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# Organizational Concepts for Purchasing and Supply Management Implementation

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## Summary

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This report presents a construct for organizing Air Force (AF) acquisition and purchasing activities to execute Purchasing and Supply Management (PSM). This design incorporates best commercial practices, information from interviews with Air Force personnel, the Air Force Spares Campaign, and results of our analysis of the current commercial PSM practices. The Spares Campaign was chartered by the Deputy Chief of Staff for Installations and Logistics to review the Air Force spare parts supply process. The report draws on Spares Campaign process-based analysis supporting the decision to implement PSM and suggests organizational options for implementing PSM to better align contracting and logistics functions with process changes in procurement and strategic supplier, supply base, and supply chain management.

PSM is defined as a strategic, enterprise-wide, long-term, multi-functional, dynamic approach to selecting suppliers of goods and services and managing them and the whole value network from raw materials to final customer use and disposal to continually reduce total ownership costs, manage risks, and improve performance (quality, responsiveness, reliability, and flexibility). The most basic tenets of PSM, listed below, support the integration of purchasing with supply management:

- Supply base management (availability, capacity, and competitiveness)
- Supplier management (performance measurement and improvement and collaboration)

- Supply chain management (design and integration).

The PSM demonstration was chartered as a result of the Air Force Spares Campaign in which eight initiatives were targeted by the campaign to modernize the spares process and ultimately put more spares into the hands of maintainers.<sup>1</sup> Each initiative underwent a rigorous process-based analysis supported by RAND and Air Force personnel. The last initiative focused on improved purchasing and supply management practices to reduce purchase costs and improve product quality and delivery. In July 2001, the Secretary of the Air Force and Chief of Staff endorsed the initiative. In October 2001, CORONA Fall endorsed the Spares Campaign and gave direction to pursue implementation of the initiatives (pp. 8–9).

Changes to implement the construct proposed in this report, while evolutionary, will eventually result in significant change and transformation. The initial construct proposed for implementation in the F100 engine shop at the Oklahoma Air Logistics Center (OC-ALC) is designed as the first step in an Air Force–wide PSM organizational implementation. The second is designed to support such PSM tenets as alignment with strategic objectives, center-led with cross-functional integration, and shifting personnel skills from administrative and tactical to more analytic and strategic capabilities. It also complements Air Force initiatives such as Acquisition Excellence and Air Force Material Command’s (AFMC) Enterprise Management and Strategic Sourcing, while also capitalizing on best business practices (p. 12).

For the Air Force to adopt the end-state PSM organization proposed here, key PSM tenets, tools, and techniques must be incorporated into day-to-day operations. This will be viewed by many stakeholders as a major transformation. The initial construct sets the first steps of implementation into motion, allowing the demonstration at OC-ALC and other ALCs to pave the way for successful Air Force–wide transformation. The transformation will not be without

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<sup>1</sup> Mansfield (2002).

challenges; a thorough understanding of existing practices, legal requirements, and barriers to change, as well as the effects of change is essential. Just as PSM itself is not a cookie-cutter solution, the construct described here is not a set solution but instead a concept for design to be flexibly applied and adapted to current organizational structures.