



The Australian Defence Force

Transforming the force through logistics

The challenge

In 2009, the Australian Defence Force (ADF) published a White Paper that laid out the Government's plan for building a stronger and more cost effective force. Dubbed 'Force 2030' the plan outlined a number of activities and reform streams that would be needed to achieve this goal and provided a strategic direction for translating these objectives into reality.

It was quickly realized that reforming the Force's approach to logistics would be a major component of the strategy and — if managed properly — would become a key catalyst for meeting the Government's goals.

The ADF outlined a number of specific objectives for the logistics transformation program including the consolidation of 24 wholesale sites into seven purpose-built facilities, the reduction of warehouses by half, the introduction of enhanced warehouse management technology including improved Automated Identification Technology to strengthen inventory accuracy and visibility, and enhancements in the operational availability of land equipment and vehicles — predominantly used by the Army — through the reform of Land Materiel Maintenance activities.

As a result, the Force hoped to achieve more efficient and timely delivery of stores and equipment to troops when and where they were needed by creating a modern and efficient storage, distribution and maintenance network. Concurrently, the reform program would also enable Defense to meet the Government's requirements for achieving sustainable decreases in annual operating costs.

The approach

Turning a strategic plan into an operational reality is a complex and multifaceted challenge. To start, the ADF needed to develop a robust business plan that could provide the form and function necessary to turn the vision into action. This would require rigorous detail to articulate the strategy in terms of network impacts, distribution modeling and investment requirements in order to provide the Force's senior stakeholders with certainty, costing and detailed plans for execution.

At the same time, it was clear that a significant amount of preparation would be required to set the stage for the changes that the plan envisioned. For example, stock needed to be consolidated across the network to reduce the number of active storage locations and to identify and dispose of old and obsolete inventory which made up about a quarter of the Force's existing stock. Vital preparation also focused on laying the groundwork for the implementation of new technology such as a program to complete the bar-coding of all inventory in order to maximize the capabilities that would be embedded into the new facilities.

To achieve all of this, the ADF recognized the need to work with a private sector partner that could not only enhance their resource capability in planning, managing and executing a project of this size and scope, but also to ensure that best practices from other industries were being leveraged to achieve the best outcome for the Force.

The ADF engaged KPMG in Australia, who worked closely with the Force's senior leadership from the planning phase through to implementation, thereby providing a consistent team throughout the project. This core team, made up of KPMG logistics and program management specialists, has — where appropriate — been complemented by a broader project team that includes professionals from across the firm who brought experience and skills to support a particular phase or stream such as infrastructure financing, organizational design and procurement.

KPMG has been a key contributor to the integrated project team and has been instrumental in a wide range of initiatives including validating the ADF's initial strategy, undertaking the detailed inventory and financial analysis required to support the business case, developing the overarching business case and supporting the project director and sponsor to navigate the complex sequence of Defense, inter-departmental and Government approval milestones. KPMG has also been central to the development of the future operating models for warehousing, distribution and maintenance which provided a roadmap for turning strategy into action.



The results

Working against an aggressive timeline for implementation, the ADF has now completed the planning and preparation phase of their strategy. In early 2012, the Force will execute a significant tendering process to identify a group of logistics service providers and facilities developers to move the strategy into the implementation phase.

With Government approval of the approximately A\$750 million infrastructure investment plan, the ADF anticipates that construction will commence in the latter half of the year, and that the Force will be ready to occupy the new facilities under the updated network arrangements by 2014.

The program is expected to deliver A\$350 million in savings to 2019 and preliminarily results show that the strategy is on track to deliver against this goal.

KPMG continues to support the ADF across a number of implementation activities including supporting the Project Management Office, undertaking key roles in change management and communications, conducting workforce and organization design, facilitating service provider procurement and coordinating the detailed site transition planning necessary to ensure continuity of logistics support while the physical migration occurs.

Lessons learned

Through the course of the project, the ADF has overcome a number of significant challenges to ensure the project stays

on time, on budget and relevant to the stated objectives. These include:

- **Apply leadership at all levels:** Large and complex change programs must be led by senior stakeholders within the organization itself. This not only means identifying high-ranking leaders to drive the overall direction of the program, but also embedding senior managers within each of the project streams who have the insight and support of the organization to effectively align activities and create buy-in from employees.
- **Realistically identify and recognize constraints:** Large complex programs require rigorous planning and scheduling that takes into account Governmental and Departmental requirements. Every opportunity should be found and exploited to accelerate the program including running work streams in parallel where possible or identifying points of convergence that can be streamlined to reduce time and effort.
- **Tailor the program to achieve success:** Large-scale change programs must be carefully architected to meet the unique needs of the various component parts of the project. The reality is that there are few shortcuts and no 'off-the-shelf' software packages for complex programs of this nature and so every effort must be made to carefully tailor the program against the dynamics of the organization in order to achieve success.

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