

Logistics
Center

Federal Aviation
Administration

*A center for innovation
.....Looking for a better way*



**The FAALC Performance Bonus
Made Easy**



Your Guidebook to the 2002 Workforce Recognition Program

March 21, 2002

“Bonus 101”

The purpose of this booklet is to provide you with an easy-to-understand overview of the 2002 FAALC Workforce Recognition Program. It puts in plain words the details of the program and provides examples of how we, as FAALC employees, might help to reach our objectives.

As you read through this booklet, keep the following in mind:

- The award objectives are stretch targets, but they **are** attainable.
- When you have an idea you believe can help reach an objective, **tell your supervisor or manager!**

“Questions & Answers”

A performance bonus? At the Logistics Center? Why? We all work hard to do a good job - a **great** job. That’s a given. The Workforce Recognition Program is designed to reward us when we, as an organization, perform above and beyond our normal high standards. It really boils down to increasing our efficiency and effectiveness as an organization and corporately celebrating our achievement!

Who’s eligible? If you’re employed at the time of the payout, you’re entitled to a share of the bonus.

When will I receive my bonus? Any bonus earned will be paid in October 2002.

How will it be distributed? The bonus will be shared among all FAALC employees. (Share and share alike!) If you’re a full-time employee, you’ll earn 25% of the annual payout for each quarter you’re in full-time status. If you’re part-time or on **approved** leave without pay status, you may receive a pro-rata share based on the hours you worked in each fiscal quarter. Employees who are on AWOL or are suspended from work are not eligible.

So, how is this year’s Workforce Recognition Program different from last year’s?

The Objectives: In 2001, there were four objectives: Cumulative Shipping Defects, Cumulative Product Defects, Timely Delivery, and Financial Award. This year, there are five: Shipping Defects, Product Defects, Superfast Shipping Performance, Margin From Operations, and Cash Management. (Don’t worry. They’re all explained later in this booklet.)

The Award Scale: In 2001, points scored on each of the four goals were totaled and averaged to obtain the final score. Also, there were three payout tiers: \$200, \$350, and \$500. This year, each of the five objectives has two payout levels, \$50

and \$100. And the totals **won't be averaged**. So the bonus could range from 0\$ to \$500 (in \$50 increments). Here's an example:

Suppose we reach the \$100 payout level on Goals 1, 2, 3, and 5, and we make the \$50 payout level on Goal 4. Simple addition shows that the bonus for each employee would be \$450.

Goal 1	\$100
Goal 2	100
Goal 3	100
Goal 4	50
Goal 5	100
<hr/>	
Bonus	\$450

Where can I see our progress toward the goals? You can view the most up-to-date information in DocuShare under “Corporate Knowledge Prototype / Financial Tools / Workforce Recognition Results / FY 2002 Results / *Month Year*”. Also, our current status will be briefed every month in the Corporate Board and Linking Team.

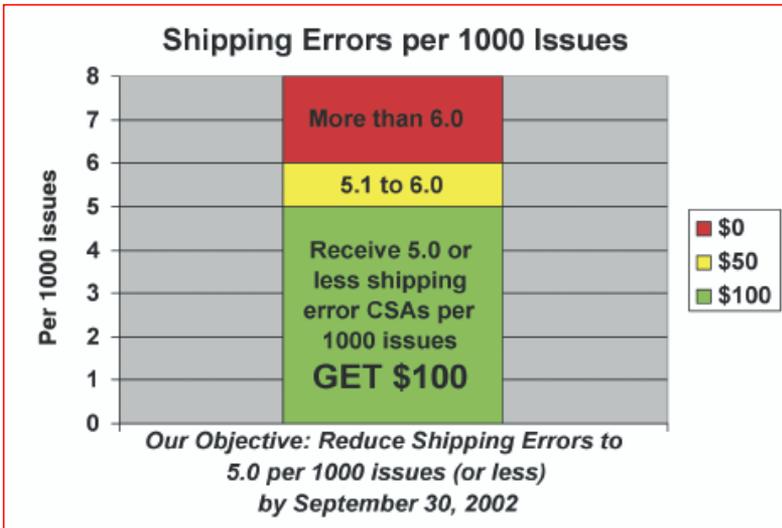
Now, let's get down to the “nitty gritty”!

What's really required for 2002, and...

How do we get our bonus?



Goal #1 - Reduce Shipping Errors



What does it mean?

First of all, **what are “Shipping Errors”?** “Shipping Errors” are **process**-related Customer Service Action* (CSA) tickets concerning products sold and shipped from our Distribution Center (as reported by our external customers). The following CSA categories are included: Damaged, Incorrect, Misdirected, Misidentified, Overage, and Shortage. Issues for shop repair (transaction code 81s) and direct ship items are not included.

“**Shipping errors per 1,000 issues**” is the number of shipping errors reported in the CSA database, divided by the number of total issues, and then multiplied by 1000. This includes **all priorities** shipped from the FAALC Distribution Center. A formula might help:

$$(\text{Total Shipping Errors} / \text{Total Issues}) * 1,000 = \text{\# of Errors per 1,000 issues}$$

Data Sources:

- Shipping Errors - CSA Database
- Sales Issues - Data Mart

*The **CSA Database program** is the Logistics Center’s primary mechanism for data related to corrective and preventive actions.

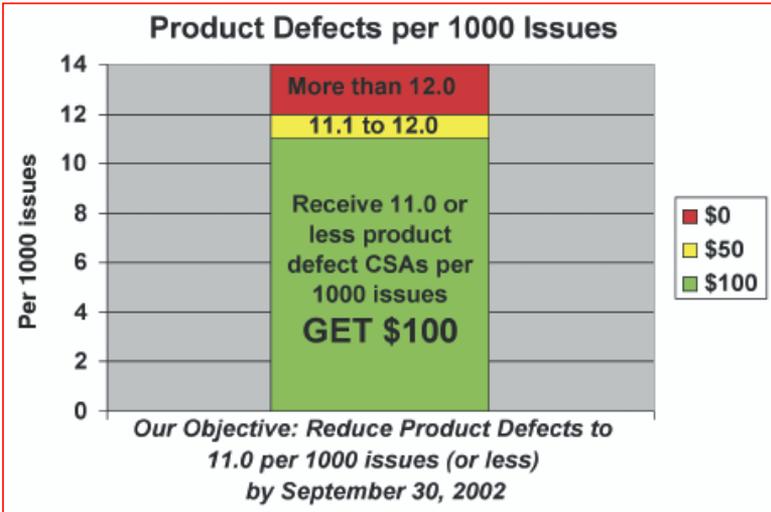
How can I help?

We receive products for our shipping cycle from both internal and external sources. How we **execute** the shipping process determines our success. How can you best contribute to the success of the shipping cycle? Here are some examples:

- **Inventory Manager:** When processing orders, validate the NSN, part number, and description to make sure they're still correct. ("What once was may not be true today!")
- **Technician:** Make sure that the items you work are properly identified with part number and serial number. This will help ensure the correct item is debited into stock and, ultimately, sent to the customer.
- **Production Controller:** When staging items for pickup, always ensure the right paperwork goes on the right item by double-checking the NSN and job order number. Doing so can help prevent our customer from getting the wrong item.
- **Distribution Center Personnel:**
 - When staging an item to ship, make sure the paperwork's voucher number matches the package's voucher number - all eight digits! Also, confirm that the correct label is on the correct package. Failure to do so could result in misdirected shipments.
 - If you notice an irregularity on an item being shipped (visible damage, for example), take action to make sure it doesn't go out the door.
 - When pulling, handling, or routing stock, **always** verify the complete NSN, quantity, and unit of issue.
 - Many items are packaged in similar containers and can easily be mistaken.
 - Not all items stored are individually packaged for shipment.
 - Verify quantities when receiving, pulling, and packing.
- **Customer Care Agent:** When generating a CSA, validate that the NSN, type request, and category are accurate for the circumstances being reported. (Improperly categorizing CSA tickets could negatively impact the accuracy of the data collected.)



Goal #2 - Reduce Product Defects



What does it mean?

So, **what are “Defective Products”?** “Defective Products” are those **product-**related CSA tickets concerning products sold and shipped from the Distribution Center (as reported by our external customers). As defined, “The item received does not operate to design specifications or item is incomplete. The item cannot be used for its intended purpose because of an operational failure or because of loose or missing components.” Issues for shop repair (transaction code 81s) and direct ship items are not included.

“**Defective products per 1,000 issues**” is the number of defects reported in the CSA database, divided by the number of total issues, and then multiplied by 1000. This includes **all priorities** shipped from the FAALC Distribution Center. Time for another formula:

$$\left(\frac{\text{Total Defective Products}}{\text{Total Issues}} \right) * 1,000 = \frac{\# \text{ of Errors per } 1,000 \text{ issues}}$$

Data Sources:

- Defective Products - CSA Database
- Sales Issues - Data Mart

How can I help?

This goal relates to complaints of a product **quality** nature. What can you do in a normal day to help ensure the quality of the items we provide?

- **Inventory Manager:** On **commercially repaired** items, if you discover a certain supplier's part is inferior, take action to remove the inferior material and replace it with good merchandise. If you receive a complaint about a **shop-repaired** item, consult with the equipment experts to solve the problem.
- **Technician:**
 - When you're working on an item, handle it properly by following all ESD procedures, ensuring the physical condition of the product - that it's free of dust, grime, and residue.
 - If you identify multiple CSAs (same NSN) from the same site, take action to investigate and correct the problem.
- **Production Controller:** If you're staging a delicate piece of electronic equipment for pickup, ensure the item is adequately protected for the trip back to the Repack area.
- **Distribution Center Personnel:** Handle, store, and pack material properly.
 - If an accident happens, have the asset checked for serviceability.
 - Store stock in item-appropriate locations (i.e. consider weather, temperature, and hazardous requirements).
 - Properly package asset in accordance with the packaging standard.
- **Customer Care Agent:** When generating a Warranty Request CSA, validate that the item in question meets all of the criteria for FAALC Warranty. (Improperly categorizing CSA tickets could negatively impact the accuracy of the data collected.)
- **Contracting Officer:** Select only **quality** suppliers (those on the Qualified Vendor's List and/or ISO-certified, when possible).

Goal #3 - Increase Superfast Delivery Success



What does it mean?

So, **what's this "Superfast Delivery Service"**? The Superfast Delivery Service is defined to our customers this way:

Any order received by 2:00 pm Central Time on a business day will be shipped the same day. This includes all priorities for the FAA Logistics Center in-stock items. It excludes DLA, GSA, DoD, vendor direct shipped items, and items frozen due to inventory counts.

Superfast success rate is the percentage of issues (meeting the criteria) that are shipped the same day. Both Inventory Manager time and Distribution Center time are included. Of course, a **formula** may help:

$$\left(\frac{\text{Total Issues Shipped the Same Day}}{\text{Total Issues}} \right) * 1,000 = \% \text{ Successful}$$

Data Sources:

- Shipping Time - CDS Database
- Requisitions received time - LIS

How can I help?

The Superfast Delivery service is intended to get items in our customers' hands as quickly as possible. What can **you** do to help **ensure** our success?

- **Inventory Manager:** Be diligent in working queues, keeping in mind items must still be pulled, packed, and shipped (these take time!) Backups should work queues as often as they work their own. Use Management Code 9 (unrestricted item) on NSNs whenever possible. This will help speed shipment. If you know an item needs to be tuned or calibrated before shipment, take steps to ensure it moves through the process properly.
- **Technician:** If a serviceable item (ordered under Superfast) comes to you for tuning or calibration before shipment, do your best to expedite it.
- **Distribution Center Personnel:**
 - Keep backlogs to a minimum in inspection, repack, and storage. If work piles up to the point you won't be able to meet the Superfast promise, ask for help!
 - Make sure paperwork is properly documented with measurements and weights before taking the paperwork to shipping. Failure to do so can cause significant delays.
- **Anyone:** The Superfast Delivery service specifically relates to shipment of in-stock items. But **beyond this**, what are you doing to ensure merchandise is **on the shelf** and **available** for shipment to our customers?



Goal #4 - Increase Margin from Operations



What does it mean?

The “bottom line” **is the bottom line!** In the commercial world, they’d call it “net income”. Under Revolving Fund, we call it “Margin from Operations”. It’s the difference between all we take in and all we spend - “Sell more, and spend less.” Like profit...only government!

Yes, you guessed it. **The Formula:**

$$\frac{\text{Sales} - (\text{Cost of Goods Sold} + \text{Expenses})}{\text{Sales}} = \text{Margin from Operations (in\%)}$$

For example, if we spend \$195.00 to produce an item (including parts, labor, and other expenses) and we sell it for \$200, our “Margin from Operations” is the difference, \$5.00. Translated into a percentage of the sales price, that’s 2.5%. If we attain that 2.5% (or higher) overall, **we’ve reached the \$100 bonus level for this goal!** Here’s how it would look:

$$\frac{\$200 - \$195}{\$200} = \frac{\$5}{\$200} = 2.5\%$$

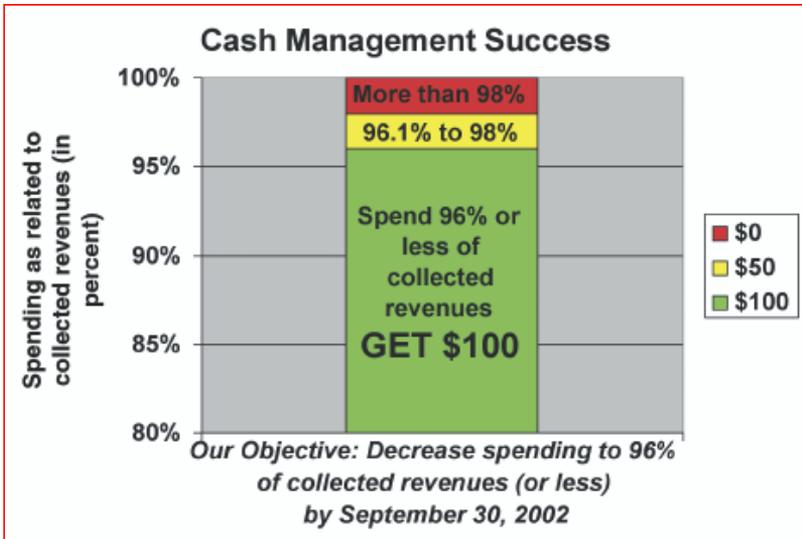
How can I help?

“Margin from Operations” is all about selling more, spending less, and the difference between the two. It puts a spotlight on efficiency and effectiveness. How can you help to lower costs and diminish waste?

- **Inventory Manager:** Be conscientious on stock buys (don't buy too much). When making a stock buy, use clear (good) part numbers, and work with contracting to select good vendors who can produce and deliver. Getting the wrong item or an incomplete item can be extremely costly! (If you have to do it twice, it costs twice the money!)
- **Technician:** Ensure piece parts are bad **before** you replace them. Ensure your direct labor time is accurately reflected on the work performed.
- **Production Controller:** By continually monitoring and managing workflow, you control the stream of assets in and out of the shops. If smooth flow stops, work stoppages or slowdowns could occur and production could decrease, which could result in reduced stock availability and, ultimately, reduced **sales**.
- **Distribution Center Personnel:**
 - Sometimes customers specify a particular carrier out of habit. If you suspect that a less expensive carrier will still satisfy the customer, call them and ask! It's not uncommon to save 30% on shipping this way!
 - Pack in accordance with the packaging standard. Excessive packing can be wasteful and expensive.
- **Anyone:**
 - Do an honest day's work for an honest day's pay.
 - Charge your time as accurately as possible. Giving away free services may be the difference between attaining this goal or not!
 - Universal Service Agreements (USAs) are a dynamic means to increase sales and improve our bottom line. For example, an FAALC Engineer who converts 500 hours per year from operating expenses to USA billable hours will increase sales by \$40,000. Do any USAs **already exist** that you can utilize? Can you identify an opportunity to develop a **new USA**?



Goal #5 - Cash Management



What does it mean?

The Cash Management goal is about our ability to **“live within our means”**. Simply put, if we spend 96% (or less) of what we take in, we get \$100!

At first glance, this goal may seem similar to the fourth goal, “Increase Margin from Operations”. However, “Cash Management” spending includes not only items we sell, but also **“investments”** - things we buy, but **don’t** sell (stock buys, for example).

How can I help?

- **Inventory Manager:** When the computer tells you to buy, don't take it at face value. Consider the age of the system, past demand, sources available, and the system's life expectancy to make an informed decision on a stock buy. **Stock bought but not sold still costs us and will have a direct, negative impact on reaching this goal!**
- **Technician:** When ordering bench stock, don't order 1,000 when 500 will do.
- **Production Controller:** Ensure that all items are kept at a cost-efficient stock level. Repairing too many of one item is both unnecessary and **costly!** We have to **pay** for it, even if we can't **sell** it!
- **Anyone:**
 - Keep office expenses to a minimum.
 - Be productive on your eight hours. Use overtime prudently.
 - Make sure contracts are properly structured (don't give away the farm), and look for opportunities to award long term arrangements with proven suppliers.
 - Select appropriate training. (Is that training that you **need**, or is it just training that you **want**?)
 - Postpone "nice-to-have" renovations.
 - Travel judiciously. Remember the phrase "**...most advantageous to the Government!**"



“Light Reading” (Reference)

The following references may prove helpful. They appear in the indicated DocuShare collection.

- **Financial Dictionary:** Corporate Knowledge Prototype / Financial Tools
- **Financial Statements:** Corporate Knowledge Prototype / Financial Tools / FY Month.ppt
- **Performance Charts:** Corporate Knowledge Prototype / Financial Tools / FAALC Monthly Performance Charts
- **Workforce Recognition:** Corporate Knowledge Prototype / Financial Tools / FAALC Monthly Performance Charts / Workforce Recognition Results / FY 2002 Results

*Graphic Design by FAA Information Media Division
405•954•4611
6500 South MacArthur Blvd.
Oklahoma City, OK 73169*