centrally in the Naval Ordnance Management Information System (NOMIS) financial system. NOMIS information is updated daily and made available to users throughout the organization through electronic and printed reports. Business offices support the Groups, Departments, Customer Advocates, and Program Managers with analysis and reports tailored to the needs of individual customers, programs, and projects.

Keyport’s unique USW mission and its business environment (the Navy Working Capital Fund)

combine to limit the opportunities for employing comparative information and data. Where there are common standards employed by other organizations, Keyport collects and compares its performance relative to that information. All of our Balanced Scorecard metrics are compared against Division Newport.

Due to the critical importance of corporate financial performance, Keyport has focused attention on its performance relative to other Navy Working Capital Fund activities, especially other Warfare Center activities. Key comparative business performance data includes overhead costs and NOR, discussed in Section 7.2.

Other comparative data is regularly gathered and used for comparison includes safety metrics (Injury/Illness Rates), repair performance for NAVICP orders, and environmental measures, discussed in Sections 7.3 and 7.5.

The Keyport Safety Division acquires Bureau of Labor Statistics safety statistics for occupations similar to those employed at Keyport, then analyzes the comparisons and reports the results to the Command as a whole, as well as individual work areas. These comparisons provide a basis for targeting specific work areas or activities for remedial steps to improve worker safety. Reports of Keyport’s safety record, including comparison data, are periodically briefed in the Command “Tech Brief” forums.

For comparisons of performance in depot repair, NAVICP regularly provides measures of Keyport’s performance relative to a class of similar Navy depots. This comparison focuses on throughput of scheduled workload.

Figure 4.1-4 summarizes the types of data used to assess corporate performance, their linkage to strategic goals, and their primary users and purposes. Periodic review of each of the sets of data and information permits managers at all levels to evaluate performance in that area and make adjustments as necessary.

4.2.a. Analysis of Organizational Performance

Strategic Planning Sessions 2000 titled “Reinvigorating Our Core Equities Into the 21st Century” broadened the corporate focus from financial to encompass and utilize a wide range of non-

STRATEGIC GOAL	KEY MEASURE/ INDICATOR	SOURCE/DATA SYSTEM	PRIMARY USERS	REPORTS	PURPOSE
CUSTOMER SATISFACTION	<ul style="list-style-type: none"> Customer Satisfaction Results 	<ul style="list-style-type: none"> Customer Survey Responses (Annual) 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads, Program Managers, COMNUWC 	<ul style="list-style-type: none"> Aggregate Customer Satisfaction Index Focused Customer Survey Subsets Customer Comments 	<ul style="list-style-type: none"> Discern & Improve Customer Satisfaction
	<ul style="list-style-type: none"> Direct Customer Feedback 	<ul style="list-style-type: none"> Ongoing Customer Contacts (Meetings, Phone, E-mail) 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads, Program Managers 	<ul style="list-style-type: none"> E-mail, Trip Reports, Meetings 	<ul style="list-style-type: none"> Obtain Real Time Customer Feedback and Response
	<ul style="list-style-type: none"> Quality Triangle <ul style="list-style-type: none"> Performance Cost Schedule 	<ul style="list-style-type: none"> Cost - NOMIS Financial System Schedule - Project Leaders & Pgrm Mgrs Performance – Project Leaders & Pgrm Mgrs 	<ul style="list-style-type: none"> Project Leaders, Program Managers, Line Managers, Command Executives 	<ul style="list-style-type: none"> Tech Brief Reviews CSSR Reports Delivery Performance Index Program Status Reports 	<ul style="list-style-type: none"> Manage Product & Service Delivery Using Indicators That Predict Customer Satisfaction
SKILLED WORK FORCE	<ul style="list-style-type: none"> Team Keyport Survey 	<ul style="list-style-type: none"> Employee Survey (Monthly) 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads, COMNUWC 	<ul style="list-style-type: none"> Team Keyport Cultural Survey Results 	<ul style="list-style-type: none"> Gauge Work Force Perspective on Key Elements of Work Environment
	<ul style="list-style-type: none"> Non-mandatory Training/ Education 	<ul style="list-style-type: none"> Training Automation System 	<ul style="list-style-type: none"> Managers at All Levels, COMNUWC 	<ul style="list-style-type: none"> Employee Training Reports Advanced Education Program Results DAWIA Participation 	<ul style="list-style-type: none"> Monitor Ongoing Investments in Work Force Competency Track Growth in Work Force Advanced Education Profile
	<ul style="list-style-type: none"> Work Force Profiles (Average Age, Diversity) 	<ul style="list-style-type: none"> Defense Civilian Personnel Data System 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads 	<ul style="list-style-type: none"> Various 	<ul style="list-style-type: none"> Evaluate Trends in Work Force Composition
TECHNICAL CAPABILITY	<ul style="list-style-type: none"> CPP Investment Analysis 	<ul style="list-style-type: none"> CPP Teams Aligned with Technical Leadership Areas 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads, COMNUWC 	<ul style="list-style-type: none"> CPP Project Evaluations & Investment Allocations 	<ul style="list-style-type: none"> Evaluate Full-Spectrum Requirements for Capital Investments
	<ul style="list-style-type: none"> Customer Survey 	<ul style="list-style-type: none"> Mailed Survey Responses (Annual) 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads 	<ul style="list-style-type: none"> Summary Extract of Customer Survey 	<ul style="list-style-type: none"> Assess Customer Perspective of Technical Capabilities
	<ul style="list-style-type: none"> Supplier Performance 	<ul style="list-style-type: none"> Supply Department Records User Evaluations of Supplier Performance 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads 	<ul style="list-style-type: none"> Various Supplier Performance Reports (for Contractor & Government Suppliers) 	<ul style="list-style-type: none"> Evaluate and Improve Supplier Performance as Contributors to Keyport's Capabilities

Figure 4.1-4. Department, Program Manager, or Project Team Level Information and Data Aligned with Strategic Goals.



STRATEGIC GOAL	KEY MEASURE/ INDICATOR	SOURCE/DATA SYSTEM	PRIMARY USERS	REPORTS	PURPOSE
ORGANIZATION EFFICIENCY	<ul style="list-style-type: none"> Direct/Indirect Cost & Performance Measures 	<ul style="list-style-type: none"> NOMIS Financial System 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads, COMNUWC 	<ul style="list-style-type: none"> Productive Ratio Smart-Sourcing Ratio Overhead Costs 	<ul style="list-style-type: none"> Optimize Application of Resources to Performance of Direct Customer Tasks
	<ul style="list-style-type: none"> Process Re-Engineering Results 	<ul style="list-style-type: none"> Business Services Group 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads 	<ul style="list-style-type: none"> Efficiency Initiatives Results Reinvention Waiver Results 	<ul style="list-style-type: none"> Evaluate Progress Toward Continuous Corporate Process Improvements
	<ul style="list-style-type: none"> Depot Capacity Utilization 	<ul style="list-style-type: none"> Depot Managers' Capacity Data 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads, COMNUWC 	<ul style="list-style-type: none"> Depot Capacity and Workload Analysis & Charts 	<ul style="list-style-type: none"> Size Infrastructure to Match Workload and CORE Requirements
BUSINESS MANAGEMENT	<ul style="list-style-type: none"> Financial Performance 	<ul style="list-style-type: none"> NOMIS Financial System 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads, COMNUWC 	<ul style="list-style-type: none"> Business Results Report 	<ul style="list-style-type: none"> Assess Overall Corporate Performance for Customers & Stakeholders
	<ul style="list-style-type: none"> Resource Protection Performance 	<ul style="list-style-type: none"> Illness/Injury Data 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads, COMNUWC 	<ul style="list-style-type: none"> Injury/Illness Report Safety Deficiencies 	<ul style="list-style-type: none"> Evaluate & Improve Workplace Safety
	<ul style="list-style-type: none"> Environmental Performance 	<ul style="list-style-type: none"> Environmental Management Information System (EMIS) 	<ul style="list-style-type: none"> Command Executives, Associate Directors, Department Heads, COMNUWC 	<ul style="list-style-type: none"> Hazardous Waste Generation Environmental Notices of Violation 	<ul style="list-style-type: none"> Evaluate & Improve Environmental Stewardship

Figure 4.1-4. Department, Program Manager, or Project Team Level Information and Data Aligned with Strategic Goals (continued).

financial metrics and indicators. A cross-section of Keyport employees was brought together to brainstorm and put together recommendations to present to Senior Leadership. Information on both traditional and nontraditional business was studied resulting in significant new business opportunities and employee hiring/retention initiatives. A whole planning session was devoted to “Reinvigorating Our Core Equity Work Force.” Comprehensive information was gathered for skill gap analysis and work force demographics enabling Command to identify future skill requirements and hire or train accordingly.

In past years, financial performance was absolutely critical to corporate survival. The combination of pressures stemming from declining Navy budgets, chain-of-command expectations, internal business responsibility, latent private sector

competition, and the prospect of future base closures forced highly focused attention on financial performance.

The corporate budget serves as a cornerstone for assessing corporate performance. This exhibit sets the stage for corporate plans, priorities, and targets. It captures projections of funded tasks from customers, work force levels, and outlays.

Keyport’s leadership monitors corporate health and performance on an ongoing basis. Team Keyport cultural survey results and comments are provided to cognizant Senior Leadership for action. The Business Services Group prepares weekly reports on corporate financial performance. Frequent reviews are held by the Directors’ Steering Committee to review and discuss performance. These sessions lead to important

tactical decisions on steps to take to enhance efficiency, control operating costs, and acquire additional workload.

Individual project, program, and line organization managers using criteria specific to the execution of the particular customer task monitor performance, cost, and schedule. Information is typically compiled and analyzed by the responsible manager in a format meaningful to the particular project and/or customer.

Past analysis of corporate financial projections have led to a combination of significant steps that have been taken in recent years to control costs and align Keyport's capacity to its workload. The work force, which has been reduced through a combination of separation incentives, early retirement incentives, and a reduction in force, is now in a growth phase based on the findings of the Strategic Planning Process. Overhead costs are still tightly controlled to raise Keyport's productivity ratio, but it is recognized there must be some flexibility in financial management in the short term to support an organization that will be viable in the long term. Business efficiencies have been increased through innovative steps to "smart-source" selected tasks, consolidate internal facilities, increase flexibility, and regionalize selected functions. The cumulative success of these steps has been to reduce billing rates to

Keyport's customers for 3 successive years, while simultaneously achieving a positive Net Operating Results (NOR).

An important forum for ongoing review of Keyport's performance is the periodic "Tech Brief" meeting attended by Command Executives, Associate Directors, Department Heads, Employee Representatives, and Command Staff. High interest programs, projects, and operations are briefed by subject matter experts. This forum, coupled with the weekly written "Tech Brief" feeder reports, promotes awareness and coordination of technical performance in operations throughout Keyport.

Customer satisfaction survey results are accumulated and summarized by Keyport's Customer Advocate Group for review and response by the leadership.

The Business Services Group accumulates all costs, direct and indirect, on a continuing basis. These costs for labor, material, and services are assigned at the transaction level to specific customer orders and tracked through the financial system. In addition to being made available to performing organizations for purposes of tracking performance on customer orders, this information serves as the basis for monitoring organizational performance at all levels.



Our Vision is to be the Center for:

- Integrated Undersea Warfare (USW) Systems Dependability;
- Integrated Mine and Undersea Warfare (MUW) Supportability; and
- Undersea Vehicle Maintenance and Engineering.



CATEGORY 5 - HUMAN RESOURCE FOCUS

Streamlining the work force was a major emphasis during the 1990's as Keyport aligned major organizational components with broad product lines and gave employees greater autonomy to meet customer requirements. Keyport is now concentrating on reinvigorating the work force as it takes on a new business strategy of capturing opportunities.

Our Strategic Planning Session of May 24, 2000, addressed our plan to reinvigorate our Core Equity Workforce. We have identified our Core Equity Workforce requirements for FY 01-FY 05, identified the gap in skill requirements, and developed our 5 year plan for hiring, development, and retention while meeting our EEO and diversity goals. Our new business thrust and expected workload have changed our approach for the next decade in order to create a corporate culture that fosters high performance, employee education, training and development, and employee well being and satisfaction.

5.1.a. Work Systems

The reorganized product line structure focuses on customer satisfaction. In order to achieve continuous improvement, Keyport initiated self-directed teams and provided continuous product improvement guide resources. This organizational structure and Keyport's new emphasis on reinvigorating the work force have enhanced organizational cooperation and supported the development of high performers.

5.1.a(1). Self-Directed Teams. At Keyport, self-directed teams (variously called customer focus teams, project teams, or product teams) are widely utilized as a most effective method of operation. Based on customer requirements and tasking, managers and supervisors structure teams from functionally organized department resources. These teams work closely with Keyport's customer advocate, program manager, and the Fleet customer to ensure that expectations are met or exceeded. Teams are empowered to accomplish their tasks using their own designed and managed approach. Customer agents working with team leaders assure customer requirements are being met.

Workers and teams are encouraged to propose process and product improvement for those situations where processes are necessarily defined by detailed procedures and/or skills certification. Improvement recommendations are pursued through structured systems such as the Beneficial Suggestion Program and the Continuous Improvement Program (Undersea Vehicles Group). For these "production line" oriented processes, a long-standing example of employee empowerment has been the policy that allows employees to "stop production" if they see that the process is not functioning properly or if products are defective.

5.1.a(2). Continuous Process Improvement.

Help for those working on improving processes is available through the use of the Continuous Process Improvement Guide resources. These on-line resources provide a systematic approach to understanding team dynamics and processing approaches to improvement. Benchmarking with industry and government ensures the most effective and efficient process improvement methods are available for the Keyport work force.

5.1.a(3). Organizational Cooperation. Historically, Keyport has been able to adjust to new and changing customer priorities in its major programs of torpedo preparation, systems engineering, parts production, proofing, and module repair to meet Fleet and production priorities. During the Torpedo depot consolidation, employees adapted to a complete process redesign that merged three different torpedo processes into one.

The history of cooperation and flexibility and the current approach to job structure and operations proved beneficial in the recent downsizing where 17 percent of all employees were reassigned to new positions as a result of the Reduction-in-Force (RIF) process.

5.1.a(4). Supporting High Performers

Through the Demonstration Project. In October 2000, approximately 300 Keyport employees are scheduled for conversion to a Personnel Demonstration Project. Specific innovations in the project include a broadband classification system for General Schedule occupations, performance development system emphasizing career-long development, an incentive pay system linking employees' pay to level of contributions,

and several rightsizing authorities (e.g., new approach to competitive examining and changes in the RIF process).

The Demonstration project aims to provide: a simplified human resources management system understandable to employees; continuous development for employees; incentives for performance contributions; flexibility to meet the needs of the organization in a changing environment; delegate decision-making to lower levels in the organization; and cost control.

5.1.a(5). Employee Compensation and Recognition. Keyport's methods of employee compensation and recognition are summarized in Figure 5.1-1. The Keyport Command Awards

Command Employee Recognition Structure		
Title	Type	Frequency
Command Awards Program	Non-Monetary	Annual
Performance Awards	Monetary	Annual
Special Act or Service	Monetary & Non-Monetary	Any Time ↓
On-the-Spot	Monetary	
Commendation Letters	Non-Monetary	
Time Off	Non-Monetary	
Commander's Commendation	Non-Monetary	
Beneficial Suggestion	Monetary	
Patents	Non-Monetary /Monetary	

Figure 5.1-1. Keyport Utilizes Different Methods to Compensate and Recognize Employees.

Program recognizes team and individual significant accomplishments in five specific categories: Commander's Award for Excellence, Executive Director's Award for Technical Achievement, Total Quality Achievement, Service to Others, and Customer Service. In 1999, a new Safety Awareness Command Category was added. To reinforce a teamwork culture, nominations emphasize team contributions; however, individuals can also receive award recognition.

Winners and nominees are recognized at an annual ceremony and featured in a subsequent issue of "Keynotes" (the Division newspaper). Results for the 1999 Command Awards Program are shown in Figure 7.3-6.

For the 1999 performance year, performance awards were given.

The other award and recognition vehicles listed in Figure 5.1-1 can occur throughout the year. One of the more popular and widely used is the On-the-Spot (OTS) Award. Any employee can recommend an OTS for an individual or team accomplishment; and with the appropriate supervisory approval, a cash award of up to \$200 can be awarded.

5.1.a(6). External Awards. Over the past several years, Keyport has received numerous external awards as the result of an excellent and dedicated organization of teams and individuals, often performing beyond expectations. Figure 5.1-2 is a summary of these awards. Employees share in the prestige that Keyport receives with these awards by participating in ceremonies and receiving recognition in "Keynotes."

5.1.a(7). Reinvigorating Our Core Equity Workforce. Keyport has changed direction from a five-year progression of several reductions in force due to declining budgets to strategically planning to reinvigorate the work force. After identifying business development opportunities, Keyport set about to capture these opportunities. This effort has led to Keyport being designated a "Center of Excellence" by Congress for Unmanned Undersea Vehicles.

As a result of Keyport's new business methods, a new strategy is being developed for hiring, development, and retention of employees to meet projected business activity. The proposed process for recruiting consists of a roll-up of departmental recruiting requirements and the development of the annual recruiting plan. The Workforce Resource Office will monitor the performance to the plan, report on the status of the performance to the BOD, collect and manage data on all candidates, and arrange and coordinate on-site interviews. Recruiters conduct site visits and interviews and identify potential candidates. The newly formed Recruiting Working Group will assemble data, open and close vacancy announcements, credit candidates, make selections, extend offers, process new employees aboard, and provide new employee orientation.

**NUWC Division Keyport Awards**

<u>Date</u>	<u>Award</u>
7/00	President's Quality Award Finalist
5/00	Hammer Award – Mine Warfare Intermediate Maintenance Migration Team
3/00	NAVSEA Nominee for Secretary of the Navy and Department of Energy Federal Energy Management Program Energy Conservation Awards for Large Shore Category, Gold Level
8/99	Hammer Award – Corporate Information Technology
6/99	1998 NAVSEA Achievement Award for Environmental Cleanup (Installation)
5/99	NAVSEA Certificate of Merit for Energy Conservation for FY 98
7/99	NAVSEA Logistics Excellence Team Award – AN/SQQ-32 Logistics Improvement Team
4/99	Jefferson Award for Public Service (Tony Murkins)
3/99	1998 CNO Environmental Award for Environmental Cleanup (Installation)
1/99	Hammer Award – Advanced Tomahawk Weapons Control System Team
11/98	Hammer Award – Fleet Mine Support Integrated Product Team (in partnership with Naval Coastal Systems, Panama City)
4/98	NAVSEA Environmental Excellence Award for Recycling (John Lacy)
4/98	CNO Environmental Award for Recycling (John Lacy)
4/98	NAVSEA Environmental Excellence Award for Natural Resources Conservation (Carl Haselman)
4/98	NAVSA Environmental Award for Installation Cleanup (Honorable Mention)
12/97	Kitsap Transit – Commuter Trip Reduction Award
10/97	Defense Partnership Council Certificate
10/97	1997 Federal Energy and Water Management Award by Department of Energy
10/97	SECNAV Energy Conservation Award for Industrial Activities for FY 96
7/97	NAACP Roy Wilkins Renown Service Award, Tony Murkins
4/97	Silver Anchor Award (runner-up in Golden Anchor Retention Excellence Award) – Special Unit Category
4/97	1997 Nathaniel Stinson Equal Employment Opportunity Award
3/97	NAVSEA Shore Sailor of the Year Award (BM 1 Robert H. Herman)
6/97	1996 VADM Harold G. Bowen Award
11/96	SECNAV Energy Conservation Award for Industrial Activities
7/96	Meritorious Unit Commendation Award
7/96	U. S. DOE Energy Champion Award (Phil Beste)
7/96	Hammer Award – Aircraft Carrier Anti-Submarine Warfare Module
7/96	Hammer Award – Mine Battery
5/96	SECDEF Productivity Excellence Award (Mine Battery Disposal)

Figure 5.1-2. Keyport Continually Receives External Awards and Recognition.**5.2.a. Employee Education, Training, and Development**

Keyport's strategic goals are the fundamental drivers for the approach to training and education. A competency-based training system is being developed that requires training and education to

be specific to job functions and responsibilities and to develop abilities directly applicable to job performance. Figure 5.2-1 summarizes the formal, advanced degree opportunities focused on these competency-based education concepts.

Formal Education Opportunities			
Type	Provider	Method	When
Graduate Academic Program	Various	Classroom	Full Time (Sabbatical)
Master of Public Affairs	Indiana University	Classroom	Work Hours
Master of Science Acoustics	Penn State University	Classroom VTC	After Hours
Project Management Certificate	City University Seattle	Classroom	After Hours

Figure 5.2-1. Keyport Offers Employees Several Formal Education Opportunities.

The Public Management Certificate and Master of Public Affairs degree programs were established with Indiana University in the early 1990's to build leadership competencies for sound business management.

The Pennsylvania State University Master of Science in acoustics program is geared to develop capabilities in the technical area of Test, Training and Evaluation. The Graduate Academic Program allows individuals to pursue advanced degrees in specific technical areas on a sabbatical leave basis to meet emerging technology areas critical to the needs of the organization. The City University Project Management program targets competencies for systematic and efficient management of customer tasking. Results of these strategies for advanced education in technical and managerial disciplines are shown in Figure 7.3-7.

The current reconstitution initiatives, as addressed in the Human Resources Planning Process, places emphasis on education and training that will position Keyport for the technical and business challenges of the future. Specific employees in technical fields are gaining needed skills in computer technology and programming through after-hours courses at local universities. Personnel with contract-related responsibilities are taking Acquisition Reform courses for Acquisition Professional certification in response to the DoD acquisition initiatives.

On an annual basis, supervisors and employees evaluate individual training needs necessary to meet organizational goals and objectives and workload requirements. Working closely with customers provides insight for identifying skills needed to meet their needs in the future. Keyport's relationship with the R&D community

provides insight to technology developments and trends relative to USW weapons and systems. These inputs help to forecast maintenance, testing, and Fleet support skill needs for the future. They form the guidance that is translated into training objectives and individual development plans.

Education and training experiences for employees are provided through many means: televideo distance learning; self-paced, computer-based, and formal classroom formats; On-the-Job Training (OJT); and mentoring.

Required knowledge skills and abilities are identified within the context of the job; and where specific reinforcement is necessary, it is often given in the workplace through OJT which may or may not be formally documented, depending on the job complexity and requirements. Formal classroom training is also used to teach theory and concepts foundational to maintain job performance. Training to maintain certification is provided for critical processes and functions such as soldering, Electrostatic Discharge, explosive safety, quality inspection, and truck driving. Electronic data systems are used extensively to track employee certification and authorization status for assigned work functions.

Participation on self-directed teams provides employees with opportunities to gain new knowledge and develop new skills as a result of the multi-skilled structure of the team. Member assignments often require enough familiarity with associated skills in order to back each other and operate efficiently. This results in team flexibility and provides the ability for the team to better react to changing and emergent requirement.

5.3.a. Work Environment

Keyport has a very proactive approach to maintaining a safe and healthful work environment in keeping with its strategic goals and objectives. A comprehensive safety program is administered through the Resource Protection Department.

Union and management cooperation has long been instrumental in maintaining productive working conditions as evidenced by Keyport's nationally recognized Partnership Council (PC). Using Interest-Based Negotiation techniques, the PC was able to renegotiate the 1998 bargaining unit agreement using employee input and

participation and without costly outside negotiators or arbitrators.

The PC works to address issues of common interest to workers and management. A newly revised grievance process affords bargaining unit employees quicker resolution of problems with alternative dispute resolution options available. In the first 6 months of its adoption in late 1996, grievance resolution at the first level had improved by 35 percent compared to past years. In 1998, 31 out of 45 grievances were resolved at or before Step Two of the grievance process. In 1999, 21 out of 26 grievances were resolved at or before Step 2 of the grievance process. In 2000 (to date), all grievances have been resolved at or below Step 2 of the grievance process. So far, in 2000, intervention and mediation by Union Stewards in supervisor/employee disputes and disciplinary actions have avoided at least six grievances. Figure 7.3-11 shows grievance resolution results. The new process quickly led to supervisors becoming more proactive in resolving grievances at their level.

By utilizing an informal interest-based bargaining process, there has not been a formal Unfair Labor Practice (ULP) filed from Keyport since 1985. Since a typical ULP can cost approximately \$10,000 to 20,000 to resolve, a significant cost avoidance has resulted due to this Labor-Management Partnership.

Estimated Cost Avoidance = 24 ULPs X \$10,000/ ULP = \$240,000.

The EEO program also serves to minimize workplace problems and resolve issues successfully.

5.3.b. Employee Support Climate

Employee support services include: Employee Recreation Association; Federal Managers' Asso-

ciation; counseling through the Employee Assistance Program; carpooling assistance and benefits; community volunteering; food services; leave share program; on-site Kitsap Federal Credit Union services with ATM; a management assistance representative; and on-line employee information services. Morale, Welfare and Recreation facilities are available for employee use. These facilities include a picnic area, nature walk, fitness center, and tennis courts.

5.3.c. Employee Satisfaction

Employee satisfaction is monitored using several methods. The most well-recognized is the internal Team Keyport Cultural Survey done monthly, by random selection of 75 employees who are sent survey forms to voluntarily (and anonymously) complete and return. Focus of this survey is the management style and quality of life. Results are shown in Figures 7.3-14 and 7.3-15.

Keyport considers high employee satisfaction results in retention of good employees. During Keyport's emphasis on reinvigorating the work force, separations were defined by method. As shown in Figure 5.3-1, 24 percent of employees, who were separated, quit their jobs. Reasons for separations were identified from the Personnel System Data and are shown in Figure 5.3-2. As a result of the data, Keyport is presently developing a retention program strategy that specifically addresses the problem and provides actions to solve the problem. Of the number indicated, 25 percent of the employees resigned due to the threat of a RIF. Keyport's new business strategy has solved this part of the problem. Methods to enhance retention are addressed by a comprehensive approach to assessing the data and establishing processes to foster retention capability.

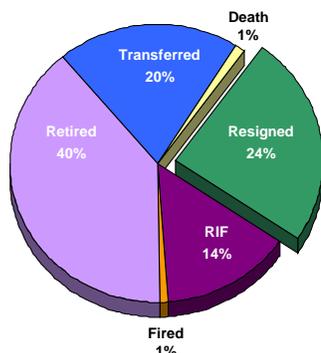


Figure 5.3-1. Separations by Method.

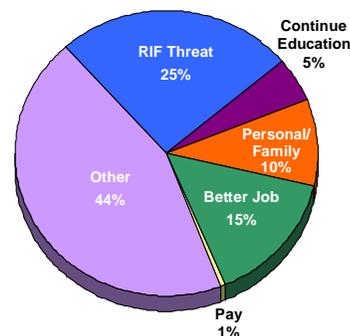


Figure 5.3-2. Resignations by Reason.

CATEGORY 6 - PROCESS MANAGEMENT

6.1.a. Design Processes

Keyport translates customer performance, cost, and schedule requirements into technical capability, and internal business practices as inputs into the design of new products and services and the modification of existing products and services. Changes in product and service requirements or advancements in technology that may enhance product and/or service performance are discussed and negotiated with the customer. The strategic goal of *Customer Satisfaction* and the objective of *Increase Communications with Our Customers* results in direct interaction with the customer as the preferred method of incorporating customer requirements into the products and services produced and delivered by Keyport.

Keyport's Customer Advocate Group (CAG) operates as an extension of Command serving as the customer's principal activity level advocate. Customer Agents (CAs) serve as the principal customer for all corporate programs. The CAG identifies customer requirements and solutions to meet those requirements, forming cross functional teams and monitoring project cost, schedule, and performance.

A Task Management process sets long term customer goals for Keyport and drives updates to the Corporate Workload Planning System to reflect current customer requirements. Responsibility for the performance of each step in the process belongs to the line organization with the authority to deliver the product. This process is shown in Figure 6.1-1.

Complementing the CAG's Task Management Process, program and project teams maintain a customer dialogue from product/service conception to delivery. The following approaches are typically used.

Program managers personally work with the customer to define product and service requirements, which are used to develop a Request for Quote. The Quote is then translated onto a Statement of Work. This customer coordination results in succinct quote preparation that is

TASK PLANNING, EXECUTION, & MANAGEMENT

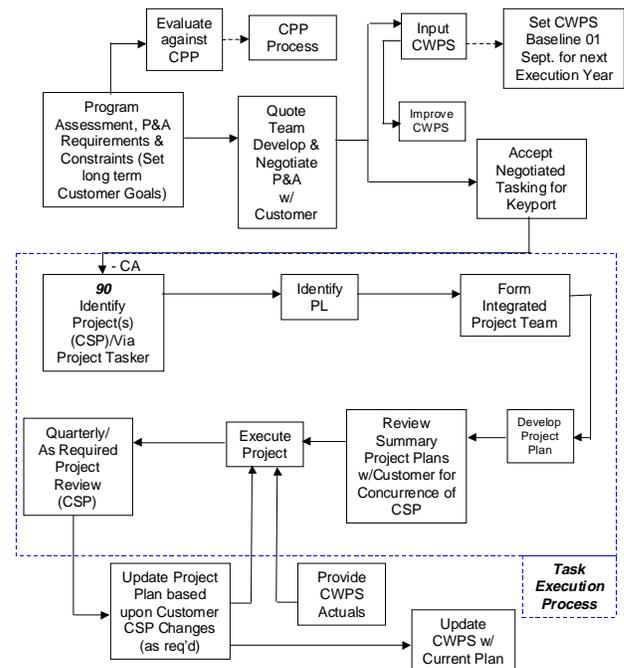


Figure 6.1-1. Keyport's Task Management Process Is Focused on Customer Requirements.

"Time-Phased" to project customer service commitments. Planning documents are periodically compared against established requirements resulting in a common set of expectations.

Advances in industrial technology are shared with the customer and, as appropriate, are used to refine requirements and enhance our capabilities. This sharing of information results in lessons learned to ensure test resources and process capabilities are accurately addressed in future customer quotes. Integrated Product and Process Development teams work directly with the customer during design and production. This results in keeping test personnel involved for the duration of a project to account for any changes to customer requirements.

Pre-Operational Planning and Coordination identify and document customer product and service needs. Services and Test Conduct ensure test plans are coordinated and adapted based on customer interaction and any subsequent changes to requirements. Post-Operation Analysis Reporting and Coordination results in customer feedback

and analysis to address concerns and identify improvement opportunities.

The Combat Systems Supportability Guideline for Project Teams incorporates customer requirements into Combat System products and services. In this process self-directed project teams emphasize:

- Providing quality products and services that are on schedule and within budget
- Developing project plans according to customer requirements and established guidelines
- Developing team indicators
- Selecting a project team leader focused on customer requirements
- Limiting work activity to specific customer requirements.

This results in process owners achieving a greater understanding of production and delivery processes and the relationship of negotiated product and service requirements and customer performance, cost, and schedule commitments. In turn this drives the development of problem prevention techniques, such as quality self-checks. In-Process Inspection, Final Acceptance Inspection, and First Article/First Piece Inspection methods are also used. Both prevention and detection-based techniques and close interaction with the customer

help to ensure trouble-free introduction and delivery of products and services.

6.1.b. Production/Delivery Processes

Keyport's key processes relate directly to the production and delivery of products and services in the three Technical Leadership Areas discussed in Category 3.

Influential business environments, advancements in technology, and changes in customer needs result in using dynamic methods for selecting key processes at Keyport. Principal requirements for key processes are derived from common customer requirements and unique product/service requirements imposed by specific customers.

The relationship of these requirements to key processes is shown in Figure 6.1-2. Other factors influencing the management and improvement of key processes include customer feedback and in-process control strategies and measures to ensure quality. This valuable information is routinely shared with the work force to aid in the delivery of high quality products and services. The use of Web-based technology to share critical process management information is one example. Through our Industrial Technology Department Home Page employees can access a variety of databases to

		Key Process	Unique Requirements	Common Requirements
TECHNICAL LEADERSHIP AREAS	Test, Training and Evaluation (TT&E)	Fleet Training Ship Testing Weapons Testing Environmental Testing	Realistic undersea weapons test Reliable undersea weapons analysis Effective weapons training	Performance, Cost, Schedule
	Life-Cycle Systems Supportability (LCSS)	COTS/Technology Insertion Logistics Management Engineering Support Systems Training Technical Documentation Combat Systems Maint.	Increase Fleet self-sufficiency Lower Fleet maintenance burden Reduce Program life-cycle cost Enhance/improve weapons/weapons systems operational availability	
	Fleet Material Readiness (FMR)	Torpedo Maintenance Targets/Mines/Counter-measure Maintenance Industrial Support Prototyping	Torpedo/Target systems and components upgrade Torpedo/Target systems and components repair On-time scheduled maintenance	

Figure 6.1-2. Keyport's Technical Leadership Areas Link Directly to Key Processes and Unique Customer and Common Requirements.

improve their understanding or obtain the latest status on key processing information. This information includes:

- Pre-Quote Project Data Base
- Deviation/Waiver Data Base
- Discrepancy Reporting Data Base
- Equipment Recall Data Base
- Research and Development Inventory
- Procedures
- Internal Audit Results
- Corrective Action/Preventive Action.

The compilation of these factors and a Continuous Process Improvement Guide help to prioritize process improvement activities and keep a focus on the customer.

Keyport has also established a corporate policy that requires the management of processes as a means to assure product and service quality. A corporate procedure provides the guidance to implement the process control policy and is based on two main themes: continuously pursue best-value (performance, cost, and schedule); and improve customer satisfaction. The guideline approach allows for flexibility and the adaptation of unique requirements relevant to individual products and services. The basic elements of process management at Keyport include:

Process Design. Translate the requirements of the customer into understandable terms and workable solutions.

Process Control. Use problem prevention techniques and ensure the process operates as designed.

Process Measurement. Identify measures and measurement points for the process.

Process Improvement. Base process improvement on facts and knowledge.

Figure 6.1-3 shows the generic Keyport approach to designing and managing processes.

The development and implementation of an ISO 9000 registered quality system in the UVG is an example of a major process improvement at Keyport. Our Industrial Technology Operations Department has also attained registration to this

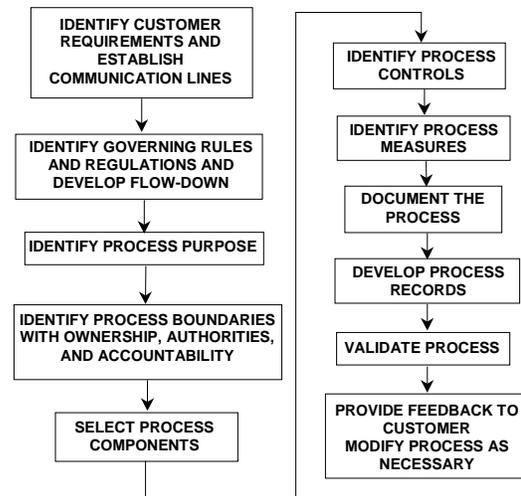


Figure 6.1-3. Keyport's Policy Requires the Management of Processes to Assure Product and Service Quality.

rigid quality standard. Both organizations have successfully achieved repeat certifications and subsequent registration through a third party registrar.

To help prepare for the Keyport-wide implementation of an ISO 9001 quality system, a major restructuring of all corporate-level directives is under way. This improvement effort takes existing policy directives and eliminates redundant and non-value added processes and practices while delineating those that will be retained in terms of a tiered documentation system that is owned and updated by process owners. Tiered in this sense means policies, issued by command, that contain links to implementing procedures and instructions. An important feature of this corporate improvement effort is the use of Web-based electronic media to facilitate easy access to all pertinent directives. Access is gained by simply "drilling down" through policy, procedure, and instruction from any desktop computer.

Keyport is also pursuing certification to the ISO 14000 standards. The Resource Protection Department is leading this effort with the goal of improving environmental processes at Keyport.

We use process validation techniques as another method to ensure timely and trouble-free production and delivery. Validation is done to provide confidence in process capability as well

as seeing any effects on related processes. The method of validation uses the same process inputs, actions, controls, and components that will work in the process. The results of these actions and controls provide the evidence that the process is operating as designed. Process, product, and/or service acceptance/rejection results are recorded to attest to the acceptability of product quality at given steps in the process and to provide evidence that controls are effective and/or need refinement. The application of safety (with special emphasis on explosives safety), security and environmental requirements, process yields, process capability, and process component certification are examined during validation as well. The most common validation techniques include procedural walk-through, pre-production runs, and pilot projects.

Keyport's key processes are periodically evaluated to criteria that are unique to each process, product and/or service. The criteria are set forth by the customer as an additional means to verify requirements are being adhered to. In addition, process owners have established or are establishing specific measures and their own self-improvement practices. Self-improvement, the selection of measures, and the prioritization of process improvement efforts are derived from customer interaction. Figure 6.1-4 shows the relationship between key processes, evaluation methods/measures, customer interaction techniques, and self-improvement practices.

6.2.a. Support Processes

Keyport's support processes play a critical role in the production and delivery of our technical products and services. Key support processes are managed using the same process management discipline for key production and delivery processes.

Periodic reviews and self-improvement practices determine performance levels for support processes. Review varies from end-of-task customer feedback to regular meetings where improvement opportunities are discussed. Some processes are benchmarked, others are trended, and still others are compared to national averages with improvement driven by internal and external customers.

Financial Services provides critical business results reports to all supervisors that provide

accurate status for process expenditures. This valuable information provides trend data that enables adjustments in workflow and work force to improve future cost/performance curves.

Resource Protection measures illness/injury rates and lost days, limited days, and lost time case rates as corporate indicators. These critical measures are compared against national averages and are also made available to the entire work force on the Resource Protection Home Page. In order to ensure environmental accountability we have recently started the implementation of an Environmental Quality Assessment matrix to track, rank, and rate environmental risk. The matrix also serves as an environmental risk metric for command. Additional improvement initiatives have resulted in combining Keyport's Facilities Management processes with the Resource Protection Group. This gives us more access to expert facility services and when combined with environmental services helps our long range planning relative to MILCON projects and building maintenance. Our distributed network of departmental environmental coordinators is helping to make us very proactive and address environmental issues in the design phase.

Personnel from Keyport's contracting and procurement support processes have membership on the Pacific Northwest Regional Contracting Consortium. The Consortium is comprised of Contracting Representatives from FISC Puget Sound, Environmental Field Activity-North West, Supervisor of Shipbuilding Everett, and the Bremerton Naval Hospital. Quarterly meetings are held to discuss current acquisition initiatives (DoD Standard Procurement System), share lessons learned, and develop global acquisition strategies, such as the Regional Base Operating Support Contract. These collaborative efforts were praised by RADM Bill Jenkins, SC, USN, Deputy for Acquisition and Business Management, Assistant Secretary of the Navy (RD&A) when he briefed the group on Business Alliances in February 2000.

Our IT support process measures and provides valuable information to the work force regarding IT systems. The work force has direct access to the information which includes:

	Key Process	Evaluation Method/Measures	Customer Interaction	Self-Improvement Practices
TT&E	Fleet Training	Range Operational Availability (A _o) Performance, Cost, Schedule Customer Satisfaction	<ul style="list-style-type: none"> • Program Manager interface with customers • Quarterly management meetings • Monthly progress reports to customer • Attend customer program and team meetings • Customer Satisfaction Survey 	Internal Technical Reviews Product upgrades based on product evaluation Comparison to customer needs
	Ship Testing	Range Operational Availability (A _o) Performance, Cost, Schedule Customer Satisfaction		
	Weapons Testing	Range Operational Availability (A _o) Valid In-Water Test Performance, Cost, Schedule Customer Satisfaction		
	Environmental Testing	Failure Analysis Performance, Cost, Schedule Customer Satisfaction		
LCSS	Commercial Off-the-Shelf/Technology Insertion	Systems Performance Analysis Performance, Cost, Schedule Customer Satisfaction	<ul style="list-style-type: none"> • Program Manager interface with customers • Customer Approval of project and service • Team planning meetings • Customer Satisfaction Survey 	Budget review of cost adherence Program reviews Meetings with customers to discuss satisfaction
	Logistics Management	Casualty Reports (CASREPS) Internal Logistic Audits Performance, Cost, Schedule Customer Satisfaction		
	Engineering Support	CASREPS Project team feedback Performance, Cost, Schedule Customer Satisfaction		
	Systems Training	CASREPS Training effectiveness Performance, Cost, Schedule Customer Satisfaction		
	Technical Documentation	Technical Manual Deficiencies Reporting (TMDR) Performance, Cost, Schedule Customer Satisfaction		
	Combat Systems Maintenance	NAVICP Metrics Performance, Cost, Schedule Customer Satisfaction		
FMR	Torpedo Maintenance	Request for Problem Resolution (RPR) Torpedo Certification Examination Cost/Schedule Variance Performance, Cost, Schedule Customer Satisfaction	<ul style="list-style-type: none"> • Customer interface at quote and during project • Status reports to customers • Define expectations during pre-operations phase • Changes in requirements during operations • Results and feedback during post-op phase 	Management Team Review Customer Survey Cost Control/Reduction ISO 9000 Expansion Corrective Action/Preventive Action Process Continuous Improvement Program Internal Self-Audits Implementing New Technology On-Line Process Improvement Tool Kit Annual Procedure Review
	Target/Mines/Countermeasures Maintenance	TMDR RPR Target Certification Examination Program/Budget Reviews Performance, Cost, Schedule Customer Satisfaction		
	Industrial Support	On-time Delivery Performance, Cost, Schedule Customer Satisfaction		
	Prototyping	Quote Timeliness Performance, Cost, Schedule Customer Satisfaction		

Figure 6.1-4. Keyport's Technical Leadership Areas Are Continually Measured, Evaluated, and Improved.



- IT Security/Virus Alerts
- Operational Status
- Systems Performance
- Workstation Information
- Corporate Applications

The relationship between key support processes, requirements, evaluation methods/asures, and self-improvement practices are shown in Figure 6.2-1.

6.3.a. Supplier and Partnering Processes

Suppliers who provide technical and engineering services to Keyport are considered key partners in the execution of the Keyport mission. Keyport

has developed a long term relationship with suppliers that has spanned 3 decades.

Keyport's Contracting Officer, in partnership with the Fleet Industrial Supply Center (FISC) Puget Sound's Contracting Officer and Legal Counsel, has reached agreement to raise our review threshold from \$100,000 to \$500,000 to be commensurate with our procurement authority. This and other business process reengineering efforts (ETOP and Workload Leveling) have led to an improvement in task order Procurement Action Lead Time (PALT) from 7 to 4 days. Less than 1 percent of the task orders issued by Keyport against FISC Puget Sound awarded contracts require their review. Negotiations are currently under way with FISC Puget Sound to allow

Key Support Process	Requirements	Evaluation Method/Measures	Self-Improvement Practices
Financial Services	Accurate tracking and accountability for expenditures	Business Results Report	Review/analysis of workload execution to improve cost/performance curve
Resource Protection	Environmental stewardship Protect health of personnel Force protection and physical security Regulatory compliance	Injury/Illness Rate HazMat/Waste reduction Explosives Safety Self-Assessment Vulnerability Assessment OSH and Environment Self-Assessments	Search for alternative pollution prevention technology Restoration Advisory Board Implementing ISO 14000 Process Improvement Plans
Administrative Services	Timely and accurate responsiveness of Administrative support services	Customer Satisfaction Cost Savings Number of errors	Flowcharting administrative services Increase automation of administrative services Address root cause of errors
Human Resources Management	Timely and accurate human resource services	Value to customer # of days to classify a job # of errors in personnel records	Comparison of performance against goals Resource and Training planning to meet leadership goals
Facilities Management	Cost effective and efficient services	Water Flow Measurement Energy Consumption Rates Energy Procurement Cost	Annual review of 5-year construction project plan Community involvement with energy program Search for alternative energy technology Market survey for energy providers
Contracting/Procurement	Maintain inventory accuracy Timely processing of procurement and contract services	Inventory accuracy by % Procurement Action Lead Time (PALT)	Flowcharting contracting and procurement services Competitive bidding
Information Technology	Maintain IT systems/applications availability	Systems Availability (A _s)	Provide services through team-based activities
Capital Purchase Program	Effectively manage construction projects Effectively manage equipment procurement projects	Obligation rate	Annual management review of 5-year construction project plan
Command Review	Provide independent oversight/management of reviews, hotline investigations, external audit liaison, and management control program	Annual Review Plan	Management Control Program procedural review

Figure 6.2-1. Keyport's Support Processes Are Also Measured, Evaluated, and Improved.

electronic submission of the over \$500,000 task order to their office for review. This initiative when implemented will reduce PALT for those actions as well.

Technical, logistic, and base operating services are initiated at the working level through a statement of work following the Federal Acquisition Regulations and Keyport Statement of Work preparation guideline. The Statement of Work is given to the services contractor for a cost estimate in accordance with the Issuance of Cost-Type Delivery Process. The resulting contract is monitored for performance and delivery schedule adherence by a Performance Evaluation Board. The board provides feedback to the supplier through a formal contractor evaluation process and face-to-face discussions; incentive awards are based on performance and schedule adherence.

Open market commercial suppliers, which include contracts, simplified acquisition, and Government Bankcard, are also monitored for on-time delivery and cost adherence.

Keyport utilizes the Navy's Red/Yellow/ Green (RYG) program as a source selection tool in purchasing and contracting products and services. RYG manages the risk of receiving substandard material by introducing the cost of quality and performance into the source selection process. Data relative to a contractor's performance is fed into the Navy Material Quality Assessment Office's vendor performance database and is used to classify contractor performance. This data is used during the contractor evaluation and source selection process for future awards.

Suppliers are required to ensure the materials that are consumed or otherwise used by Keyport work processes are correct and do not induce errors or unsafe conditions into the process. Factors for developing supplier requirements include:

- Supplier performance history
- Material age and environmental sensitivity requirements
- Identification and status reporting needs
- Packaging, handling, storage, and transportation requirements
- Methods to disposition nonconforming materials

- Methods to deal with excess or residual materials
- Inspection and test requirements
- Safety, security, and environmental requirements
- Configuration integrity.

Material certifications, Certificates of Conformance, and special testing are additional examples of how Keyport verifies that material specification and requirements have been achieved by suppliers. Suppliers are provided feedback on inspection, testing, and quality requirements. Product feedback is provided by Product Acceptance and Non-Conforming Material Reporting processes. Figure 6.3-1 summarizes the relationship between key suppliers, the key supplier process, and how quality and performance are measured.

Keyport also collaborates closely with OEMs to understand program requirements, performance parameters, and test needs during the development, production, and acceptance phases of contracts. Keyport teams with the OEMs to help improve designs and processes, ensuring the best value is provided to the Navy. As a Trusted Agent, Keyport maintains a support role to the Chief of Naval Operations (CNO) acquisition manager and a cooperative partnership with the OEM to ensure program success. Additionally, Keyport teams with universities, Navy Laboratories, and other research organizations to support our customer requirements. Long term relationships with the ARL, Pennsylvania State and APL, University of Washington are well established to perform undersea systems research and development for our Navy customers. A Cooperative Research & Development Agreement process governs partnership agreements for joint development ventures between Keyport and private companies.

As part of continuous improvement, Keyport has implemented several innovative outsourcing and partnering practices. One such innovation is the change to the operation of Keyport's Range Craft from military crews to civilian contractor crews. The military crews provided excellent 24-hour, 7-day-per-week service, but this level of service became too costly with the significant decline in workload. Keyport now uses a "point of use"



Key Suppliers	Key Supplier Process	Quality and Performance Measurement
AMSEC Raytheon Tracor	Technical and Logistic Services Issuance of Cost-Type Delivery Orders	Logistics Contract Performance Technical Contract Performance Supplier Delivery Adherence Supplier Material Acceptance Monthly Task Performance Meetings Quarterly Performance Evaluation Board Product Acceptance Reporting Non-Conforming Material Reporting
Anteon ARIS ATA	GSA Clerical and Special Services Request for Contractual Procurement	
Seaward Services, Inc.	Operation of Range Craft	
Johnson Controls	Base Operating Services Facilities Support Management	
Private Sector Commercial, Open Market Supplies and Services	Parts, Supplies and Services Federal Acquisition Regulations Contracts Simplified Acquisition Government Bankcard Contractual Procurement	

Figure 6.3-1. Keyport Continually Measures Quality and Performance of Key Suppliers.

contract arrangement in which range craft requirements are negotiated in 2 to 4 weeks in advance of customer requirements. Intense coordination with Keyport's customers and the contractor provides the required level of Range Craft service at significantly reduced cost. Cost avoidance with this approach saved approximately \$3 million per year.

Diving services, which are essential to certain range operations, are now coordinated with other Navy diver lockers in the region. All diving tasks are now coordinated through a single office. This partnership has made better use of all diving resources in the region, providing more experience for the divers and avoiding expensive contracting by allocating the region's requirements across all available resources.

In early 2000, Keyport's Professional Employees chose to form a Union. Unions now represent virtually all eligible employees at the activity. Local Partnerships between the Unions and each Department/Group at Keyport have been started. The participant's sign a formal agreement committing themselves to the principles outlined in the Labor-Management Partnership Charter. Dependent on the Department the issues can be global or specific. The results are better communication, less contention, fewer grievances, and less severe disagreements between managers, supervisors and bargaining unit employees. An

example is the Partnership with the Resource Protection Department. At times employees were afraid or frustrated with supervisors and unwilling to pass on safety issues. Stewards are available in most work areas and issues can be taken to them anonymously if necessary. The result is more attention to employee safety and protection of the environment has improved.

At Keyport, consistent with our Principles of Partnership Agreement, potential Unfair Labor Practices (ULPs) are resolved informally through cooperation which (we find) is always better than through confrontation. By utilizing an informal interest-based bargaining process, there has not been a formal ULP filed from Keyport since 1985. Since a typical ULP can cost approximately \$10,000 to \$20,000 to resolve, a significant cost avoidance has resulted due to this Labor-Management Partnership. The Unions also provide Dispute Mediation and Alternate Dispute Resolution services as an alternative to the formal grievance process. It has been found that these processes generally provide a solution which is more acceptable for all participants. The Unions are active participants and Partners in the corporate Strategic Planning process where they are featured presenters of employee ideas and concerns.

CATEGORY 7.1 – CUSTOMER-FOCUSED RESULTS

Keyport's Customer Survey numeric scores (10 indicates the highest level of satisfaction) are compiled and the comments sorted for use by market areas in addressing possible remedial action or identifying opportunities for improvement. Customer satisfaction data is reported in a variety of ways to facilitate understanding of the customers' perspective regarding our ability to meet their needs and expectations.

The "flat trend" on our overall customer satisfaction data, Figure 7.1-1, has been analyzed and is a focus point for several business briefings and technical discussions. Working towards our goal of 8.7 we take credit for consistently maintaining a customer satisfaction rating of greater than 8.5 during the same time period in which we achieved unparalleled success in Business and Process Reengineering. This is reflected in our 25% reduction in total mission costs and a 39% reduction in total overhead costs.

Customer Satisfaction results are aggregated for use by individual market areas. This allows process improvement tailoring to fit individual customer and market needs. See Figure 7.1-2.

We ask our customers to compare our ability to provide quality products and services with other organizations. This data, Figure 7.1-3, helps us to better understand our competitive environment.

Customer complaint data is collected and analyzed for use in our market areas. Specific information relative to our industrial operations and USW is routinely used to identify adverse product trends. Web-based data systems provide this information to our product-line organization.

Customer satisfaction data is also combined with customer funding data and current fiscal year (FY) milestones. Next FY plans, program/project descriptions, and issues/high interest areas are also compiled. We also compare assessments of performance between customer agents, our executive director, and the customer. See Figure 7.1-4.

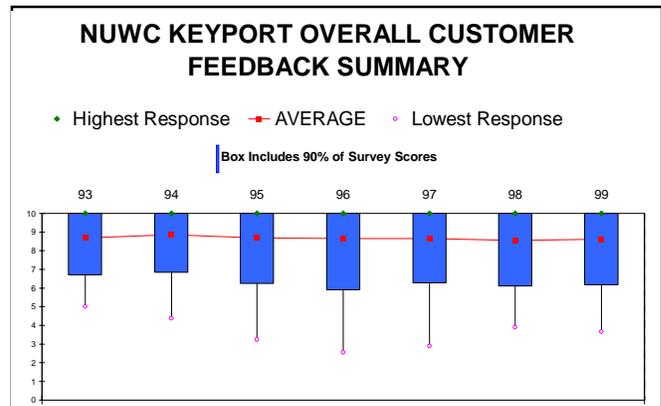


Figure 7.1-1. Overall Customer Satisfaction.

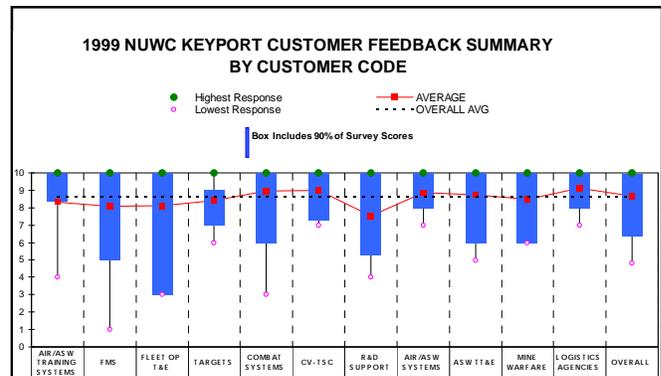


Figure 7.1-2. Customer Satisfaction Data by Market.

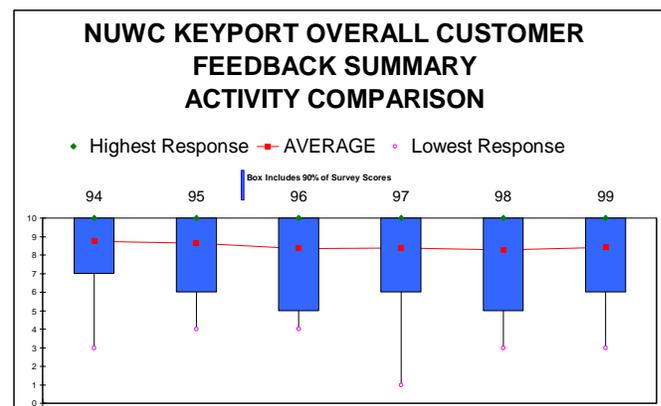


Figure 7.1-3. Activity Comparison.



NAVSEA KEYPORT Customer Notebook Quad Sheet for Logistics Agencies (Program Y)



Customer Agent: Steve Osburn

Program Description: Provide Material and Support for Logistics Agency Customers, including depot repair, fabrication, and Custom Engineered Solutions for supply system and related customers.

Objective: Support the supply system and program offices by providing responsive support for hardware (consumables and repairables).

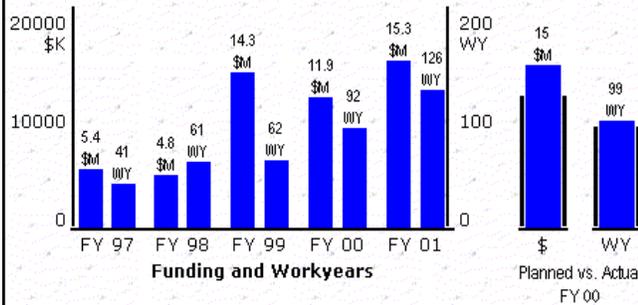
Customer(s): NAVSUP (NAVICP-M, NAVICP-P), DLA (DSCC, DSCR), NAVSEA, NAVAIR

Current FY Milestones: EA-6B Throttle Control Computer Amplifiers - Aug; EA-6B Engine door fittings - Sep; EA-6B Tailpipes - Jun; AV-8B Motion Transducer - FAT July; F/A-18 Forward Fairing - Jun; Sea Systems Depot Repair workload: 950 units; Torpedo Depot Repair workload: 850 units

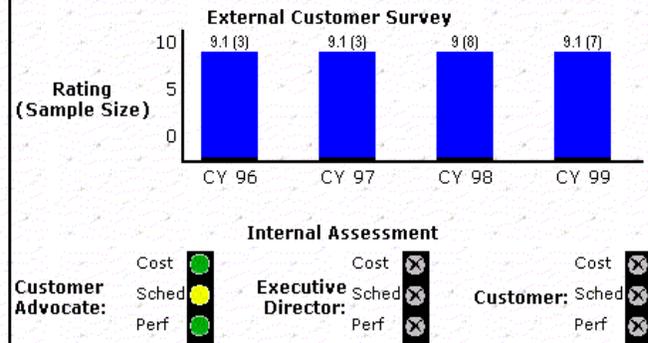
Next FY Plans: F-14 IRST Compressor - Oct 00; Future Projects (dates not set): EA-6B Stingers; Sea Systems Depot Repair workload: 950 units; Torpedo Depot Repair workload: 850 units

Issues/High Interest: Delivery of IRST compressor on schedule is critical to Custom Engineering initiative.

Funding:

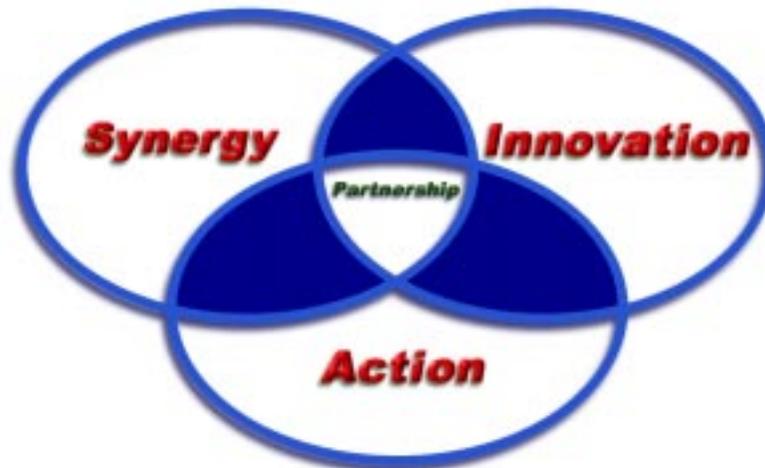


Customer Satisfaction:



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Figure 7.1-4. Customer Notebook Quad Sheet.



CATEGORY 7.2 - FINANCIAL PERFORMANCE RESULTS

Keyport is emerging from a period of significant industrial, technological and economic reorganization. Since the end of the Cold War, we have focused on supporting and adjusting to the Navy's need to reduce costs and improve efficiencies. During this period, we have achieved unparalleled success in Business and Process Reengineering (BPR) and have received numerous accolades from our customers and stakeholders. While we underwent reductions in our workforce by 64% (2,233 billets), we increased our productive ratio from 67% to 84%, reduced total overhead expenditures over 50% (\$54.9M annually), and reduced our facility square footage usage by 30% (over 1 million sq. ft.). See Figures 7.2-1 to 7.2-4.

As the Navy moves into the 21st century, Division Keyport is faced with many new challenges, the foremost of which is the reinvention of our core

equities and achievement of optimal efficiency meeting the needs of the Fleet today, tomorrow, and for the future. Division Keyport's Vision 2010 provides focus towards meeting these challenges. It articulates our view of Keyport's role in supporting NAVSEA's mission and meeting the long term technological and operational needs of the Navy through the 21st century.

Division Keyport's success at business process reengineering is evident by our receipt of eight Vice President Gore Hammer Awards, more than any other DoD activity. Our long history towards continuous improvement and customer focus has fully integrated sound business principles and business process reengineering methodology throughout our organization. We have been exploiting process improvement, seeking cost efficiencies and performance improvements as a division-wide venture since the inception of the Navy Industrial Improvement Program, and have documented significant cumulative savings.

NAVAL UNDERSEA WARFARE CENTER DIVISION KEYPORT				
	FY96	FY99	Reduction Achieved	FY05
Total Mission Cost:	\$272M	\$205M	25%	\$252M
Total Overhead:	\$83.7M	\$50.9M	39%	\$59.4M
Civilian Personnel E/S:	2,148	1,352	37%	1,551
Direct Workyears:	1,567	1,024	35%	1,228
Indirect Workyears:	522	265	49%	199

Figure 7.2-1. Our Achievements.

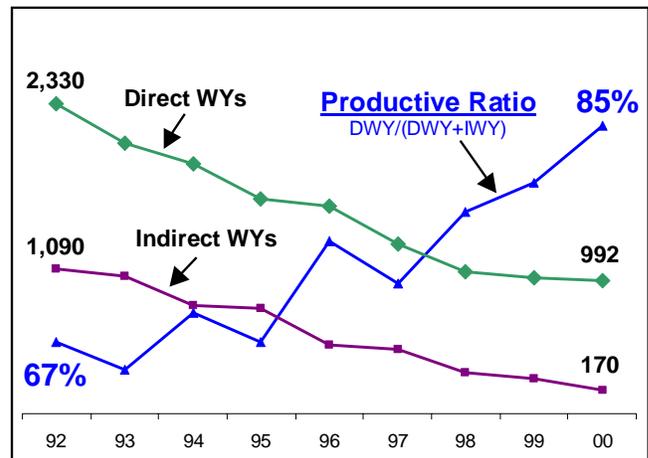


Figure 7.2-3. Workload and Efficiency.

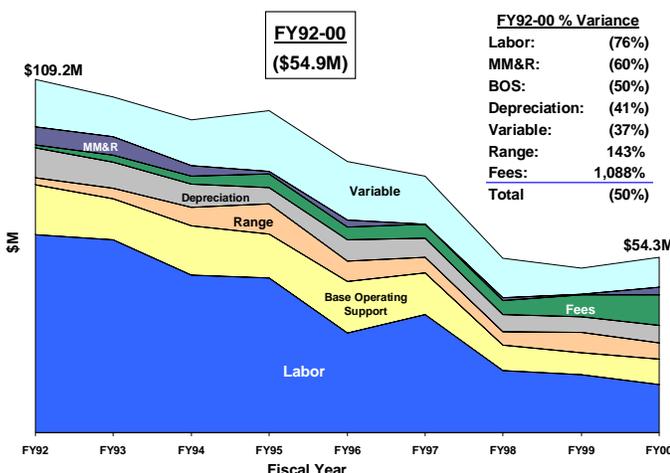


Figure 7.2-2. Overhead Reductions (\$M).

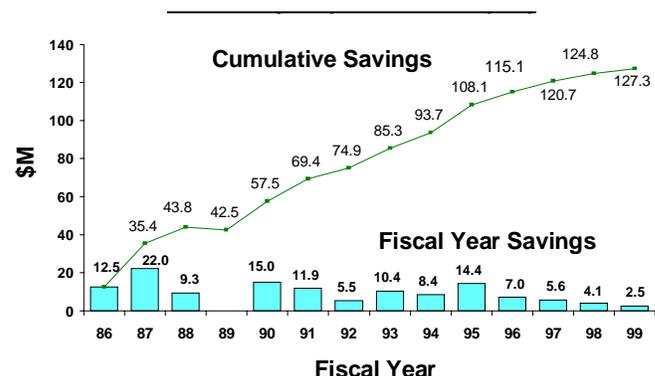


Figure 7.2-4. Efficiency Improvements (\$M).

CATEGORY 7.3 - HUMAN RESOURCE RESULTS

Keyport is currently engaged in strident efforts to reinvigorate our core work force equity. Right-sizing efforts undertaken during the 1900's, Figure 7.3-1, resulted in a dramatic change in the size and composition of our work force. This streamlining, coupled with a work force reflective of the "baby boom generation," has resulted in an employee average age of 47.9. Differences at Keyport as compared to industry averages, Figure 7.3-2, indicate employees under 30 are scarce at Keyport, while our workers remain in larger numbers beyond age 60.

The diversity in our work force, however, held constant through rightsizing initiatives, Figure 7.3-3.

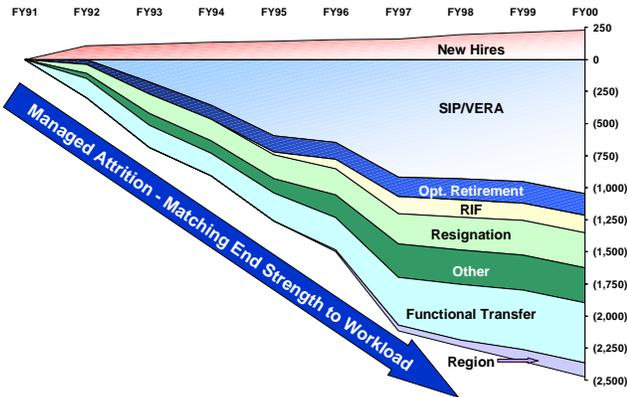


Figure 7.3-1. Work Force Attrition.

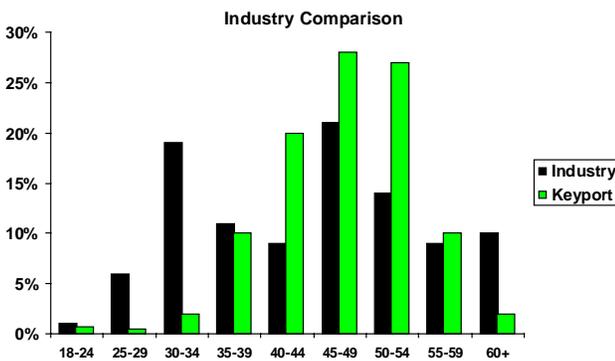


Figure 7.3-2. Work Force Profile - Average Age.

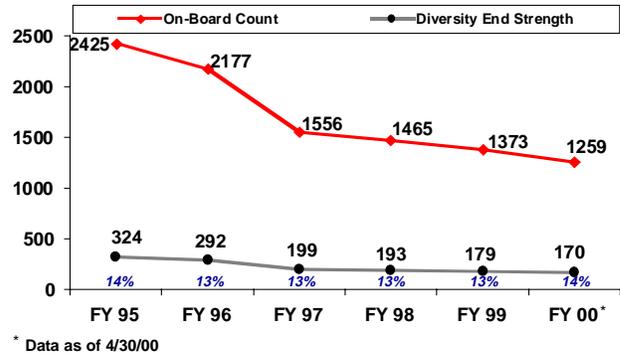


Figure 7.3-3. Work Force Profile by Diversity.

Projections indicating an exodus of our aging work force over the next 5 years, Figure 7.3-4, demonstrates the urgent need to engage an aggressive hiring program. Figure 7.3-5 shows an improving trend in hiring from FY 95-FY 00. To meet our mission requirements, hiring projections

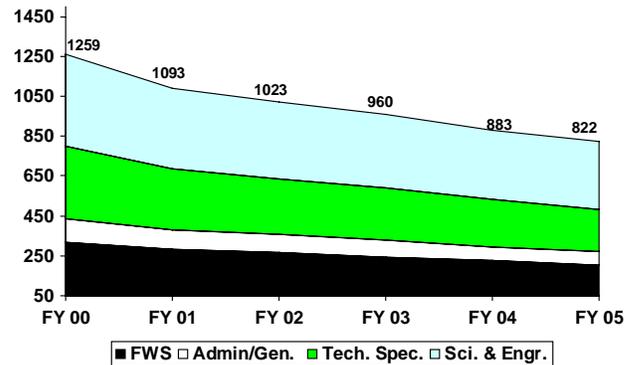


Figure 7.3-4. Projected Attrition by Skill Category.

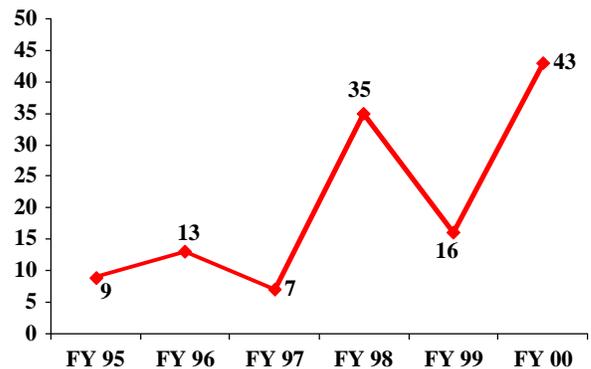


Figure 7.3-5. Hiring (FY 95-FY 00).

and goals have been established through fiscal year 2005, Figure 7.3-6. The required skills (to be hired) were accomplished during a Skills Gap Analysis conducted in 1999.

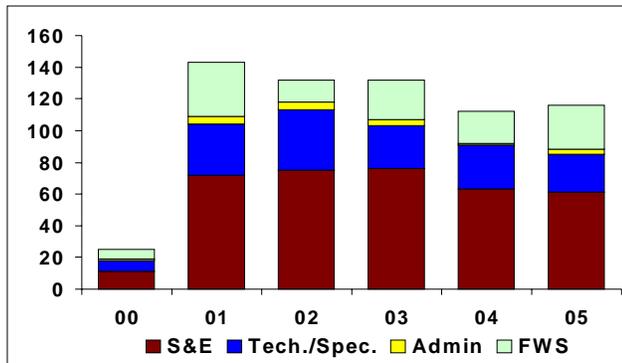


Figure 7.3-6. Projected Hiring by Skills.

Parallel to our hiring plan, Keyport's effort to reinvigorate the work force addresses a broad range of developmental and career progression programs for employee enrichment. Figure 7.3-7 provides the current population of employees with advanced degrees and those in process with Keyport support. The steady increase in employees acquiring advanced degrees attests to Keyport's commitment to developing the next leaders and professional scientists and engineers.

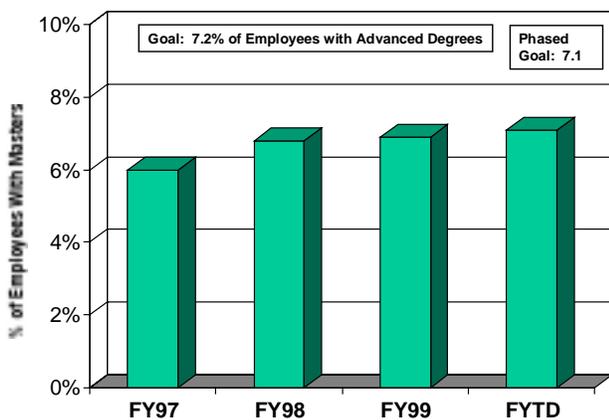
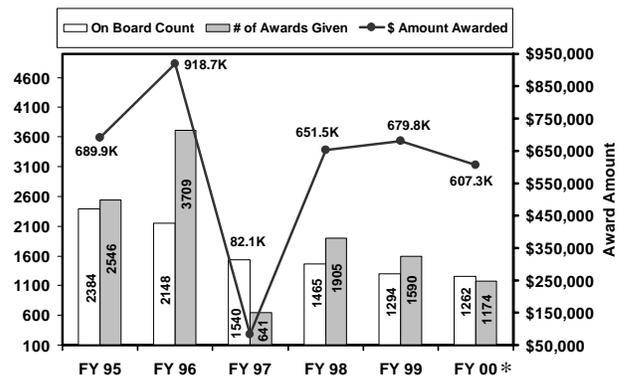


Figure 7.3-7. Percentage Employees With Advanced Degrees.

Employee development and award programs reflect an impressive investment dedicated to maintaining a high-performance and rewarded work force. See Figure 7.3-8 and 7.3-9.

TRAINING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00 *
HOURS	224K	151K	85K	75K	53K	47K
INSTANCES	43K	28K	16K	10K	9K	3K
AVG HR/EMP	93	69	54	51	38	37
AVG INS/EMP	18	13	10	7	6	17
LABOR COST	\$5515K	\$44218K	\$2684K	\$2605K	\$1951K	\$1905K
TUITION COST	\$2238K	\$1629K	\$968K	\$1282K	\$598K	\$517K
TOTAL COST	\$7753K	\$5910L	\$3652K	\$3887K	\$2549K	\$2422K

Figure 7.3-8. Employee Development Investments.



* Through July 00

Figure 7.3-9. Employee Recognition.

Command Awards are designed to improve employee well-being and satisfaction through recognition and celebration. Figure 7.3-10 shows the number, as well as the percentage of employees recognized, has been increasing over the past 3 years, reflecting not only the emphasis on teaming but the reality that teams are in fact becoming the way of effectively doing business.

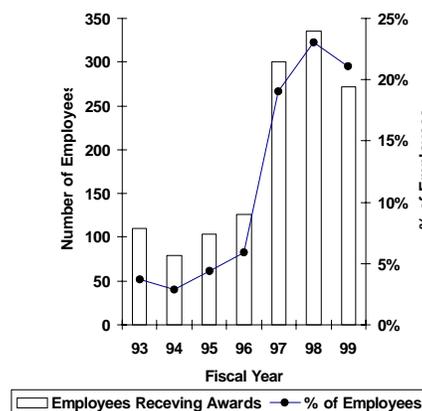


Figure 7.3-10. Command Awards.

The most comprehensive method we use to evaluate employee satisfaction is the Team Keyport Cultural Survey. Each employee is randomly surveyed once a year. Each survey is sent from Captain Violette with the following instructions:

Dear Employee,

Keyport's Vision "NUWC's Face To The Fleet" communicates the motivation and you provide the action to continue our quest for excellence in the field of undersea warfare. The role you perform is important and essential in shaping our future and ensuring our success.

By completing this survey, you can help me assess our progress toward our Vision. To understand your perspective of today, each survey question will ask you to respond with your assessment of today and your perspective of 2 years ago. (I recognize that 2 years ago, you may have been in a different job or a different Code. Your perspective of how things were 2 years ago is still important.) This survey is being sent to randomly

selected employees each month. This will be the only survey you receive this year. My staff (Code EDA) will collect and summarize the results of each monthly survey. The results reported will have no tie to an individual respondent. The thoroughness and credibility of your comments will enable me to make specific and meaningful improvements.

I thank you in advance for taking the time to complete this survey. And, thank you for your honest comments on how we can improve.

CAPT THOMAS F. VIOLETTE, USN

Commander

Figures 7.3-11 to Figures 7.3-13 show very positive trends for Management Style, Quality of Life, and Employee Assessment. The improvement trends reflect a change in employee attitude, improved working environment, better communications, and a clearer vision of the future. Trend information is available since 1991, and trends are tracked for the current year and the two previous

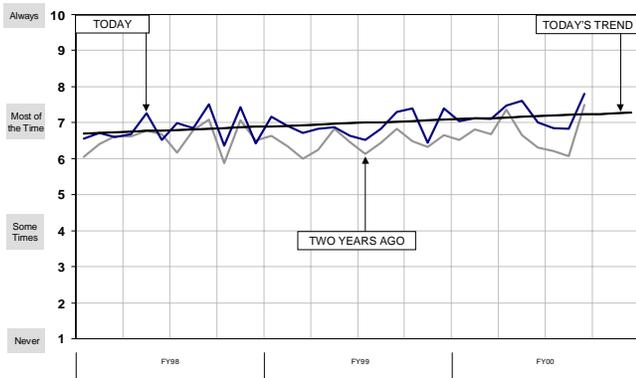


Figure 7.3-11. Management Style.

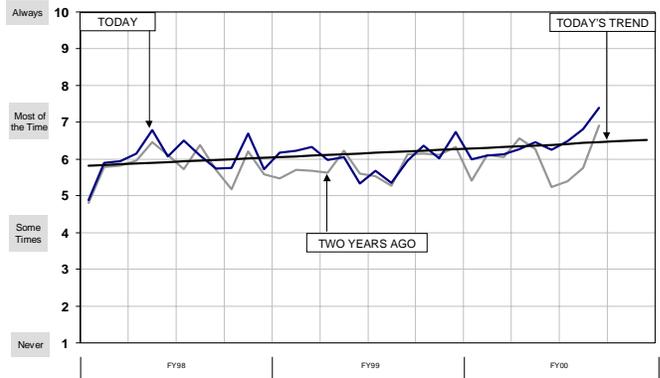


Figure 7.3-13. Employee Assessment.

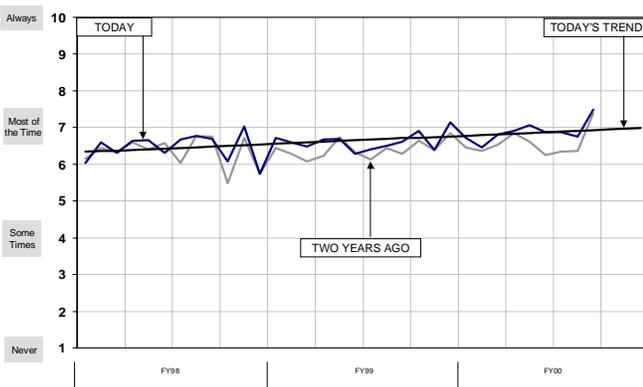


Figure 7.3-12. Quality of Life.

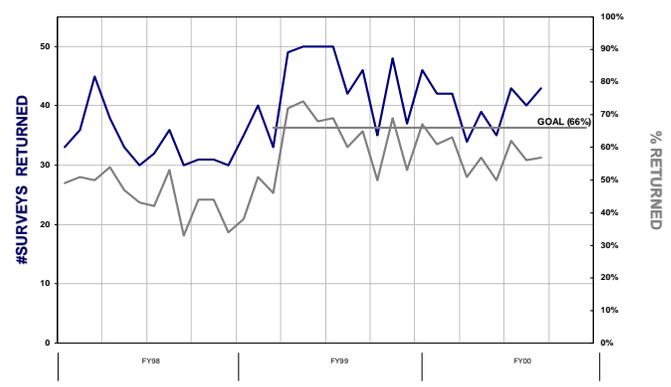


Figure 7.3-14. Monthly Surveys Returned.

years.

A significant part of the employee survey process is reviewing employee written comments. Each month Command reviews each trend and each comment. Although every comment is not taken for action, comments that point toward actions to improve overall Management Style, Quality of Life and Employee Assessment are pursued. For example, low scores or comments with respect to poor communications lead directly to efforts to increase communications in a given work area. It is important to note that in all areas, employee surveys show "Today" is viewed as better than "Two Years Ago".

Figure 7.3-14 shows a very high rate of return of monthly random surveys. The stretch goal of 66% surveys returned is almost twice that of industry survey return rates. For the past 18 months, the average return rate has been about 55%. A marked improvement in survey returns resulted in January 1999, when the survey process was reengineered to provide better feedback from employees. The results of the Monthly Cultural Survey process are provided to all employees via Keyport's Intranet. The NAVSEA Command Performance Inspection Team identified the Team Keyport Cultural Survey as a Best Practice.

Injury/Illness Rates (IIRs) are monitored and analyzed (see Figures 7.3-15 and 7.3-16) to determine where emphasis and training is needed. Safety bulletins are published regularly to high-light safety issues and promote safety awareness.

Figure 7.3-17 shows the leading Injury/Illness

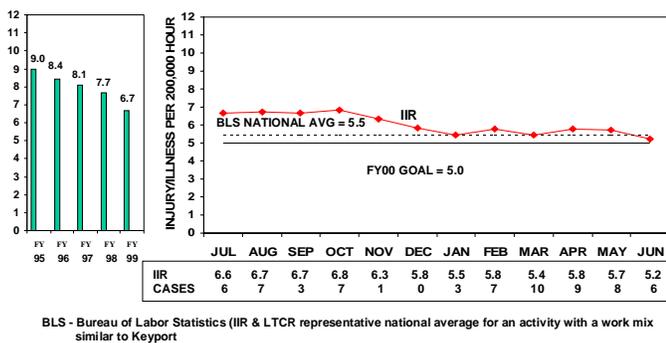


Figure 7.3-15. Injury/Illness Rates.

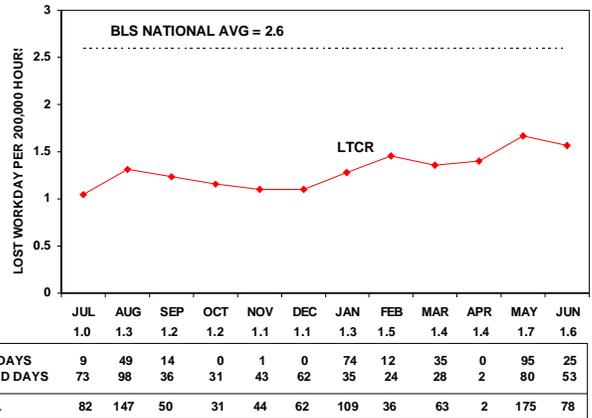


Figure 7.3-16. Lost Days.

Rate contributor has been strains, especially back strains. The Safety Office has provided training and emphasized awareness regarding back injuries.

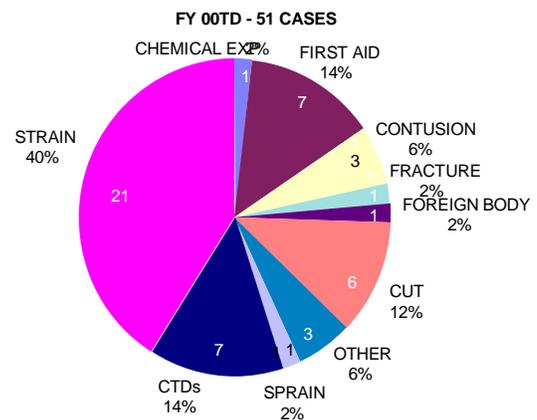


Figure 7.3-17. Injury/Illness Rate Contributors.

Figure 7.3-18 shows grievance resolution results. The new grievance process quickly led to supervisors becoming more proactive in resolving grievances at their level.

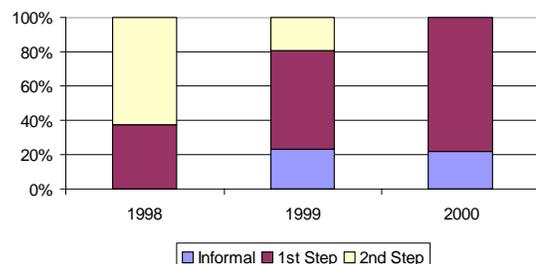


Figure 7.3-18. Grievance Resolutions Results.

7.4 SUPPLIER AND PARTNER RESULTS

Suppliers of support services (logistics, technical, range craft operations, and base operating support) are contracted for multi-year tasking. Figure 7.4-1 shows logistic contractor performance for the current contract. As the data shows, a steady improvement in performance has occurred over the contract period. This reflects the maturity of teaming with the contractor personnel in the defining expectations and reviewing results.

The performance of our service partners is monitored through the use of a Monthly Task Grade System, shown in Figure 7.4-2. The results of the monthly performance scores are shared with Keyport and contractor management.

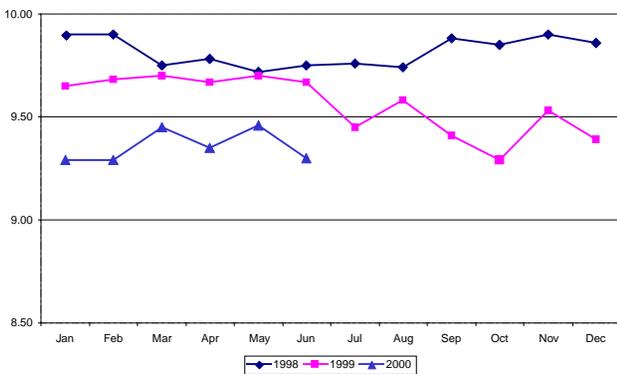


Figure 7.4-1. Logistics Contractor Performance.

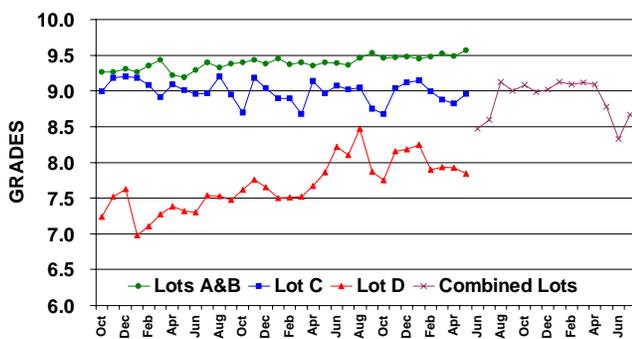


Figure 7.4-2. Technical Contractor Performance.

Range Craft operations performance results are monitored and shown in Figure 7.4-3. This support service contract is critical to our capability of ranging Undersea Vehicles.

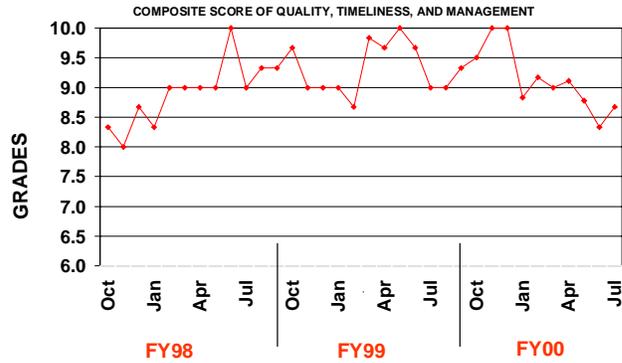


Figure 7.4-3. Range Craft Operations Performance.

Figure 7.4-4. shows a significant improvement over the last 3 years in issuing contracts and tasks orders.

GOAL =	120 DAYS	20 DAYS	3 DAYS
	<u>Contracts Branch</u>	<u>SAP Branch</u>	<u>Task Orders</u>
FY00	115 Days	25 Days	4 Days
FY99	124 Days	18 Days	5 Days
FY98	158 Days	19 Days	7 Days

SAP - Simplified Acquisition Procedures

Figure 7.4-4. Procurement Action Lead Time.

Suppliers contracted to supply material necessary to accomplish the Keyport mission are monitored for both product and delivery conformance. Figure 7.4-5 shows supplier acceptance rates for. The goal of a 95 percent acceptance rate has been set; and through improved attention to contract requirements, communicating with suppliers, and disqualifying poor performers, this goal is nearly met.

Figure 7.4-6 shows the results for Supplier Delivery Adherence. The goal is 95 percent on-time delivery. Although we have not yet reached that goal, we have shown a modest increase from a 20 percent on-time delivery rate in 1995 to 66 percent in 1999. This improvement is as a direct

result to the RYG past performance selection tool and communication with the supplier.

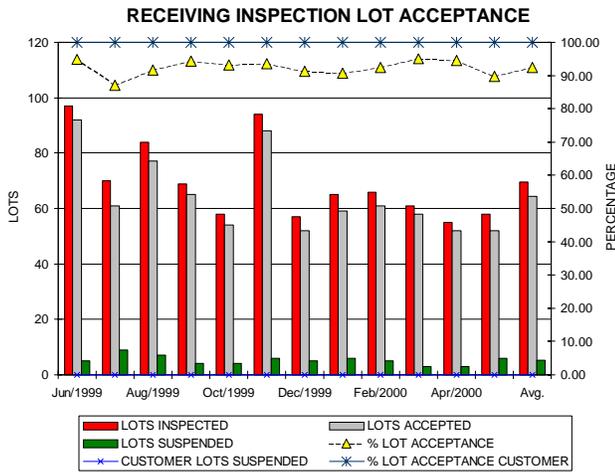


Figure 7.4-5. Material Acceptance Results.

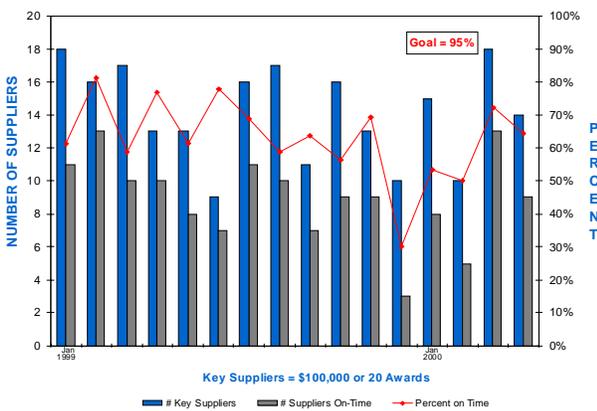
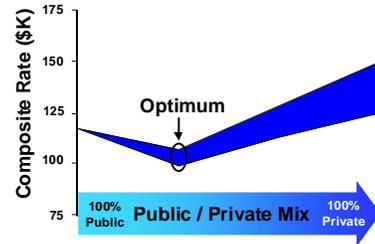


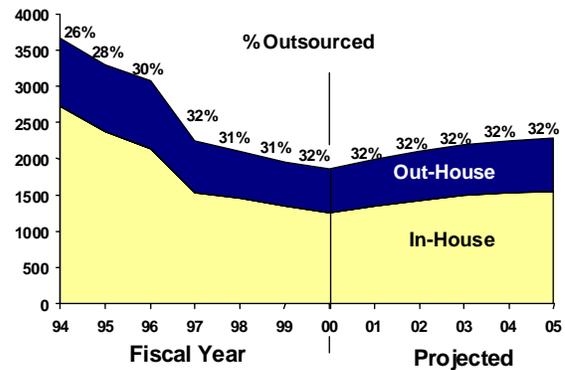
Figure 7.4-6. Supplier Delivery Adherence.



Achieving a Mix of Public and Private Resources Produces the Lowest Labor Cost for Our Customers

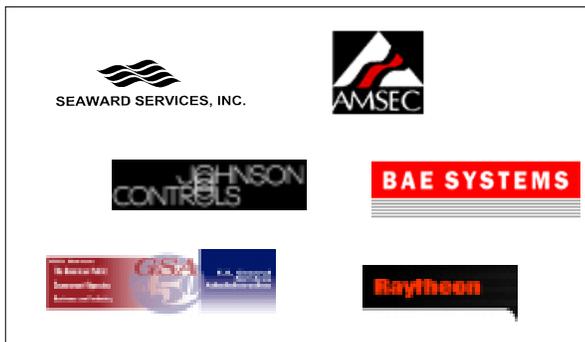
Figure 7.4-7. Public/Private Optimum Mix.

Keyport's public-private teaming has been successful. See Figure 7.4-7. As shown in Figure 7.4-8, we maintain an optimum mix of approximately 68%/32% public/private labor to produce the best value composite labor rate for our customer. This provides a rate substantially lower that would be the case if either the public or private sector were exclusively utilized.



Division Keyport has Maintained 32% -68% Public-Private Workforce Mix

Figure 7.4-8. Keyport Optimum Use of Direct Contract Support.



Keyport's Service Partners



Keyport's Material Partners

7.5 - ORGANIZATIONAL EFFECTIVENESS RESULTS

The collection of objectives, measures, goals, and progress indicators in the Balanced Scorecard are used to help leadership assess organizational effectiveness with respect to chain-of-command strategic alignment. An overall assessment chart, Figure 7.5-1, provides a linked snapshot of progress made towards Balanced Scorecard objectives. The top level "spider charts" are used by leadership to assess each perspective using a single indicator chart, while assigned data owners manage the specific metrics comprising the particular perspective.

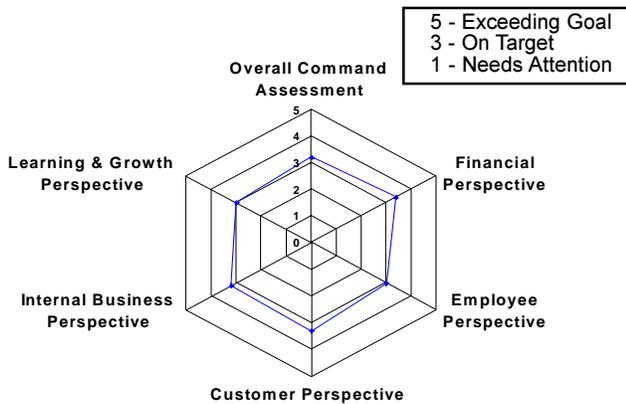


Figure 7.5-1. Balanced Scorecard Overall.

The Financial Perspective serves as the focus for the objectives and measures in all the other scorecard perspectives. Figure 7.5-2 provides the financial objectives and their progress for leadership to determine which objectives need attention and where to direct resources and necessary improvement plans.

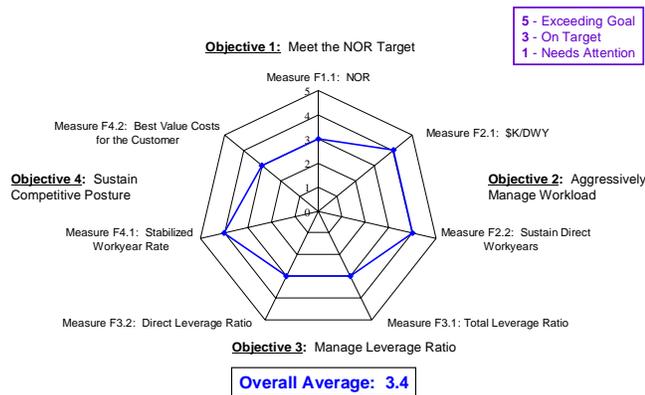


Figure 7.5-2. Financial Perspective.

An important feature of Keyport's Balanced Scorecard is that the data owners are required to provide a rationale in support of the goal and progress rating. Rational statements significantly improve the utility of the data. Figure 7.5-2A provides a specific example of how the data owner reports the relative data, goal, and rationale in support of the "Sustain Competitive Posture" objective contained in the Financial Perspective. In this case the rationale draws attention to "reducing infrastructure and overhead costs" as necessary elements to offset inflation and declining direct workload.

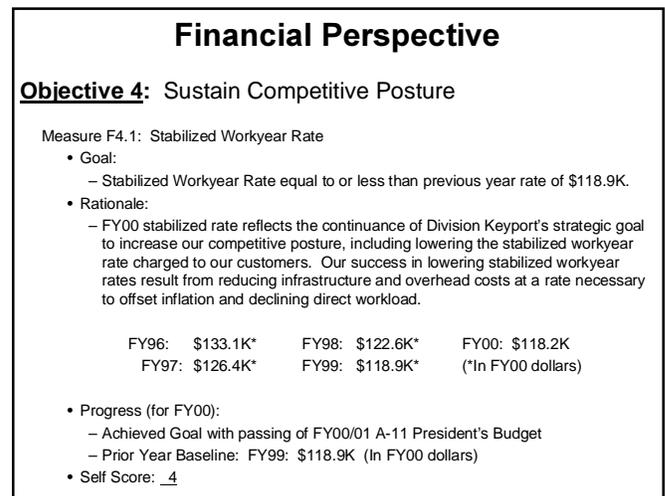


Figure 7.5-2A. Data Owner Reporting.

Data owner reporting is also supported with specific data relative to the objective, measure, and associated goal. Figure 7.5-2B shows the stabilized workyear metric.

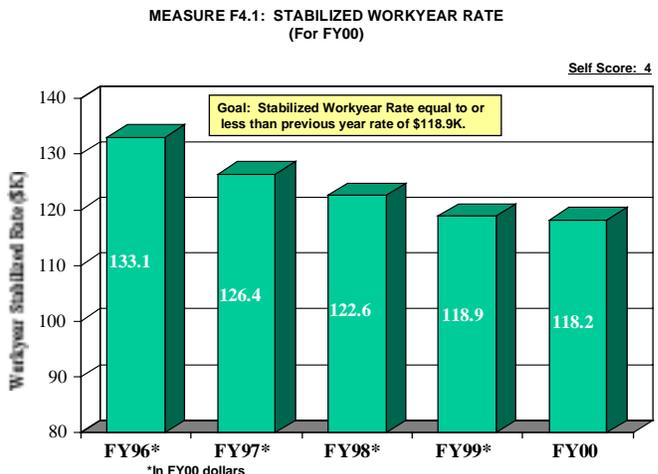


Figure 7.5-2B. Stabilized Workyear Rate.

The Employee Perspective, Figure 7.5-3, provides indicators of success in those processes that impact employee implementation and deployment of the Keyport strategy. This perspective helps leadership to determine progress in assuring employee satisfaction, safety, and well-being.

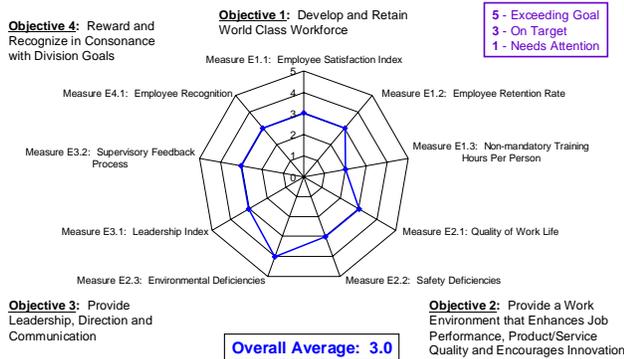


Figure 7.5-3. Employee Perspective.

The Customer Perspective, Figure 7.5-4, identifies Keyport's objectives relative to customer satisfaction, increasing the customer base, ensuring customer retention, and being the provider of choice. The collection of indicators in this perspective are critical to our customer relationship and enhancement methods.

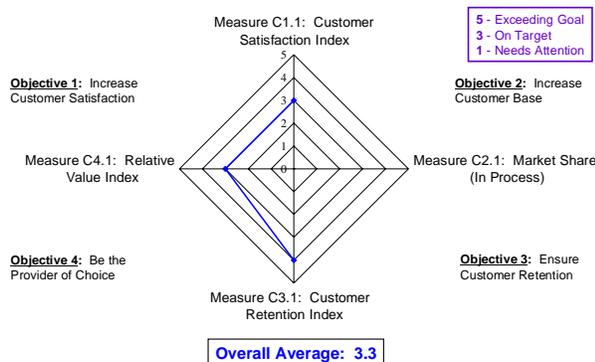


Figure 7.5-4. Customer Perspective.

Keyport's Internal Business Perspective, Figure 7.5-5, monitors important aspects of our business and particularly our attention to cost, delivery schedule adherence, and response to the customer.

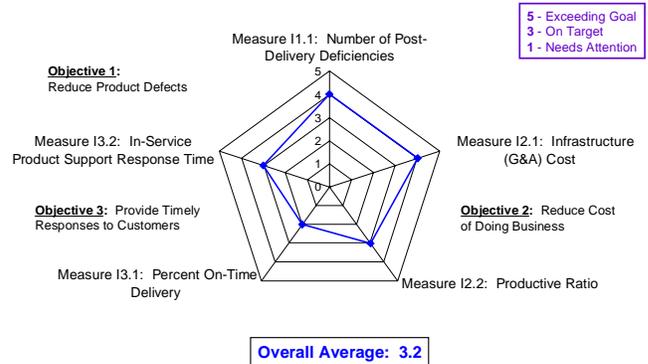


Figure 7.5-5. Internal Business Perspective.

Figure 7.5-6, our Learning and Growth Perspective provides key indicators in helping us shape our core equity work force.

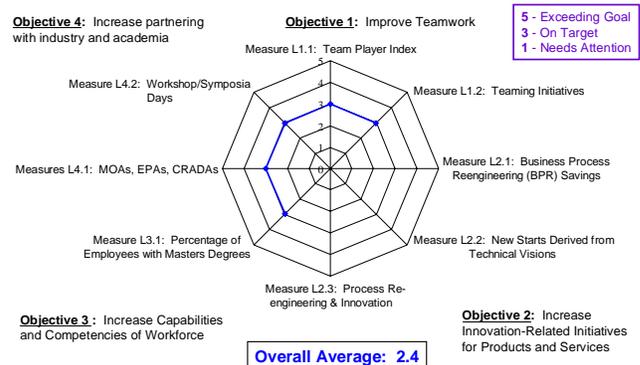


Figure 7.5-6. Learning and Growth Perspective.

The Balanced Scorecard methodology continues to undergo refinement at Keyport. Current improvement initiatives strive to include appropriate metrics for the Technical Leadership Areas. The Board of Directors are also reviewing and validating existing Balanced Scorecard performance measures for implementing our Business Plan.

For FY 00-FY 05, Keyport has adopted focused initiatives aim at achieving projected cumulative savings of \$53.5M resulting in more product/services at same or lower cost, same product/services with lower cost, and direct savings to customer funding and more product/services to the Fleet. See Figure 7.5-7.

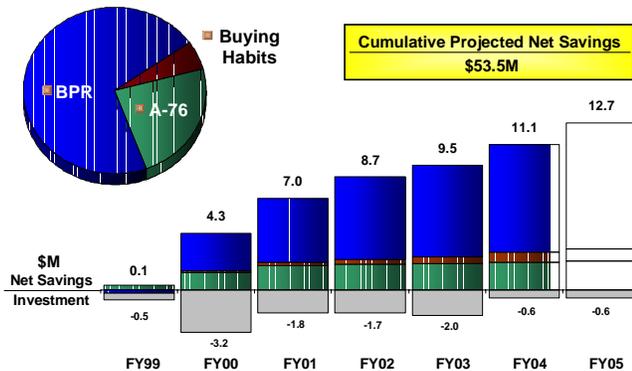


Figure 7.5-7. Improvement Initiatives Result in Savings.

Technical leadership areas of Test, Training and Evaluation (TT&E), Life-Cycle Systems Supportability (LCSS), and Fleet Material Readiness (FMR) are individually monitored for overall command level performance. Technical leadership area performance measures are typically customer-driven and unique. Figures 7.5-8, 7.5-9 and 7.5-10 are examples of technical performance measures for our leadership areas.

A significant service that our remote sites in California and Hawaii provide to Fleet customers is MK 30 Mod 1 Mobile Targets for use during test and training exercises. (These mobile targets simulate real target submarines.) Figure 7.5-8A shows Keyport exceeds the sponsor goal of 85% for Target Mission Success Score. From the Fleet standpoint, we also track whether the Navy's test and training objectives were accomplished. Figure 7.5-8B shows our MK 30 Mod 1 Mobile Target services meet the Fleet objectives 96% of the time.

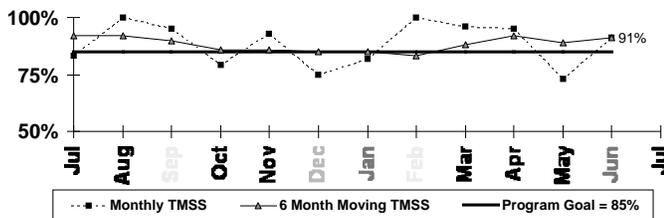


Figure 7.5-8A. MK 30 Mod 1 Target Mission Success Score.

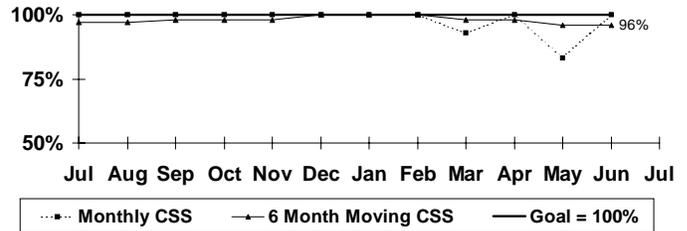


Figure 7.5-8B. Customer Satisfaction Score.

In 1998, Keyport reengineered the AN/SQQ-32 mine-hunting sonar maintenance process to improve system availability, reduce repair turn-around time, and reduce Fleet operational costs. Figure 7.5-9A, Figure 7.5-9B, and Figure 7.5-9C show the impressive results accomplished to date. The AN/SQQ-32 Team was awarded a Vice Presidential Hammer Award for these efforts.

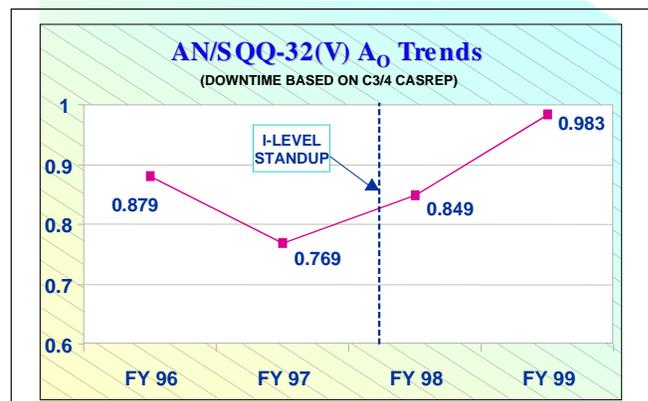


Figure 7.5-9A. AN/SQQ-32 Availability Improvement.

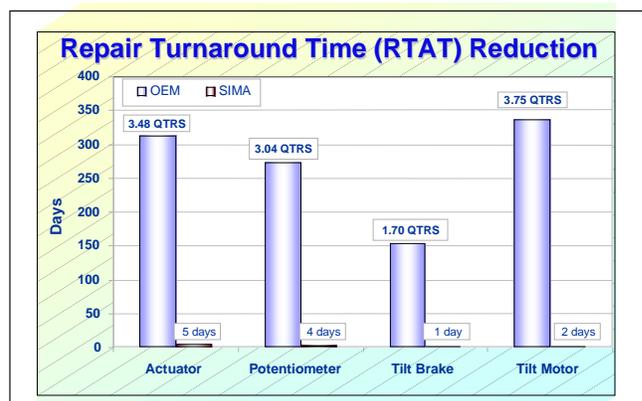


Figure 7.5-9B. AN/SQQ-32 RTAT Reduction.

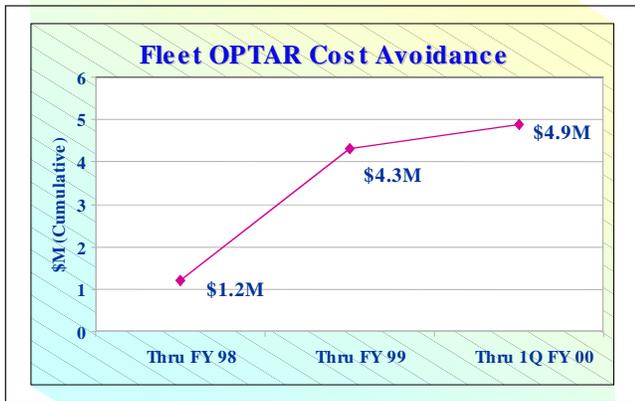


Figure 7.5-9C. AN/SQQ-32 Cost Avoidance.

In support of Fleet Material Readiness, our performance in reducing weapon backlog is better than all others. Figure 7.5-10 shows that for the last eight quarters, we have successfully maintained a reduced backlog which represents a significant savings to the Navy. By turning around weapon system components rapidly, Keyport helps meet Fleet readiness while reducing overall inventory requirements.

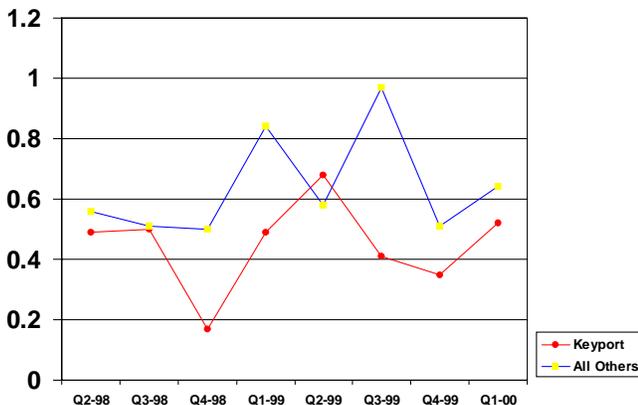


Figure 7.5-10. Weapon Station Backlog Performance.

Business key support services are also monitored at different performance points. Figure 7.5-11 shows corporate information system availability. It is a measure of the reliability of Keyport's Information Technology (IT) systems which are critical to successful operation of most production, service, and support processes.

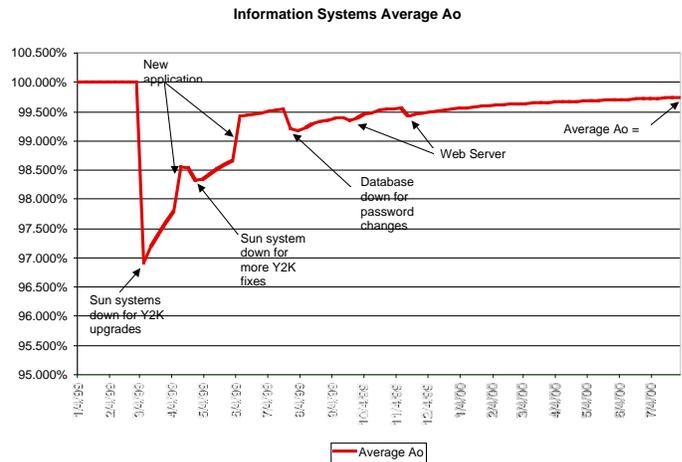


Figure 7.5-11 IT Availability.

Keyport has an aggressive environmental program that ensures compliance with state and federal laws and regulations. Hazardous waste reduction is actively monitored and tracked to ensure goals for reduction are on target. Keyport has been recognized with numerous state and national awards for efforts and accomplishments in hazardous waste reduction, hazardous material tracking and control, emergency response, and natural resources programs. Figure 7.5-12 shows Keyport's progress in reducing hazardous material generation, outperforming DoD goals over the last 4 years.

Capital Purchase Program (CPP) investments are planned and prioritized based on NAVSEA and NUWC Strategic goals and objectives.

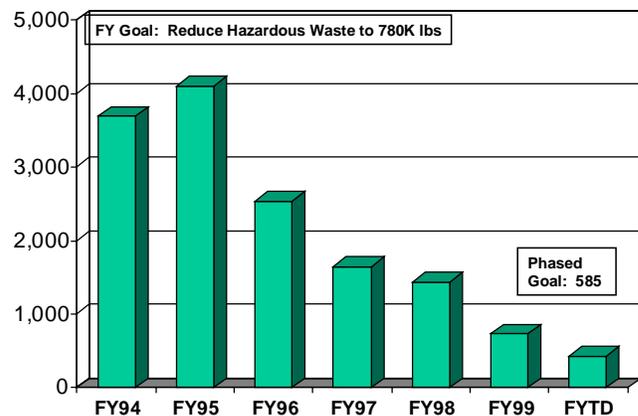


Figure 7.5-12. Hazardous Waste Reduction.

Figure 7.5-13 shows increased Capital Purchase Program (CPP) authority commensurate with NAVSEA corporate strategies, projected increases in revenue, and Keyport's Vision 2010 objectives.

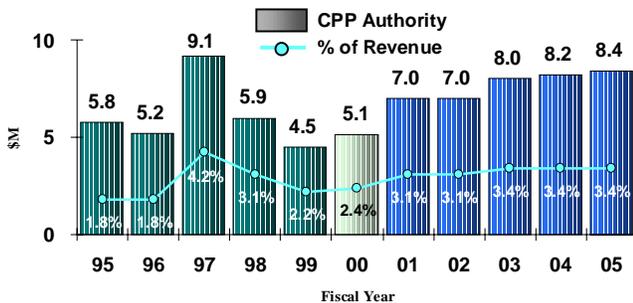


Figure 7.5-13. CPP Investments.

Figure 7.5-14 shows the result of aggressive reduction in facilities space and usage. Keyport's usage of existing facilities areas has been reduced over 1,026,000 square feet, or approximately 30% of the total, since FY 92.

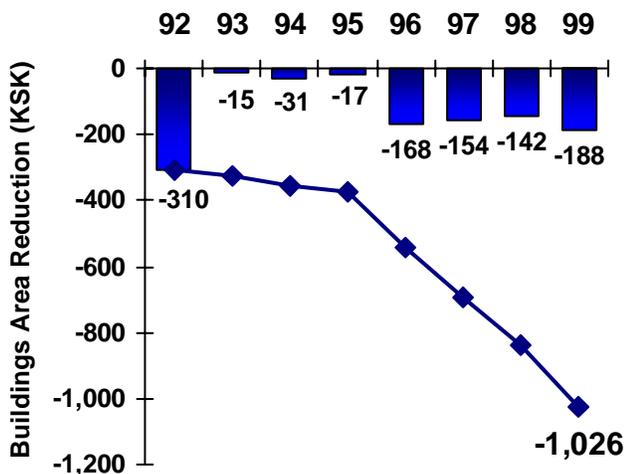


Figure 7.5-14. Facility Square Footage Reductions.

Keyport's success at business process reengineering is evident by our receipt of eight Vice President Gore Hammer Awards, more than any other DoD activity. Figure 7.5-15 demonstrates our long history towards continuous improvement and customer focus. This has come

about through fully integrated sound business principles and business process reengineering methodology throughout our organization.

Vice Presidential Hammer Awards	
2000	Mine Warfare Intermediate Maintenance Migration Team
1999	Corporate Information Technology Team
1998	Advanced Tomahawk Weapons Control System Team
1998	Fleet Mine Support Integrated Product Team
1997	MK 37 Torpedo Warshot Battery Team
1996	Aircraft Carrier Anti-Submarine Warfare Module Team
1996	Underwater Mine Battery Disposal Team
1995	AN/SQS-53A Engineering Development Team
Cumulative Cost Savings Exceeds \$31 M	
2000	Submarine Trainers Team (Nominated)
Cost Savings Exceeds \$3M	

Figure 7.5-15. Keyport's Business Process Reengineering Initiatives Saved Over \$34M.

Keyport's FY 01-FY 05 customer and proportionate workload profiles are projected to remain similar to those achieved during FY 99 and FY 00. Figure 7.5-16 shows approximately 68% of our new work coming from NAVSEA organizations, 28% from other Navy customers, and 4% from non-Navy customers.

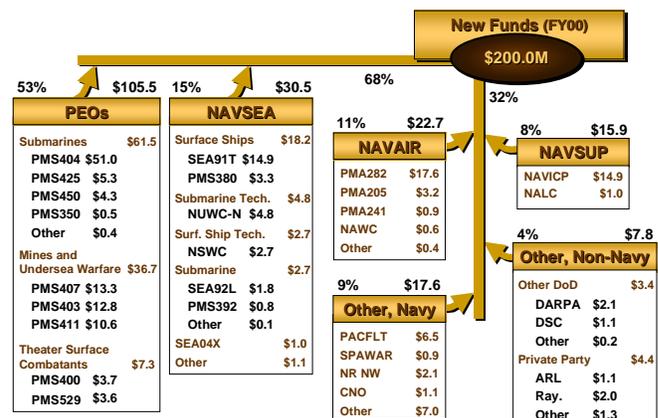


Figure 7.5-16. Workload Projections.



**"Keyport ...
We Make Fleet Systems Dependable"**

Proven through Test, Training & Evaluation.

Integrated through Life-Cycle Systems Supportability.

Sustained through Fleet Material Readiness.



"Keeping America's Navy #1 in the World"