An analysis of the DoD’s implementation of Performance Based Logistics provides a clear example on why DoD will fail to achieve acquisition reform. The DoD failed to maximize the benefits of Performance Based Logistics for three reasons: 1) failure to implement clear guidance, 2) blind faith assumptions, and 3) a crisis within the contracting community. Ironically these three mistakes will not cause the ultimate failure of PBL implementation because they can be fixed. The DoD’s inability or unwillingness to analyze decisions, evaluate repercussions, make adjustments and start the self-analyzing and continuous improvement cycle all over again will prevent success and guarantee failure.
MASTER OF MILITARY STUDIES

A Critically Missing Step Required for Acquisition Reform

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Executive Summary

**Title:** A Critically Missing Step Required for Acquisition Reform

**Author:** Major Maria C. Roberts, USAF

**Thesis:** No matter what processes are initially used, the Department of Defense (DoD) must implement and fully engrain a self-analysis and continuous improvement cycle into its culture in order to achieve acquisition reform.

**Discussion:** An analysis of the DoD’s implementation of Performance Based Logistics provides a clear example on why DoD will fail to achieve acquisition reform. The DoD failed to maximize the benefits of Performance Based Logistics for three reasons: 1) failure to implement clear guidance, 2) blind faith assumptions, and 3) a crisis within the contracting community. Ironically these three mistakes will not cause the ultimate failure of PBL implementation because they can be fixed. The DoD’s inability or unwillingness to analyze decisions, evaluate repercussions, make adjustments and start the self-analyzing and continuous improvement cycle all over again will prevent success and guarantee failure.

**Conclusion:** The DoD’s implementation of Performance Based Logistics highlights not only the necessity of the self-analysis and continuous improvement cycle, but the enormous amount of resources lost and irreclaimable in failing in doing so.
Introduction

The United States President, Congress and the Department of Defense (DoD) view acquisition reform as a high priority and as recently as May 2009 signed The Weapons Systems Acquisition Reform Act. Acquisition reform can only occur through the combined efforts of Congress and DoD due to many associated laws and regulations. One of Secretary of Defense Robert M. Gates’ recommendations in fiscal 2010 defense budget request is reformation of the DoD’s procurement system. Former Secretary of Defense Donald H. Rumsfeld also sought reform. The 2001 Quadrennial Defense Report (QDR) indentified logistics as one of four transformational pillars needed to transform the DoD into a capabilities –based model as we face a new era of defense. The QDR specifically mandated the application of Performance Based Logistics (PBL) to achieve the following goals: accelerate logistics enterprise integration, reduce logistics demand, and reduce the cost of logistics.

Three negative practices are the initial reasons the DoD failed to achieve PBL goals. The first oversight was the failure to implement a clear and discernable PBL framework within the acquisitions environment. This weak framework directly contributed to the second point of failure; an environment inclined towards continual usage of assumptions as a foundation to make decisions with far reaching implications. Finally, the third problem stems from the many challenges facing the contracting officer community. The first two problems occurred with initiation of the PBL mandate. The third problem is more complex, has a longer history and does not only affect PBL implementation but has greater implications across the entire DoD acquisitions community. While all three failures are initial roadblocks on DoD’s quest for acquisition reform, they are not the ultimate reason for failure. A critical step required for
acquisition reform is missing. No matter what processes are initially used, the DoD must implement and fully engrain a self-analysis and continuous improvement cycle into its culture in order to achieve acquisition reform. This cycle allows for corrections, redirections and refinements that are always inevitable and required. Without this critically missing step acquisition reform will never occur.

A Weak Framework: What is PBL?

Since the inception of PBL misunderstanding, lack of clear guidance, and lack of follow-up evaluation created and sustained a weak PBL program. The QDR mandated the use of Performance Based Logistics with the simple statement: “DoD will implement Performance-Based logistics to compress the supply chain and improve readiness for major weapons system and commodities.”

The acquisition process as a whole is complex and impossible to explain or describe in a few short sentences. PBL is further complicated for two reasons. It is a relatively new concept so historical knowledge and examples are limited. Furthermore, the fundamental PBL principal of requiring situational dependent performance measures is an element that cannot easily be identified and applied. Interviews with DoD and commercial sector logisticians clearly describe an environment where a common understanding of PBL does not exist among experts or practitioners. The lack of clear subsequent direction forced each Service and Defense Agencies to create a unique and subtly different definition of PBL. Each Service developed its own interpretation: what PBL is, what it means, how to implement, what should be measured/tracked, and how to execute and sustain PBL. The ramifications are numerous and the implications are far reaching.
As with most complex issues it is difficult to succinctly explain PBL. The Federal Acquisition Regulation (FAR) defines PBL as "contracts with an acquisition structured around the results to be achieved as opposed to the manner by which the work is to be achieved.  

The Defense Acquisition University (DAU), chartered with the mission to "provide practitioner training, career management, and services to enable the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (US(AT&L)) community to make smart business decisions and deliver timely and affordable capabilities to the warfighter" provides a slightly more detailed definition. 

DAU defines PBL as:

The acquisition of support as an integrated, affordable performance package designed to optimize system readiness and meet performance goals for a weapon system through long term support arrangements with clear lines of authority and responsibility. The fundamental tenet of PBL is buying measurable performance and/or support outcomes, monitored with metrics, to deliver warfighter capabilities.

Major Manuel P. Perez, USAF provided the best definition for PBL. Unlike others it provides three key components. The first is identifying PBL as a strategy which indicates it must be implemented and managed throughout its life cycle in order to achieve its goals. It can not merely be applied. Its second strength is a complete and easily understood description of the meaning and types of PBL. Finally, unlike many others, his definition includes the end goal of PBL implementation: a critical component missing in most definitions.
in his paper “An Examination of a Standardized Top-Down Methodology to Maximize the Benefits of Performance Based Logistics” Major Perez defines PBL as:

A long term support strategy and contract that utilized a single point of management, either government, contractor or a blend of the two, to manage a weapon system, sub-system or component using high level performance based metrics such as mission capable rates or product availability to Reduce Total Systems Cost, Increase Responsiveness, Reduce Logistics Footprint and Increase Availability.\footnote{9}

The inclusion of desired outcomes provides a vital foundation and understanding in an extremely complex process. It focuses both DoD acquisition specialists and commercial contractors toward the same goal. It also addresses performance metrics, a fundamental characteristic of PBL. As the 2001 QDR explicitly states, it selected PBL because it anticipates savings in both time and costs.\footnote{10} Evaluation must occur to determine whether the contractor is achieving performance goals. Furthermore, Major Perez’ definition identifies the three basic types of PBL: PBL Pure, PBL Lite, and PBL Transition.\footnote{11}

Understanding the basic types of PBL provides an important baseline because it differentiates responsibility: allocation of responsibility and who bears the risk. The following chart provides a graphical depiction of the three types of PBL and potential drivers.
PBL Pure exists when the contractor bares the majority of the risk. This scenario usually only occurs when the contractor is involved early in the acquisition process. In PBL Pure the contractor requires access to the full information technology infrastructure. This allows the contractor to fully maximize the benefits of PBL through full integration of the entire supply chain management process. PBL Lite describes a partnership where government legacy process already exists. The associated benefits are normally achieved in supply chain efficiency. The potential benefits are less than in a PBL Pure scenario since the contractor did not participate earlier in the acquisition process, thus is less willing to take on more risk. PBL Transition is the third type of PBL contract. A short term contract period describes this type of contract. PBL Transition contracts provide a risk mitigation strategy for both the government and the contractor. It protects the government from committing to a program price before metrics and baselines are both established and validated. It provides the contractor an established time
frame to demonstrate efficiency to its own leadership, thus validating their program’s profit will be commensurate with all associated risks.

These definitions are meant to provide a baseline and to highlight its complexity thus requiring more than a laissez-faire approach to achieve PBL goals. It also highlights the complex environment in which government contractors must identify valid performance measures. Without valid performance measures a robust or strong PBL contract does not exist. The exact numbers of PBL varietals are as limitless as the number of existing contract and potential future contracts. Each contract’s unique characteristics create an exponential number of PBL ‘flavors.’ For example each contract will have its own unique set of characteristics such as 1) degree of contractor vs. government provided support, 2) burden of risk ratio, 3) performance goals, 4) metrics and 5) fulfillment of contract requirements to just name a few. Additionally, each contract will identify its own level of performance through either product availability or a mission capable rate of any percentage (e.g. 85%, 86%, 87%, etc.) Furthermore, how the contractor and government determine to capture the data to define the goal is unique to every contract. In addition to a having basic understanding of PBL, expertise is needed to identify valid and measurable metrics in order to ensure appropriate expenditure of taxpayer dollars while simultaneously providing the warfighter the tools to successfully support the National Defense Strategy.

If each Service and Agency works off a different understanding of PBL it is logical to conclude each Service and Agency will focus on a different aspect of PBL and thus execute PBL differently. Furthermore, without a basic understanding of a methodology one can never achieve the Secretary of Defense’s goal of increased integration, reduced demand and reduced
cost. Clear policies, guidance, directives, roadmaps, etc., are needed. The DoD’s poor PBL implementation is akin to a commercial company telling its employees to execute customer service practices and leaving it up to each department to execute customer service. Instead a company is more likely to execute the following script. Identify a clear goal, improving customer service for example, in order to gain new customers and retain existing customers. The goal is clearly identifiable to both its internal employees and its external customers. In addition, the company would provide a roadmap or outline on how leadership thinks this goal could be achieved. Leadership would specifically identify areas they want their departmental leaders to focus on. For example, implementation of customer service training, rewards program, survey feedback, etc. OSD, US(AT&L) and even the Services/Agencies failed because a solid framework does not exist. PBL is a strategy for an overarching goal and requires clear direction and guidance in order to achieve the specific goals identified in the 2001 QDR.

**Consequences of a Weak Framework**

The consequences of a weak framework are numerous because uncertainty lends itself to confusion, reliance on false assumptions, further misunderstanding and a lack of coordination among the numerous organizations. First consequence of a weak framework is the lack of data to analyze. A DoD Office of the Inspector General (IG) Report supports this concept. The DoD IG report titled “Logistics: the Military Departments’ Implementation of Performance-Based Logistics in Support of Weapon Systems” stated “due to inconsistent, incomplete, and uncoordinated information provided to ADUSD(LP&P), the correct number (of PBL) is undeterminable.”\textsuperscript{16} The report also clearly identifies a significant disparity between the Services achieving PBL implementation.\textsuperscript{17} The lack of information concerning PBL
implementation among the Services is so pervasive that the DoD IG faced many road blocks in providing a detailed and accurate assessment. If the DoD IG found the data terrain of PBL so difficult to analyze, it does not take a great leap of faith to understand the acquisition community also does not have the data required and to manage the program successfully. Unfortunately the DoD IG’s report is not the only negative analytical report on DoD PBL. A 2005 Government Accountability Office (GAO) review found that DoD failed to verify actual cost savings in fourteen out of fifteen PBL contracts. Perhaps more importantly, the one contract where actual savings could be assessed, there proved to be no savings.

Despite minimal tracking of PBL contracts or specific metrics data the Office of Management and Budget (OMB) decided to implement a mandatory percentage goal for PBL. OMB directed:

performance-based techniques on a specific percentage of the total eligible service contracting dollars each fiscal year as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>2002</td>
<td>20%</td>
</tr>
<tr>
<td>2003</td>
<td>30%</td>
</tr>
<tr>
<td>2004</td>
<td>40%</td>
</tr>
<tr>
<td>2005</td>
<td>40% (changed from original 50 percent by OFPP)</td>
</tr>
</tbody>
</table>

A discussion with US(AT&L) proves the point; two questions were asked. The first question posed: “Is the requirement 50% of all contracts or 50% of the dollar value of all contracts?” The second question posed: “Have all Services achieved the goal?” US(AT&L) responded that the 50% requirement had to do with “the requirement to have 50% of the dollar value of depot maintenance be performed by government facilities.” In response to the second question, US(AT&L) stated “there is no requirement to report on PBL.” It was subsequently pointed out to US(AT&L) the requirement to meet the 50% of contracting dollars to PBL by 2005 came from
OMB. Furthermore, it was shown that the requirement to track PBL contracts among the Services was mandatory and that even US(AT&L) acknowledged this fact in their response to the DoD Inspector General’s findings in the report titled “Logistics: the Military Departments’ Implementation of Performance-Based Logistics in Support of Weapon Systems.”\textsuperscript{24} Additionally, US(AT&L) published an unusually specific memorandum on February 13, 2002 mandating both the tracking of specific data and requirement to submit the data to US(AT&L).

The FY 2003-07 Defense Planning Guidance (FY03 DPG) requires that each Military Department submit a plan that identifies its implementation schedule for applying PBL to all new weapon systems and all Acquisition Category I and II fielded systems. Service PBL schedules should reflect an objective to aggressively pursue program implementation end dates tailored, program-by-program, to complete at the earliest feasible data. Service plans for PBL implementation should be prepared in accordance with Attachment 1 and submitted to this office by May 1, 2002.\textsuperscript{25}

The clear lack of understanding the basic requirements to manage PBL lends credence to the thought that PBL was not ever implemented. A review, follow-up, or evaluation should have occurred to ensure process understanding and improvement occurred. Without it, PBL goals will not be achieved.

The second consequence of a weak framework is the creation of an environment inclined towards making and then continuously using assumptions, instead of facts as the foundation for further decision making. This mistake is not unique to early PBL initiation. It still occurs today. A Lexington Institute Primer for President Obama’s Administration advocates the use of PBL for the DoD, including major weapon systems.\textsuperscript{26} The primer relies on the example of PBL for engines in the airline industry. A quantum leap is made that successful application of PBL for engines in commercial airliners directly translates to successful execution and implementation of PBL for all DoD major weapons system (MWS). In addition, due to the
A smaller logistical footprint is universally accepted as a benefit of PBL. For example, looking at the base service support PBL, a smaller footprint emerged. As the contractor took over all aspects of on-base housing military personnel soon focused on other tasks. Military personnel now focused on other civil engineering tasks, accomplished cross-technical training into career fields with manpower shortages, or forced shaped as the Services reduced its force strength as required by Congress. Since the contractor managed all aspects of on-base housing they had the incentive to be as cost effective as possible while still achieving the goals set forth in the PBL contract. As a profit based business, the contractor has high incentive to
maximize its tasks versus personnel ratio, usually the higher cost in service oriented contracts. The result was multifold: military still achieved base housing support and the Service’s military pool of personnel increased to reassign to other duties as the mission dictates. OSD uses this success story as an example to expand into MWS. Unfortunately, some of the expected benefits will most likely not be transferable for two reasons. First there is not a one-for-one similarity between service based PBL and major weapon systems. Secondly there are fundamental differences among even among MWS requirements that either prevent successful results or create significant impact in other areas.

The C-17 started operating under the PBL concept in 2004 because of realignment and closure actions. The results have been mixed. Metrics were identified yet only some of them were actually used and tracked. It also raised the question “Specifically, what happens when a contractor fails to meet the performance measure?” Unfortunately, this vital question has not been answered. These shortfalls point to the potential likelihood that service based PBL contracts are not readily or easily transferable to major weapons systems. It also indicates the foundation of the PBL environment was not properly and firmly established. In this particular example, the inability to use required metrics supports this conclusion. The contract obviously missed key components and the necessary follow-up and maintenance process failed to correct the initial mistake. The former indicates a problem with understanding basic PBL fundamentals and requirements. Both indicate a problem with training and skill set shortfalls. The lack of an environment that does not support evaluation and analysis of its products will ultimately prevent realization of its goals.
Impact to other areas is usually ignored because the weak PBL framework does not encourage or support cause-and-effect analysis. The following scenario supplies an analysis of the pitfalls of placing all MWS into one category. This is a particularly challenging area because of its complexity and potential impact on national security. MWS are the cornerstones of how the Services plan on achieving our national security objectives. In fact when the Joint Strike Fighter (JSF) Program Office (PO) was contacted to discuss the logistics challenges of acquiring and maintaining a Joint and Multi-National MWS the repeated answer received was ‘That will not be an issue. JSF is a performance based contract...and Lockheed Martin will set up and maintain an Automatic Logistics Global Support (ALGS) capability to analyze and support those requirements.’ PBL was clearly touted as the answer, yet no specifics could be explained. Requiring or allowing only the contractor the responsibility of answering all the questions, via ALGS, will leave the government at the disadvantage in the long run. The government must remain an active participant in the MWS’ entire life cycle.

The new focus concerning MWS PBL is the acquisition of fighter aircraft. Although support aircraft and fighter aircraft both fall in the MWS category there are possibly even more differences between these two major weapons systems PBL than between service based and support aircraft PBL contracts. PBL aircraft are currently employed around the globe. However, unlike other PBL supported aircraft such as the C-17, the JSF will be assigned to combat locations. For example, the C-17 operates and lands in a combat environment, yet aircraft and maintenance personnel are not permanently assigned to combat. They transport required personnel and cargo into combat locations and then return to their deployed location which is at a significantly safer area, such as Diego Garcia British Directorate. Fighter aircraft on
the other hand are based out of combat zones, such as Balad Air Base, and do not base out of ‘safer’ locations. Their fundamental mission and capability requires integration into the combat environment. Therefore the fighter wing maintains a significant logistical footprint in order to maintain fully mission capable aircraft in the hostile environment. This demonstrates why each potential PBL contract must be evaluated in depth in order to truly understand the situation to ensure the ultimate objective of increased integration, reduced demand and reduced cost is achieved.

The first concern is the potential increase of a logistics footprint, which contradicts the goals set forth in the 2001 QDR. If civilian contractors are the sole maintainers of the JSF a smaller logistics footprint most likely can be achieved at CONUS locations. However, a more in-depth look must occur at deployed locations. The proponent of the current PBL environment would argue there would not be any increased logistics footprint deployed. The contractors would deploy as stated per the contract. Furthermore, they argue the smaller logistics footprint derives from the fewer contracted maintainers deployed to support the aircraft versus what the military would send. In both Operation Iraqi and Enduring Freedom fighter aircraft are based out of hostile locations. Additionally, supporting contractors provide unique challenges and can greatly impact other areas. A possible example of a conflict is what conditions does the contract promise: living conditions, medical requirements, etc.? Furthermore, a Report to Congress on Department of Defense Program for Planning, Managing, and Accounting for Contractor Services and Contractor Personnel During Contingency Operations, a US(AT&L) report, concluded an increase in 348 personnel in USCENTCOM’s AOR was required to ensure contract oversight.35 Keep in mind this report was prior to the 2001
QDR’s mandate and the likelihood that the analysis of contract implication did not subsequently occur due to the lack of guidance and data collection for analysis of PBL contracts. There simply is no data collection of PBL contracts to even support such analysis.

Despite the traditional challenges OSD faces with allowing contractors on the battlefield, PBL contractors provide its own unique set of challenges as well. For example, the Army’s Shadow Tactical Unmanned Aerial Vehicle (UAV), Ground Control Station and related systems operate under performance based logistics where the contractor is responsible for providing total product support for the UAV system. This is another example where PBL could impact other base/wing functions. Force protection is one example. In one scenario contractors provide their own force protection as occurred in Bosnia. However, in our current conflicts, the situation on the ground does not allow this. In Iraq and Afghanistan, the military provides force protection. In order to provide force protection for contractors a large amount of resources are expended. Force protection requirements increase if personnel must travel between forward operating bases. Both military personnel and equipment must be allocated to the new requirement. This requirement exists whether transportation of contracted personnel or parts are using ground or air assets. Some argue that force protection requirements do not increase significantly when specifically focused on maintainers.

While an initial glance would support this, a deeper analysis must occur in order to truly understand all ramifications. For example, when Forward Operating Base (FOB) security requirements are developed it takes into consideration all the military personnel assigned to the FOB. The plan takes into account every Soldier, Sailor, Marine and Airman with a weapon. Should the FOB come under attack all military personnel are now part of the active defense.
force. The reduction of military personnel will increase the requirement of additional force protection personnel. In essence, this could reduce the benefit of a reduced logistics footprint.

Of course another possibility could be the decision to not increase force protection. This would force leadership to accept an increase in overall risk as the requirement to protect unarmed contractors is now passed to fewer military personnel. In addition, further analysis must occur to access the impact of increased force protection responsibility on other career field’s morale, impact to primary mission capability, and long term consequence to core competency growth.

Again, this analysis demonstrates how a weak framework creates a domino affect and now mandating a blanket process to all scenarios can create additional, unintended consequences. Furthermore it highlights what problems might not exist for one MWS, such as the C-17, would mostly exist in others, such as the JSF. Ironically one of PBL's strength is the ability to uniquely conform to each scenario, yet this strength is voided when uniformly applied to all similar situations. The ignored strategic review of individual contracts could ultimately prevent achieving the sought after goals of increased integration, reduced demand and reduced cost.

**Contracting Community in Crisis**

The challenges facing the contracting community are immense and cannot begin to be addressed in this paper. Since the contracting community is an integral part of the acquisitions community this problem must be mentioned and ultimately addressed. Without contractors, acquisitions would fail to exist. The fact that the contracting community is facing a crisis has been clearly articulated and demonstrated in numerous reports. Once such report is the “Urgent Reform Required: Army Expeditionary Contracting,” which is a Report of the
Commission on Army Acquisition and Program Management in Expeditionary Operations" led by Dr. Jacques S. Gansler, Chairman, former US(AT&L). This report not only provides example after example of fundamental problems it also highlighted the differences among contracting expertise between the various Services. This is significant problem that exacerbates OSD’s weak PBL framework, which gives the Services a lot of autonomy on how to execute PBL. Therefore each Service will implement PBL differently and achieve various levels of effectiveness due to their own interpretation and because of the different competency and experience levels of their contracting officers. The chart below, an excerpt from the Gansler Report clearly delineates the different competency levels within each Service.
### Acquisition Comparison Among the Services

<table>
<thead>
<tr>
<th>Subject</th>
<th>Army</th>
<th>Navy/Marine Corps</th>
<th>Air Force</th>
<th>Rationale for Army Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior-level military/civilian relationship</td>
<td>Red/Yellow</td>
<td>Green</td>
<td>Green</td>
<td>- Limited joint decision-making</td>
</tr>
<tr>
<td>Control of acquisition by Assistant Secretary for Acquisition matters</td>
<td>Red/Yellow</td>
<td>Green</td>
<td>Green</td>
<td>- AAE position weakened by MILDEP authority - Tension with AMC HQ</td>
</tr>
<tr>
<td>Streamlined acquisition organizations</td>
<td>Yellow</td>
<td>Green</td>
<td>Yellow</td>
<td>- Materiel command adds layer of management complexity</td>
</tr>
<tr>
<td>Mission area focus of PEGs</td>
<td>Yellow</td>
<td>Green</td>
<td>Green</td>
<td>- DSA (in AMC) have similar warfare focus as PEOs</td>
</tr>
<tr>
<td>S&amp;T</td>
<td>Green/Yellow</td>
<td>Green/Yellow</td>
<td>Green</td>
<td>- Well-structured process, but some history of transitioning immature technologies - Good user/tech involvement; but separate, relatively duplicative task force required just for FCS</td>
</tr>
<tr>
<td>T&amp;E</td>
<td>Green/Yellow</td>
<td>Green</td>
<td>Green</td>
<td>- AETC is good idea, but rated by Director of the Army Staff</td>
</tr>
<tr>
<td>Program stability (funding)</td>
<td>Red</td>
<td>Yellow</td>
<td>Green</td>
<td>- Acquisition used as bill payer - Unstable funding of top priority programs</td>
</tr>
<tr>
<td>Resource management (programming)</td>
<td>Yellow</td>
<td>Green</td>
<td>Yellow</td>
<td>- Integration across PEGs is weak</td>
</tr>
<tr>
<td>Resource management (budgeting)</td>
<td>Red</td>
<td>Green/Yellow</td>
<td>Green/Yellow</td>
<td>- No independent review - Limited Chief/Secretariat interaction</td>
</tr>
<tr>
<td>Requirements generation process</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>- 16 stovepipes operating with little integration - Little top-down control</td>
</tr>
<tr>
<td>Acquisition Corps promotion rates</td>
<td>Red</td>
<td>Yellow</td>
<td>Green</td>
<td>- Lack of below-the-zone promotions</td>
</tr>
<tr>
<td>PM tenure</td>
<td>Red</td>
<td>Yellow</td>
<td>Red</td>
<td>- More than half of sampled PMs served less than 3 years</td>
</tr>
<tr>
<td>Acquisition workforce efficiency</td>
<td>Red</td>
<td>Yellow</td>
<td>Green</td>
<td>- More acquisition personnel per dollar of R&amp;D/procurement</td>
</tr>
</tbody>
</table>
With such disparity between the Services, US(AT&L) must provide greater support and direction concerning PBL if they expect to achieve OSD's goals of increased integration, reduced demand and reduced cost. As the chart demonstrates, the contracting community is facing many other challenges and does not currently have the resources to focus a coherent PBL strategy. The different competency level of contracting expertise among the Services is only one negative side affect to PBL. This is truly a problem affecting the entire acquisitions community and all its processes.

**Possible Solutions**

It was only in July 2009 when an in-depth non-military study occurred concerning PBL. The study "Impact of Performance Based-Contracting on Product Reliability: An Empirical Analysis," used proprietary data from Rolls Royce to provide analysis to determine the success of PBL.\(^41\) One of the authors stated it took "six to twelve months of looking at the data to figure out how to design the study."\(^42\) This level of data gathering and analysis is lacking with the DoD, but must occur in order to achieve maximum PBL benefits.

An important lesson learned is the miscorrelation that a few successful PBL (civilian or military) translate to applicability to all PBL. This new found knowledge does not only apply within the acquisition and logistics community. Leaders and managers must resist the temptation to apply specific successful solutions as a blank remedy to all problems. Most problems are complex and those associated with the DoD and MWS are even more so. Even if time demonstrates that PBL are the best acquisition strategies for MWS it is clear the DoD is clearly not achieving the full benefits. The lack of in-depth knowledge and historical data to
analyze prevents the DoD from maximizing and achieving its goals of increased integration, reduced demand and reduced cost.

The preferred course of action is to accomplish an in-depth study of the DoD's use of PBL to include the various services and products required by the DoD, similar to a lean study or event. The review should clearly identify and then breakdown potential PBL categories. For example, for the service of government contracted housing on military installations. A review of stateside, friendly overseas, and hostile overseas locations should be viewed separately. This in-depth review would provide a more comprehensive picture of whether the service should be contracted in none, some or all situations. The same would apply for other requirements as well. Implications of relationships among critical factors, such as force protection, footprint, etc., should be considered. Once the pros and cons of PBL by requirement are better understood guidance should be directed by US(AT&L) with a mechanism to review and manage all PBL contracts. This ensures we are applying the correct contract solution to the problem, and helps prevent making incorrect assumptions. It also supports collection of information. This supports increase sharing of information and experiences among different players by providing raw data to analyze successes, failures and process improvement. All this directly leads into training. Training must be developed and implemented through all levels of the acquisition and logistics fields. Training establishes a solid foundation of the desired goals, best practices and understanding. The final point supports the transition from concept to actual implementation. The successful management of PBL is critical for successful implementation. Valid training of goals, methods, best practices, lessons learned, etc. is necessary for the DoD to fully incorporate the possible benefits and avoid costly pitfalls of PBL.
A constant review of PBL must occur to ensure the right metrics are tracked, analyzed and acted upon. Once this occurs, directives must be disseminated to ensure integration into new PBL. This is perhaps the greatest challenge. The following are specific recommendations.

#1: OSD must work with the logistics community to gain a greater understanding of the complexity surrounding PBL. A concerted effort must concentrate on gathering information on all government PBL to date. While initially this data will provide an incomplete picture the partial pieces gained will start to build the foundation of the PBL process. As collection data gathering and analysis occurs understanding will increase.

#2: OSD must work with the logistics community and process oriented experts to determine a solid set of metrics. The metrics must be detailed enough to remove ambiguity on what information must be tracked. Solid metrics provide invaluable information. They increase understanding of PBL as a whole, its impact to the mission, the impact to Services and provide consistent and measurable data to 1) evaluate whether the contract is meeting objectives 2) capture lessons learned and 3) provide decision and policy makers with information to further shape and define the entire PBL community.

#3: Recommend OSD rescind the 50% mandated requirement. This is an arbitrary number and no evidence could be found to support the percentages, especially considering we have no consistent data to analyze or determine whether PBL will even provide us the sought other gains. A detailed and incremental goal method should be used. Such an approach would provide an initial and basic understanding of PBL. This foundation offers several benefits. It first established clear identification of OSD’s desired objectives or goals. Secondly it ensures OSD, the Services and contractors are all operating off of the same level of understanding.
Thirdly, it begins to lay the foundation of the metrics and goals to steer OSD into the direction of success.

#4: OSD must invest resources on experienced logisticians, especially contract officers. Experienced contractor officers are the cornerstone of acquisitions. They understand the intricacies required for the creation of win-win contracts for both the government and suppliers. Experienced contract officers also lend invaluable knowledge and understanding of PBL.

#5: Revisit the first recommendation: spend resources to understand the problem. This should be a continuous and simultaneous process with all recommendations mentioned above; constant evaluation and refinement of the entire PBL community must occur.

Conclusion

Ironically PBL's weak framework provides incomplete data to review and analyze. However, reports from GAO, the DoD IG and OMB support the concept of poor PBL implementation. Assuredly there are valid reasons US(AT&L)'s attention diverted from their initial and directive manner upon which they began to execute PBL. As a logistician it is disappointing and disheartening to realize that US(AT&L) does not appear to have the capability to effectively execute PBL as the DoD IG report appears to indicate. Evaluation, internal and external, is vital if an organization desires maximum efficiency and effectiveness. Solid metrics is the cornerstone of such evaluation. Identification of which and how to monitor each individual metric is time consuming, however a vital process. Otherwise, how can an organization determine if objectives are being achieved and/or how to improve the process? The metric and evaluation process is so flawed within the community that OSD did not even
require the Services to report whether they achieved the mandatory requirement of 50% PBL contracts. Why set the 50% mandate if it would not even be tracked, or perhaps even more basic, when each Service made its own determination of what constituted a PBL contract? The lack of established and consistent baseline metrics within OSD makes it impossible to determine if PBL is successful or not. However, other organizations are attempting to meet the 2001 QDR goals. As the DoD IG report indicates, the Department of the Navy applied large amounts of resources to codify PBL guidance and requirements. DAU produced several guides on PBL, offers PBL introductory courses and addresses PBL in their online acquisition forum. Furthermore, the United States Air Force is actively working with the University of Tennessee at Knoxville in studying PBL with leading key acquisition leaders in both the academic and operational environment. However, despite these individual programs, the DoD cannot maximize learning and efficiencies unless something brings them all together.

US(AT&L) has the ability to fill this critical role.

The DoD’s implementation of PBL highlights not only the necessity of the self-analysis and continuous improvement cycle, but the enormous amount of resources lost and irreclaimable in failing in doing so. An analysis of the DoD’s implementation of Performance Based Logistics provides a clear example on why the DoD will fail to achieve acquisition reform. The DoD failed to maximize the benefits of Performance Based Logistics for three reasons: 1) failure to implement clear guidance, 2) blind faith assumptions, and 3) a crisis within the contracting community. Ironically these three mistakes will not cause the ultimate failure of PBL implementation because they can be fixed. The DoD’s inability or unwillingness to analyze decisions, evaluate repercussions, make adjustments and start the self-analyzing and
continuous improvement cycle all over again will prevent success and guarantee failure. No matter what processes are implemented, without a fully engrained adoption of a self-analysis and continuous improvement cycle, the DoD will never achieve acquisition reform.

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4 Department of Defense, Quadrennial Defense Review Report, 35.

5 Department of Defense, Quadrennial Defense Review Report, 56.


10 Department of Defense, Quadrennial Defense Review Report, 56.


21. US(AT&L), E-mail message to author, February 16, 2010.
22. US(AT&L), E-mail message to author, February 16, 2010.
23. US(AT&L), E-mail message to author, February 16, 2010.


33 Mahon, 66.


42 Knowledge@Wharton, “Pay for What You Get: Putting Performance-based Contracting to the Test,” 2, (October 14, 2009), http://knowledge.wharton.upenn.edu/articlepdf/2351.pdf?CFID=14937839&CFTOKEN=57124700&iSessionId=a830a193fb30a858192a3a40a261a5b36493 (accessed January 12, 2010).

43 E.C. Aldridge Jr., 1.


List of Acronyms

AAE — Army Acquisition Executive
ALGS — Automatic Logistics Global Sustainment
ADUSD(LP&P) — Assistant Deputy Under Secretary of Defense (Logistics Plans and Programs)
AETC - Armaments Engineering and Technology Center
AMC — Army Materiel Command
AOR — Area of Responsibility
DAU — Defense Acquisition University
DoD — Department of Defense
DPG — Defense Planning Guidance
FAR — Federal Acquisition Regulation
FCS — Future Combat System
FOB — Forward Operating Base
GAO — Government Accountability Office
IG — Inspector General
JSF — Joint Strike Fighter
MWS — Major Weapon System
OMB — Office of Management and Budget
OSD — Office of the Secretary of Defense
PBL — Performance Based Logistics
PEG — Program Evaluation Group
PEO — Program Executive Office
PM — Program Manager
QDR — Quadrennial Defense Review
List of Acronyms (continued)

R&D – Research and Development
S&T – Science and Technology
T&E – Testing and Evaluation
UAV – Unmanned Aerial Vehicle
US(AT&L) – Under Secretary of Defense (Acquisition, Technology, and Logistics)
Acquisitions and Technology. “Defense Acquisitions University: Missions and Roles.”


&scorm_version=3&roster_id=BROWSEUSER&version=2&course_prefix=LOG&course_number=235&course_suffix=&mode=browse&course_name=Performance%20Based%20Logistics&mode_id=6&section_id=&course_search=Y


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