



Performance Based Logistics

Talking Brief

This document is confidential and is intended solely for the use and information of the client to whom it is addressed.

Purpose:

- ▶ Perceptions
- ▶ Customer and provider Challenges
- ▶ What are we trying to achieve?
- ▶ What is Logistics Integration?
- ▶ Value Proposition
- ▶ Core meaning of PBL
- ▶ Required logistics due diligence for effective PBL's
- ▶ Conclusions about PBL relevancy

Common PBL Perceptions

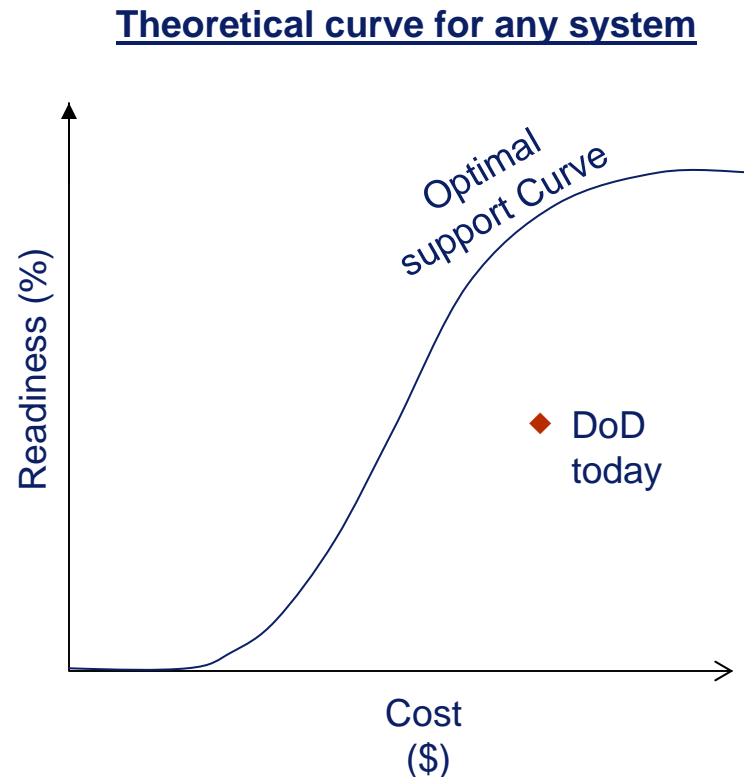
- ▶ Buying outcomes instead of work requirements (Power by the hour...fixed price)
- ▶ Government turns planning and execution over to a Commercial contractor
- ▶ Organic and commercial partnership for support
- ▶ Shifting accountability to a commercial contractor
- ▶ This is a fad that will die out soon

DoD has directed that Program Managers (PMs) develop PBL strategies but...

- ▶ **Government is struggling to implement PBL**
 - Funding issues (Color of money, Ownership)
 - Organic / Commercial partnership issues (Core, 50/50, O-Level)
 - Understanding when commercial or organic organizations have a true competency advantage
- ▶ **Commercial side is struggling to meet government's vision for PBL**
 - A clear projected Lower cost
 - A clear projected improvement of support performance
 - A significant Involvement of the industrial base

...misconceptions about PBL are the root cause of the inconsistent application of successful PBL strategies

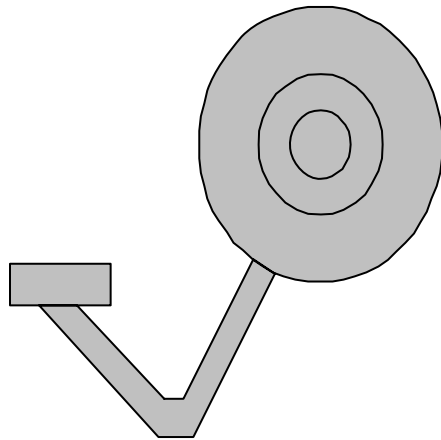
The Goal is for Logistic Support to Provide the Optimal Readiness at Affordable Cost



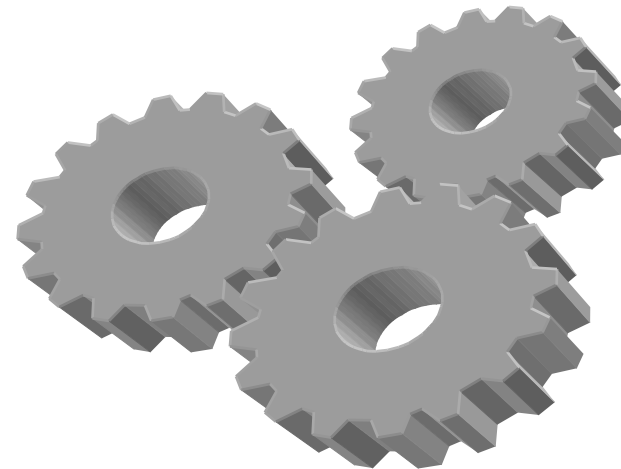
Moving toward the optimal curve requires improving integration.

Before understanding PBL, we must first understand the fundamental logistic management elements and the importance of integration.

Dilithium Crystal Containment Chamber (DCCC) and Johnson Titanium Alloy Tri-Gear Assembly (JTAGA)



**Dilithium Crystal
Containment Chamber**



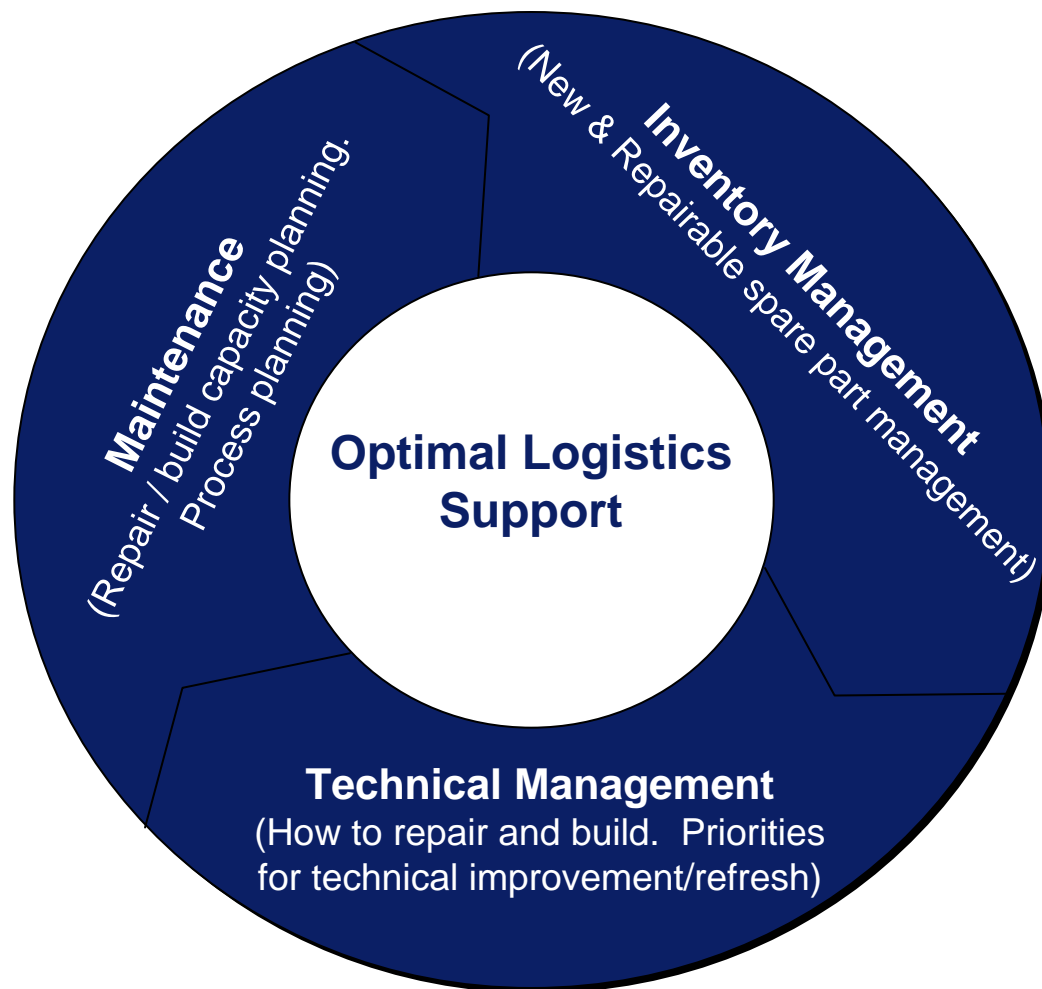
**Johnson Titanium Alloy
Gear Assembly**

Note: *Detail dimension and material property specifications removed for OEM copyright protection*

DCCC and JTAGA Integration implication between major functional support areas

Technical Management	The Dilithium Crystal life extension initiative. Technical priorities?
Maintenance Management	Johnson Titanium Alloy Tri-Gear Assembly and Dilithium Crystal Containment Chamber maintenance support issues – Process changes, rotatable pool implications, consumable inventory and forecasting implications, product flow, capital, obsolescence. (Are our priorities in line with issues directly effecting sub-system and total system availability?)
Supply Chain Management	Implications on Obsolescence, forecasting, vendor management. (Are our priorities in line with issues directly effecting sub-system and total system availability?)
Training	Repair and overhaul manual, work instruction, School house, CBT, train the trainer, etc. -- Distribution and currency. (Are our priorities in line with issues directly effecting sub-system and total system availability?)

What is meant by Integration?



The functional areas of logistic support are dependent on each other.

Example: Priorities of technical management impact the what, when, and how to buy for inventory requirements. These technical priorities also affect capacity, cost, and “repair versus buy” maintenance decisions.

Note: A functional support provider cannot be held accountable to metrics that are not under its control.

The Performance Based Logistics Value Proposition...

Improved Integration through:

- Aligning incentives
- Ensuring competency advantage
- Managing performance



Performance management

- Manage outcomes instead of transactions
- Empower and hold suppliers accountable to integrate



PBL
(Optimizing Logistics Support through improved Integration)



Result

- Improved readiness
- Reduced logistic foot-print
- Reduced cost

“Win-Win”

- Tie supplier incentives with improving warfighter readiness at reduced cost



Competency Advantage

- Ensure an inherently efficient support construct
- Ensure support providers have technical and management competency advantages

PBL Improves Integration

- **Technical management priorities**
- **Implement technical changes**
- **Manage processes across all functional support areas**

Incentives to Integrate Under Traditional Approach

- Govt. manages design change and overall engineering support
- Govt. provides logistics support providers funding to make changes
- Support provider is only required to meet Statement of work (SOW)
- Support provider is not accountable to downstream system performance
- Support provider is not incentivized to integrate the supply chain

Incentives to Integrate Under PBL Approach

- Support provider manages design change and overall engineering support
- Support provider invests in changes that improve system readiness or reduce cost
- Support provider profitability is tied to meeting requirements specified in the Statement of Objectives (SOO)
- Support provider is accountable to downstream system performance
- Support provider is incentivized to integrate supply chain

What does PBL Mean?

PBL is a strategy for weapon system product support that meets performance goals for a weapon system through a support structure based on long-term performance agreements with clear lines of authority and responsibility.

(DAU – 12 step Implementation process)

- ▶ Support provider Accountability and Empowerment
- ▶ Support provider incentives aligned with user
- ▶ Managing outcomes

PBL and/or integrated support can not be achieved without thoroughly understanding the system's support requirements

- ▶ Must understand the equipment and how it will be used
- ▶ What are the implicit support requirements that stem from design
 - Heavy consumer of parts?
 - Heavy consumer of maintenance?
 - Heavy consumer of technical management?



- ▶ An understanding of implicit support requirements drives support concept
- ▶ An understanding of the support concept drives how best to align support provider(s) and drives how to establish performance management

The failure to understand base support requirements before undertaking PBL strategy development is the primary reason for PBL failure

Implication to effective PBL's

Government

- ▶ Can not outsource planning of logistic support
- ▶ Must think through the long-term logistic consumption requirements of the system from a holistic support perspective

Opportunity: to sustain a proactively managed long-term integrated effort

Commercial

- ▶ Must think through empowerment issues before accepting performance metrics
- ▶ Must think through the long-term logistic consumption requirements of the system from a holistic support perspective
- ▶ Must have or can quickly develop the competency and infrastructure requirements to do the work.

Opportunity: to increase share of the overall support workload.

Is PBL here for the long term?

- ▶ Is the need for integration and a proactive management here for the long term?
- ▶ Is the desire to incentivize support providers here for the long term?
- ▶ Will the need to thoroughly understand systems and their operational requirements be here for the long term?
- ▶ Will thorough planning and due diligence be needed for the long term?
- ▶ Will aligning the incentives of the supply base with the needs and requirements of the system users be a consideration of interest for the long term?

Questions?

Backup

Booz Allen brings insight and action...

Commercial

Support to major DoD contractors and other Fortune 500 companies to include supply chain management and PBL negotiation experience

Booz Allen brings a unique and powerful PBL perspective that is grounded in both commercial and government experience in order to provide practical and effective PBL solutions

Government

Long standing support to DoD acquisition and logistics community including assisting in PBL implementation.

... delivering PBL results that endure

Booz Allen's experience includes:

Strategic Planning

- Methodology and support for Acquisition Category 1 programs
- MID 917 program support
- Proven methodology for establishing relevant performance metrics in support of Warfighter Performance Based Agreements
- System Command support for establishing PBL policy and guidance

Life Cycle support Projection

- Acquisition Category 1 systems-of-systems experience
- Proven tools and methodologies

BCA

- MID 917 BCA support
- Proven tools and methodologies

Change Management

- Proven experience supporting organizational change management
- Performance Management approach and methodology

Contract Support

- Approximately \$1.8B in active, performance-based contracts
- Selection of contract type
- Performance incentive / disincentive plan development
- Risk management plan development

Performance Management

- Proven BCA methodologies
- Performance Management expertise

The Steps to PBL Development and Implementation

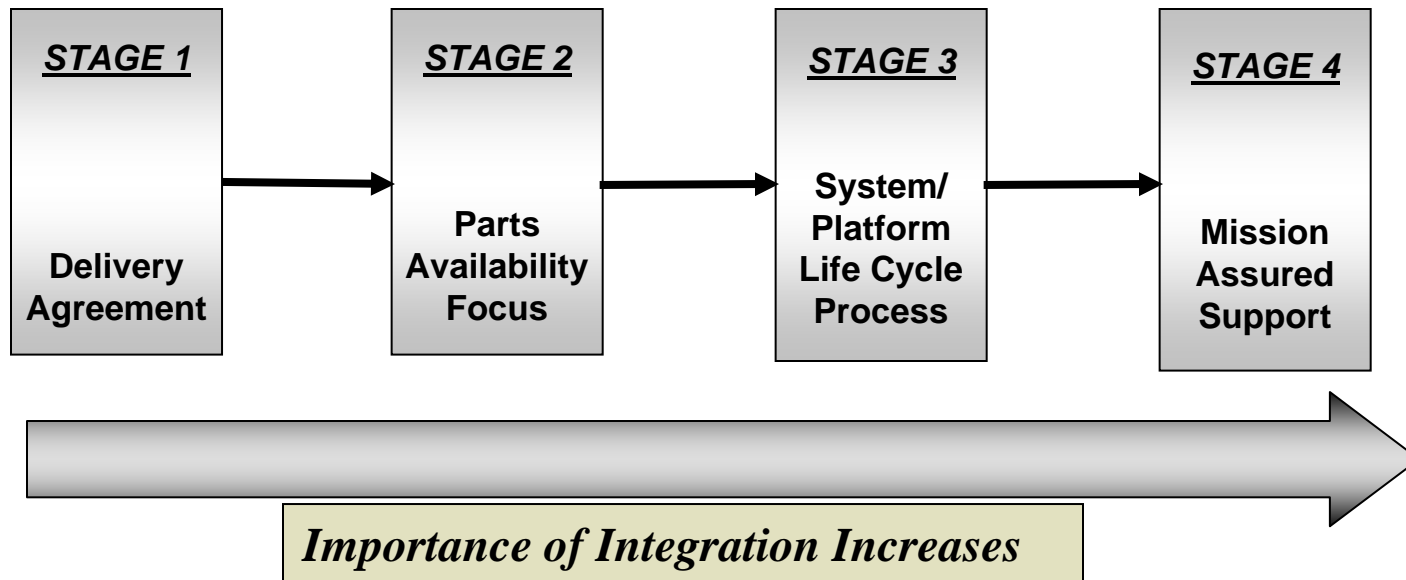
- ▶ **Strategic Planning:** Develop support constructs with suppliers that are empowered and held accountable to system metrics. Develop key metric drivers for optimal warfighter performance. Constructs should leverage organic / commercial competency advantages.
- ▶ **Life Cycle Support Projection:** Develop data management plan that projects logistic requirements (parts consumption, footprint, etc.) and estimates for system readiness.
- ▶ **Business Case Analysis (BCA):** Conduct comparative economic analysis on alternative support constructs. BCA should include evaluation of “off-ramp” options.
- ▶ **Change Management:** Develop plan for cultural and organizational shift to performance management. Includes addressing roles & responsibilities and training requirements.
- ▶ **Contract Management:** Negotiate appropriate contract that establishes PBL incentive alignment, supplier accountability, and performance management criteria.
- ▶ **Ongoing Management:** Maintain performance management to measure true success of the support construct. Manage for continual improvement / optimization.

Improved Integration through:

- Aligning Incentives
- Ensuring competency advantage
- Managing Performance

PBL is the TOOL, Integration is the GOAL

(NDIA – AIA Concept)



Performance-Based Logistics (PBL) is not a “ONE SIZE FITS ALL” approach to product support but, the common theme is that performance metrics should drive alignment of support provider with the warfighter at optimal costs.