



COMMANDER, NAVAL SEA SYSTEMS COMMAND

31 January 2003

This is a watershed moment for the Naval Sea Systems Command Team in sustaining current readiness while building future fleet capabilities. We realigned and are poised to support our naval forces as our nation confronts an unpredictable enemy in the war against terrorism.

The Chief of Naval Operations has given us a strategic rudder order for the year ahead, and the time for meeting his priorities with clear and aggressive actions begins now with the enclosed NAVSEA command guidance.

The NAVSEA team is an integral component of Sea Power 21. We will play a critical role in executing the Navy's strategy -- pivotal to its success and the success of our forces on the front lines.

I need your focused leadership efforts now in tackling these important tasks and communicating their significance to the men and women of your command who will make it happen. Measure carefully the results of your actions, as the cost of misjudgment may place our Navy's mission at risk. I ask you and the professionals under your charge to take ownership of this guidance and execute its goals and objectives as if we were on a war footing - because we are.

Our Navy and nation are counting on us to deliver a ready and capable response. We will not let them down.

P. M. Balisle
Vice Admiral, U.S. Navy



DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND
1333 ISAAC HULL AVE SE
WASHINGTON NAVY YARD DC 20376-0001

5220 IN REPLY TO
Ser 1051/007
30 Jan 2003

From: Commander, Naval Sea Systems Command

Subj: NAVAL SEA SYSTEMS COMMAND GUIDANCE FOR STRATEGY 2003

Ref: (a) CNO Guidance for 2003
(b) Naval Power 21...A Naval Vision, Oct 02
(c) Naval Transformation Roadmap

Encl: (1 NAVSEA Strategy, Goals and Objectives

1. This letter provides updated Command-level guidance for NAVSEA Strategy and Business Planning for 2003. This guidance emphasizes alignment with current DoD and Navy Leaderships' priorities and fully supports the critical Naval initiatives already underway.

2. Our nation faces extraordinary challenges in an unpredictable world. The War on Terrorism continues - requiring our steadfast vigilance at home as well as at sea. Last year we realigned our organization to more efficiently meet the Fleet's needs. However, we must continue to change and adapt if we are to meet the challenges laid out by the CNO and faced by our nation.

3. The CNO stated, in reference (a), "Our focus in the upcoming year is on winning the war on terrorism; protecting our nation, forces, and people; and shaping the force of the future. We must challenge every assumption and search for new and better ways to accomplish our tasks. We must refine requirements, conduct innovative operations, and optimally allocate resources to achieve efficiencies and recapitalize the Fleet." The new Navy Vision and the Roadmap to address these challenges are documented in references (b) and (c), respectively. The foundation of the Navy's initiatives is Sea Power 21, which has three underlying components, with FORCENet as the enabler. Those three components are: Sea Strike, Sea Shield, and Sea Basing. These concepts are being implemented through Sea Trial, Sea Warrior and Sea Enterprise initiatives.

4. NAVSEA must refine its goals and objectives to support Sea Power 21, and, in doing so, we must specifically address the

Subj: NAVAL SEA SYSTEMS COMMAND GUIDANCE FOR STRATEGY 2003

following five CNO action areas that define the direction for our Naval service:

a. Current Readiness. NAVSEA must be more efficient and effective in the investments needed to sustain the Fleet. Every dollar spent must enhance current readiness. As we address the Global War on Terrorism, we must challenge all our previous processes and concepts of doing business in order to more effectively support our deployed warfighters and sustain their readiness for battle.

b. Future Readiness. Sea Power 21 is the Navy's vision to deliver enhanced warfighting capabilities through new concepts, technologies, organizational initiatives, and improved acquisition processes. We must be dedicated to a process of continual innovation and committed to supporting joint and coalition operations. Tomorrow's readiness must be gauged in terms of tomorrow's battlefield. We must structure the NAVSEA organization to harvest efficiencies and maximize the reinvestment in new technologies to support our Sailors, today and in the future.

c. Manpower. NAVSEA must continue to develop our workforce and recruit new talent. We must shape our skills mix to balance end-strength requirements and support our 21st century Naval force with the right skills in the right places.

d. Alignment. Aligning our organization is an ongoing effort that involves continual assessment of processes and systems. NAVSEA's realignment will focus on achieving more efficiencies and maximizing our effectiveness in supporting the Fleet.

e. Quality of Service. In addition to NAVSEA's efforts to buy and build the platforms and systems that carry and protect our Sailors, we provide the Navy an invaluable service through our design efforts and systems engineering expertise. In the future, we must continue to develop platforms and systems that enhance mission accomplishment and maximize Sailor performance, particularly in a warfighting environment.

5. In support of the above, I have identified NAVSEA's top five priorities for the upcoming year in enclosure (1). Your job is to take aboard these priorities and develop definitive program management plans for rapid implementation. You need to develop

Subj: NAVAL SEA SYSTEMS COMMAND GUIDANCE FOR STRATEGY 2003

metrics that show progress and ensure the adherence of sound program and business practices. I will review your proposed reporting metrics at the Commander's Conference to be held on 20-21 March 2003. Further Conference details will be forthcoming within the next two weeks.

6. We can greatly influence the Navy's ability to meet its strategic vision and win the global war against terrorism. The CNO has called upon us to be both great leaders and great managers. I call upon every NAVSEA team member to remain committed to ensuring our Navy is without equal and prepared to face the challenges of the future. BE READY!



P. M. BALISLE

Distribution:

NAVSEA 09, 00B, 01, 01B, 02, 02B, 03, 03B, 04, 04B, 05,
05B, 06, 06B, 07, 07TD, 10, 10B, 00D, 00DB, 00G, 00I,
00IB, 00L, 00LB, 00N, 00NB, 00V, 00Z, 105, 1051

PEO Carriers, IWS, LMW, Ships, SUBS

DPEO Ships

EDPEO Carriers, IWS, LMW, SUBS

SNDL FKP COMNAVSEASYS COM Shore Activities

Copy to:

NAVSEA 08

NAVSEA Strategy, Goals and Objectives

NAVSEA's top five priorities are shown in this enclosure and are tied to *CNO Guidance for 2003*. Per CNO's guidance, all executive agents are to prepare and track measurable goals in support of this guidance, providing updated information to the Director, Navy Staff, by the final day of each quarter.

For purposes of meeting this quarterly reporting requirement, all NAVSEA action codes will report the status of these initiatives to SEA 1051 on a quarterly basis beginning no later than the 15th day of March, June, September and December.

Enclosure (1)

Maintenance Initiatives

SEA 04 Action - 03, 05, 06, 07, and PEOs Support

We are a nation at war. Our adversary is talented and our commitment to win must be resolute. Our forces must be prepared to answer the call to fight at any time, at any place. Our support of this resolution must be unwavering - our nation requires no less. The Navy's Sea Power 21 initiatives have improved the Navy's ability not only to surge forces, but also to maintain a certain number of forces in a status where they can surge at any time. In the upcoming year, NAVSEA will focus on the Navy's maintenance philosophy and practice in support of the Sea Power 21 concept and the Navy's desire to create an operational posture that provides surge capability at all times. In the next 12 months NAVSEA will achieve the following:

a. In support of a consistently ready-to-deploy force, develop, vet and begin implementation of a new Navy maintenance philosophy that addresses shipyard maintenance management in a manner radically different from today. This "One Shipyard" concept must effectively and fully utilize the full capability of the nation's maintenance capacity without the hindrance of organizational or administrative boundaries. The "One Shipyard" concept must address private as well as public facilities and will force NAVSEA and the Navy to challenge our current thoughts and beliefs. We must do so aggressively and unhindered by past practices and closely held beliefs. Furthermore, we must take full advantage of new technology available today if we are to minimize impact to our personnel and guarantee our success. We also must initiate actions in a manner that improves safety and health issues at our maintenance facilities. We will not jump blindly or without close investigation and determined debate. We must, however, improve the effectiveness of our existing capability while simultaneously incorporating efficiencies.

(1) Management of shipyard overtime work is essential for effective accomplishment of ship maintenance and repair and for improving safety in the workplace. We will continue to assess the Theory of Constraints management approach now in place at Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility (PHNSY&IMF) for I-level work and determine its applicability at all public yards to reduce overtime requirements. We will actively track resultant performance through metrics on a quarterly basis. We will reduce the average annual shipyard overtime work by 5%.

(2) We will follow the recommendations of the Booz/Allen/Hamilton (BAH) study to find ways to reduce indirect costs and to benefit from lessons learned from the Naval Aviation Depot (NADEP) Working Capital Fund management as it might apply to Shipyard Working Capital Fund management.

(3) We will develop, implement and report appropriate metrics for utilization at PHNSY&IMF and other Naval Shipyards as appropriate, to measure the benefits of transferring Naval Shipyard funding from Navy Working Capital funding to mission funding. Metrics development must address the comments and concerns raised by prior General Accounting Office (GAO) reports.

(4) Our most important asset is our people. In this time of increased expectations, we must perform at top productivity, and we must re-examine and re-emphasize our fundamental commitment to our people - including our safety programs. It is a simple proposition - we want every NAVSEA employee and service member to return home at the end of the day as fit and healthy as when he/she arrived at work. NAVSEA's goal is to reduce injury/illness rates and lost workday rates at all of our activities with a specific goal at the shipyards of at least a 20% reduction of their current rate by the end of calendar year 2003.

b. Fully integrate the Ship Maintenance (SHIPMAIN) initiatives into the Navy ship maintenance culture. We must identify and implement specific actions that streamline and standardize the maintenance planning process and deliver visible results on the deckplates within 12 months. Using Barrier Removal Teams and metrics-driven results, we will identify the best practices in ship maintenance planning processes and standardize those best practices across all organizations that have a stake in surface and carrier ship maintenance. Specifically, the SHIPMAIN initiative will: (1) prioritize and remove barriers to multi-ship, multi-option contracts to ensure the best contracting vehicle is used to support ship maintenance in the private sector; (2) achieve measurable reductions in premiums paid during availability execution for less than optimal planning, whether it is a result of new work or errors in previously prepared planning documents; (3) develop a single process for surface ships that ensures that the "right maintenance" is identified and performed at the "right maintenance level"; and (4) develop a single process for modernization and upgrade of our ships that ensures best value and proper prioritization to get the most out of our precious

modernization funds. All equipment and system assessments shall be performed using standardized, approved Preventative Maintenance System (PMS) procedures and performance standards with every action documented by a Form 4700.2K. In conjunction with SHIPMAIN, implement the Waterfront Realignment Initiative on an aggressive schedule to encompass all major ports. This initiative will address both organizations and functions with the end result of better and more efficient ship support.

c. Significant progress must be made in the Enterprise Resource Planning (ERP) program if we are to streamline maintenance processes and maximize the use of our limited resources. NAVSEA is committed to supporting the operational Fleet in the Global War on Terrorism and reducing the cost of maintenance management infrastructure across the four Systems Commands (SYSCOMs). Therefore, the initial ERP plans will be aggressively managed by the Virtual SYSCOM. (The Virtual SYSCOM concept is further defined in the Virtual SYSCOM section.) During the next 12 months the following ERP actions will be accomplished: (1) provide a converged Navy ERP program that will provide re-engineered maintenance and supply business processes for our maritime and aviation communities; (2) export the existing I-level functionality in Navy Enterprise Maintenance Automated Information System (NEMAIS) to the remaining Ship Intermediate Maintenance Activities (SIMAs) to improve ship maintenance activity support of the warfighters; (3) pursue development of the ERP prototype to be taken on-board ships; and (4) design and implement business processes for Financial, Human Resources, and Material Management to support depot-level ship maintenance activities including improved supply capabilities and warehouse management.

d. The ability to surge forces when necessary will require a complete reevaluation of the role of the Distributed Engineering Plant (DEP) and a thorough review of the D-30 process. SEA 06 must identify the potential impacts to interoperability testing and SEA 03 must identify the impacts to interoperability training. These directorates will work together to develop and implement innovative strategies to address these issues while ensuring we maintain our existing level of support to the deploying forces.

e. The new NAVSEA maintenance policy must be flexible enough to support the forward deployment of Navy ships and rotating crew assignments. Utilization of the DEP resources should be considered as a means to enhance the training/readiness posture of rotational crews. Specifically, the new

policy must address future forward deployment of Navy ships in support of Theater Ballistic Missile Defense (TBMD) missions.

f. The primary objective of the Navy Distance Support Program is to provide the warfighter with a single point-of-entry and process for real-time technical, logistics, administrative, and personnel support. This year, the Distance Support Team will: (1) expand development of a shared data environment and common architecture using Customer Relationship Management (CRM) software; (2) complete Fleet and shore Distance Support capability installations (Distance Support technology will be installed for remaining afloat units (52 ships) this year and integrated into the support community within the shared data environment); and (3) leverage the joint Distance Support and reach-back advance concept technology demonstration to field bandwidth and security solutions that allow increased levels of collaboration between the deckplate Sailor and the support organizations ashore.

As we proceed with defining, developing and implementing these NAVSEA goals we must not lose sight of the ongoing initiatives that have significant promise. We must identify their potential contributions and ensure we successfully incorporate them into our efforts. In the area of maintenance/modernization, the following ongoing NAVSEA/Fleet efforts will be fully incorporated:

- a. MacKinnon Study on Waterfront Operations Alignment.
- b. Supervisor of Shipbuilding (SUPSHIP) consolidation and alignment with Fleet and PEOs.
- c. Shipyard cost and efficiency improvements from the Workload Validation and Assessment Wedge and the BAH SYSCOM study.

By successfully addressing this initiative we will address and/or support the following *CNO Guidance for 2003* directives:

Current Readiness:

Standardize Fleet-wide deferred maintenance reporting procedures, validate actual costs of deferred maintenance, and reduce the deferred maintenance backlog by 25% by October 2003. (All Fleets)

- Re-engineer ship maintenance planning and execution through the SHIPMAIN process to increase efficiency. (All Fleets)
- Execute the Integrated Readiness Capability Assessment Concept (by March 2003) to maintain forward presence and surge, sustain, and reconstitute additional combat power as needed to meet regional combatant commander requirements. (N4)

Manpower:

- Establish the DoN baseline civilian workforce requirement (N1)

Increased Organizational Efficiency and Effectiveness

SEA 09 Action - NSWC, NUWC, 00B, 05, 06, 07 Support

Navy leadership has set a goal of identifying \$10B per year in savings. The Workload Validation and Assessment Wedge for FY04 and the previous Strategic Sourcing Wedge were efforts to achieve savings toward that goal. However, the Navy will not achieve anywhere near the required savings without a dramatic change in the programs and perhaps the organizations that we currently have throughout the Navy. N7 has initiated an effort with the Warfare Sponsors and SYSCOMs to review, critique, and prioritize programs. Our Program Objective Memorandum (POM) evaluation group in SEA 06 will provide the technical assistance necessary for the Sea Enterprise, Sea Basing and Sea Shield portions of Sea Power 21. However, NAVSEA will do more. In the next 12 months NAVSEA will achieve the following:

a. The Warfare Center Policy Board will develop a process to fully assess and document the technical capabilities that exist at each of the Naval Surface Warfare Center (NSWC) and Naval Undersea Warfare Center (NUWC) Divisions. This process and assessment will be coordinated with and used by all NAVSEA technical centers. The baseline for these technical capabilities will be the results from the BAH Warfare Center study. The purpose of this assessment is to determine the ability of the Warfare Centers to meet and exceed near-term and long-term needs of Sea Power 21, N7 Mission Capabilities Packages (MCPs), customers and stakeholders. Included in this determination should be the degree to which technical capabilities are: (1) relevant to today's and tomorrow's needs; (2) consistent and complementary across NSWC and NUWC; (3) redundant and should be eliminated; (4) weak and should be strengthened through financial, personnel, and/or MILCON/equipment investments; (5) sustained in their current form and depth; and (6) optimally outsourced to create meaningful public-private sharing and partnerships. Once COMNAVSEA approves the results of this assessment, NSWC and NUWC will determine and execute the associated workload, overhead and manpower changes.

b. The Warfare Center Policy Board will ensure that the annual savings for the wedges noted above are being met. Figure 1 of the Resource Alignment and Development section identifies the total NAVSEA FY04 savings anticipated and accounted for in the FY04/05 Navy budget.

By successfully addressing this initiative we will address and/or support the following **CNO Guidance for 2003** directives:

Alignment:

- Command and Control: Identify methods to improve structures, systems, and interoperability. (N3/N5)
- Provide a recommendation (by June 2003) to realign resources and billets to support CFFC's expanded mission. (CFFC)

Manpower:

- Establish the DoN baseline civilian workforce requirement. (N1)

Future Readiness:

- Develop a plan to implement the virtual SYSCOM concept to streamline activities, achieve efficiencies, and improve interoperability between the material commands. Provide quarterly updates to CNO beginning in March 2003. (Senior SYSCOM commander lead)
- Undertake "skunk works" initiatives in each Echelon II command to achieve efficiencies via organizational streamlining, technology insertion, and divestment of non-core functions. (All Echelon II)

Define and Implement New Policies/Processes for NAVSEA
Organizations

SEA 03, 06 Action - PEOs Support

NAVSEA created two new organizations to support current and future Navy requirements: Human Systems Integration (HSI), SEA 03, and Warfare Systems Engineering, SEA 06. These organizations must be effective to ensure NAVSEA's contribution to Sea Power 21. In the next 6-8 months NAVSEA will achieve the following:

a. SEA 03 will: (1) establish HSI policy and standards, human performance metrics and evaluation techniques for application across the NAVSEA Command, including the PEOs; (2) develop HSI certification criteria as part of the Total Ship Certification process to certify systems delivered to the Fleet; (3) establish organizational relationships and the processes required to align NAVSEA and PEOs with the Naval Education and Training Command and the Naval Personnel Development Command to implement Revolution in Training and Task Force Excel performance-based training initiatives; (4) develop a process to institutionalize HSI in systems engineering; and (5) coordinate with PEOs to implement and integrate HSI policy, procedures and best practices into the NAVSEA total systems engineering process.

b. SEA 06 will: (1) re-constitute the functions of the former SEA 53 and SEA 91T organizations and incorporate emerging NAVSEA initiatives into a new combat and weapon system focused organization that enables/facilitates the deployment of fully mission-capable Battle Groups; (2) establish a common disciplined warfare systems engineering process that optimizes cost, schedule, and performance requirements at the force level; and (3) ensure force-level interoperability requirements are met or exceeded.

c. SEA 06 will manage our combat systems and "systems of systems" to resolve any cross-platform concerns, ensuring compatibility with joint and coalition forces. Specifically, SEA 06 will: (1) establish and ensure adherence to standards, policies, and systems engineering processes for PEOs and Program Managers; (2) manage the Navy's Battle Force Interoperability Program; (3) support CNO N7's POM initiative as "technical advisor" for Sea Shield and Sea Basing formulation; and (4) serve as NAVSEA's Technical Authority for Naval warfare, combat and weapons systems.

d. SEA 06 will help to provide common NAVSEA systems engineering processes, balanced technical and programmatic authority, and objective engineering leadership through concentrated efforts in three targeted time lines: the Current Navy, the Next Navy, and the Navy after Next. Each time line has an associated organizational focus area:

(1) Current Navy - Force Readiness, Testing and Assessment. This area will focus on the current operational and tactical needs of the Fleet for warfare systems assessments, battle force readiness, test and evaluation, and improvement of current strike force interoperability. It will continue to build upon the D-30 management and execution functions, manage the Distributed Engineering Plant, develop test and evaluation standards and policy, and oversee the combat systems configuration management for deploying Battle Groups. It will develop capabilities and limitations packages for each Battle Group, and provide the technical liaison between the operating forces and technical community. This group will assist the Fleet Forces Command to evaluate surge sustainment capabilities and to identify and characterize ship and equipment level alterations.

(2) Next Navy - Force Programming and Engineering. This area will focus on providing technical discipline and support across the Navy by conducting programmatic and acquisition assessments as specified in the Naval capabilities development business rules requirements. It will assess systems for redundancy, interoperability, cost and performance balance, and program schedule. It will implement a common Warfare Systems Engineering process and develop supporting policies and architectures. It will also provide warfare systems capability engineering assessments and will expand current efforts in the development of maturing architectures to support Sea Shield and Sea Base mission capability packages. It will develop Battle Force level metrics, standards, and policies. It will provide a technical arm for CNO and the Fleet to benefit from a non-advocate assessments capability.

(3) Navy after Next - Advanced Concepts and Technology. This area will focus on analyzing and prioritizing the Future Naval Capabilities (FNCs) to identify technology gaps, providing technical assessments for exploratory programs, managing the Surface Technology (SURFTECH) initiative, and husbanding combat/weapon system technology insertion programs (e.g., Directed Energy Program, electric weapons initiatives).

e. The SEA 06 POM Group will: (1) evaluate acquisition programs and legacy systems within the Sea Power 21 warfighting domains of Sea Shield and Sea Basing on the basis of four characteristics - redundancy, interoperability, reasonableness of cost and performance, and program schedule; (2) support similar SYSCOM initiatives within the Sea Strike and FORCEnet domains; and (3) provide the appropriate Warfare Sponsor with a ranked priority list of programs and systems on the basis of the above four characteristics.

f. The SEA 06 POM Group will: (1) develop, vet and implement a NAVSEA process in support of N7 initiatives to conduct programmatic/acquisition assessments; (2) leverage NAVSEA, PEO and Warfare Center talent; (3) map mission capabilities to Concept of Operations (CONOPS); and (4) analyze force-level technical/programmatic risks. The POM Group is the single point of contact for coordinating NAVSEA's participation in Naval Capabilities development.

By successfully addressing this initiative we will address and/or support the following **CNO Guidance for 2003** directives:

Future Readiness:

- Standardize Mission Capabilities Packages (MCPs) that support Sea Strike, Sea Shield, Sea Basing and FORCEnet. (N6/N7)

Develop MCP CONOPs for near-, mid-, and long-term by June 2003. (N6/N7)

- Develop metrics to track progress in the development of MCPs; identify, prioritize, and recommend investment in programs that contribute to MCPs; and recommend divestment of programs that provide less support to MCPs. (N6/N7)
- Develop CONOPs (by June 2003) to enhance sea and littoral control capabilities. (CFFC)

Develop an integrated strategy (by June 2003) to improve ASW readiness and capability in the near- and mid-term. (All Fleets)

- Provide employment concept and procurement plans (by June 2003) to integrate the Surface Combatant Force and enhance

joint support from a fully netted, dispersed Naval force
(N6/N7)

- Develop reconfigurable modules and packages tailored to Littoral Combat Ship missions. (N6/N7)
- Work with other Service staffs to determine C2 requirements to support a sea-based Joint Force Commander and to improve interoperability with coalition forces. (N6/N7)
- Develop a plan to integrate USN-USMC logistics, command and control, and intelligence organizations. (N3/N5)
- Provide a plan to establish a common operational picture (air, surface, and subsurface) to achieve advances in tactical engagement speed, accuracy, and range. (N6/N7)

Quality of Service:

- Develop systems that enhance mission accomplishment by maximizing Sailor performance in new platforms and weapon systems. (SYSCOMS)

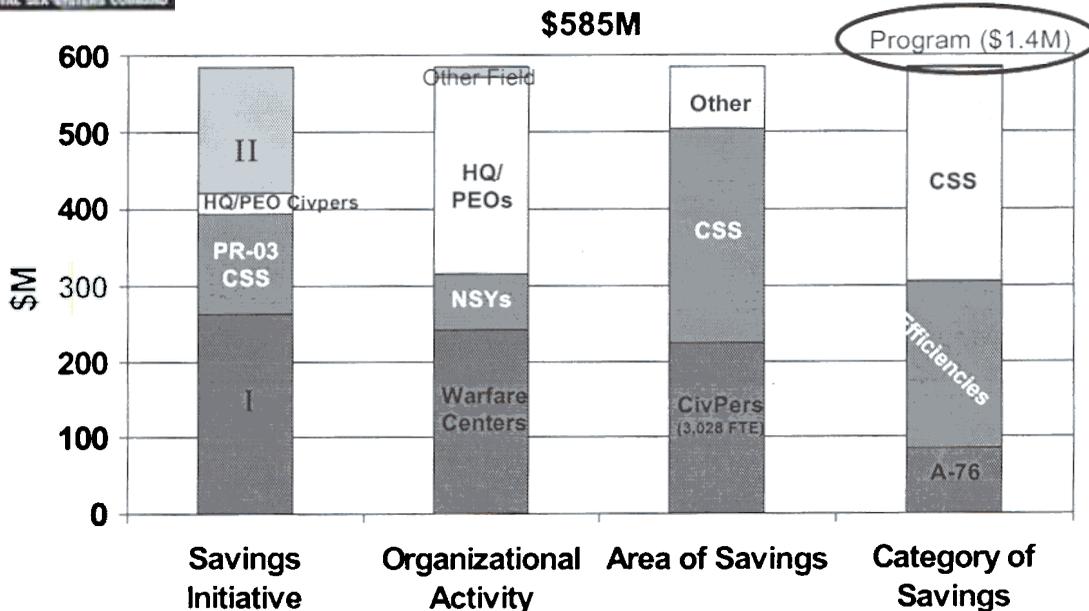
Resource Alignment and Development

SEA 00B Action - All NAVSEA/PEOs Support

We will continue to capture FY03 savings from our efforts such as the DeWolff, Boberg, & Associates (DBA) productivity work. We will define the details for achieving savings of over \$585M in FY04 from our programs, Headquarters/PEOs, SUPSHIPs, Warfare Centers, and Naval Shipyards. The target savings are shown below:



NAVSEA Savings – FY 04 Wedge Reductions



Savings Wedges:

- "I" = POM-00 Strategic Sourcing Program
- PR-03 CSS Reductions
- "II" = POM 04 Workload Validation & Assessment

Figure 1

Using the strategies of the Workload Validation and Assessment Wedge and the findings from the BAH study, in the next 12 months NAVSEA will achieve the following:

- a. In the Headquarters and PEOs, using analytical and assessment processes, each organization will review current processes for staffing and contract support, and identify

targets to decrease internal costs and overall costs of products and services. In turn, we will determine and implement the correct levels of resources required to accomplish our mission (both in-house and contractors). The extent of these savings should focus on meeting the FY04 staffing targets as well as saving costs on support efforts. *Savings will be applied to various wedges in FY04 and out, and will be discussed with SEA 00 for disposition in FY03.*

b. In the Warfare Centers, cost reduction and improvement targets as noted in Figure 1 will be met as part of the Warfare Center Policy Board initiative as discussed in the Define and Implement New Policies/Processes for NAVSEA Organizations section.

c. In the Naval Shipyards, the cost reductions will be met as identified in the Maintenance Initiatives section.

d. All of the cost reductions and efficiency savings from various wedges and studies will be reported through SEA 10 who will maintain the record and complete the up-line reports.

e. Establish a Command-wide "skunk-works" process to identify and establish savings for POM and Program Review insertion.

f. Across the Command and PEOs, define and implement the improvements and changes in workload needed to accomplish the service contract savings established in the various wedges and contract reductions (Contract Support Services (CSS) noted in Figure 1). Use the information recommended in the BAH Industry-Spend study to develop strategies to reduce service contract spending and the cost of services ultimately procured through improved buying habits.

g. Meet the civilian personnel staffing reductions set by budget and wedge savings targets in FY04 and outyears. Accomplish these reductions in a voluntary fashion where possible.

h. SEA 00Z will develop a plan to promote a mentoring culture among NAVSEA service members.

By successfully addressing this initiative we will address and/or support the following *CNO Guidance for 2003* directives:

Manpower:

- Establish the DoN baseline civilian workforce requirement (N1)
- Create a mentoring culture and assign a mentor for every service member by March 2003. (All Echelon II)

Future Readiness:

- Propose and implement innovative ways to reduce the acquisition and program life-cycle costs of weapon systems. Report findings via quarterly CEBs. (SYSCOMS)
- Undertake "skunk works" initiatives in each Echelon II command to achieve efficiencies via organizational streamlining, technology insertion, and divestment of non-core functions. (All Echelon II)

Alignment:

- Establish DoN civilian workforce communities. Assess each community's health and develop strategies to enhance retention and career/leadership development. (CNP)

Virtual SYSCOM

SEA 00/00B Action - All NAVSEA/PEOs Support

Many of today's programs and capabilities cross the entire Navy - Marine Corp enterprise: examples of this are Joint Forces Network (JFN), Deployable Joint Command and Control (DJC2), ERP and FORCENet. As we address current and future initiatives, we simply cannot reorganize around every new requirement. Therefore, the four SYSCOM Commanders, in conjunction with OPNAV Sponsors and ASN(RD&A), have created a management/leadership agreement and context to address this challenge - the Virtual SYSCOM. The Virtual SYSCOM will operate on three significant and different levels: (1) the SYSCOM Leadership Level, where the principles of the relationship, the ADDU assignments, and the fundamental reliance on each others' services will be established; (2) the Command/organizational level, where decisions are vetted and carried out and the expectations of the Leaders are executed; and (3) the project, program and technical operations level, where the day-to-day interfaces and operations begin to rely on the Virtual SYSCOM agreements for support and management. The SYSCOM Commanders must be successful in defining and implementing this new process if the Navy is to achieve the Sea Power 21 initiatives the CNO has outlined. Working through the Virtual SYSCOM, NAVSEA will accomplish the following over the next 12 months:

a. The SYSCOM Commander will: (1) establish the principles of the ADDU relationships with SPAWAR for Command, Control, Communications, Computers, & Intelligence (C4I) matters and with NAVSUP for logistics support matters; (2) establish an agenda and expectations with the other SYSCOM Commanders on what areas we will rely on each other - to include the transfer of services and support; (3) develop a process for identifying and solving issues that are common across all SYSCOMs; and (4) establish the expectations of the Command and project-level performance.

b. The SYSCOM SES Executive Director will manage the actions and agreements established at the Leadership level to: (1) identify a SYSCOM senior leader who will be responsible for implementation of each action within the Command (as agreed to by the Leadership); (2) establish the Command-wide behavior and expectations for service areas; (3) ensure proper processes are

established for each transfer; and (4) ensure metrics are established for accepted agreements or changes.

By successfully addressing this initiative we will address and/or support the following **CNO Guidance for 2003** directives:

Future Readiness:

- Develop a plan to implement the virtual SYSCOM concept to streamline activities, achieve efficiencies, and improve interoperability between the material commands. Provide quarterly updates to CNO beginning in March 2003. (Senior SYSCOM commander lead)