
The PBL Process And Key Decisions

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- PBL Stakeholders
- PBL Roles And Responsibilities
- Performance Based Agreements
- PBA Development Process
- PBL Within The Acquisition Process
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- Key Success Factors For Government/Industry Teaming
- Business Case Analysis (BCA)
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PBL Stakeholders

- Warfighter
 - Organization that conducts combat operations which require support from an organic or contractor logistics infrastructure to meet their mission requirements. Establishes the requirements for a performance based agreement which is the basis for a Performance Based Logistics Approach
- Product Manager/Program Manager (PM)
 - Government leader accountable for developing, fielding and supporting a weapons system throughout its useful life. The PM is the party who negotiates the terms of a Performance Based Agreement with the Warfighter. Oversees Product Support Integrator performance and serves as the principal interface to the warfighter on support requirements.

PBL Stakeholders

- Product Support Integrator (PSI)
 - A government organization, DoD contractor, or government/contractor team responsible for integrating those aspects of logistics necessary to achieve the terms of a Performance Based Agreement. Manages the overall weapons system supply chain to achieve availability, O&S cost objectives, and logistics footprint reduction
- Product Support Provider (PSP)
 - Delivers support and is compensated based on achievement of negotiated performance metrics which are derived from the PBA

PBL Roles And Responsibilities

Warfighter

- Specifies required performance/capability
- Funds support
- Provides performance feedback to PM

PM

- Total Life Cycle Support responsibility
- Single point accountability for PBA execution
- Contracts for performance to contractor and government entities
- Oversees PSI/PSP performance
- Awards incentives based on metric results

Product Support Integrator

- Integrates supply chain of Product Support Providers and other suppliers
- Executes PBA
- Synchronizes supply chain activity
- Directly or indirectly will invest in infrastructure and inventory

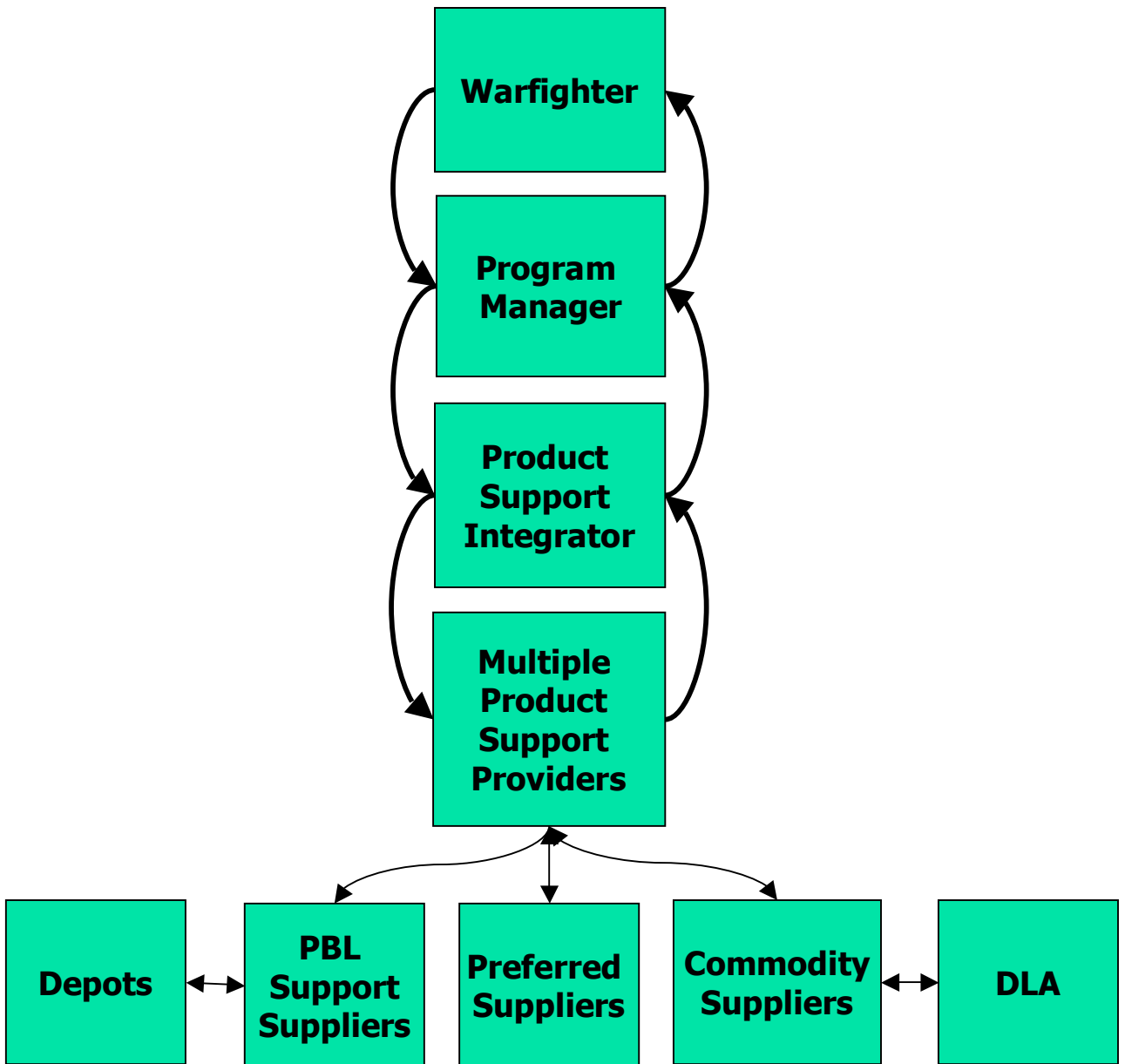
Product Support Provider

- Executes PBA
- May invest in infrastructure and inventory

Performance Based Agreement (PBA): The Heart Of The PBL Process

- PBA Definition: A contract between parties for End-to-End Customer Support which describes the warfighter support requirements and performance expectations for all elements of support covered by the agreement
- PBA's exist at each level of the PBL Supply Chain:
 - Warfighter – PM
 - PM – PSI
 - PSI – PSP
 - PSP – Supply Network Members
- The PBA provides clear lines of accountability for each support element and serves as the basis for contracting equivalent to a scope of work, performance metrics, and the criteria for payment.

PBL Supported By Web Of PBAs



Performance Based Agreements

- A PBA includes the following elements:
 - High level goals
 - Roles and responsibilities
 - Performance Metrics and methods to baseline metrics
 - Benefits
 - Resources
 - Subordinate agreements among impacted parties required to execute the proposed PBA agreements
 - Business Case Analysis process to quantify benefits and build financial justification for the project
 - Signoff by all stakeholders in the process including principals, overseers, and those impacted

PBA Development Is A Multi-Stage Process

The PBA development process:

- Pre-Agreement
 - Evaluate Current Conditions
 - Plan and Prepare for Performance Based Agreement
 - Identify and Prioritize Customers and Stakeholders
 - Develop Rough Order of Magnitude (ROM) Business Case (Optional) including risks identification
 - Gain Commitment to Proceed
 - Develop PBA Proposal Letter
 - Conduct Initial Discussions/Meetings
 - Develop Memorandum of Agreement

PBA Development Is A Multi-Stage Process

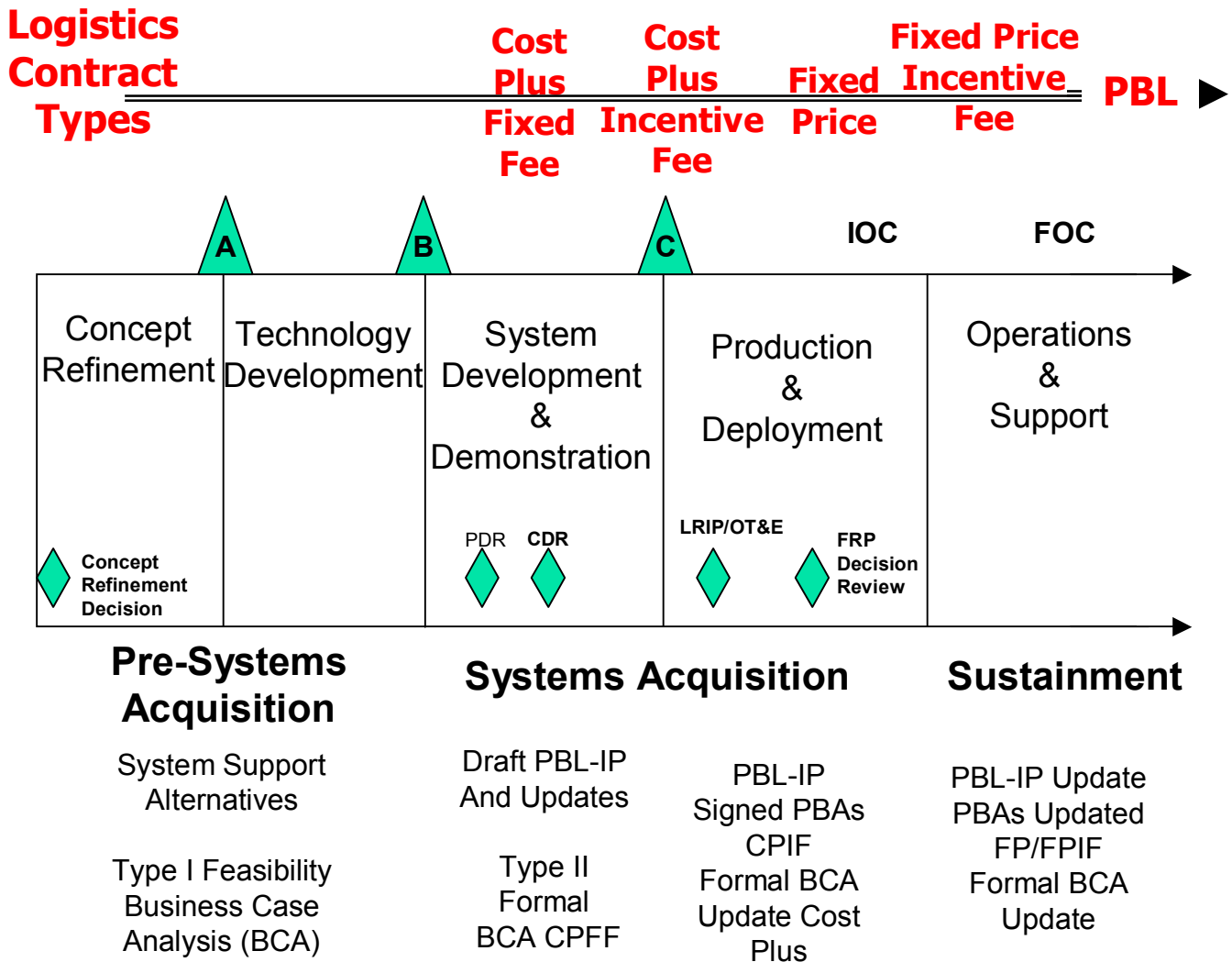
- Pre-Agreement
 - Define Scope and Objectives and Finalize Agreement
 - Prepare for kickoff meeting
 - Conduct kickoff meeting
 - Follow-up discussions/meetings
 - Establish Metrics Baseline
 - Finalize Business Case
 - Finalize and Sign PBA

PBA Development Is A Multi-Stage Process

- Post-Agreement
 - Execute Agreement/Assess Results
 - Conduct agreement launch meeting
 - Develop and validate processes
 - Implement infrastructure technologies
 - Train
 - Measure results
 - Report results
 - Identify Improvements
 - Conduct agreement review with customer
 - Conduct process review
 - Conduct technology review
 - Determine next steps and adjust agreement accordingly

PBL Within The Acquisition Cycle*

THE 5000 MODEL



*Information on PBL in Acquisition Process derived from Memorandum from Under Secretary Of Defense, E.C. Aldridge, Jr., "Total Life Cycle Systems Management and Performance Based Logistics," 07 Mar 2003.

US Title 10 And PBL

- PBL is intended to combine the best aspects of the organic support base with the best practices and resources of commercial industry to deliver flexible, reliable support to the warfighter
 - US Title 10 requires that the organic maintenance and support base be maintained
 - Places restrictions on DoD's ability to outsource work
 - Definition of Core Workload
 - 50/50 Rule
 - Application of A76 when 11 or more federal employees might be impacted by outsourcing

**GOVERNMENT / INDUSTRY PARTNERING IS
AN IMPLICIT REQUIREMENT OF PBL AND
MAKES GOOD BUSINESS SENSE**

US Title 10 And PBL

- PBL government industry partnering opportunities exist with Major support commands, Depots/ALCs, DLA, and Suppliers
- Understanding organizations self-interest will allow the PBL process to successfully comply with US Title 10
- Must look at government as a partner rather than a competitor

What Motivates Them?

- Warfighters
 - Want reliable support to meet mission requirements
 - Do not care where it comes from as long as when they put their hand out the support is immediately there
 - Do not want to deal with a thousand contractors because they're already busy
 - Is giving up previously discretionary funds to fund PBL support
 - Suspicious of suppliers. Can I trust them?

**WARFIGHTERS ARE NOT A STRONG PROPONENT OF PBL.
YOU MUST PROVE YOURSELF TO THEM.
YOU NEED THE WARFIGHTERS ON YOUR SIDE SINCE
THEY HAVE PUT THEIR LIFE IN YOUR HANDS AND WILL
RATE YOUR PERFORMANCE.**

What Motivates Them?

- Product Manager/Program Manager
 - Directly accountable to the warfighter for support
 - Improved weapons system availability
 - Optimized support
 - Directly accountable to DoD
 - Improve system readiness
 - Reduce O&S costs
 - Reduce Logistics Footprint
 - Directly accountable to supply chain to ensure that it is optimized, stable, and reliable throughout the lifecycle of the product.

THE PM IS PBL POSITIVE SINCE IT HELPS PRESERVE THEIR PRODUCTION BASE.

YOU NEED THE PM ON YOUR SIDE TO BALANCE THE COMPETING DEMANDS OF HIS CONSTITUENTS.

ONE MISSTEP ON THEIR PART IS A CAREER KILLER

What Motivates Them?

- Depots/ALCs
 - Preservation of business base to execute their support mission effectively
 - Strong commitment to the soldier
 - Improving performance to avoid BRAC
 - Protecting labor content so that skills and capabilities are retained
 - Improving material throughput to eliminate plant shut downs
 - BRAC-proofing themselves through alliance, teaming , and partnerships with Industry

What Motivates Them?

DEPOTS/ALCs ARE PBL NEUTRAL UNLESS A CONTRACTOR IS COMING AFTER THEIR LABOR WORKLOAD;

THE DEPOT/ALC WILL TIE-UP A CONTRACTOR WITH US TITLE 10 UNTIL THE PBL WITHERS AND DIES.

LOOK FOR A WIN/WIN SOLUTION SUCH AS THE CONTRACTOR OUTSOURCING ITS REPAIR ACTIVITIES TO THE DEPOT/ALC,

BUT HAVING THE CONTRACTOR OWN THE PIECE PART INVENTORY USED FOR REPAIRS AND MANAGING THE INDUCTION SUPPLY CHAIN.

DEPOTS/ALCs MAKE A WONDERFUL ALLIE AND ACTUALLY DO GOOD WORK IF THEY HAVE PARTS

What Motivates Them?

- Defense Logistics Agency
 - Maximizing the buying power of DoD
 - Maintaining a high material fill rate
 - Satisfying warfighter material demands on a timely basis
 - Ensuring quality of materials provided
 - Covering infrastructure costs
 - Satisfying Depot and contractor requirements when programmed funds are available

DLA IS PBL NEUTRAL UNLESS A CONTRACTOR PLANS TO PROCURE MATERIALS DIRECTLY FROM SUPPLIERS THAT ARE AVAILABLE THROUGH DLA.

WAYS CAN ALWAYS BE FOUND TO UTILIZE DLA FOR MATERIAL REQUIREMENTS, BUT REMEMBER THAT A CONTRACTOR IS THE ONE BEING MEASURED FOR PERFORMANCE AND THEY MUST HAVE ALTERNATIVE SOURCES OF SUPPLY IF DLA FAILS TO DELIVER WHEN PROMISED.

What Motivates Them?

- Major Support Commands
 - Ensuring that warfighter support needs are satisfied
 - Ensuring that high value equipment assets are maintained at the highest state of readiness
 - Ensuring that all system assets are accounted for and available for use, issue, or overhaul
 - Preserving a business base large enough to recover overhead costs and preserve jobs

MAJOR SUPPORT COMMANDS ARE PBL NEGATIVE.

REMOVAL OF MAJOR WEAPONS SYSTEM FROM BUSINESS BASE MAKES OVERHEAD COST GO UP AND MAKES THEM NON-COMPETITIVE.

GAO HAS MADE THE CASE THAT IN THEIR EVALUATION OF PBL THAT MAJOR SUPPORT COMMANDS SHOULD BE THE PRODUCT SUPPORT INTEGRATOR.

What Motivates Them?

- Congressional Depot Caucus
 - Preservation of government jobs within their voting districts
 - Getting re-elected

**DEPOT CAUCUS IS PBL NEGATIVE.
UNLESS CAREFULLY MANAGED, THE DEPOT
CAUCUS CAN BE A MAJOR SHOW STOPPER TO
PBL AWARDS.**

**RESOLVE AS MANY ISSUES WITH
GOVERNMENT STAKEHOLDERS SO THAT THEY
CAN RUN INTERFERENCE FOR YOU.**

What Motivates Them?

- Suppliers
 - Control of the product
 - Reputation is tied to product success in performance as well as support
 - Wants to control the product definition and configuration
 - Wants to mitigate legal liabilities based on unauthorized design changes that have downstream impacts
 - Fill capacity
 - Continue production
 - Maintain manufacturing base
 - Want revenue stream associated with product support
 - Want to minimize risk

***SUPPLIERS ARE PBL SKEPTICAL.
COULD BE A GOOD SOURCE OF REVENUE BUT
NEED TO MITIGATE RISKS ASSOCIATED WITH
PERFORMANCE AND INVESTMENT. OFTEN SEE
GOVERNMENT AS COMPETITORS***

Key Success Factors For Government / Industry Partnering

- Clear scope and performance metrics
- Understanding of each parties self-interest which must be satisfied to justify partnership relationship
- Process for resolving disputes and overcoming challenges
- Process integration
- Team communications methods
- Quality of product or service expectations
- Strong relationships built upon trust

Government Business Case Analysis (BCA)

- BCA is performed iteratively throughout the each stage of the acquisition process
- BCA is the principle tool DoD uses to evaluate the applicability of PBL as the preferred support option.
 - Allows “apples-to-apples” comparison of support alternatives
 - Will generally evaluate four support options
 - Organic Support only
 - PBL approach commercial only
 - Organic approach with CLS
 - PBL in partnership
 - BCA provides the basis for completing a Justification for Acquisition (J&A) for a PBL support option
 - Each service uses a different approach to BCA.
DAU is attempting to standardize approach

Government Business Case Analysis (BCA)

- BCA when performed well provides an unbiased view of the benefits and burdens of each support approach.
- BCA when poorly done allows the analysis to be gamed to deliver the result that the proponent wants to achieve
 - Requires independence from agendas of stakeholders
 - Should be auditable by an outside source
 - Must truly represent the cost and risk of each alternative
- A wise supplier will work with his government PM to influence the establishment of metrics, data collection, and evaluation methodology used in BCA
- A wise Program Manager will utilize outside government or contractor personnel to audit the BCA findings for reasonableness and truthfulness

BCA Challenges For Government

- Providing equivalency when comparing support options
 - What is included in each offering so that they can be compared?
 - How do you compare government organic approach? Example:
 - The new weapons system is similar to weapons system "y" which serves as the baseline system
 - Weapons system "y" has never achieved availability greater than 75% for a cost of "m" yet the new system is required to achieve availability of 95% nearly 20% points greater
 - The PBL PSP offers 95% availability for a cost 6% greater than the current cost of system "y"
 - How will the government factor the cost to account for the incremental increase in expenditures required for the organic system to deliver the higher rate of availability?

Contractors Must Perform An Internal BCA

- It is critical for a contractor contemplating making a PBL offering to do a rigorous analysis of the financial and performance risks that could impact their business
 - Provides basis for making offering
 - Allows contingencies to be evaluated
 - Forces risks to be identified
 - Most program managers do not have signature authority to sign contracts greater than \$500K.
 - Since PBL is a strategic decision, Leadership will have to be convinced that this is a good business decision

The Contractor's Internal BCA

- Need to develop a pro-forma income statement, balance sheet, and cash flow analysis
 - Consider increase/decrease in weapons system installed base
 - Change from peacetime to wartime
 - Impacts of disruptions to supply-chain
 - Supply losses
 - Personnel losses
- Develop contingencies and re-run the numbers