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May 1995

# BEST PRACTICES METHODOLOGY

## A New Approach for Improving Government Operations





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# Preface

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Private sector organizations are recognizing that in order to survive in the future, they have to initiate major changes within their organization that will make them more productive and reduce costs. Today, many federal agencies are facing that same reality.

The Department of Defense (DOD)<sup>1</sup> is a prime example of an agency facing the challenge of streamlining for efficiency and lower costs while maintaining quality. DOD has accomplished that goal in several areas. For example, since 1992, as a direct result of our recommendations, the Defense Logistics Agency (DLA) has taken steps to have private sector vendors supply certain personnel items directly to military facilities in lieu of the traditional military supply system. As a result, by 1997, DLA expects a 53-percent reduction in its 1992 inventory level of these items.

What is behind these improvements? In large measure, these organizations have benefited from GAO studies emphasizing “best practices,” carried out by the Defense Management and NASA (DMN) issue area within the National Security and International Affairs Division (NSIAD). The best practices approach to change involves identifying organizations that are widely recognized for major improvements in their performance and efficiency in a specific area, such as inventory management. The processes, practices, and systems identified in these organizations are referred to as best practices, and provide a model for other organizations with similar missions. Frequently, benchmarking is used to gather information on these practices from a number of different organizations, which is then applied to improving operations. Benchmarking is also an effective approach for promoting organizational change.

By applying a best management practices approach, DMN has been able to make recommendations intended to radically change DOD processes and correspondingly produce substantial savings. To date, DMN has issued 14 reports related to implementing and managing best management practices. Many of these reports illustrate the benefits from a best practices review. Appendix I contains a listing of these reports.

The best practices approach need not be confined to our defense issues. In this report, we explain how others could go about using the same principles and techniques to promote and implement improved processes.

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<sup>1</sup>DOD remains the largest U.S. government entity, employing 3.5 million personnel with annual budgets ranging from \$240 billion to \$250 billion.

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If you have any questions about this strategy, please contact me on (202) 512-8412. Major contributors on the best practices assignments are listed in appendix II.

A handwritten signature in black ink that reads "Donna Heivilin". The signature is written in a cursive style with a large initial 'D' and a long, sweeping underline.

Donna M. Heivilin  
Director, Defense Management  
and NASA Issues

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**Abbreviations**

DLA	Defense Logistics Agency
DMN	Defense Management and NASA Issues
DOD	Department of Defense
GAO	General Accounting Office
NSIAD	National Security and International Affairs Division

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# What Are Best Management Practices?

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Best management practices refer to the processes, practices, and systems identified in public and private organizations that performed exceptionally well and are widely recognized as improving an organization's performance and efficiency in specific areas. Successfully identifying and applying best practices can reduce business expenses and improve organizational efficiency. Best practices we have identified in our work resulting in recommendations to the defense community include: (1) relying on established commercial networks to manage, store, and directly deliver defense electronic items more efficiently; (2) using private sector food distributors to supply food to the military community faster and cheaper; and (3) adopting the use of supplier parks to reduce maintenance and repair inventories.

Most of the Defense Management and NASA's (DMN) best practices reports have focused on using best management practices to improve a specific the Department of Defense (DOD) process. DMN has also reported on management concepts that are important in successfully implementing best management practices throughout an organization, such as reporting on techniques companies use to achieve and manage change.<sup>1</sup> See appendix I for a list of the reports related to the use of best management practices and additional information on each report's findings.

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<sup>1</sup>See the reports Reengineering Organizations: Results of a GAO Symposium (GAO/NSIAD-95-34, Dec. 13, 1994) and Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).



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# Why Use the Best Management Practices Approach in Evaluations?

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DMN chose initially to look at applying best management practices techniques in the area of supply management, because DOD's supply system has been an area with long-standing problems in which proposed solutions seldom corrected the conditions identified. Also, DOD's supply management is a large budget item so the potential for large dollar savings was present. DMN believed that comparing DOD's supply management practices to those that had a proven track record in the private sector would provide a picture of what improvements were possible and indicate proven strategies. A GAO consultants' panel, consisting of retired DOD officials and logistics business and academic experts, agreed that looking at private sector practices would help us find ways to improve DOD operations, because many private sector companies had made fundamental improvements in logistics management.

DMN's best practices work can result in radical changes in certain DOD processes, as well as substantial dollar savings. Since 1992, as a direct result of our recommendations, the Defense Logistics Agency (DLA) has taken steps to have private sector vendors supply pharmaceutical products, medical supplies, food, and clothing and textiles directly to military facilities in lieu of the traditional military supply system. As a result, by 1997, DLA expects a 53-percent reduction in its 1992 inventory level of these items. With fewer days' worth of supplies on hand, DLA depot overhead costs will decline also. Other examples of results of best management practices reviews are shown in figure 1.

Figure 1: Results in DOD's Inventory Management Following GAO's Best Practices Reviews

<p style="text-align: center;"><u>Medical and Pharmaceutical Inventories</u></p> <ul style="list-style-type: none"><li>• Since January 1993, DLA has contracted with private sector vendors to manage and distribute pharmaceutical products and medical supplies to approximately 150 medical facilities nationwide. The approach has resulted in a 49-percent reduction in wholesale pharmaceutical inventory levels during fiscal year 1994.</li><li>• Walter Reed Army Medical Center estimates it saves \$2.2 million through reduced paperwork and administrative costs, \$2.9 million from lower prices for products, and \$0.9 million from reducing inventory management personnel and reusing material handling equipment and storage space.</li></ul>
<p style="text-align: center;"><u>Food Inventory</u></p> <ul style="list-style-type: none"><li>• During 1994, DLA initiated a pilot program to have private sector food distributors deliver food directly to military dining facilities at selected military bases. If successful, the program will be implemented nationwide in by the end of fiscal year 1997.</li><li>• By 1997, DLA expects food inventory levels to decrease from 82 days' worth to 20 days' worth of supply.</li></ul>
<p style="text-align: center;"><u>Clothing and Textiles Inventories</u></p> <ul style="list-style-type: none"><li>• In a demonstration project to begin in July 1995, DLA plans to begin using a private sector vendor to supply clothing to a service recruit induction center.</li><li>• Clothing and textiles inventories are expected to decrease from 725 days' worth to 365 days' worth of supply by 1997.</li></ul>

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# When Is a Best Practices Approach Appropriate?

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Deciding whether to use a best practices approach involves considering a number of factors. Our experience shows that the following questions can serve as a guide in making the decision.

- **Have GAO and others reported on the acknowledged problem areas before, and to what extent has there been attempts to make the process work as designed?** In our case, GAO had reported on DOD's inventory problems for over 30 years, and DOD had generally agreed with our observations and had often taken steps to improve the process. However, improvements were incremental at best and failed to achieve significant gains in effectiveness or dollar savings.
- **Is there a process with similar requirements that can be compared to the one being examined but is implemented in a way that provides significantly better results?** For example, a military and private hospital both depend on timely and accurate delivery of supplies.
- **Do the areas being considered have an established counterpart in the private or public sector that will provide evidence of the benefits of a new process?** For example, we compared the way DOD procures, stores, and delivers food to base dining halls to the way institutional food users in the private and public sector obtain food. Other areas looked at, such as medical, clothing, and spare parts inventories, also allowed us to make comparisons with processes with similar objectives in the private and/or public sector.

A best practices review can be applied to a variety of processes, such as payroll, travel administration, employee training, accounting and budgeting systems, procurement, transportation, maintenance services, repair services, and distribution. You may consider looking at an area where the agency has already begun to implement some best management practices, but with limited success. Additional work in the area may provide a crucial boost to an agency's efforts. Looking at current industry trends in contracting out business functions (also referred to as "outsourcing") can also suggest areas that could benefit from a best practices review. For example, private sector companies are beginning to outsource logistics functions, primarily transportation and distribution, and data processing functions.

The decision to use a best practices review should be made in a larger context that considers the strategic objectives of the organization and then look at the processes and operating units that contribute to those

objectives. Ask questions like (1) What drives the costs in a particular process? and (2) Is the process effective in achieving its goals? An initial step is to determine all the variables that contribute to the expenditures associated with the area. Another early step is to start with the areas that the customers think are of major importance to the organization being reviewed.

Identifying the scope of the process you plan to review is not always easy. It is not always clear where you begin and where you stop when you decide to benchmark a process. It is important that the entire process be considered, rather than just part of the process. For example, in reviewing DOD's food supply, we examined the entire food supply system, including buying, storing, and distributing food rather than just a part of the system such as distribution because these parts are interconnected and changes in one part will impact the others. If you fail to capture the entire process then you may push costs into another section of the process or create an improvement that is inhibited by trying to marry old ways with new ways that are in conflict with each other. However, you cannot look at everything. At least initially, select a process which is about ready to accept change.

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# How Do You Perform a Best Management Practices Review?

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Under a best practices review, you are forced to consider new approaches. Specifically, you will compare how an organization performs functions with one doing them differently—such as a function in a unique government agency with a company performing the same or similar function in the private sector. The different approach may turn out to be a much better way of performing a function. Implementing this better way to perform a process throughout the organization is what allows an agency to make meaningful changes.

In identifying best practices among organizations, the “benchmarking” technique is frequently used. In benchmarking with others, an organization (1) determines how leading organizations perform a specific process(es), (2) compares their methods to its own, and (3) uses the information to improve upon or completely change its process(es). Benchmarking is typically an internal process, performed by personnel within an organization who already have a thorough knowledge of the process under review. Our approach is similar. However, GAO’s role is to look at the process from the outside, much like a consultant, and determine if that process can be improved upon or totally changed.

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**Benchmarking--Lesson Learned:**

Benchmarking is more than just a comparison of performance measures and cost ratios. Rather, the total organizational impact must be considered.

The best practices evaluation will look not only at quantitative data, such as costs, but also at how other processes and aspects such as organizational culture might be affected by change.

In our work, we have found several elements that any best practices review should include. These elements are listed below and then discussed separately in detail:

- (1) Gaining an understanding of and documenting the government process you want to improve.
- (2) Researching industry trends and literature, and speaking with consultants, academics, and interest group officials on the subject matter.

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- (3) Selecting appropriate organizations for your review.
  - (4) Collecting data from these selected organizations.
  - (5) Identifying barriers to change.
  - (6) Comparing and contrasting processes to develop recommendations.

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## Understanding the Government Process You Want to Improve

The first step in beginning a best practices review is to thoroughly understand the government process you are reviewing before you go out to speak with officials in various organizations. This will help not only to fully understand the process but to recognize opportunities for improvement. Understanding the process will ease your analysis by defining a baseline for comparison and providing more focus to your questions when you make inquiries on the best practices identified in other organizations. Further, a good depth of understanding is essential to selecting appropriate comparison companies. Discussing the process in detail with agency officials and flowcharting the process will facilitate data gathering from the comparison organizations and the comparative analysis.

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## Researching to Plan the Review

Preliminary planning and research are key elements in preparing a best practices review; both must be done before selecting the organizations for comparison. Performing a literature search, researching industry trends, and speaking with consultants, academics, and industry/trade group officials will provide valuable background information on the process under review. It will also provide you with the names of leading edge companies and public sector organizations.

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Research Sources for Identifying Best Practices

- Literature search
- Industry trends
- Consultants, Academics, and Industry/Trade Groups

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The people you speak with before selecting the organizations for comparison can give you useful information on the best practice you are reviewing, as well as the names of leading edge organizations. They may also be able to provide you with a contact into an organization. You will find the names of consultants, academics, and industry/trade groups during your literature search. Other resources for finding these names range from telephone book listings of industry groups to faculty rosters for schools that specialize in the area you are evaluating.

Obtaining company annual reports or other background information on the organization before your visit will help you to prepare for your meetings with officials. Most of the leading edge organizations receive calls from many others to learn about their practices. Therefore, they will only provide you with a limited amount of time. Having a thorough background on the issue, including the government's process, will allow for an effective use of both parties' time.

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## Selecting Appropriate Organizations

After you have reviewed the literature and after all of your discussions with consultants, academics, and industry/trade group officials, you will have compiled a list of many organizations cited as "best" in their respective industry for the process you are reviewing. The next decision is determining how many organizations to visit. In our best practices reports, we visited an average of nine companies per job. Visiting too many companies can cause "analysis paralysis," according to benchmarking experts. These experts say to keep the number of companies to a manageable number, which can be as low as five.

Officials from each organization that you speak with will also be able to tell you which companies are the best in a given area. You may want to add a company to your list if it is one that you keep hearing about. Getting the names of other leading edge organizations from these officials will also help to confirm that you selected the right companies to visit and provide additional leads on others.

Depending on the process under review, you may want to select companies that are geographically dispersed. We used this criterion for the selection of companies in the DOD food inventory report. You will need to determine the criteria that best meet your needs.

Your criteria need not require finding the "best of the best" if the difference in the process is not significant among leading edge

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organizations. In these cases, what is important is to find companies that are considered by experts to be among the best at the process you are reviewing. Such companies may be able to give you more time than the very best, which may be flooded with requests to study them.

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## Collecting Data From Selected Organizations

After you have researched and begun planning your review, you should develop a list of questions to use as a guide for discussions with the consultants, academics, and industry/trade group officials. You may need to refine the questions after these discussions and prior to your first interview with private sector company or public sector officials. You may also need to refine the questions again after your first interview with these officials. A standard list of questions will ensure that you are obtaining comparable information among the organizations you speak with.

As with the process of the agency you are evaluating, you will need a thorough understanding of the process in the private sector before you can compare and contrast the two and make effective recommendations. The list of questions will help you obtain the information needed from all sources in order to make a detailed analysis. Your analysis will involve looking for common practices and characteristics among the organizations you have identified as having best practices in the selected function you are reviewing.

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## Identify Barriers to Change

A major challenge to ensuring that your final recommendations will be implemented and effective lies in identifying the barriers to change, whether real or perceived. Your discussions with agency officials and your background research should provide information on such potential sources of barriers as regulatory requirements, organizational culture, and the impact of the change on the agency and its services.

Government agencies often must operate under many statutory requirements that do not exist in the private sector. While such regulations do not always prevent the use of best management practices, they may make change difficult. For example, DOD officials were concerned that using private sector distributors to deliver food to base dining halls would eliminate the participation of small businesses. This concern was alleviated when we demonstrated that most private sector food distributors were already small businesses.



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Organizational culture may be a major obstacle. In our work, we were faced with the fact that DOD has been doing business the same way for over 50 years. Such an entrenched system could make changes difficult to implement. As a way to encourage and support new ways of operating, we did a review on how leading edge companies were able to change their organizational culture in the face of radically new operations. The report provided an impetus for DOD to think differently. However, this work also showed that immediate and comprehensive change is unlikely in any organization: it can take 5 to 10 years or longer to change an organization's culture.

A paramount consideration should be the effect of recommendations on the agency's future ability to provide its service. For example, if your review leads to recommending that a function be privatized, you will need to consider the impact this will have on taking the function away from the government. You will need to raise—and answer—such questions as what would happen if a strike should occur at the company that takes on the function, a natural disaster destroys the company building, or the company goes out of business. However, it is likely that the private sector may provide information on these instances since the same events would equally have an impact on the private and public sectors.

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## Making Recommendations for Change Constructive and Convincing

The final step in the best practices review is to compare and contrast the agency's process to the processes of the organizations you benchmarked, and to decide whether the agency would benefit from implementing new processes. If the answer is "Yes," remember that flexibility is a key theme, as it may not be possible for the agency to do things exactly as they are done in the other organizations.

A successful recommendation strategy in our work that encourages the idea of change is to give the agency a "basket of ideas" from which to choose and adapt to their unique operations. Demonstrating possible savings and recommending key steps for change will help to promote that change. Photographs of the consequences of the government's process versus the private/public sector's process are a convincing tool to illustrate the effectiveness of a recommended change.

Making Recommendations in a Best Practices Review--Lessons Learned:

A **basket of ideas** gives the agency flexibility in adopting new processes, thereby, more potential for positive acceptance of change.

**Pilot projects** give the agency the ability to work through any concerns or obstacles and allows them time to develop cost estimates for full implementation.

In addition, we have tried to help DOD one step past issuance of the report. Specifically, we have tried to use the knowledge gained during the review to help in facilitating the change. For example, we have met formally and informally with key officials to discuss how the change can be implemented. We also made presentations to groups affected by the change. In work such as this, “follow through” means staying in touch and educating and influencing with whatever assistance can be provided. At the same time, we maintain our ability to critique the results in a constructive way.

Perhaps the most convincing argument for implementing recommendations for radical change lies in the environment of tight budgets. At DOD, such constraints have forced DOD officials to look toward new ways to do business and, in turn, save money. Consequently, most officials have been receptive to many of our streamlining recommendations.

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# What Else Do You Need to Know?

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Much of what we have learned about doing best practices reviews goes into any evaluation-related work. However, we have some specific practices that were so useful to us that we created an ongoing list of helpful tips. These should help in planning the review and in establishing productive relationships with the selected organizations.

- We used two different approaches to arranging a meeting with the desired officials of the target organization. First, if you have a contact's name, you can call the person directly and request an interview. You might either call first or send a letter followed up with a call. Second, if you were not able to obtain a name through the literature or through your discussions with the consultants, academics, and industry/trade officials, you can contact the office of the president of the company either by phone or by letter. This office will be able to direct you to the appropriate official(s). With either approach, your letter or your phone call should state your purpose very clearly and ensure them that the information will only be used for benchmarking.
- Send a copy of the questions to the organization's officials before your visit. This will allow them the opportunity to prepare for the meeting, gather requested information, and invite pertinent personnel. If the list of questions is long, you may want to consider sending a shorter version.
- After you have set up a meeting time, date, and place, it is best to mail (or fax) a letter of confirmation. Your questions can be sent with this letter. It is also a good idea to reconfirm the meeting a few days prior to your scheduled time. After the meeting, follow up with a thank you letter.
- On average, plan to spend between 1/2 day to a day and 1-1/2 days with the company. However, the amount of time a company will give you will vary. DMN's experiences have run the gamut from a 1-hour phone interview to a 2-week detailed look at a company's operations.
- If you plan to use the organization's name in the report, ask for permission.
- Inform all interviewees that you will be providing them with a draft or relevant portions of the report for their review. This will help ensure that you correctly interpreted the information obtained from interviews. It also allows the company the opportunity to ensure that they did not give you any proprietary information during the interview.

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- Plan for your review (planning, data collection, and analysis) to take an average of 12 months. As pointed out above, these reviews take a lot of up-front work, and getting into leading-edge companies can take a long time. Nonetheless, we have found that the results of these reviews have justified the time spent.
  - Throughout the review, pay attention to establishing good working relationships with these organizations. As in any evaluation, this provides a sound foundation for future contacts.

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# GAO Reports on Best Management Practices

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## Reengineering Organizations: Results of a GAO Symposium (GAO/NSIAD-95-34, Dec. 13, 1994).

We conducted a symposium to address private sector best practices in reengineering in an effort to provide insight into the Department of Defense's (DOD) efforts to streamline its business practices. Five principles for effective reengineering emerged from the symposium, including: (1) support from top management helps remove barriers to change; (2) an organization's culture is receptive to reengineering goals and principles; (3) major improvement and savings are realized by focusing on the business from a process rather than functional perspective; (4) reengineering efforts are based on a clear notion of customer needs, anticipated benefits and potential for success; and (5) process owners manage reengineering projects with teams that are cross-functional, maintain a proper scope, focus on customer metrics, and enforce implementation timelines.

## Commercial Practices: Opportunities Exist to Enhance DOD's Sales of Surplus Aircraft Parts (GAO/NSIAD-94-189, Sept. 23, 1994).

In fiscal year 1993, DOD's proceeds from the sale of commercial-type surplus aircraft parts averaged less than 1 percent of what DOD paid for them. In contrast, commercial airlines realize proceeds on the order of 40 to 50 percent. The large difference in proceeds reflects the different incentives and marketing practices at work within DOD and the private sector. While DOD is driven by policies designed to dispose of the parts quickly, commercial companies use marketing techniques that enhance the visibility and marketability of their parts.

## Organizational Culture: Use of Training to Help Change DOD Inventory Management Culture (GAO/NSIAD-94-193, Aug. 30, 1994).

DOD has acknowledged that to reduce the size and cost of its inventories it must change its inventory management culture. As reported in an earlier report, training has been shown to be a key vehicle for helping organizations change their cultures. However, DOD has yet to take essential steps for using training to foster change.

## Partnerships: Customer-Supplier Relationships Can Be Improved Through Partnering (GAO/NSIAD-94-173, July 19, 1994).

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The decision to use a partnership approach in a business relationship is based on whether the potential partners believe they can benefit from such a relationship and the benefits outweigh the costs. Partnering that has been successfully implemented by some companies has resulted in reduced costs and improved service and quality for both parties. DOD has recognized the potential benefits of partnering, and the Army Corps of Engineers has had successful partnership experiences with its contractors as well as among internal divisions in the Corps.

Commercial Practices: DOD Could Reduce Electronics Inventories by Using Private Sector Techniques (GAO/NSIAD-94-110, June 29, 1994).

DOD continues to buy and store redundant levels of electronics items, valued at over \$2 billion. During the past decade, many private sector companies have adopted modern inventory management practices that have significantly reduced electronics inventories, decreased procurement times, and saved millions in associated operating costs while improving the availability of stock. The companies rely on established commercial distribution networks to manage, store, and directly deliver inventory on a frequent, regular basis.

Commercial Practices: Leading Edge Practices Can Help DOD Better Manage Clothing and Textile Stocks (GAO/NSIAD-94-64, Apr. 13, 1994).

DOD continues to store redundant levels of clothing and textile inventories throughout its wholesale and retail system, with 10 years of supply on hand for some inventories. Private sector firms have learned to cut costs by moving to just-in-time inventory concepts that help keep inventories low, turn stock frequently, fill orders quickly. Many private sector firms and some federal agencies with uniformed employees are relying on prime vendors to manage their clothing inventories.

Defense Transportation: Commercial Practices Offer Improvement Opportunities (GAO/NSIAD-94-26, Nov. 26, 1993).

Commercial shippers have integrated their transportation functions with the entire logistics process, limiting the number of carriers they use to those that provide high-quality service at a competitive price, expanding the use of information technology, and contracting out certain logistics operations. DOD has acknowledged that it can benefit from transportation practices performed in the commercial sector and has made some progress in improving transportation management.

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Defense Inventory: Applying Commercial Purchasing Practices Should Help Reduce Supply Costs (GAO/NSIAD-93-112, Aug. 6, 1993).

DOD's replenishment formula used to compute optimum order quantities for secondary items is not conducive to today's business operations because it is based on some assumptions that are rarely met, such as constant demand. Private sector companies are using alternative purchasing methods such as quick response. Even though DOD's reasons for holding inventory differ from that of private sector companies, it must find a balance between inventory depth and supply cost. Commercial replenishment strategies offer better opportunities for DOD to meet this balance.

Commercial Practices: DOD Could Save Millions by Reducing Maintenance and Repair Inventories (GAO/NSIAD-93-155, June 7, 1993).

DOD can reduce maintenance and repair inventories by adopting commercial practices, such as the use of supplier parks and direct delivery programs. These practices could reduce unnecessary inventory requirements at military industrial centers and eliminate the need to store supplies in the Defense Logistics Agency's depot system.

DOD Food Inventory: Using Private Sector Practices Can Reduce Costs and Eliminate Problems (GAO/NSIAD-93-110, June 6, 1993).

The military food supply system, which is generally outmoded and inefficient, offers the opportunity to achieve cost savings by using private sector food distributors. Many of the costs DOD incurs for holding, handling, and transporting large quantities of food are unnecessary because the existing network of private sector full-line distributors can supply food to DOD much more efficiently. Because of heavy competition within the industry, distributors have an incentive to cut costs, keep prices low, and provide excellent customer service.

Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

An organization's decision to change its culture—the underlying assumptions, beliefs, values, attitudes, and expectations shared by an organization's members—is generally triggered by a specific event or situation, such as a change in the world situation or severe budget reductions. It usually takes a company between 5 to 10 years to make a



complete cultural change and involves using a combination of many techniques. The two key techniques are top management commitment and training that promotes and develops skills related to desired values and beliefs.

DOD Medical Inventory: Reductions Can Be Made Through the Use of Commercial Practices (GAO/NSIAD-92-58, Dec. 5, 1991).

DOD's health care system can save millions of dollars by increased use of inventory management practices pioneered by leading civilian hospitals. These practices include standardization of supplies, electronic ordering, and just-in-time and stockless delivery programs.

Commercial Practices: Opportunities Exist to Reduce Aircraft Engine Support Costs (GAO/NSIAD-91-240, June 28, 1991).

The value of DOD's secondary inventories (including spare parts and components for aircraft, ships, and general supplies) increased \$60 billion between 1980 and 1988. Both the Air Force and commercial airlines use the F-108 engine, but DOD bought millions of dollars of excess engines and spare parts. Commercial airlines estimate their requirements to more closely reflect actual experience and rely more heavily on the manufacturer to provide spare parts. The Air Force could benefit from adopting some commercial practices to prevent the purchase of excess engines and parts.

Defense Logistics: Observations on Private Sector Efforts to Improve Operations (GAO/NSIAD-91-210, June 13, 1991).

Private sector firms have found that integrated logistics management can help reduce costs and increase their competitiveness. Major elements for successful implementation of integrated logistics management include total cost analysis and top management commitment. DOD may be able to benefit from private sector experiences in improving their logistics operations.

# Major Contributors in DMN's Best Management Practices Assignments

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National Security and  
International Affairs  
Division, Washington,  
D.C.

Uldis Adamsons  
Claude T. Adrien  
Carolyn S. Blocker  
John J. D'Esopo  
Thomas W. Gosling  
Diane Blake Harper  
Joan B. Hawkins  
Donna M. Heivilin  
John J. Klotz  
M. Glenn Knoepfle  
Kenneth R. Knouse, Jr.  
Kay D. Kuhlman  
Marilyn Mauch  
F. Earl Morrison  
B. Scott Pettis  
Nancy L. Ragsdale  
Arnett Sanders  
George C. Surosky  
Nomi R. Taslitt  
David R. Warren  
Marilyn K. Wasleski

---

General Government  
Division, Washington,  
D.C.

Ken Miyamoto  
Keith E. Steck

---

Resources,  
Community, and  
Economic  
Development  
Division, Washington,  
D.C.

Stephen L. Jones

---

**Appendix II**  
**Major Contributors in DMN's Best**  
**Management Practices Assignments**

---

**Cincinnati Regional  
Office**

Donald L. Allgyer  
Cheryl K. Andrew  
Bruce D. Fairbairn  
Shari A. Kolnicki  
Laurie R. Housemeyer  
Matthew B. Lea  
Brian T. Mullins  
Robert L. Repasky  
Richard L. Strittmatter

---

**Detroit Regional  
Office**

Audrea L. Buck  
Robert W. Herman  
Daniel J. Martin  
Louise N. Roy-O'Connell

---

**Norfolk Regional  
Office**

Tracy W. Banks  
George O. Morse  
Johnnie M. Phillips  
Harry E. Taylor, Jr.

---

**Office of General  
Counsel, Washington,  
D.C.**

John A. Carter  
Michael D. Hipple

---

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