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2022-05-06

# Organizational Change Considerations for Implementation of Performance-Based Logistics Contracts

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Monterey, California. Naval Postgraduate School

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# Organizational Change Considerations for Implementation of Performance-Based Logistics Contracts

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# Today's Agenda

- **Research question**
- **Methodology**
- **Results and Recommendations**

# Background

- **Performance-based Logistics (PBL) focuses on “outcomes”**
  - instead of the more transactional focus of other contract types
- **Advantages**
  - **CUSTOMER:** more efficient, relies on expertise of the supplier
  - **SUPPLIER:** consistency of funding, increased visibility
- **Challenges:**
  - Owners are used to the typical transactional process
  - Use of sole-sourcing stifles competition
  - Forecasting (3+ years) extremely difficult

# Research Goal and Method

- **GOAL:** understand the major barriers to successfully adopting PBL as a viable contracting option
- **METHOD**
  - interviewed two military branches logistics divisions
  - evaluated non-DOD best practices for PBL implementations

# Results

- **Positive experiences with PBLs**
  - Increased material availability
    - Display panels: 47% to 99%
  - Decreased response times
    - Tires: 4 days world-wide
  - Decreased repair turn-around-times
    - 75% decrease in work-in-process
  - Retail allowance reductions: \$7M savings
- **Performance evaluations can be helpful in ensuring long-term sustainment of the contract**

# Data Analysis [State Transportation Agency]

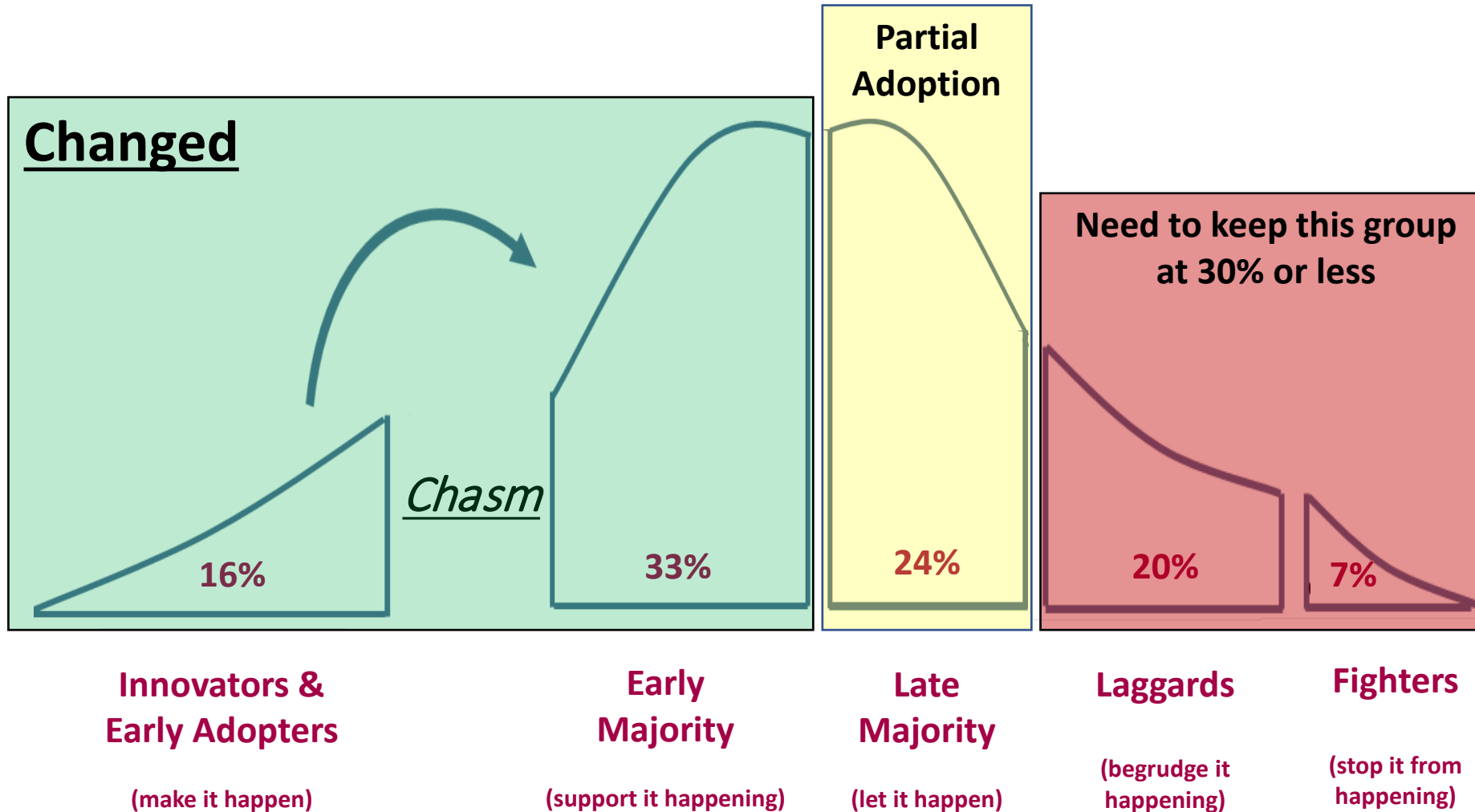
- **ANOVA to identify differences between a contract's performance grade and scope complexity**
  - Contracts with first five years of performance grades
  - Ensured enough data for analysis
- **Contracts were then categorized by scope complexity**
- **Cohen's  $D$  was calculated to determine the magnitude of how each group's performance differed**

# What we found

- **There are statistical differences between suppliers, after accounting for differing scope types**
- **Regular, constructive feedback between the owner and supplier (and vice versa) was stated to be of paramount importance**
- **So... why isn't PBL use more often? Organizational Change**

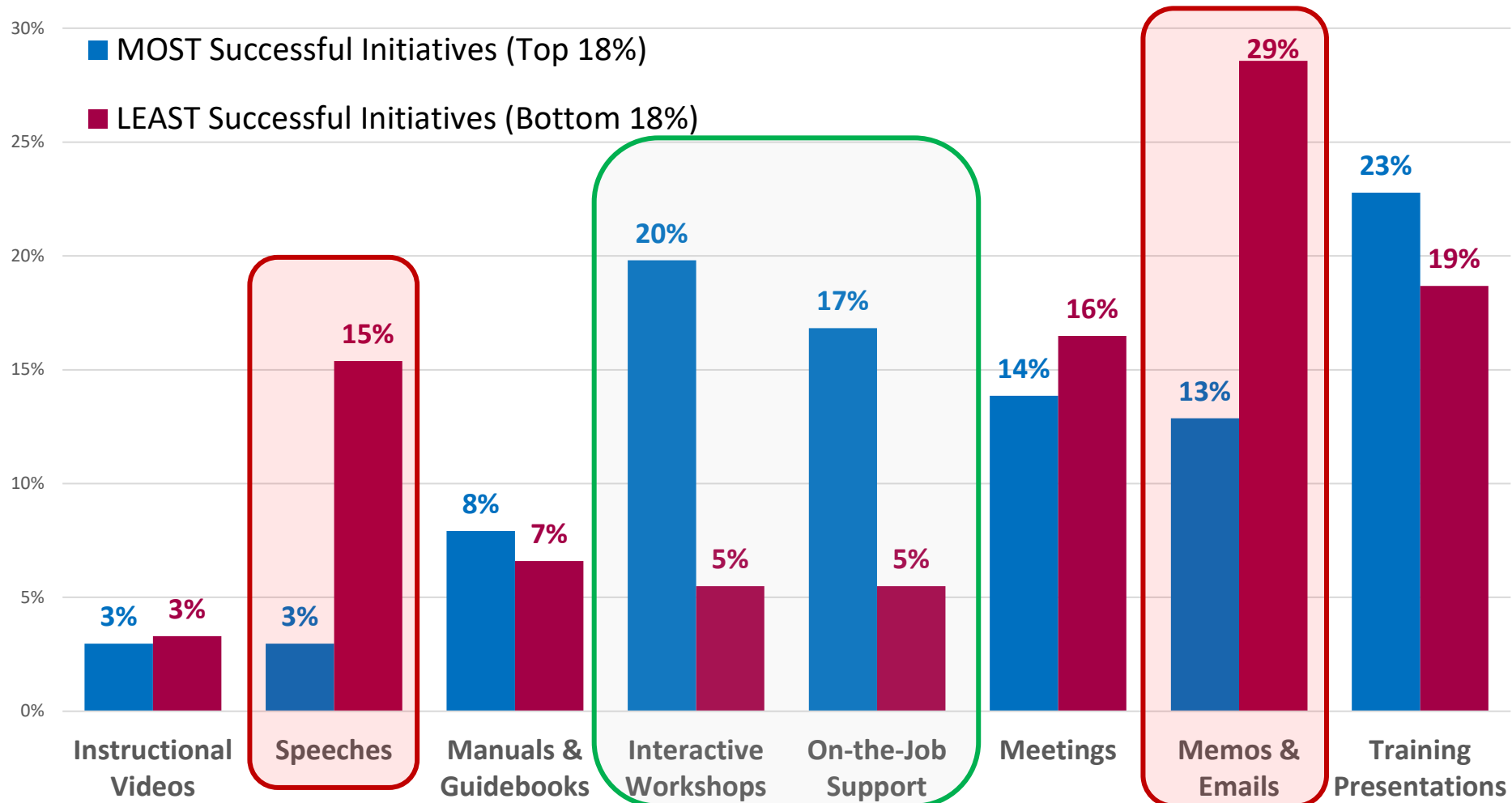


# Average Owner Org: *Change Adoption Profile*



N=104

# Communicating the Change Message



N=234

# Summary

- **PBLs offer certain advantages**
  - less effort in transactional details
  - supplier like the consistency (and flexibility)
- **Evaluating performance on a regular basis leads to long-term sustainment**
- **Adoption best practices of organizational change can help us propel our organizations forward**

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