



NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

MBA PROFESSIONAL REPORT

**An Assessment of External Organizational Marketing at
Naval Aviation Depot (NADEP) North Island**

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December 2005**

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REPORT DOCUMENTATION PAGE			<i>Form Approved OMB No. 0704-0188</i>
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.			
1. AGENCY USE ONLY (Leave blank)	2. REPORT DATE December 2005	3. REPORT TYPE AND DATES COVERED MBA Professional Report	
4. TITLE AND SUBTITLE: An Assessment of External Organizational Marketing at NADEP North Island			5. FUNDING NUMBERS N/A
6. AUTHOR(S) Steven R. Christman			
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER N/A
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) Naval Air Depot North Island P. O. Box 357085, San Diego, CA 92135-7085			10. SPONSORING / MONITORING AGENCY REPORT NUMBER
11. SUPPLEMENTARY NOTES The views expressed in this report are those of the author(s) and do not reflect the official policy or position of the Department of Defense or the U.S. Government.			
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited			12b. DISTRIBUTION CODE A
13. ABSTRACT (maximum 200 words) The purpose of this project is to assess the competitive position of the Naval Aviation Depot at North Island (NADEP North Island) within the defense aircraft repair and re-work industry and offer recommendations for an external marketing plan that will reduce threats to the organization and enhance its competitive position. This project was conducted with the assistance of NADEP North Island. The goals of this project are to assess the competitive position of NADEP North Island, to identify threats to the organization, and then to offer recommendations for external organizational marketing that will reduce or mitigate these threats to the organization. The organizational marketing campaign should serve to strengthen external stakeholder interest in NADEP North Island, thereby reducing threats to the organization and increasing its competitive position in today's unique defense environment.			
14. SUBJECT TERMS NADEP North Island-Organizational Marketing-Public Affairs-BRAC- Depot Caucus			15. NUMBER OF PAGES 93
			16. PRICE CODE
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UL

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**AN ASSESSMENT OF EXTERNAL ORGANIZATIONAL MARKETING AT
NADEP NORTH ISLAND**

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Submitted in partial fulfillment of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

from the

**NAVAL POSTGRADUATE SCHOOL
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ABSTRACT

The purpose of this MBA project is to assess the competitive position of the Naval Aviation Depot at North Island (NADEP North Island) within the defense aircraft repair and re-work industry and offer recommendations for an external marketing plan that will reduce threats to the organization and enhance its competitive position. This project was conducted with the assistance of NADEP North Island. The goals of this project are to assess the competitive position of NADEP North Island, to identify threats to the organization, and then to offer recommendations for external organizational marketing that will reduce or mitigate these threats to the organization. The organizational marketing campaign should serve to strengthen external stakeholder interest in NADEP North Island, thereby reducing threats to the organization and increasing its competitive position in today's unique defense environment.

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ACKNOWLEDGMENTS

This work would not have been possible without the guidance of my thesis advisors Becky Jones and Dr. Keith Snider and the cooperation of Linda Garcia and Triet Nguyen at NADEP North Island.

To Amy and Alexander: Thank you always for your love, patience, support and understanding.

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I. INTRODUCTION

A. BACKGROUND AND SCOPE

Established in 1919, the Naval Aviation Depot (NADEP) North Island is nearly as old as Naval Aviation itself. It is a part of Naval Aviation's proud heritage, and an organization that contributes directly to the operational readiness of Naval Aviation due to the wealth of technological and manufacturing expertise that it delivers to the fleet.¹ NADEP North Island is the West Coast's primary overhaul and re-work facility for many mission essential fighter, rotary wing and patrol aircraft of the Navy and Marine Corps. It is one of 7 government owned depots that perform "core logistics functions" which contribute to America's industrial base.² Despite NADEP North Island's history, contributions to NAVAL Aviation and the readiness of fleet aviation forces, the uncertain political and defense environment of the past decade have caused even the most capable organizations within the Department of Defense (DOD) to question their future.

In the not so distant past, America's defense agencies, commands and bases could keep to themselves and exist by simply doing their jobs well. Today, in an environment characterized by threats that include Base Realignment and Closure and shrinking defense budgets, it may be appropriate for agencies within the Defense Department such as NADEP North Island bring attention to their organization through organizational marketing. Public Affairs and marketing activities that focus on use of the media to reach key external stakeholders in the local community, state and federal governments seek to convey the value, capabilities, and contribution of an organization to national security. In today's volatile defense environment characterized by political strife, military "transformation," fiscal constraint and a trend towards more outsourcing of government work, external organizational marketing may reduce threats to an organization and is more important to the health and survival of organizations within DOD than in years past.

¹ Best Practices, *Naval Aviation (NAVAIR) Depot, North-Island-San Diego, CA: Survey Summary*, 04/14/2004, www.bmpcoe.org/bestpractices/internal/nadep/summary, (last accessed 07/26/2005).

² Title 10 USC, Ch 146, Part IV, Sect 2464, and (last accessed 8/20/2005).

B. PROJECT PURPOSE

The purpose of this MBA project is to offer recommendations for an external marketing plan that will reduce threats to NADEP North Island and enhance its competitive position. These recommendations will be reached by assessing the competitive position of the Naval Aviation Depot at North Island (NADEP North Island) within the defense aircraft repair and re-work industry. This project was conducted with the assistance of leaders at NADEP North Island who desired an outside look at their organization through a marketing lens.

C. RESEARCH ASSUMPTIONS

Because of NADEP North Island's complex nature, massive size, multiple products, and diverse customer base, attempting to apply one marketing tool to capture all of these elements would be shallow and general at best. As such this project will not focus on the marketing mix (Product, Price, Place, and Promotion) of NADEP North Island or attempt to provide one marketing tool to capture all of NADEP's diverse products. Instead, this project will address the concept of external organizational marketing as it applies to NADEP North Island in today's challenging defense environment.

For the purpose of this project and because the term is used often, we will define *organizational marketing*. In his book "A Framework for Marketing Management," marketing expert Philip Kotler addresses marketing as it applies to an entire organization. Kotler states: "organizations must work to build a strong, favorable image in the mind of their public and boost their public image to compete more successfully for audiences and funds."³ While Kotler's work addresses marketing in the private sector, this project will

³ Kotler, Philip, *A Framework for Marketing Management (Second Edition)*, Pearson Education, Inc. 2003.

apply Kotler's concept of organizational marketing to a public depot. Understanding of this concept is critical to the formulation of an organizational marketing strategy for NADEP North Island that, at its core, should seek to boost the organization's public image and involve key stakeholders to reduce threats and enhance its competitive position.

D. RESEARCH OBJECTIVES

The goals of this project are to assess the competitive position of NADEP North Island, to identify threats to the organization, and then to offer recommendations for external organizational marketing that will reduce or mitigate these threats to the organization. The organizational marketing campaign should serve to strengthen external stakeholder interest in NADEP North Island, thereby reducing threats to the organization and increasing its competitive position in today's unique defense environment.

E. EXPECTED ACCOMPLISHMENTS THAT SHOULD RESULT FROM THIS PROJECT:

The following accomplishments should result from this research project:

1. Through historical analysis of BRAC 1995 and changes in DOD since the end of the Cold War, illustrate the critical reliance of NADEP North Island on the American political process. Specifically, highlight the threats and protections afforded by Congress and Title 10 of the United States Code and other legislation.
2. Assess the current marketing efforts of NADEP North Island.

3. Present recommendations for implementation of an external organizational marketing campaign at NADEP North Island that may increase stakeholder involvement with the organization.
4. Present a case highlighting the necessity for a dedicated professional to carry out external organizational marketing at NADEP North Island.

F. CONTENT OF CHAPTERS

Following this, the introductory chapter, this project will be structured into four remaining chapters. Chapter II provides analysis of the internal environment of NADEP North Island. It begins with a brief history and presents information that will be expanded upon in later chapters. This chapter will serve to inform general audiences about NADEP North Island, characteristics of the organization and the nature of work in government owned and operated depots. Chapter II will also address the customer environment of NADEP North Island and will include analysis of its mission, resources, command relationships and key customers. Chapter II concludes with analysis of the product-mix, pricing, competition, value proposition, and current marketing efforts of NADEP North Island.

Chapter III focuses on examination of the external environment in which NADEP North Island must compete. This will be accomplished by using the "PEST Environmental Assessment tool" (Appendix 1: Political, Economic, Social, and Technological) to identify key external forces that act upon NADEP North Island in its industry. Chapter III pays particular attention to political forces, the greatest of all PEST factors in this analysis, and offers a historical perspective on past political threats to government depots that arose from BRAC of 1995. Additionally, it addresses protections and constraints offered by Title 10 of the United States Code (USC) as it relates to the competitive position of NADEP North Island and offers brief mention of the House Armed Services Committee (HASC) Depot Caucus as the principal champion of government depots.

Chapter IV presents an organizational marketing strategy for NADEP North Island. The chapter begins by reviewing current marketing efforts at NADEP North Island. The "SWOT Analysis tool"⁴ will then be used to identify strengths, weaknesses, opportunities or threats (SWOT) that result from NADEP North Island's internal and external environment examined in Chapters II and III. Chapter IV continues with analysis of key stakeholders that act upon NADEP North Island and may be influenced by external organizational marketing. To do this the "Diagnostic Typology of Organizational Stakeholders" (DTOS)⁵ matrix will be utilized. A marketing strategy is then presented that emphasizes strengths of NADEP North Island and seeks to mobilize critical stakeholders to reduce threats to NADEP North Island and enhance its competitive position. Chapter IV also contains a brief case study of the Portsmouth Naval Shipyard, a three-time BRAC survivor. The case study demonstrates the power and effectiveness of external stakeholder support and aggressive use of the public media to carry out external organizational marketing. Chapter IV concludes with recommended marketing actions for NADEP North Island to raise stakeholder interest and support. Finally, it emphasizes the need for a dedicated professional at NADEP North Island to implement external organizational marketing.

Chapter V is this work's final chapter and offers concluding comments. It reinforces the topics covered, offers final recommendations and suggested areas for further study.

⁴ J. M. Strategic Planning for Public and Non-profit Organizations. San Francisco: Jossey-Bass

⁵ Savage, Grant T., Nix, Timothy W., Whitehead, Carlton J., Blair, John D. *Strategies for Assessing and Managing Organizational Stakeholders*, The Executive, 05/01/1991.

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II. NADEP NORTH ISLAND

A. INTERNAL ENVIRONMENT

1. History

NADEP North Island began as what was once the Curtiss Aviation Camp in 1910. During that year Naval Aviation was born when the first designated Naval Aviator, Lieutenant Theodore Ellyson was transferred to the Curtiss camp in San Diego to begin initial flight training. The relationship between Naval Aviation and Curtiss Aircraft continued for many years until the Naval Aviation Depot was formally founded in 1919 and named the "Assembly and Repair Department of the Naval Air Station." In 1969 the Depot was renamed the "Naval Air Rework Facility." The depot changed to its current name in 1987.⁶ Today, it employs nearly 4000 highly skilled personnel and is the largest aerospace employer in San Diego County. Since its inception the goal of NADEP North Island has been to provide top quality aviation support to "warfighting" Navy and Marine Corps aviation units.

2. Organizational/Command Relationships

NADEP North Island is subordinate to the Naval Air Systems Command headquartered at Patuxent River, Maryland, which is the engineering, acquisition and logistical branch of Naval Aviation. NADEP North Island and two other Naval Aviation Depots, one at Jacksonville, Florida, and another at Cherry Point, North Carolina, operate as three separate business units of NAVAIR within the continental United States. Each NAVAIR depot maintains a critical role in the mission readiness of the United States Navy's aviation fleet by providing integrated logistics, engineering and maintenance services for operational aircraft, systems, components and engines. Representatives from NADEP North Island and each of the Naval Aviation depots act as members of an overarching NAVAIR board of directors. This board acts as the organization's executive

⁶"Best Practices..."

body that sets NAVAIR policy and drives a corporate strategy that will best support and enhance the readiness and operational effectiveness of Naval Aviation as a whole.

At the organizational level, NADEP North Island is led by its executive steering committee (ESC), headed by the NADEP Commanding Officer who acts as that business unit's Enterprise Leader. Other members include the Command Executive Officer, Plant General Manager, the Director of Product Management, Executive Director of Product Management, the Director of Quality and other department heads in the areas of logistics, engineering, corporate operations, comptroller/finance, and legal.

3. Mission/Mandate and Purpose of NADEP North Island

The mission statement of NADEP North Island emphasizes its contribution to the readiness of fleet operational forces and the depot's commitment to providing quality products and services to its warfighting customers.

NAVAIR Depot North Island is NAVAIR's West Coast Aircraft Depot specializing in the support of Navy and Marine Corps aircraft and related systems. Through partnership with industry, other government agencies and supporting aerospace organizations, NAVAIR Depot North Island repairs and overhauls aviation systems with which our warfighters can "Reign supreme, Return in glory."⁷

This mission statement was shortened for use in the Depot's own strategic business plan, stating that the command mission of NADEP North Island is to:

"Provide top quality products services at the best value in the fastest time."⁸

At its core, the purpose of NADEP North Island is to provide fleet operating forces with state of the art aviation support by offering repair, engineering, and manufacturing capabilities that are beyond the capabilities of fleet units and comparable to the technical capabilities of major aircraft manufacturers. NADEP North Island is an essential asset to the fleet that produces mission ready aircraft for the defense of our nation.

⁷NADEP North Island Homepage at www.nadepni.navy.mil (last accessed 7/15/2005).

⁸Naval Air Depot North Island 2003 Application for U. S. Senate Productivity Award

4. Organizational Resources

NADEP North Island possesses many intellectual and capital resources that enable it to achieve its mission. Located on the northern tip of Coronado Island aboard the Naval Air Station (NAS) North Island, NADEP North Island has easy water access to San Diego Harbor and its associated port facilities as well as to the runways, taxiways and hangars of the air station. The depot's approaches by sea and air are unmatched by any other depot level maintenance facility employed by NAVAIR, and affords the depot proximity to many of the Navy's tactical jet and rotary wing squadrons as well as the carrier battle groups home ported at NAS North Island. NADEP North Island is also strategically located near Marine Corps Air Station (MCAS) Miramar, and other Marine aviation units aboard Camp Pendleton Marine Corps Base and is only a short flight for the jet aircraft that it supports at NAS Fallon, Nevada.

The depot occupies 358 acres aboard NAS North Island and possesses 71 buildings, 6 hangars, and 2,386,939 square feet of available building space available for expansion, with an estimated total value of \$1.3 billion.⁹ Presently many of these facilities lie unused and exist as an industrial reserve so that in time of war the depot may surge to employ additional contracted workers to increase production.

5. Human Capital

The heart of NADEP North Island is its people. The depot employs nearly 4000 personnel. Approximately 2500 of these workers are highly skilled production artisans and production support employees whose labors are essential for NADEP's value delivery to its customers. Another 1000 of NADEP's personnel consist of the engineers, scientists and logisticians who provide the intellectual capital that fuels NADEP and keeps it competitive with the best private and public sector manufacturing facilities in the nation.¹⁰ The remainder of the NADEP workforce is comprised of active duty military personnel who serve a vital liaison function with the U. S. Navy in addition to

⁹Naval Air Systems Command Homepage at www.navair.navy.mil, (last accessed 7/16/2005).

¹⁰Naval Air Depot North Island 2003 Application for U. S. Senate Productivity Award

administrative and support personnel who provide business expertise in accounting, financial support, strategic business planning and management that help guide the organization.

Unlike most military commands that experience significant personnel turnover from year to year, NADEP employees have an average of 19 years work experience as a population. This greater continuity within the workforce provides NADEP North Island a level of technical expertise that is not typically found at the operational maintenance level. This enables NADEP North Island, like other NAVAIR depots nation-wide, to perform work that is impossible to duplicate at the operational or intermediate maintenance levels within Navy and Marine Corps warfighting units. In comparison, constrained by three year tours of duty and young often inexperienced service members, most Navy and Marine Corps fleet aviation units lack the educated, long-tenured and expert personnel to perform the work that is accomplished by depot personnel. As such, these commands require an organization such as NADEP North Island to perform the most complex engineering and manufacturing tasks that are required to overhaul and rebuild what are the most complex weapon systems in the world: our aviation assets.

6. Culture of Learning and Process Improvement

Education, training, and retention of its critical human resources are of the greatest importance to NADEP North Island. Senior leaders of the organization have gone to great lengths to foster a culture of learning and constant improvement through various employee training and empowerment programs. Included among these employee development programs are a tuition reimbursement program for all employees. Additionally, the "School to Career Program," "Artisan Apprentice Program," "Senior Executive Management Program," "Certification Integrated Resource Management," and "Performance Recognition Program" all ensure the professional development and grooming of an empowered, dedicated, and educated workforce.¹¹ At every level

¹¹Naval Air Depot North Island 2003 Application for U. S. Senate Productivity Award

NADEP North Island shows great dedication to its people and recognizes them as the most significant source of its organizational strength.

Maintaining the status quo in any business environment is the first step to extinction. While committing the organization to learning and process improvement to refine its core engineering and manufacturing competencies, leaders at NADEP North Island have also sought competition in the manufacturing industry to measure NADEP's performance against companies in the private sector. In recent years NADEP North Island has fared well in these competitions. It has earned many awards that include: the 2002 Chief of Naval Operations environmental Quality Industrial Installations Award, earned for top compliance with EPA regulations; the 1996 Total Excellence in Management Award from the San Diego Business Journal; the 1994 California Women in Government Award; the 1993 Rochester Institute of Technology/USA Today Quality Cup Award; the 2002 Secretary of Navy Hispanic Award; and the 2002 White House Closing the Circle team Award-Continuous Improvement. Most impressively, NADEP North Island won the prestigious 2001 and 2003 California U.S. Senate Productivity Award for Manufacturing. In both years, NADEP North Island was recognized as the best large manufacturing company in all of California among the public and private sector for all categories of manufacturing.¹²

In addition to these achievements, NADEP North Island, in 1999, became the first DOD organization to achieve ISO 14001 compliance and achieved ISO 9000:2000 compliance in several business units. In 2001 the NADEP North Island publication library became the first DOD agency to achieve ISO 9000-2000 compliance.¹³ Most recently, in 2004, a joint team with representatives from NADEP North Island won the NAVAIR Commander's Award in two categories. In the category of logistics/industrial the NAVAIR Airspeed team was recognized for its use of Theory of Constraints, Lean Manufacturing and Six Sigma to vastly reduce aircraft rework cycle times. In the category of business operations the joint NAVAIR Airspeed team with NADEP North Island representatives also won the NAVAIR Commander's Award when its landing gear

¹²"Best Practices...

¹³Naval Air Depot North Island 2003 Application for U. S. Senate Productivity Award

shop reduced cycle time by 68%. In 2004 NADEP North Island also received the Chief of Naval Operations Award for Environmental Quality.¹⁴

B. CUSTOMER ENVIRONMENT

1. NADEP North Island's Product Mix

The product mix offered by NADEP North Island is vast and varied. All require a great deal of manufacturing and technical expertise that is unique to military depot level maintenance facilities such as NADEP North Island and are organically unavailable to the warfighter at the operational level or elsewhere within DOD. NADEP North Island provides a variety of goods and services to the warfighter. Major goods include finished overhauled aircraft, aircraft components, and marine application gas turbine power-plants. Major services rendered by the depot include engineering, manufacturing, logistical support, and field service support to the warfighter. Each of the depot's products are managed by NADEP Strategic Business Team (SBT) Program Managers who are responsible for meeting program financial and cost goals. SBTs report to the NADEP Executive Steering Committee to maintain program alignment with overall enterprise strategic goals while at the same time maintaining critical interface with the customer base.

While other depots such as the NAVAIR depot in Jacksonville Florida focus on the overhaul of aircraft engines and power-plants, NADEP North Island focuses on the complete disassembly, overhaul, upgrade, and reassembly of U.S. Navy and Marine Corps aircraft. It is airframe overhaul of these tactical aircraft (what are perhaps the most complex machines in the world) that is the core competency of NADEP North Island.

Of all airframe programs at NADEP, none is more important to the depot than its F/A-18 Hornet program. NADEP North Island is responsible for the overhaul and rework of all Navy and Marine Corps' F/A-18 aircraft fleet-wide and completes roughly 80 air vehicles each year. Its expertise in the overhaul of this aircraft rivals even that of

¹⁴ Falcon, Vicky, *NAVAIR Recognizes Outstanding Teams*, 07/01/2004, NAVAIR Public Affair, www.dcmilitary.com, (last accessed 11/16/2005).

the Boeing/McDonnell Douglas team, the Hornet's original manufacturer, a fact made apparent by the depot's innovative F/A-18 Center Barrel replacement program.

The program began when the Navy approached private industry for solutions to repair the center barrel assembly of an F/A-18 aircraft that was severely damaged during a hard landing in carrier qualifications. When the Navy was told by the Hornet's manufacturer that the repair was possible but not realistic from a cost standpoint and that it would cost 4 years and \$16 million to complete, it turned to the depot. Reliant upon its own in-house engineers, artisans, and logistics experts, NADEP was able to complete the task in 18 months at a cost of only \$4 million.¹⁵ The resultant cost savings to the fleet and the taxpayer has been enormous because it prevented the scrapping and re-procurement for what were thought to be un-repairable aircraft worth \$30 Million each. Through 2012 NADEP North Island expects to complete 350 center barrel replacements which would amount to a costs savings of \$9.1 billion over re-procurement of de-commissioned aircraft.

In addition to the F/A-18 tactical fighter aircraft, NADEP North Island also specializes in re-work and overhaul of many other fleet aviation assets. These include the E-2 Hawkeye, S-3 Viking, and C-2 Greyhound fixed wing aircraft as well as Marine AH-1W Super Cobra, UH-1N Huey, and Navy SH-60 Seahawk rotary wing aircraft. In 2002 the Depot completed 85 overhauls of F/A-18 tactical fighters, 6 E-2C Hawkeyes, 7 C-2 Greyhounds, 27 S-3 Vikings, 32 SH-60 Seahawks, and 27 UH-1N/AH1W Helicopters.¹⁶

Many of the Navy and Marine Corps legacy weapons platforms such as the E-2C Hawkeye are so old that an adequate parts supply system for these aircraft no longer exists. This lack of replacement parts is a serious problem to operators throughout the fleet. It also challenges the depot and original equipment manufacturers (OEMs) who must overhaul the aircraft and restore it to like new condition or provide other logistical and servicing support. NADEP North Island maintains an in-house component manufacturing program that helps to solve this problem. The depot possesses the

¹⁵Naval Air Depot North Island 2003 Application for U. S. Senate Productivity Award

¹⁶Naval Air Systems Command Homepage at www.navair.navy.mil, (last accessed 7/16/2005).

capability to repair 35,000 flight critical components used on Navy and Marine Corps aircraft throughout the fleet. It produces approximately another 60,000 components that are either used in-house by NADEP artisans during aircraft overhaul or leveraged to the Navy supply system to maintain parts inventories.¹⁷ The depot achieves these results through the use of state of the art manufacturing processes such as its "Pro E" system which creates parametric solid models for parts, and its "Surf Cam" software which has reduced work steps in manufacturing operations by developing optimized pathways for machining tools.¹⁸

In addition to these products, NADEP North Island offers several state of the art manufacturing, engineering and logistical services to the fleet that have grown from its formidable manufacturing and aircraft repair programs. NADEP is a leader within DOD for its expertise in composite materials repair of advanced aerospace surfaces. Additionally, the depot's materials laboratory is the only U. S. Navy lab with the capability to engineer and laser test high performance aircraft tires. The Navy Primary Standards Laboratory offers calibration services that are nearly the equal of those offered by the preeminent National Institute of Standards and Technology. Further, NADEP also provides maintenance support for sophisticated aircraft avionics and communications systems such as forward looking infrared systems (FLIR) and inertial navigation systems (INS) that are vital to the mission effectiveness of many fighter and rotary wing attack aircraft. Finally, the Depot is the U.S. Navy's supplier for repair and overhaul maintenance of the LM2500 industrial aero derivative gas turbines, which provides propulsion power for a number of U.S. Navy, ships including the fleet of DDG destroyers.

As part of providing the highest level of support to the fleet, NADEP North Island is able to deploy many of its services to its Navy and Marine customers fleet-wide through its Field Service and Voyage Repair Teams. Field Service Teams "deliver aircraft depot repair capabilities directly to squadron sites anytime, world-wide, ashore or

¹⁷Naval Air Systems Command Homepage at www.navair.navy.mil, (last accessed 7/16/2005).

¹⁸"Best Practices..."

afloat."¹⁹ Depot Field Service support is realized through NADEP North Island's use of the Integrated Maintenance Concept (IMC).

IMC is a program that is an extension of NAVAIR's "long-range fleet maintenance strategy."²⁰ Through this program, NADEP sends the engineering, repair and manufacturing expertise of its experienced and highly skilled artisans abroad to the major Naval and Marine Corps Air Stations in the West. NADEP IMC service detachments exist at Marine Corps Air Stations (MCAS) Camp Pendleton, MCAS Miramar, locally at NAS North Island, to NAS Whidbey Island in Washington, MCAS Kaneohe Bay in Hawaii, and NAS Fallon Nevada. By taking critical depot repair and engineering skills on the road to the customer, the IMC program provides the highest levels of readiness and even greater service to the Navy and Marine Corps' premier warfighting aviation units. As an ultimate expression of its support to the warfighter, NADEP North Island has deployed personnel to airfields in Iraq and Afghanistan to support Navy and Marine aviation forces in the Global War on Terror.

The Depot's Voyage Repair teams are similar in nature to the Field Service/IMC programs that support Navy and Marine aviation units and provide the U. S. Navy's surface forces with the same degree of mobile service and highly technical maintenance support. Voyage Repair teams deploy throughout the globe to overhaul the catapult, arresting gear equipment, and other systems critical to the aircraft carriers of the U.S. Navy's Pacific Fleet.

2. Value Proposition of NADEP North Island

While delivering this diverse product mix to the customer, NADEP North Island pursues one underlying goal: to enhance the operational readiness of its customers. It seeks to accomplish this by delivering products to the warfighter that are:

- Safe and reliable
- Integrated to support the mission of the customer

¹⁹NADEP North Island Homepage at www.nadepni.navy.mil, (last accessed 7/28/2005).

²⁰Naval Air Systems Command Homepage at www.navair.navy.mil, (last accessed 7/16/2005).

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3. Customer Base

The Depot's key customers are viewed by the organization to be internal or external customers. Internal customers consist of the warfighters of the U. S. Navy and Marine Corps. Operational surface and aviation units within the department of the Navy are reliant upon the depot for the prodigious industrial and technical capability that it brings to the table. The products and services of NADEP are critical to the operational readiness of these forces that contribute directly to our national defense. NADEP North Island exists to maintain and support weapons systems that are ready for this task.

The second major customer grouping of NADEP North Island consists of many organizations within DOD. One such customer is the U. S. Navy Supply System. The Depot's component manufacturing program produces commercially unavailable aircraft parts that are distributed through the U.S. Navy Supply System to support fleet operating units. In addition to being a customer, part of the Navy supply system, the Fleet Industrial Supply Center (FISC), is also a supplier and partner of NADEP. It acts as a supplier of raw materials, office supplies, and standard parts to the depot and functions as the Depot's materials manager. Other external customers include the Naval Sea Systems Command (NAVSEA), NAVAIR, and even other Military Services to include the Army, Air Force and United States Coast Guard.

Recently, the Depot has uncovered other avenues to expand its customer base. One such area is in the area of maintenance and service support to allied foreign nations. The Spanish Air Force, because of favorable referrals from U. S. F/A-18 operators, selected NADEP North Island over several other competitors to perform modifications and overhaul of its F/A-18 Hornet fleet. Because of this, foreign military support may prove a valid future source of business for the Depot.

Ironically, many of NADEP's fiercest competitors are also becoming customers and partners. Relationships with OEMs and other commercial companies are emerging

²¹Naval Air Depot North Island 2003 Application for U. S. Senate Productivity Award

as another potential customer base for NADEP North Island. This can be seen through the recent Performance Based Logistics partnership that was brokered between the Depot and Boeing Aircraft Company. It is an arrangement in which NADEP North Island will perform component repair for Boeing's E and F models of the F/A-18 "Super Hornet" and should provide for significant amount of future work for the Depot.

4. Competition: Alternatives to the NADEP North Island Product

Alternatives to the NADEP products exist to some degree at the other NAVAIR depots. While they may have similar engineering, manufacturing and production capability, the other depots do not share NADEP North Island's corporate knowledge and hands-on experience with the LM2500 Gas Turbine Engine, E-2C, C-2, and AH-1W. As such NADEP North Island is the sole source for repair and servicing of these systems. For the most part each NAVAIR depot tends to specialize in certain airframes and the components and programs that support them. However, some product overlap does occur.

Repair and overhaul service for the UH-1N is also available at NADEP Cherry Point North Carolina. This depot also provides extensive engineering and logistical support for the Navy rotary wing community at large and is the Navy's center for excellence for rotary wing operations. Additionally, NADEP Cherry Point has its own components manufacturing programs similar to that of NADEP North Island.

Other overlap exists. Overhaul of F/A-18 and SH-60 aircraft is also conducted at NADEP Jacksonville Florida; however, this depot completes significantly less of these models each year than does NADEP North Island. Component repair is also performed at NADEP Jacksonville but at about half the capacity of North Island. A calibration, standards and measurements laboratory also exists at NADEP Jacksonville. In most cases where duplicate product sources and capabilities exist, it should be noted that the various depots under NAVAIR support operations in their geographic areas. NADEP North Island supports the Pacific Fleet and the West Coast while NADEP Jacksonville supports primarily the Atlantic Fleet and the East Coast of the United States.

The depot level maintenance facilities of the U. S. Army and USAF exist as yet another alternative to the aviation products and capabilities produced by NADEP North Island. The Corpus Christi Army Depot, located aboard NAS Corpus Christi Texas is a joint provider of aircraft overhaul services to the U. S. Army, U. S. Marine Corps, Navy and Air Force. As the sole organic helicopter re-work facility in the Army, 30% of this organization's work is performed for other services and specializes in the overhaul of AH-1W Super Cobras, UH-1N Hueys, and SH-60 helicopters.²² Like the depots under NAVAIR this depot also possesses the capability to re-work and manufacture aircraft component parts for these various aircraft models.

The depot maintenance facilities of the U. S. Air Force also conduct work similar to that of NADEP North Island and possess similar production and engineering capabilities. They however lack direct experience with the aircraft types specific to the Navy and Marine Corps nor do they possess Voyage Repair Teams and other programs that deal specifically to support naval surface forces. These factors have not prevented competition between depots of the Navy and Air Force but an advantage does seem to exist for the organization with greater experience in a particular airframe. This was illustrated in 1994 when NADEP North Island lost the contract for F/A-18 repair to an Air Force Depot but then won it back the following year because NADEP's ability to better perform the work in terms of cost, quality, and schedule.²³

Alternatives also exist to NADEP's ship systems support programs. Similar work is performed by the NAVAIR facility in Lakehurst, New Jersey that specializes in carrier aircraft launch and recovery systems such as catapults and arresting gear.

Outside of the DOD environment more alternatives to NADEP North Island products exist, primarily for aircraft systems, parts, and overhaul. In the past most OEM had little to no interest in the aircraft repair and overhaul business. Most were content to build their products and associated parts and then sell them to the government and had little interest in maintaining the aircraft by providing modification, repair or overhaul

²² Corpus Christi Army Depot (CCAD) at globalsecurity.org, (last accessed 9/18/2005)

²³Naval Air Depot North Island 2003 Application for U. S. Senate Productivity Award

work. With the downsizing of DOD from the mid to late 1990s, this has changed. NADEP North Island and other DOD depots face a growing threat from commercial aircraft and aircraft parts manufacturers. Of the three remaining major defense aircraft producers within the United States, Northrop Grumman and Boeing have shown a growing interest in offering repair and parts supply services to DOD to compensate for lost business volume from today's smaller defense industrial base. These companies represent a growing challenge to NADEP North Island particularly in the components manufacturing and overhaul product areas as well as by competing for performance based logistics contracts that may reduce Navy reliance on depot maintenance and support.

5. Product Pricing

Like other Navy depot facilities, NADEP North Island uses a cost recovery pricing strategy that is derived from the organization's use of the Navy Working Capital Fund (NWCF). The NWCF is a revolving fund that is designed to fund a continuing cycle of operations and is heavily reliant on a very detailed cost accounting system. During the course of its operations a depot is required to expend significant sums of money to pay employees, purchase materials, maintain facilities, and fund its various operating and overhead costs from doing business. Costs incurred are identified and allocated to a particular customer account. Capital spent during operations is then returned to the depots through billing of its customers. Two billing methods occur under the depot's NWCF system. During the time that work is in process, customers receive a "progress billing" that includes actual costs incurred plus estimated overhead amounts. When the project is complete the customer receives "final billing" that includes a pre-negotiated fixed amount or in the case of cost reimbursement projects, they are billed for actual work hours multiplied by the negotiated direct and indirect rates.²⁴

Because of the complex nature of depot work and the significant resources and hours required, rates and/or hours may change between the progress and final billing. This creates billing variances. This variance is then taken as a loss or gain by the depot

²⁴Cost Control Manual, Volume II, Chapter I, *Navy Working Capital Fund*, 10/01/1997.

in its accounting. Because the depot is a zero profit/cost recovery organization they then seek to offset these gains and losses by adjusting rates from one fiscal year to the next to stabilize rate variances. By its very nature, this pricing methodology gives the Depot significant cost savings advantages over its commercial competitors. The Depot gains further cost savings by using Government Furnished Property to the greatest extent possible and by purchasing through government suppliers such as FISC.

C. CHAPTER SUMMARY

This chapter has analyzed the internal environment of NADEP North Island, the nature of its business and the products it offers. Understanding the internal aspects of NADEP North Island will be necessary to conduct SWOT Analysis in Chapter IV and to craft a marketing strategy. Just as important is an understanding of the external environment that affects NADEP North Island. Together, by using these two lenses to examine NADEP North Island, we can more accurately assess its competitive position and obtain direction for an organizational marketing effort.

III. PEST: EXTERNAL ENVIRONMENT ANALYSIS

A. INTRODUCTION TO PEST

While the previous chapter examined the history, products and internal aspects of NADEP North Island, this chapter will focus on the external environment in which NADEP North Island exists. Analysis of NADEP North Island's external environment will be achieved through use of the PEST (Political Economic, Social, and Technological) Environmental Assessment tool (Appendix 1). The PEST tool is typically used to analyze "those factors external to the organization that are beyond the organization's direct control."²⁵ Analysis of the external environment is vital as it identifies the external forces that influence NADEP North Island within its industry.

B. POLITICAL ENVIRONMENT

Like every organization within DOD, NADEP North Island is subject to the powerful and unpredictable forces of the American political system. Three significant sources of political influence come from the mandates of federal law, particularly from Title 10 of the United States Code (USC), from decisions and actions of the Congressional Depot Caucus, and from decisions and actions of the Base Realignment and Closure (BRAC) Commission that has changed the face of America's base and force structure since the 80's.

1. Protection of U. S. Industrial Base under Title 10 USC

Of all external political forces that advantage NADEP North Island, none are as powerful and long-standing as Title 10 of the U. S. Code which sets forth general laws that pertain to the equipping, manning and structuring of the United States Armed Forces.

²⁵ Roberts, N. C., Class Notes on Environmental Assessment and PEST Analysis.

Of greatest interest to this discussion are the protections set in place by Title 10 to protect and preserve the defense industrial base of the United States by safeguarding military depots within DOD.

a Section 2501

Chapter 148 in part IV of Title 10 USC addresses these issues specifically in section 2501, stating the National security objectives concerning the Nation's technology and industrial base:

"It is the policy of Congress that the national technology and industrial base be capable of meeting the following national security objectives:

- (1) Supplying and equipping the force structure of the armed forces that is necessary to achieve:
 - (A) The objectives set forth in the national security strategy
 - (B) The policy guidance of the Secretary of Defense
 - (C) The future-years defense program submitted to Congress by the Secretary of Defense

- (2) Sustaining production, maintenance, repair, and logistics for military operations of various durations and intensity.

- (3) Maintaining advanced research and development activities to provide the armed forces with systems capable of ensuring technological superiority over potential adversaries.

- (4) Reconstituting, within a reasonable period, the capability to develop and produce supplies and equipment, including technologically advanced systems, in sufficient quantities to prepare fully for a war, national emergency, or mobilization of the armed forces before the commencement of that war, national emergency, or mobilization.

- (5) Providing for the development, manufacture, and supply of items and technologies critical to the production and sustainment of advanced military weapon systems within the national technology and industrial base."²⁶

Subparts 2, 3, 4, and 5 of the above excerpt are of most significance to this discussion. Included in America's defense industrial base are the organizations and facilities that provide the government's organic capability to maintain and produce its most complex weapons systems and also includes that portion of America's industrial base produced by commercial businesses. However, from these subparts it is difficult to clearly distinguish from where America's industrial capability should come.

b. Section 2464: Core Logistics Functions

The necessity for the United States government to maintain "core" logistics capabilities is addressed in Section 2464 of Title 10 which states:

- 1) It is essential for the national defense that the Department of Defense maintain a core logistics capability that is Government-owned and

²⁶ Title 10 USC, Ch 148, Part IV, Sect 2501, www.access.gpo.gov/uscode, (last accessed 08/20/2005).

government operated (including Government personnel and Government-owned and Government-operated equipment and facilities) to ensure a ready and controlled source of technical competence and resources necessary to ensure effective and timely response to a mobilization, national defense contingency situations, and other emergency requirements.

- 2) The Secretary of Defense shall identify the core logistics capabilities described in paragraph (1) and the workload required to maintain those capabilities.
- 3) The core logistics capabilities identified under paragraphs (1) and (2) shall include those capabilities that are necessary to maintain and repair the weapon systems and other military equipment (including mission-essential weapon systems or materiel not later than four years after achieving initial operational capability, but excluding systems and equipment under special access programs, nuclear aircraft carriers, and commercial items described in paragraph (5) that are identified by the Secretary, in consultation with the Chairman of the Joint chiefs of Staff, as necessary to enable the armed forces to fulfill the strategic and contingency plans prepared by the Chairman of the Joint Chiefs of Staff under section 153 (a) of this title.
- 4) The Secretary of Defense shall require the performance of core logistics workloads necessary to maintain the core logistics capabilities identified under paragraphs (1), (2), and (3) at Government-owned, Government-operated facilities of the Department of Defense (including Government-owned, Government-operated facilities of a military department) and shall assign such facilities sufficient

workload to ensure cost efficiency and technical competence in peacetime while preserving the surge capacity and reconstitution capabilities necessary to support fully the strategic and contingency plans referred to in paragraph (3).²⁷

To summarize Section 2464 of Title 10, the nation is required possess government owned and operated facilities that possess the capabilities to repair and maintain mission essential weapons systems and equipment required for the national defense. This capability exists and public depots such as NADEP North Island.

c. Section 2466: Limitations on the performance of depot-level maintenance

America must maintain both commercial and governmental industrial capability to design, manufacture, and maintain its most complex weapons system to support the National Defense. The question then arises: what portion of this capability should be available commercially or governmentally. Section 2466 of Chapter 146 of Title 10 mandates the percentage of America's industrial base that must be maintained organically within our depot structure. It delineates the type work that must be allocated to DOD depots, and limits the amount of work that may be performed by contracted commercial sources, expanding and clarifying the protections afforded to organic DOD depot structure such as NADEP North Island. Section 2466 of Chapter 146 of Title 10 states:

...Not more than 50 percent of the funds made available in a fiscal year to a military department or a Defense Agency for depot-level maintenance and repair workload may be used to contract for the performance by non-Federal Government personnel of such workload for the military department or the Defense Agency. Any such funds that are not used for such a contract shall be used for the performance of depot-level

²⁷ Title 10 USC, Ch 146, Part IV, Sect 2464, (last accessed 8/20/2005).

maintenance and repair workload by employees of the Department of Defense.²⁸

This provision of Title 10 is referred to as the "50/50 rule" and, although powerful, may be waived by the Secretary of Defense with notification to Congress if the waiver benefits national security. It affords NADEP North Island and DOD's other depots the greatest protection available under current law but has been under attack by proponents of outsourcing within the government including our current Secretary of Defense Rumsfeld. For work to be performed commercially, however, certain conditions must be met that are again outlined by Title 10.

d. Section 2469: Contracts to perform workloads previously performed by depot-level activities of the Department of Defense: requirement of competition

This section of Title 10 is the final section that will be discussed. It addresses the conditions required for work to be taken from a depot facility and outsourced to commercial agents. Section 2469 emphasizes OMB circular A-76's requirements for competition to obtain best value for the government if work is to be outsourced and not performed organically and states:

"...The Secretary of Defense shall ensure that the performance of a depot-level maintenance and repair workload described in subsection (b) is not changed to performance by a contractor or by another depot-level activity of the Department of Defense unless the change is made using:

1. Merit-based selection procedures for competitions among all depot-level activities of the Department of Defense; or...
2. Competitive procedures for competitions among private and public sector entities...and applies to any depot-level maintenance and repair workload that has a value of not less than \$3,000,000

²⁸ Title 10 USC, Ch 146, Part IV, Sect 2466, (last accessed 8/20/2005).

(including the cost of labor and materials) and is being performed by a depot-level activity of the Department of Defense."²⁹

Thus, while some may prefer that depot work be outsourced to a private source, this provision of Title 10 ensure that such outsourcing cannot occur unless the depot has an opportunity to compete for the work.

2. Section 632 of General Government Appropriations Act of 2000

As we have seen, Title 10 affords many advantages and protections to NADEP North Island and other DOD depots as it relates to competition. There are also certain areas of public law that do the opposite and tie NADEP's hands regarding its ability to compete with its commercial counterparts. This area of note is in Section 632 of the United States Treasury, Postal Service, Executive Office of the President, and General Government Appropriations Act of 2000 which was enacted by Congress to restrict federal agencies' authority to spend funds for certain purposes. It prohibits the use of federally appropriated funds for publicity, propaganda, or lobbying purposes and poses a constraint to the marketing efforts of NADEP North Island.

3. BRAC

No discussion of BRAC would be complete without first addressing the post-Cold War DOD environment from which it came. In an attempt to reduce dollars allocated to enormous defense budgets of the Reagan Cold War era, budget cuts ensued followed closely by initiatives to reduce not only the sizes of military force structure, but also DOD infrastructure. Defense budget cuts that followed the collapse of the Soviet Union in the late 80's have had the effect of reducing U. S. military force structure by nearly 40%; however infrastructure had only shrunk by 20%. It is estimated that remaining

²⁹ Title 10 USC, Ch 146, Part IV, Section 2469, (last accessed 8/20/2005).

infrastructure exceeds the force structure by some 25%.³⁰ BRAC is the tool with which Congress trims DOD's excess infrastructure to align America's defense installations with the smaller size of today's military forces. Its aim is to eliminate waste, thereby realizing vast monetary savings as a result of the action.

a. BRAC History and Process

The process of realigning and closing America's bases worldwide begins with presidential nomination of BRAC commission members from Congress. The Pentagon then provides a list of bases recommended for closure or realignment to the commission which then reviews the list and submits recommendations and findings to the President for approval. The President then accepts or rejects the list. If approved, the list is then submitted to Congress, and action is taken either closing or realigning the bases identified on the President's final list. The first four rounds of BRAC occurred in 1988, 1991, 1993, and 1995.³¹ In the first four rounds of BRAC between 1988 and 1995, some 97 military bases and facilities worldwide were closed.³² Of these closures none was as politically charged, controversial or threatening to America's military aviation depots as BRAC 1995.

b. BRAC 1995: Closure of Depots

Early in 1995, the Presidentially-appointed BRAC Commission recommended the closure of 2 out of 5 of the United States Air Force's aviation depots. The first was the Sacramento Aviation Logistics Command (ALC) at McClellan Air Force Base (AFB) in Sacramento, California. The second facility identified was the San Antonio ALC at Kelly AFB in San Antonio, Texas. To the commission, these two depots represented redundant production capacity that was already available at the remaining ALC depots at Warner Robbins AFB in Georgia, Hill AFB in Utah, and Tinker AFB in

³⁰ Cahlink, George, BRAC to the Future, Air Force Magazine Online, 04/01/2004, www.afa.org/magazine, (last accessed 10/2/2005).

³¹ Cahlink, George, BRAC to the Future...

³² Cahlink, George, BRAC to the Future...

Oklahoma. The Sacramento and San Antonio ALCs were each large employers in vote rich states. These factors set the stage for what would become an ugly politicized battle over the future of both that began when the recommendations of the BRAC commission were forwarded to then President Clinton for approval.

Instead of approving the BRAC list recommended by his appointed BRAC Commission, President Clinton delivered "a fist pounding, finger pointing attack on the BRAC decision" calling the commission's findings an outrage.³³ Clinton's proposal was that the workload of the two depots be transferred to commercial contractors to preserve jobs and facilities at the two bases. The House Depot Caucus, the BRAC Commission and the Air Force all opposed Clinton and had intended and expected excess work to be transferred to the remaining 3 Air Force depots elsewhere in the United States. A political battle ensued between the Administration and the Defense establishment. When the dust finally settled a compromise was reached. The decision: work at the depots was to be privatized and performed by competitively selected commercial contractors for a period of 6 or so years between their "closure" in 1995 and 2001. In 2001 their doors were to be closed for good, whereby excess capacity of the two depots would be transferred to the remaining Air Force depots. The agreement stood. On July 13 2001 Sacramento ALC was officially closed, its workload transferred to Hill AFB in Utah. On 21 July 2001 San Antonio ALC was closed and realigned under Lackland AFB.

c. Outcomes of BRAC 1995

These closures were the source of much criticism throughout government and the media for the Clinton Administration's display of rule-bending and partisan politics. "When the BRAC Commission was created in 1988, it was specifically designed to insulate the process from the kinds of pork-barrel politics that have come to dominate the debate over Kelly and McClellan."³⁴ Moreover, BRAC 1995 highlighted other

³¹Kitfield, James, Off Base, Government Executive Magazine, 07/01/1998, www.govexec.com/features, (last accessed 08/23/2005).

³⁴ Kitfield...

outcomes that threatened the competitive position of military maintenance depots and are of interest to NADEP North Island.

One outcome that resulted was the weakening of the protections afforded America's depots under Section 2466 of Title 10. During the aftershock of BRAC 1995, opponents of DOD depots who regarded these facilities as wasteful, bureaucratic and socialist, continued their attacks in a "push to privatize."³⁵ During the late 90's Title 10 protection of depot maintenance was 60/40. Legislation in the wake of BRAC 1995 and the fight over Sacramento and San Antonio ALCs reduced this protection to what is now the 50/50 rule that exists today. The change was so controversial and hard-fought in Congress that it delayed the 1998 Defense authorization bill by 4 months. Additionally it sought to relax or completely repeal the requirements of Section 2469 of Title 10 that dictates the rules for competition between DOD and commercial depots that would further weaken protection of installations such as NADEP North Island. Although removal of these requirements for competition did not transpire in 1998, a proposal was proffered in 2003 and again in 2004 as part of the Pentagon's fiscal budget request. The proposal was to completely remove the 50/50 rule from Section 2469 eliminating protection of DOD depots altogether.³⁶ It did not succeed. Undoubtedly proponents of outsourcing on Capital Hill will continue their attacks on legislation that protects organic government depots such as NADEP North Island.

4. The Depot Caucus

In the political battle that followed BRAC 1995 and that continues today, the strongest opposition to privatization of depot workload comes from the Depot Caucus. Comprised of Congressmen from the states where DOD depots such as NADEP North Island reside, this group is the unquestioned champion of the depots and government's organic industrial capability that resides in these facilities. They have and will continue

³⁵Chapman, Suzann, *The Push to Privatize*. Air Force Magazine Online, www.afa.org/magazine, 08/01/1996, (last accessed 10/2/2005).

³⁶Peckenpaugh, Jason, *Depots could outsource more work under Defense proposal*, Government Executive Magazine, 03/21/2003. www.govexec.com, (last accessed 9/28/2005).

to defend the depots by opposing changes to Title 10 and the push to privatization that threaten public depots.

5. BRAC 2005

Unlike the previous four BRAC rounds that trimmed excess infrastructure, the latest round of BRAC 2005 focused on shaping the remaining infrastructure to meet the needs of our future military forces and to transform it to match the new emergent national military strategy. "A primary objective of BRAC 2005 was to examine and implement opportunities for greater jointness" where BRAC evaluation and selection criteria address "military value" as the primary consideration for realignment or closure of a base.³⁷ In this context "military value" was evaluated in four parts, emphasizing a base's impact and contribution to joint warfighting, training and readiness. Cost was considered a subordinate evaluation criterion to readiness when an installation was judged.

In addition to these differences, two process changes have made BRAC 2005 different from previous rounds. The first is that the number of commission member was expanded from 8 to 9 members to eliminate the possibility of a tie in voting. The second change addresses changes to the Pentagon's list of which now requires a 7 of 9 member's majority to incorporate the change.

On 8 September 2005, the BRAC Panel sent its final BRAC determinations to the President. On 16 September President Bush approved and signed the BRAC Commission Report and then forwarded it to Congress for legislative review. On 9 November 2005, BRAC 2005 concluded when Congress allowed the BRAC Commission Report signed by the President to pass into law that resulted in the closure of 21 major installations and realignment of 29 others.³⁸

Several functions of NADEP North Island have been expanded under BRAC 2005. Fleet Readiness sites will be established or expanded to integrate depot level

³⁷Garamone, Jim, *BRAC 2005: Force Structure, Military Value at Heart of BRAC*, American Forces Press Service Online, 05/05/2005, www.defenselink.mil/news, (last accessed 9/22/2005).

³⁸Miles, Donna, *BRAC Deadline Expires; DoD Begin Closures, Realignments*, American Forces Press Service, 11/09/2005, www.defenselink.mil, (last accessed 11/16/2005).

artisans of NADEP North Island into intermediate maintenance facilities at Marine Corps Base Camp Pendleton and MCAS Miramar as well as Naval Air Stations LeMoore and China Lake in California.

Analysis of the political environment surrounding NADEP North Island reveals a degree of irony in that political forces provide protection yet threaten public depots. Title 10 provides the greatest protections for government owned and operated depots such as NADEP North Island; however, this legislation has been under repeated attack by proponents of outsourcing within Congress and DOD who remain the public depots' greatest threat.

C. ECONOMIC AND MARKET TRENDS

Market and economic trends within the Defense industry in the current environment can be characterized as lean when compared to the budgets of the 80's and before. Between 1990 and 2001, total Defense spending fell 38%. During the same period, procurement spending, as part of total Defense spending, fell nearly 80% as measured in current fiscal year 2003 dollars (Figure 1).³⁹ Not only did total defense spending shrink during this period, it also shrank as a percentage of American GDP and as a percent of federal outlays (Figure 2).

These drastically smaller budgets have led to consolidations within the defense industry that have drastically shrunk the defense industrial base. The number of major defense aviation contractors has dwindled from 11 in the early 90s to only four today, that is, if Raytheon is included among the three major players Lockheed Martin, Northrop Grumman, and Boeing. In the past major OEMs had less interest in performing depot level repair work, preferring instead to design, build and then sell their products to DOD. Due to today's small budgets and scarce DOD workload, many of the OEMs are showing greater interest in repair work. This willingness of OEMs to

³⁹ Jones, Lawrence R., McCaffery, Jerry, L., *Budgeting and Financial Management for National Defense*, Information Age Publishing, 12/01/2003.

perform more repair and overhaul work, coupled with the Pentagon's current outsourcing trend has forced competition, and in some cases partnerships, between private and public depots. In these instances both entities may have to share a smaller piece of the defense budget that funds depot maintenance, a situation that may heighten risk for America's public depots such as NADEP North Island if Title 10 protections are not maintained.

Table 3.4. Real Growth/Decline percent and FY2003 Constant Dollar, by Era

	<i>Carter Drawdown 1976–80</i>			<i>Reagan Build-up 1980–85</i>		<i>Deficit Limits 1985–90</i>		<i>Cold War Dividend 1990–98</i>		<i>Era of Surplus 1998–01</i>		<i>War on Terror 2001–2007 (projected)</i>		<i>Total Change</i>
	<i>1976</i>	<i>1980</i>	<i>change</i>	<i>1985</i>	<i>change</i>	<i>1990</i>	<i>change</i>	<i>1998</i>	<i>change</i>	<i>2001</i>	<i>change</i>	<i>2007</i>	<i>change</i>	
Military Personnel	117.9	111.0	-5.60%	123.4	10.87%	123.2	-0.16%	84.8	-31.17%	83.9	-1.06%	104.0	23.84%	-11.87%
Operations and Maintenance	85.3	94.4	10.67%	126.9	34.43%	121.5	-4.26%	110.5	-9.05%	123.3	11.58%	140.0	13.38%	63.89%
Procurement	61.0	69.7	14.26%	144.0	106.60%	101.8	-29.31%	48.5	-52.36%	64.7	33.40%	91.9	42.04%	50.66%
RDT&E	26.7	26.7	0.00%	47.8	79.03%	46.7	-2.30%	40.3	-13.70%	43.2	7.20%	53.7	24.31%	101.12%
Military Construction	6.2	4.3	-30.65%	8.4	95.35%	6.5	-22.62%	6.0	-7.69%	5.7	-5.00%	12.7	122.81%	104.84%
Family Housing	3.6	3.0	-16.67%	4.3	43.33%	4.0	-6.98%	4.1	2.50%	3.8	-7.32%	4.5	18.42%	25.00%
Other	-0.5	1.1		7.0		-1.0		0.4		5.0		2.5		
Subtotal DOD	300.2	311.0	3.46%	461.7	48.65%	402.6	-12.80%	294.6	-26.83%	329.6	11.88%	409.0	24.09%	36.24%
DOE—defense related	5.3	6.6	24.53%	11.8	78.79%	13.4	13.56%	13.3	-0.75%	15.2	14.29%	15.5	1.97%	192.45%
Other—defense related	0.5	0.5	0.00%	0.8	60.00%	0.8	0.00%	1.2	50.00%	1.7	41.67%	1.6	-5.88%	220.00%
Total Defense	306.0	318.0	3.79%	474.3	49.34%	416.8	-12.12%	309.1	-25.84%	346.5	12.10%	426	22.97%	39.25%

Sources: Data from Daggett and Belasco, 2002, Exhibit 6, pp. 12–13. Percent change is computed based on constant FY2003 dollars.

FY1976–2001 are actuals, 2002 is budget estimate, 2003 to 2007 is projected. Constant FY2003 Dollars, in billions.

Other defense computation not shown due to distortion of percentage caused by big changes to small numbers.

(Budget Authority by appropriation within DOD, the Department of Energy (DOE) and in other appropriations with defense budget authority. See Table 3.3 for more detail.)

Figure 1. Decline of Defense Budgets

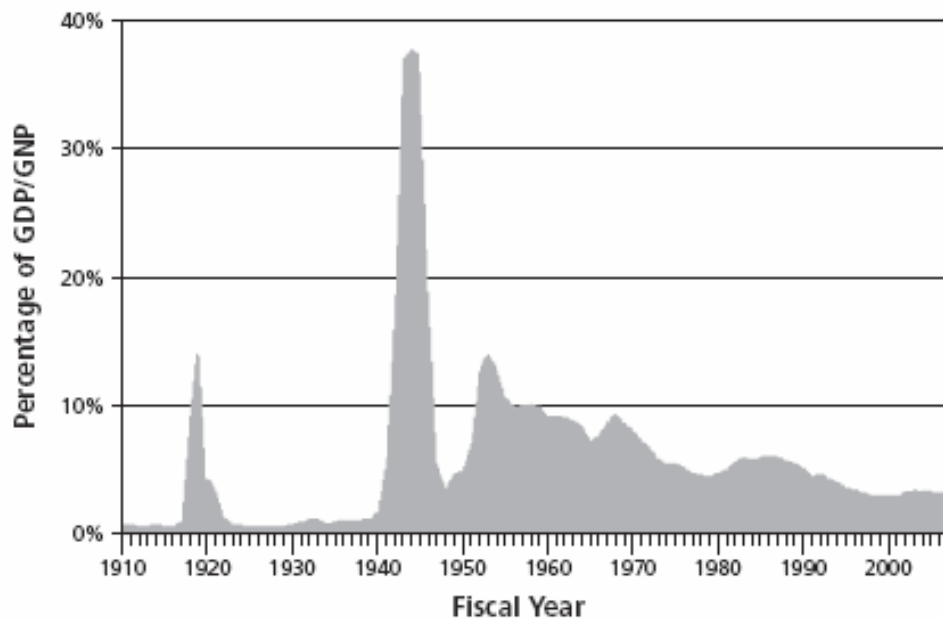


Figure 3.7. Defense Spending as a Share of GDP.
 Source: Daggett and Belasco, 2002, p. 23

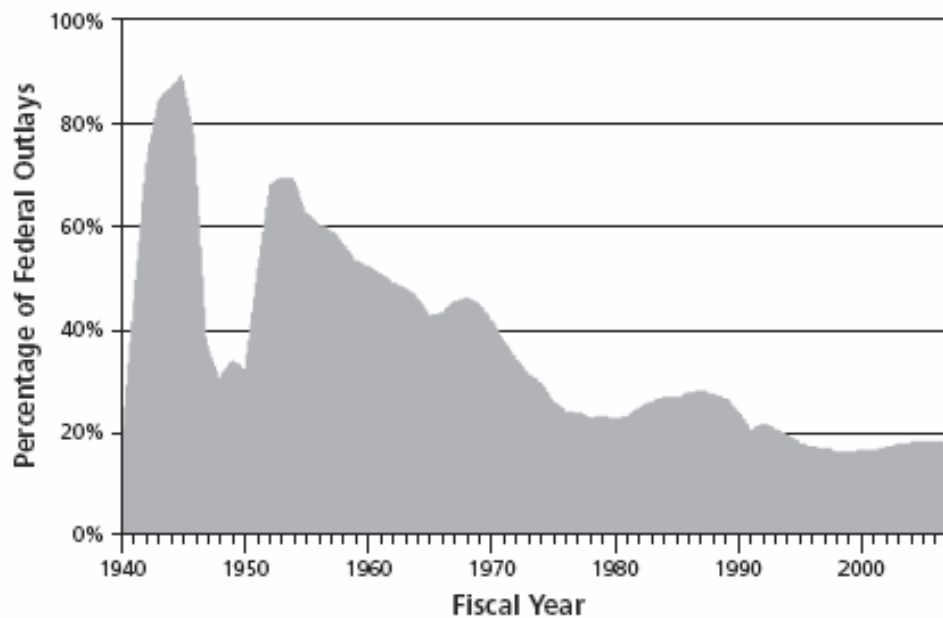


Figure 3.8. Defense as a Share of Federal Outlays.
 Source: Daggett and Belasco, 2002, p. 28.

Figure 2. Decline in Defense Spending

D. SOCIO-CULTURAL TRENDS

One of the greatest cultural changes that have occurred within DoD during the past decade has been the increased preference for outsourcing depot and other DoD work. Secretary Rumsfeld himself “has repeatedly pushed for privatizing more depot work but has been unable to get lawmakers to change the federal law that requires half of all military repair work to be performed at defense depots.”⁴⁰ Critics see the depots to be expensive and inefficient compared to their civilian counterparts and that cutting them further would lead to cost savings within DOD. Supporters of the depots view them as irreplaceable facilities that, if lost, could never be regained if a future threat required a surge towards wartime weapons production. The argument between the two sides rages on. Nonetheless this growing preference for commercial support of the armed forces represents a cultural shift from the preference for organic support that existed within DOD prior to the collapse of the Soviet Union.

The end of the Cold War has created other socio-cultural forces that influence NADEP North Island. The Global War on Terror (GWOT) has had a profound impact on DoD and has redefined the nature of national security. For NADEP North Island, the Global War on Terror has presented opportunities to demonstrate the responsiveness of government owned and operated depots. In this time of war NADEP representatives are supporting warfighters in Iraq and Afghanistan, fulfilling the mandate of Section 2464 of Title 10. Such support may strengthen the case for public depots over private contractors and may also strengthen the bond between NADEP North Island and the warfighters it supports.

Another external force that challenges NADEP North Island results from the Navy personnel system that encourages the rapid rotation of military personnel for career advancement. Most NADEP civilian employees have been at their jobs much longer than their military counterparts. Top military leaders who set policy and the organizational direction for NADEP North Island must often rotate to new assignments as the

⁴⁰ Cahlink, George, *BRAC to the Future...*

implementation phase of their policies begin to take hold. In the meantime as the long-tenured NADEP civilians begin implementation of the old plan, new policy is set in motion by a new military leader. Typical command tours within the armed forces typically last 18-24 months which may result in policy gyration for the organization.

E. TECHNOLOGY TRENDS

The aviation industry, particularly the defense aircraft industry is an inherently dynamic one. It has historically and will continue to be driven by technological change that is aggravated by the changing budgetary and political environment of the new millennium. Participants in the industry are accustomed to these changes and have, over time, adapted or perished. Daily, NADEP North Island is challenged by advancing technology as in the F/A-18 E/F program, as well as with technological challenges presented by aging legacy weapons systems it is asked to repair and maintain. Such change has resulted in increased innovation by NADEP North Island in its engineering and business processes. As discussed in Chapter II, NADEP North Island has continued to evolve and has adopted a culture of learning and process improvement for its organization. Examples of these changes are seen throughout the organization as in its Business Process Re-engineering (BPR) approach to management, its adoption of Lean Manufacturing techniques and through its innovative F/A-18 center barrel replacement program.

Despite ever-advancing technology, the depot continues to support legacy weapons systems such as the U/H-1N Huey and A/H-1W Cobra helicopters and the E-2C Hawkeye airborne early warning aircraft. Because of their age and number of cumulative operational hours these aircraft possess, they become more difficult to support as they age. Greater human and capital resources must be expended to overhaul, maintain and support these aircraft throughout their life cycle. With the E-2C the unique problem of parts obsolescence has emerged. No longer manufactured by the OEM, NADEP North Island re-manufactures many of the components that support this weapons system which

increases the difficulty of its mission and expends greater quantities of valuable depot resources.

F. CHAPTER SUMMARY

This chapter has examined the external environment in which NADEP North Island exists. Of all external forces affecting NADEP North Island, none are as powerful as political forces. Public depots are protected by Title 10 of the U. S. Code and are supported by the depot Caucus and others in Congress who protects these laws. Depots such as NADEP North Island are challenged by smaller defense budgets of the past decade, a growing trend towards outsourcing within DoD and opponents of government depots who seek to erode their protection under public law. These external forces that act upon NADEP North Island will be examined in the following chapter help formulate a marketing strategy that will further protect NADEP North Island.

IV. THE NADEP NORTH ISLAND ORGANIZATIONAL MARKETING STRATEGY

A. INTRODUCTION

The previous chapters focused on the internal capabilities of NADEP North Island and analysis of the external forces that define its competitive environment. This chapter will begin with a review of the current marketing actions employed by NADEP North Island. Next the SWOT analysis tool (Appendix 2) will be used to ascertain the strengths, weaknesses, opportunities, and threats (SWOT) of NADEP North Island.

Utilizing the information gleaned from SWOT analysis, the chapter will turn to analysis of key stakeholders that may act upon NADEP North Island in positive and negative ways. Critical stakeholders will be analyzed by utilizing Savage, Nix, Whitehead, and Blair's matrix for Diagnostic Typology of Organizational Stakeholders (DTOS, Appendix 3).⁴¹ While traditionally used for organizational management, the DTOS stakeholder analysis tool will be applied to the marketing problem at NADEP North Island. This approach will assist in development of an external organizational marketing strategy that will seek to influence critical stakeholders and garner their support thereby reducing threats to NADEP North Island. The chapter will conclude by offering recommendations, appropriate media and programs to achieve NADEP North Island's marketing goals.

B. REVIEW OF CURRENT NADEP MARKETING APPROACH

Marketing at NADEP North Island occurs primarily at the product or SBT level. The marketing methods of each SBT and NADEP as a whole can best be characterized as "relationship marketing" where the organization seeks to "build long term mutually

⁴¹ Savage, Grant T., Nix, Timothy W., Whitehead, Carlton J., Blair, John D. *Strategies for Assessing and Managing Organizational Stakeholders*, The Executive, May 1991.

satisfying relations with key parties-customers, suppliers, distributors- in order to earn and retain their long-term preference and business" which over time ... "builds strong economic, technical and social ties among the parties."⁴² Relationship marketing reduces transaction cost and time and when most successful, results in transactions that become a matter of routine. This is most descriptive of NADEP's long standing, historical partnership with Naval Aviation and the warfighting community that it supports.

In its marketing approach NADEP is heavily reliant on distribution channels, specifically, the close interaction between key customers and NADEP SBT Managers, representatives and artisans, to reach its target market. Use of mass media such as TV, radio, and mail as communication channels is non-existent. Communication channels utilized by NADEP North Island consist mostly of verbal communications, email, and surveys that emphasize feedback between customer and NADEP North Island. NADEP understands that each of its customers has unique requirements and seeks to know its customer intimately to provide the highest quality service that directly supports their mission. This is accomplished through routine meetings between NADEP leaders and military leaders whose organizations are the users of NADEP products. Customer requirements are refined and tailored through online feedback systems as well as by hosting customer site visits. By maintaining a constant feedback with the customer, NADEP and its SBTs are able to constantly refine their product and overarching business strategy to best suit their customer.

Externally, interface with the defense aircraft industry is accomplished by NADEP's participation in industry symposia and conferences to maintain visibility on possible business opportunities and threats. Industry awareness and recognition of NADEP North Island has also been possible through various trade publications such as *Best Practices* where NADEP gained recognition for its success in implementing critical engineering and production techniques.

⁴² Kotler...

C. SWOT ANALYSIS: (STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS; APPENDIX 2)

The SWOT analysis tool is "an analytical tool used to provide an overall systems view of an organization and the factors that affect it."⁴³ For this project SWOT analysis draws conclusions from material presented in Chapter II that analyzed internal aspects of NADEP North Island and from PEST analysis of Chapter III that examined NADEP's external environment. SWOT analysis will be used to identify several of the internal and external factors discussed in earlier chapters as strengths, weaknesses, opportunities or threats. The SWOT analysis tool further categorizes these four elements and distinguishes whether they are derived from internal or external sources.

Analysis of strengths and weakness are considered internal evaluation criterion. Internal strengths are "resources or capabilities that help an organization accomplish its mandate or mission. Internal weaknesses are deficiencies in resources and capabilities that hinder an organization's ability to accomplish the mission or mandate." Opportunities and threats are evaluated as factors external to an organization. "External opportunities are outside factors or situations that can affect an organization in a favorable way. External threats are outside factors or situations that affect an organization in a negative way."⁴⁴ For this case the SWOT analysis tool will assist in framing an organizational marketing strategy for NADEP North Island.

1. Internal Strengths: Sources of Competitive Advantage

The strengths of NADEP North Island in its industry are many. The organization possesses a skilled, educated and committed workforce that give it engineering, manufacturing and logistics capabilities that are among the best in industry. It possesses great technical capability and a reputation for excellence and has received numerous awards that back these claims. It cannot go without mention that these factors stem from

⁴³ Roberts, N. C. GB 4014 Class Notes, Information taken from Bryson, J. M. Strategic Planning for Public and Non-profit Organizations. San Francisco: Jossey-Bass.

⁴⁴ Roberts, N. C...

a strong culture of learning and process improvement that exists within the organization and its adoption of many best business practices through the BPR and other company initiatives.

Another strength possessed by NADEP that none of its competitors enjoys is its long history and close relationship with the warfighting commands that it supports. NADEP maintains an intimate dialog with its customers that would be hard for commercial providers such as Lockheed, Boeing or others to duplicate, offering it a far greater understanding of requirements and greater customer feedback than its competitors. This results from a large number of naval officers among NADEP's workforce that identify with and support their military counterparts in the supported commands. The rapid, seamless and candid two way flow of information offers NADEP North Island significant speed advantages over its competitors in refining and delivering its product. Here they are unprecedented. Finally, its physical location at NAS North Island and extensive port and runway access provides superior support to West Coast Navy and Marine Corps warfighting units that has existed for nearly 85 years and is unmatched by its commercial competitors.

Strengths of NADEP North Island abound because of its status as a government agent within DOD. A primary strength that was expounded upon in Chapter Three is the protection afforded to America's depots under title 10 of the U. S. Code and the 50/50 rule. Other benefits exist. Because of its relationship with the Navy Supply community, particularly FISC, NADEP North Island is able to obtain low priced raw materials and supplies that contribute to low cost operations. Additionally, because of its breakeven/cost recovery pricing arrangement that results from its genesis as a Navy Working Capital Fund organization, it is able to deliver its product at a very low cost to the warfighter with greater responsiveness and less operational risk than commercial contractors.

Opponents of DOD depots have argued that public depots perform their work in a less efficient manner than commercial contractors and that outsourcing depot maintenance could result in cost savings up to 20%; however, there is little evidence to back this claim. According to a Government Accountability Office (GAO) report of 1996

that followed the "push to privatize" San Antonio and Sacramento ALCs in 1995 and other private/public competitions, the benefits of government depots over commercial providers are real. In the report, it was determined that because of the non-competitive nature of contract award, where depot workload was privatized to commercial providers, no cost savings were realized because adequate competitive markets for such highly technical work did not exist. Further, it found that in most cases estimates of commercial provider savings never accounted for additional cost of contract over-runs, contract modifications or add-ons, not to mention other contract administration costs. Finally, while this report could not quantify or verify true cost differences between public and private depots, DOD depots carried one distinct advantage where they "...provide greater flexibility than contractors and can more quickly respond to non-programmed, quick-turnaround requirements" that results in greater operational readiness and support to the warfighter.⁴⁵

Cost savings of public depots were able to be quantified by the Director for Defense Management Issues of the former General Accounting Office, Mr. David Warren. In a statement provided in 1996 to the House of Representatives Committee on National Security, he revealed that in private public competitions for depot maintenance, 67% were won by public depots at an average cost 40% below the closest private sector providers. He further corroborated the findings of the 1996 GAO report by stating that lack of adequate competition in the private sector existed and noted that there were no commercial offers for nearly 25% of the competitions, and in an additional 35% of the competitions there was only one private sector provider. Finally, he indicated that of 240 active depot maintenance contracts that GAO examined, 182 of them had been awarded on a sole source basis.⁴⁶

⁴⁵ Defense Depot Maintenance: Commission on Roles and Mission's Privatization Assumptions are Questionable, United States General Accounting Office, 07/15/1996, www.globalsecurity.org/military/library/report/gao/ns96161.htm, (last accessed 08/23/2005).

⁴⁶ Warren, David R, *Privatization and the Debate Over Public-Private Mix* (Washington, D. C.: GAO,1996). <http://www.fas.org/man/gao/ns96146.htm>, (last accessed 11/16/2005).

2. Internal Weaknesses

In keeping with the focus of this paper, discussion of NADEP's North Island's internal weaknesses will be limited to factors that may be remedied by marketing efforts. A weakness is present in the marketing currently conducted at NADEP. Great effort has been put into internal marketing. NADEP North Island has a solid business model, is a successful organization that maintains an unprecedented relationship with its customers, and is well known and respected within its industry. Internal stakeholders are well aware of the strengths of NADEP, not only from its solid sustained performance in its field, but also because of successful relationship marketing and intimate interface with its warfighting customers.

Despite success in internal marketing, NADEP North Island has not adequately conveyed its successes to a broader audience through public media. External marketing at NADEP North Island emerges as a weakness for two reasons. First, NADEP North Island is constrained in this task because it lacks dedicated resources to carry out its marketing campaign. Formerly, the task of external marketing and public relations was carried out by a dedicated public affairs officer. Today it is a collateral duty. A second weakness with external marketing at NADEP North Island may result from perceived marketing constraints that result from Section 632 of General Government Appropriations Act of 2000.

3. External Opportunities

NADEP North Island is realizing opportunities to expand its programs and services through foreign military support and through Performance Based Logistics contracts (PBL). Due to its success in offering maintenance and service support to the Spanish Air Force for overhaul and modification of its own F/A-18 fleet, opportunities exist for NADEP North Island to expand its services to other friendly allied nations.

Currently, NADEP North Island has exploited numerous opportunities for partnerships with private industry particularly in performance based logistics (PBL) contracts that support new and existing weapons systems throughout their life cycle.

NADEP is currently involved in a PBL partnership with Boeing Company that will develop and provide maintenance and component support for the new F/A-18 E/F. A similar arrangement is being pursued with Boeing to provide component support for the AV-8B Harrier employed by the Marine Corps. Additionally, an upcoming PBL contract with Kaiser Electronics will provide for the repair of the F/A-18 cockpit display, and NADEP North Island's paint shop has agreed to paint the military display aircraft of a local aerospace museum. Such partnerships with private industry provide opportunities for NADEP to expand its business by offering its products and capabilities to others besides their traditional military customers. Further, it allows for knowledge sharing between private and public industry experts to advance repair techniques and technology for America's highly sophisticated aerial weapons systems. Finally, it allows both to share in scarcer defense dollars and vital work that keeps production lines warm and ensures proficiency and strength of America's industrial base.

By the very nature of its organizational culture, NADEP will continue to improve its engineering, production and business processes to create greater value delivery to its existing customers. This opportunity may also be realized through continued interface with these stakeholders through its internal marketing techniques that thus far have been quite successful at the product level.

Perhaps more important in the context of this paper are the opportunities that exist for NADEP North Island in the area of marketing. For NADEP North Island external organizational marketing can increase public awareness about their organization that may strengthen its relationships with the citizenry and leaders of San Diego and grow stakeholder support. Additionally, through this approach, opportunities may exist to cultivate more life-giving Congressional support for its organization that may increase protection from political threats such as privatization and BRAC. These opportunities are central to NADEP's organizational marketing approach that will be discussed later.

4. External Threats

While at this time protection under Title 10 remains a strength of NADEP North Island, these protections are under attack by the opponents of government operated

depots. The conclusion drawn thus far in this paper is that dependence on the political process is a double edged sword. It is a strength, yet ironically the depot's greatest weakness where NADEP North Island is more or less at the mercy of lawmakers in Congress. If votes are cast and protections under Title 10 such as the 50/50 rule are eroded, NADEP will be exposed to greater threats from commercial and other competitors. Politics are the depots' greatest threat and potential source of weakness.

5. Summary of SWOT Analysis

SWOT analysis has revealed several elements that will become useful in crafting an external organizational marketing strategy for NADEP North Island. Foremost among the external threats to NADEP North Island are threats that result from politics. Shrinking defense budgets, BRAC, and changes in legislation that may adversely affect public depots such as NADEP all stem from political sources. External marketing opportunities exist that may mitigate these political threats. As such these external elements of SWOT will be the primary focus of the marketing strategy for NADEP North Island and will be further examined through analysis of external stakeholders through the Diagnostic Typology of Organizational Stakeholders matrix.

D. DIAGNOSTIC TYPOLOGY OF ORGANIZATIONAL STAKEHOLDERS (DTOS) MATRIX (APPENDIX 3)

The SWOT analysis tool identified external threats and opportunities for NADEP North Island. The DTOS matrix is a tool that identifies specific stakeholders who may influence the organization. It offers strategies for managing these stakeholders to positively impact an organization or mitigate its threats. The DTOS matrix helps to define which stakeholders possess high or low potential for cooperation or threat to NADEP. What follows is a brief description of the definitions associated with the DTOS matrix and strategies for managing stakeholder.

Stakeholders that possess a high threat potential as well as high potential for cooperation are identified as "mixed blessing" stakeholders. Those with low potential for

threat and high cooperation are labeled "supportive." Stakeholders with high threat potential and low cooperation are labeled as "non-supportive." Finally, persons or organizations with low potential for threat and cooperation are called "marginal" stakeholders. By identifying stakeholders in this manner the DTOS is useful in a marketing context where it can be utilized to target stakeholders for certain marketing efforts to achieve maximum benefit for NADEP North Island.

E. MARKETING STRATEGY BASED ON THE DTOS

Applying the concepts of the DTOS methodology, the primary marketing strategy of NADEP North Island should seek to *involve* supportive stakeholders of NADEP North Island: those who have a high potential for cooperation and low potential for threat to the organization. According to the creators of the DTOS, "...involving supportive stakeholders in relevant issues maximizes cooperative potential. We emphasize this strategy because supportive stakeholders often are ignored as stakeholders to be managed and therefore their cooperative potential may be overlooked."⁴⁷ Ignoring the cooperative potential of its supporters particularly in the community, in local government and in Congress should not be a gamble NADEP North Island is willing to take. NADEP North Island may be able to increase support for its organization at all levels through more aggressive external organizational marketing that reaches these external stakeholders and makes them aware of NADEP North Island, its contribution to the community, the Navy and national defense.

The secondary marketing strategy for NADEP North Island seeks to *defend* against non-supportive stakeholders whose potential for cooperation is low and whose potential for threat to the organization is high. According to the DTOS authors, non-supportive stakeholders of NADEP North Island such as Congressional proponents for outsourcing depot work and other political opponents are best managed using a defensive strategy. This fits well with Kotler's description of defensive marketing where "the

⁴⁷ Savage, Grant T., Nix, Timothy W., Whitehead, Carlton J., Blair, John D. *Strategies for Assessing and Managing Organizational Stakeholders*, The Executive, May 1991

dominant firm must defend its current business."⁴⁸ In this regard defense of NADEP's business occurs so long as support for the NADEP North Island outweighs the attacks of its opponents in the political arena. In effect a defensive marketing strategy for NADEP North Island should result from thorough organizational marketing that involves supportive stakeholders who protect the organization at all levels from local to Congressional.

In this analysis, the primary mixed blessing stakeholders for NADEP North Island that will be emphasized are the media and neutral members of Congress that possess high potential for cooperation and a high potential for threat to NADEP. For this reason the arrows associated with mixed blessing stakeholders on the DTOS in Appendix 3 represent the direction they may move if not properly managed: to that of a supportive or non-supportive role. The strategy for dealing with the mixed blessing stakeholder is that of *collaboration*. To effectively carry out this marketing strategy NADEP North Island must positively engage the media through proactive external marketing efforts. Ideally, these efforts would also serve to move other mixed blessing stakeholders such as neutral or indifferent members of Congress, to a more supportive role as well.

To summarize, the NADEP North Island external organizational marketing strategy must *involve* supportive stakeholders at the community, local and Congressional level. Among these stakeholders the primary audience of the NADEP marketing strategy will be citizens and local leaders of San Diego. This is the group most easily influenced by marketing efforts. Furthermore, in reaching this group, NADEP may affect the power base of more powerful supportive stakeholders at the state and Congressional level who represent the secondary audience. Collectively, these supportive stakeholders of NADEP North Island may then *defend* the depot, mitigating many of the political threats to the organization that originate with its non-supportive stakeholders. Finally, NADEP North Island must take a more proactive role to *collaborate* with the mixed blessing stakeholder that is the media to ensure it is engaged in a supportive role. Additionally, the media may serve as a powerful tool for reaching the supportive stakeholders of the depot. This

⁴⁸ Kotler...

marketing strategy will not address methods for dealing with marginal stakeholders whose potential for threat and cooperation are both low.

F. MARKETING GOALS

To be effective the NADEP North Island external organizational marketing strategy should accomplish three goals. It must first establish a positive and proactive media presence. Print, online, audio and TV media are the most powerful tools to reach key stakeholders. Second, this marketing strategy should raise stakeholder awareness about NADEP North Island. "Involve" them and increase their commitment and support of the organization. Finally, by accomplishing goals one and two, this marketing strategy should garner powerful stakeholder support for NADEP North Island. A few examples are presented to clarify the logic behind these marketing goals.

1. Establish a positive presence in the media

- Print, online, radio and television media must be utilized. Proactive use of the media is required to tell the NADEP North Island story and is essential to reach all supportive stakeholders.
- The media is a mixed blessing stakeholder. Collaborate with the media to ensure they become supportive instead of non-supportive.
- Stories released to local news media should emphasize internal strengths of the organization such as worker accomplishments, organizational goal achievement, milestones, anniversaries, or other significant events.

2. Raise Community Awareness

- Get your name out there! "NADEP North Island" should become a recognizable name to most within the San Diego community.
- Raise community awareness as to the capabilities, mission, history and value of NADEP North Island. For example: "NADEP is as

much a part of San Diego as the Navy itself. It is an employer of 4000 San Diegans and a National Asset for the engineering and production capabilities it brings to the aviation forces of the Armed services." "NADEP North Island has been supporting San Diego and its warfighters for 85 years."

3. Garner powerful stakeholder support

- Convey the importance of NADEP North Island to the Naval Service and to DOD and highlight its contributions to national security and the Global War on Terror.
- By reaching the community you activate the political base, possibly affecting the behavior and actions of elected officials such as States Congressmen and the Depot Caucus.
- Increased community support. Elected officials care about what the voters care about. It is the nature of our political system.

G. MARKETING OUTCOMES

Outcomes of this marketing approach should be several. Primarily, a reduction in the political threats to NADEP North Island should result. By reducing the political threat to the organization, protections under Title 10 may be sustained which in turn improves the competitive position of NADEP by reducing the threat from commercial companies and OEMs. This would offer more opportunities for business growth into new markets instead of focusing on defense, protection of existing markets, or mere survival. Another possible outcome of this marketing approach could be an improvement in the image of public depots. As previously stated, there is the misperception that commercial depots are more efficient and productive than government depots. By implementing a marketing plan that establishes a positive presence in the media, this misperception could be disproved, and might lead to a preference for public depots within government, further reducing threats.

H. ORGANIZATIONAL MARKETING IMPLEMENTATION

Implementation of the organizational marketing approach should be conducted by a dedicated marketing professional or Public Affairs Officer (PAO) at NADEP North Island. Military or civilian, this command representative should be the voice of NADEP North Island to the world and the individual who will tell the NADEP North Island story. Ideally this individual should possess a journalism or business background and possess strong writing and speaking skills. He or she should be intimately familiar with the high points of depot operations, significant events, milestones and anniversaries and should be capable of broadcasting facts and events through the media to reach the target audience. This individual might perform as part of the command ESC (executive steering committee). Finally, the NADEP marketing professional must be able to act as an organizational representative for press interviews as well as host for depot site visits. While many marketing functions would be performed individually by the NADEP marketing professional or PAO, many would be carried out cooperatively with other organizations such as the Naval Bases Coronado Public Affairs Office that has oversight of NAS North Island as well as Amphibious Base Coronado.

I. CASE OF PORTSMOUTH NAVAL SHIPYARD

In earlier, more stable political and economic times the organizational marketing functions of the command PAO may have been taken for granted. In today's dynamic and unpredictable defense environment, the worth of organizational marketing carried out by a dedicated professional cannot be overlooked. Earlier it was stated that reaching supportive stakeholders in the citizenry at large may affect the power base of more potent stakeholders such members of Congress from California and Depot Caucus members as well as other law makers of "mixed blessing" identity, providing greater benefits and protections to NADEP North Island, thereby strengthening its competitive position. Additionally, the first marketing goal stated for NADEP was to "raise community

awareness," specifically, enhance community affinity with the organization to establish a sense of pride and ownership in it so that people would support and defend it in time of need. One case that brilliantly illustrates the strength and effectiveness of stakeholder support in the face of political challenges brought on by BRAC is the case of the Portsmouth Naval Shipyard.

Portsmouth Naval Shipyard, located in Portsmouth New Hampshire on the Maine New Hampshire border, is the oldest Naval Shipyard in America and was first opened in June of 1800.⁴⁹ Several events that mark its rich history include construction of the USS Saranac, the Navy's first steam powered vessel, overhaul of the USS Constitution, also known as "Old Ironsides," builder of the first steel submarine, USS Snapper, builder of the first nuclear submarine, USS Swordfish, and the signing site of the treaty that ended the Russo-Japanese War. More recently, Portsmouth has become the most efficient of 4 Naval Shipyards that perform overhaul of naval nuclear submarines and employs nearly 5000 workers. Despite these many impressive accomplishments, in early May 2005, the facility was recommended for closure by the BRAC Commission.

Twice before Portsmouth had been recommended for closure by the commission and survived. In 2005 again, stakeholders and supporters of the shipyard rallied to save it. As early as 18 October 2004 a worker rally was staged to draw attention to the facility and its future. Less than one week following the announcement, local officials vowed to fight for their yard, spearheaded by Portsmouth Mayor Evelyn Sirell who began planning for the "Save our Shipyard Campaign." The campaign mobilized the citizenry of Portsmouth as well as the chamber of Congress from two nearby towns, the Seacoast Shipyard Association, the Metal Trades Council, and the American Federation of Government Employees to name a few. Numerous rallies were staged, the media was bombarded and petitions were signed to save the shipyard.

At higher levels State Congress members from New Hampshire as well as Maine were preparing their defense of Portsmouth. At local and congressional levels the

⁴⁹Enstrom, Kirk, *Portsmouth Naval Shipyard On Closures List: Officials Will Lobby To Get Base Removed From List*, The WMURChannel.com, 05/13/2005, www.thewmurchannel.com, (last accessed 10/15/2005).

campaign focused on Portsmouth Naval Shipyard's rich history, value to DOD, efficiency over other depots and the blow to America's industrial base that would occur if the facility were lost. Senator Judd Gregg, a key figure in mobilizing a congressional delegation to defend the yard stated "...it's a critical element of the defense infrastructure and one of the few places where nuclear submarines can be repaired. This is a nuclear facility; you simply can't site one of these facilities again. We only have four of them and if you close one, you'll never get it back."⁵⁰ More scathing, the Portsmouth mayor accused the U. S. government of "getting out of the defense business."⁵¹ At the congressional level the campaign attempted to demonstrate to DOD that its rationale in recommending Portsmouth for closure was flawed and detrimental to National Security.

As that fight continued, so did local rallies. Petitions flowed and news articles proliferated touting the rich history, efficiency and value to DOD of the Portsmouth Naval Shipyard. The efforts were successful. On August 28 during its final deliberations for final action on Base Realignment and Closure for 2005, the BRAC Commission removed Portsmouth Naval Shipyard from the closure list, and recommended instead for American's oldest shipyard to remain open.⁵² The commission delivered its final report to the President on 8 September 2005, as scheduled. President Bush concurred with the BRAC Report, signed the document and forwarded it to Congress for legislative review on 15 September 2005.⁵³

⁵⁰Enstrom, Kirk, *Portsmouth Naval Shipyard On Closures List: Officials Will Lobby To Get Base Removed From List*, The WMURChannel.com, 05/13/2005, www.thewmurchannel.com, (last accessed 10/15/2005).

⁵¹ *Workers Rally to Save Portsmouth Shipyard: Submarine Facility May Be Considered For Closure*, TheWMURChannel.com, 10/18/2004, (last accessed 10/18/2005).

⁵² Miles, Donna, *Commission Wraps up BRAC decisions*, American Forces Press Service, 09/29/2005, www.defenselink.mil/news, (last accessed 9/29/2005).

⁵³ Gilmore, Gerry J. *President Sends BRAC Commission Report to Congress*, American Forces Press Service Online, 09/16/2005, www.defenselink.mil/news, (last accessed 9/18/2005).

J. PROMOTION AND MARKETING COMMUNICATIONS

The case of the Portsmouth Naval Shipyard demonstrates the power of stakeholder support for a DOD organization. This support arose by raising key stakeholder awareness of the shipyard, its value and contributions to the community and more importantly, its contributions to national security. By highlighting strengths of the Portsmouth Naval Shipyard, the marketing effort of the "Save the Shipyard Campaign" attempted to strengthen the relationship between the organization, the community, and its local and congressional leaders who rallied to support it. In hindsight it might be argued that theirs was a reactive marketing effort that resulted from the threat of closure under BRAC. It did however employ extremely effective organization marketing that was, in the end, successful. Guided by the overarching marketing strategy as well as lessons learned from the Portsmouth Naval Shipyard, recommendations for promotion and marketing communications will be presented that should involve critical stakeholders of NADEP North Island in a proactive manner before threats such as BRAC arise.

Earlier in this paper during SWOT analysis of weaknesses and threats to NADEP North Island, limits on marketing in federal agencies were encountered that resulted from Section 632 of General Government Appropriations Act of 2000. A question was posed asking what could be done to navigate these constraints. A similar question was posed to the Comptroller General who adjudicates matters under Section 632 by the Government Services Administration GSA in 2001. The Comptroller General's response to the GSA question was quite encouraging as well as liberating to government agencies wishing to market their organizations. The report stated that GSA was not prohibited from using appropriated funds to support a "reasonable and carefully controlled advertising campaign that serves the goal of informing other federal agencies about the services and products it offers." It went on to state that it recognizes "every agency has a legitimate interest in communicating with the public and with Congress regarding its functions, policies and activities" adding that the comptroller would "...be reluctant to find a

violation where the agency can provide a reasonable justification for its activities."⁵⁴ The report offers further clarification stating that such marketing activities may inform various stakeholders but not aggrandize itself or extol its virtues over another agency.

In light of these allowances, NADEP North Island must make use of the following marketing communications and promotion tools in execution of its marketing strategy:

1. Local Online and Printed News sources

- San Diego Union Tribune
- North County Times
- CoronadoNews.com
- SignOnSanDiego.com (www.signonsandiego.com)
- The Coronado Eagle & Journal
- KSWBTV Channel 5 News
- KFMB Local Channel 8 News
- KPBS San Diego

2. National Online and Printed News sources

- Major News networks
- The Early Bird

3. Official Navy Press Releases

- Navy "Newsstand"

4. Updated Public Affairs Website

5. Event Marketing

6. Market Surveillance

⁵⁴General Services Administration use of Government Funds for Advertising, Department of Justice online, www.usdoj.gov, 01/19/2001, (last accessed 8/22/2005).

The most powerful organization marketing tool available to federal agencies such as NADEP North Island in reaching the public is that of the news media, particularly printed and online sources. It is essential that NADEP pursue a more active role in the news media. Local and national newspapers, magazines, and the official Navy press release website "Newsstand" are just a few outlets capable of transmitting the NADEP story to the public. As an example, one query of the North County Times website, a major San Diego newspaper, returned zero results for "NADEP North Island" for all of 2005. Similarly, "Newsstand" returned no official press releases regarding NADEP North Island during this period. Information on NADEP North Island can be found in NAVAIR press releases. This does well to inform the east coast community about NADEP North Island; however, current and pertinent coverage in the San Diego area has been scarce since 2003. More current press releases regarding NADEP North Island do exist, but in most cases appear to have been prepared and released by public affairs or marketing organizations of NAVAIR, other depots, or private corporations instead of NADEP North Island. Finally, it should be noted that in relative value, articles in reputable journals, magazines and newspapers contribute more to a marketing effort than the early press releases from which these articles develop.

When conducting broader web queries as when entering a web search for "NADEP North Island 2005" on www.google.com, only 498 hits resulted. Examination of these sources revealed that most sources of information on NADEP were within a realm where NADEP is already well known. These include aviation and manufacturing trade publications such as "Best Practices," and Naval Aviation Magazines such as "Wings of Gold" and "Approach." The search reveals very few results from general news sources, a fact that highlights the presence of NADEP North Island's internal marketing efforts but also speaks to the requirement for more external organizational marketing. In contrast a similar Google search for "Portsmouth Naval Shipyard 2005" returned 190,000 results most linked to consumer media, specifically local and national newspapers and news magazines. Additionally, the Portsmouth Naval Shipyard submitted 15 press releases to the Navy's "Newsstand" between 1 February and 1 October 2005.⁵⁵ While

⁵⁵Navy Newsstand: the Source for Navy News, www.navy.mil/local, (last accessed 10/15/2005).

most news concerning the Portsmouth Naval Shipyard during this period was related to BRAC, the point made here is that this represents the level of media coverage that is desired for an ongoing and proactive organizational marketing effort at NADEP North Island.

To successfully utilize printed and online media and still remain within the scope of Section 632, articles should address key upcoming or past events of the depot, particularly anniversary celebrations (speaks to the history of NADEP), accomplishments of the workforce, milestones, attainment of production and/or financial goals and the like (speaks to the worth and virtue of NADEP in a factual context). Articles and press releases should focus on informing the public and should convey the value of NADEP North Island to the community and Nation. It should inform without becoming guilty of "aggrandizement" to use the words of the Comptroller General.

A second tool that may be expanded upon for the benefit of NADEP North Island would be the organization's Public Affairs web link and certain elements of the NADEP North Island home page. Although the current NADEP North Island website offers a wealth of information to the reader regarding the organization its history, products and capabilities, the public affairs link only offers telephone numbers. As a related note, an extensive PAO website exists for Naval Bases Coronado which has cognizance over NAS North Island; however, it does not link with the NADEP North Island PAO site, as it does with others, and its press releases have not been updated since 2002.

Expanding the NADEP PAO link to include a calendar of significant events, milestones and press release information would serve the organization well. Additionally, while the home page of the NADEP North Island website does state the organization's mission, it or the public affairs link should include mention of NADEP North Island's value proposition to its customers that is captured in the organization's strategic business plan. This statement of value delivery was reiterated in Chapter II of this work and reinforces NADEP's commitment to readiness of the operating forces by delivering quality products to the warfighter that are:

- Safe and Reliable
- Integrated to support the mission of the customer
- Affordable

An excellent example of a very complete public affairs web link is that of the United States Naval Academy's public affairs office. The site includes links for a monthly calendar of events, command announcements, "USNA in the News," and a link to the Navy's "Newsstand" site. The site may be viewed at www.usna.edu/PAO and may serve as an ideal website model for other Navy public affairs organizations.

Another promotion tool that may be expanded upon to enhance organizational marketing at NADEP North Island may be the practice of hosting site visits. Currently NADEP North Island places great value on being a good neighbor to San Diegans and the citizens of Coronado. It has won awards for its strict compliance with environmental protection laws (itself an accomplishment worthy of mention in the media) and offers several community outreach programs such as the "Partnership in Education Program." Increased community involvement with an organization increases stakeholder support. Marketing events such as concerts, air shows and Fourth of July celebrations have been the most successful events of this type and may achieve the goal of increasing stakeholder involvement. It is realized that NADEP North Island would not independently host the grandest of such events like an air show; however visible participation such as static displays, information booths or sales booths would be of great benefit to get the name of the organization on the street.

In the area of event marketing, Marine Corps Base Camp Pendleton has enjoyed great success in hosting sporting events such as "The Volkslaf: Camp Pendleton Mud Run", "California Iron Man" triathlon, the "Brooks Muddy Buddy" off-road bike and run race series and others. Due to the ease of traffic control, wealth of land and road resources available, DoD installations provide an almost ideal venue for hosting such events. All are excellent means for raising community awareness of the DoD organization to gain stakeholder support and are quite effective given the number of athletes in San Diego County.

Yet another means of opening the NADEP doors to its stakeholders would be to host work clinics for its warfighting customers at the intermediate and operational levels. Maintenance organizations at the fleet level could benefit greatly from the work processes practiced at NADEP North Island. Site visits demonstrating the efficiencies of "lean" manufacturing techniques, theory of constraints, continuous process improvement, "just in time," or "pull" systems for aircraft overhaul and the "kanban" concept for handling tools, parts, and work center organization would greatly benefit the fleet maintenance personnel while opening the doors of NADEP and spreading its name.

A "Blood Drive" is a small example of an event that offers a several opportunities for organizational marketing. First, information about the event must be disseminated so that individuals know where and when it will occur. Information must be passed on the web and in local news to advertise the blood drive. In doing this people become aware of NADEP and the event it is announcing. A second marketing opportunity is capitalized upon when the event brings new people to the site of NADEP North Island. Even if it is only Blood Bank employees, new people have now seen and "experienced" NADEP North Island. They see the jets and hear the roar of their engines; they see the hangars and their awareness is raised. Thirdly, the days of the actual blood drive are newsworthy events that warrant media coverage. Interviews that are conducted and stories that are written by Coronado and San Diego newspaper or television stations have great impact on the viewer and may reach by those not previously captured by earlier marketing efforts.

These are but a few of the most critical actions that must be undertaken by NADEP North Island to begin an external organizational marketing campaign. They are by no means all inclusive but are considered by this author to be a starting point. Most importantly and as stated before, these activities should be treated as the primary duty of a dedicated marketing professional at NADEP North Island. Before this Chapter and this project conclude, some final recommendations for external organizational marketing with a focus on coordination of media efforts between various audiences will be addressed.

K. FINAL RECOMMENDATIONS AND COORDINATION OF MEDIA ELEMENTS IN ORGANIZATIONAL MARKETING

Coordination of the organizational marketing efforts should focus on the three functional areas that consist of:

- Internal relations
- External Relations and
- Community Relations.

Internal Relations consist of monitoring the internal activities of the organization and its people to identify events and accomplishments that are worthy of recognition outside the organization itself. Within the organization marketing personnel should remain in constant dialog with the various organizational departments and their leaders to maintain awareness of significant happenings that may be announced to the public. This relationship extends to other internal stakeholders of the agency such as unions or other trade organizations, retirees of prominence, or key faculty and staff. Finally, internal relations incorporates many daily PAO functions such as Command speech writing, press interviews and events hosting for the organization.

External Relations link the organization to outside agencies where they may tell the "NADEP North Island story." Here marketing personnel take information learned through internal relations and release it to the many external stakeholders outside the locality or region. These external stakeholders may include such players as the Navy Region Southwest, Department of the Navy, "Navy Newsstand," statewide or national audiences, the Navy Times or any of the many stakeholders we have mentioned herein. External Relations is external organizational marketing in action, and relies heavily on interface with various media channels.

The third area of focus in coordination of the marketing effort is Community Relations. Similar to External Relations, it is smaller in scope, focusing on the region or immediate locality; for example, San Diego and Coronado for NADEP North Island. Here the organization focuses specifically on community outreach programs, marketing of special events, tours, concerts and the like. As examples, events such as annual Blood

Drives, Toys for Tots, and support for natural disasters such as hurricane or tsunami relief campaigns serve to build strong local ties with the organization by demonstrating an organization's commitment to the local, national and world communities of which it is part.

The interplay between these three elements of Public Affairs involves some overlap, can be fairly fluid and typically moves from internal to community level relations then finally to external relations. This is demonstrated easily through the example of a military change of command. Through internal relations at an operational command, public affairs or marketing personnel would learn of the turnover, conduct an interview and then write a story that would be released first as an official press release via the appropriate Navy channels and then to base and local (community) news sources. Circulation would then progress to broader external agencies such as the Navy Times or perhaps "Navy Newsstand," and then finally to trade magazines such as "Approach" or "Wings of Gold" if that commander was in the aviation field. This simple case illustrates the ease by which a broad audience can be reached through a simple event to involve and inform many different stakeholders. While not overly complicated the task requires committed resources and follow-through on part of marketing personnel to ensure the initial interview and press release rises to higher external levels or media attention.

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V. CONCLUSION AND RECOMMENDATIONS

A. CONCLUDING COMMENTS

Much has changed within DOD during the last decade. BRAC, shrinking budgets and downsizing of the military have all increased risk and uncertainty for all agencies within DOD. Throughout, this paper has attempted to highlight the unique risks and political threats that pertain to NADEP North Island that affect its competitive position in its industry. Further, it has offered a historical look at some of these threats and in doing so has attempted to underline the importance of organizational marketing for NADEP North Island. It has offered a look at one agency within DOD that has employed organizational marketing to mobilize critical stakeholders in a role supportive to the organization. Finally, this paper has offered recommendations with which to implement an overarching organizational marketing campaign for NADEP North Island through a Public Affairs Officer or marketing personnel.

B. RECOMMENDATIONS:

Kotler's definition of organizational marketing is again offered because of its centrality to NADEP North Island's external marketing strategy: "organizations must work to build a strong, favorable image in the mind of their public and boost their public image to compete more successfully for audiences and funds."⁵⁶ Through this lens two groups emerged as audiences for NADEP North Island's marketing strategy: 1) the public and 2) state and congressional stakeholders. To reiterate the marketing strategy from Chapter IV, by reaching the primary audience we affect the power base of more potent supporting stakeholders of the secondary audience such as the State Congressmen and Depot Caucus thereby providing greater benefits and protections to NADEP North Island,

⁵⁶ Kotler, Philip, *A Framework for Marketing Management (Second Edition)*, Pearson Education, Inc. 2003.

strengthening its competitive position. This relationship and the potential power of stakeholder support were demonstrated earlier in the case of the Portsmouth Naval Shipyard.

In light of Kotler's guidance and the overarching marketing strategy reached, the following recommendations are offered for execution of an organizational marketing plan at NADEP North Island:

- 1) Designate a dedicated NADEP North Island public affairs or marketing professional to carry out organizational marketing. This billet should exist as a primary, not collateral duty for an officer or preferably, a long-tenured civilian employee at NADEP North Island.
- 2) Maintain and enhance the NADEP North Island Public Affairs web link in accordance with suggestions from Chapter IV and ensure interoperability with the Naval Bases Coronado website.
- 3) Establish immediate media presence through the use of internally generated, NADEP North Island press releases and ensure dissemination to the Navy Public Affairs website "Newsstand."
- 4) From press releases, generate articles for local newspapers such as the San Diego Union Tribune, Coronado Eagle & Journal and North County Times. Encourage television news coverage and interviews for significant NADEP North Island Events. Establish a media presence goal of 1 news story or media event per month that focus on significant accomplishments/ milestones of personnel or the organization such as: noteworthy worker accomplishments, awards, heroes at NADEP North Island or human interest stories; organizational awards, accolades or competitions; command goal attainment, financial or technical; product or process innovations; value delivery; significant events or anniversaries (NADEP North Island's 85 year history is in itself quite noteworthy and worthy of media attention); and contributions to current combat operations in Iraq and Afghanistan.

- 5) Increase circulation of articles released to manufacturing and aviation trade publications such as "Best Practices," "Approach" and "Wings of Gold."
- 6) Maintain market surveillance on the activities of the House Armed Services committee and Depot Caucus. Review findings of BRAC 2005 and comments of the BRAC Commission.
- 7) Maintain market surveillance on the activities of the BRAC Commission, its future activities, and selection criteria.
- 8) Consider planning for events marketing at NADEP North Island. Consider the following events: host or participate in job fairs to aid recruitment of new civilian employees, NADEP North Island anniversary celebration, 10K/5K Road-races, Semi-Annual Blood Drive, sponsor command visits by supported units, begin planning for participation in the MCAS Miramar Air Show and plan for participation by television, radio and print media agencies.

C. AREAS FOR FUTURE STUDY

As a result of this project several opportunities may exist as areas for future study.

- 1) If a position to manage organizational marketing at NADEP North Island is created, opportunities may exist to assist the PAO or other marketing professionals in further planning and implementation of organizational marketing at NADEP North Island.
- 2) Because of its large and diverse product mix, additional opportunities exist to assist NADEP North Island in product marketing.
- 3) With the conclusion of BRAC 2005, opportunities exist for study of future political threats that may arise in future BRAC rounds. This study may assist in

setting direction for future market surveillance at NADEP North Island, focusing on political activities of supporters and opponents of organic government depots such as NADEP North Island.

D. CONCLUSION

Throughout its 85 year history NADEP North Island has been an extremely successful organization that has offered priceless value to the warfighters it supports and Naval Aviation as a whole. It delivers unmatched industrial capability and quality products to its customers while maintaining an intimate bond with these customers through successful internal relationship marketing. NADEP North Island is a national asset due to the wealth of technological and manufacturing expertise that it possesses and most importantly is critical to fleet readiness and the defense of this nation. These are but a few of the values and virtues of NADEP North Island. An external organizational marketing campaign can deliver this message to key stakeholders to reduce threats to NADEP North Island and enhance its competitive position within its industry.

APPENDIX 1: PEST ENVIRONMENTAL ASSESSMENT TOOL

	Political	Economical	Social	Technological
NADEP North Island	<ul style="list-style-type: none">• Depot Caucus• Protection under Title 10• BRAC 1995/2005• Post Cold War Defense cuts have withered the Defense Industrial Base• DOD trends towards privatization and contracted support	<ul style="list-style-type: none">• Post Cold War Defense cuts have shrunk Defense Budgets• Environment of scarce resources leads to fierce competition for government business• Cost recovery pricing model/Navy Working Capital Fund	<ul style="list-style-type: none">• Two sides of NADEP; civilian and military• Rapid turnover of top Military leaders• DOD trend towards outsourcing• GWOT	<ul style="list-style-type: none">• Support of legacy weapons systems prove challenging• Parts obsolescence• Ever growing technology requires constant learning/process improvement and organizational change• Adoption of best business practices internalized

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APPENDIX 2: SWOT ANALYSIS TOOL

Internal Strengths

- Skilled, educated, & committed workforce
- Engineering, manufacturing and logistics capabilities among best in industry
- Physical Location ideally supports PACFLT and MARFORPAC customers
- Close relationship and history with supported units leads to great communication and feedback
- Low cost supplier
- Title 10 protected
- Utilization of best business practices

External Opportunities

- Congress: continued support is life sustaining
- Relationship with supported units
- Strengthen relationships with leaders citizenry of San Diego; grow stakeholder support; raise awareness
- Opportunities for more marketing effort

Internal Weakness

- Rapid turnover of top military leaders (18-24 months)
- No Command Public Affairs Officer
- Marketing/advertising constrained by Federal Law; most is by referral and reputation
- Fate of the organization is somewhat in the hands of other governmental stakeholders
- No external marketing

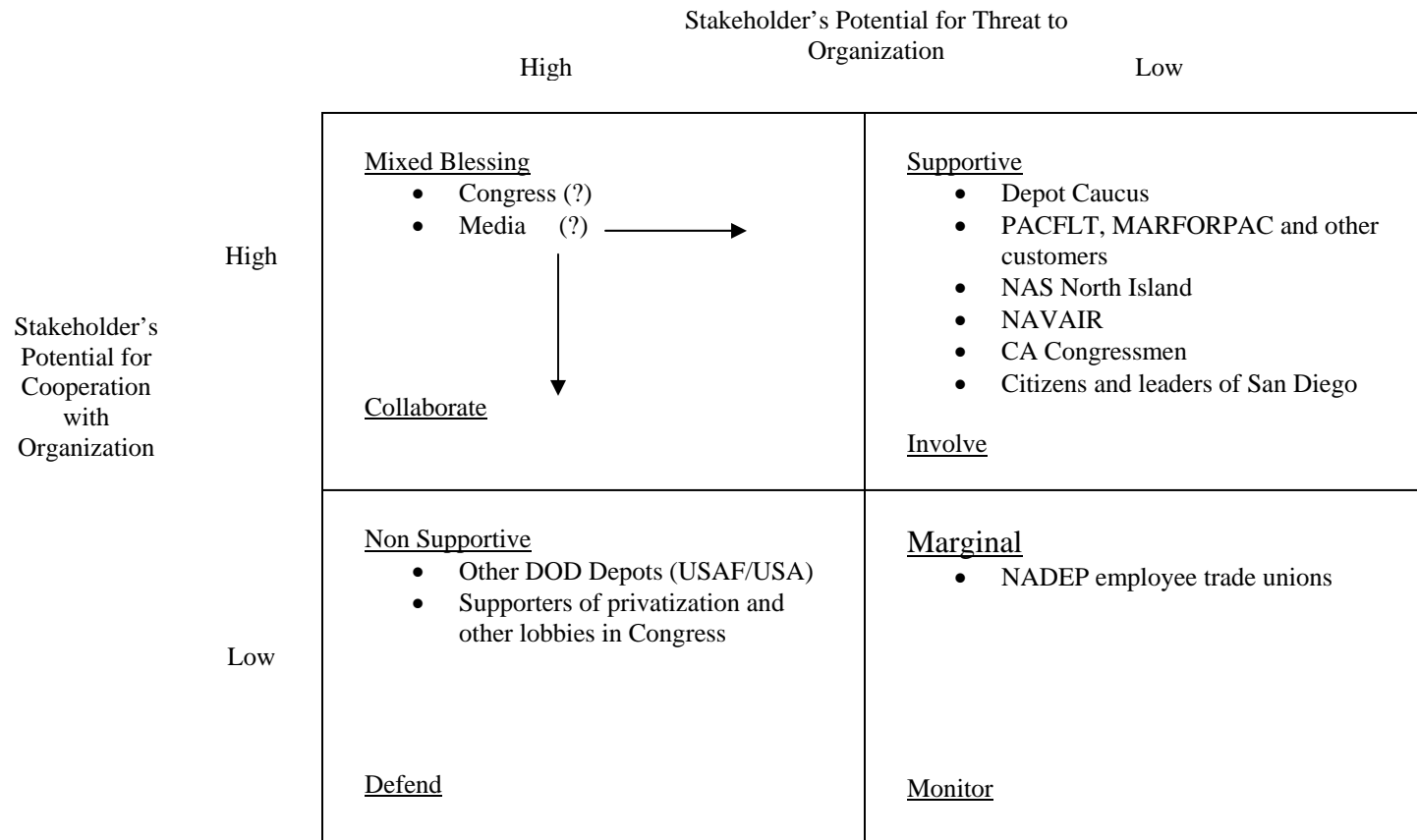
External Threats

- Congress if they succumb to the Privatization fad that has swept DOD
- Other DOD (USA, USAF) Depot facilities
- Shrinking of the American Defense industrial base
- Northrop Grumman, Boeing, Lockheed, and other commercial aviation suppliers

SWOT Analysis Tool: Bryson, J. M. Strategic Planning for Public and Non-profit Organizations. San Francisco: Jossey-Bass

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APPENDIX 3: DTOS STAKEHOLDER ANALYSIS TOOL



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APPENDIX 4: CORE COMPETENCIES & CAPABILITIES

Core Competencies

- Airframe overhaul F/A-18, E-2C, C-2, SH-60, AH-1W, UH-1N
- Only F/A-18 Center Barrel Repair agent
- Engineering and manufacturing of aircraft component parts
- LM 2400 overhaul facility

Capabilities

- Ability to deploy NADEP capabilities to deployed locations and customer bases
- Ship and Aviation Systems support
- Engineering, manufacturing, and logistics support to fleet
- Components manufacturing
- Metrology and Calibration
- Shipboard and aviation systems support

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