Organizational Alignment Issues for PBL

Change in culture is necessary, but not sufficient to enact reforms. The organization's structure and processes also require changes and it is only after organizations are aligned to focus on customers that performance improvements are possible.

In September 2002, GAO issued a report that stated that "DLA does not provide a 'single face' to its customers for addressing their issues." Customers are "sometimes confused over whom to call and reported difficulties with getting in touch with the right person to resolve their problems."[i] GAO recommended DLA create a single face to customers to improve customer satisfaction. DLA has since implemented a customer relationship management (CRM) program to learn more about its customers' needs and behaviors. They have also realigned the DLA organization structure. They now have functional field chiefs reporting to directors at headquarters and established a new Customer Operations Directorate.

The Navy and AF had to re-think the way they do business. The AF organized IPTs with full decision-making capabilities. A good example is the Warner Robins Air Logistics Center (WR-ALC) where 'Stovepipes' (traditional metaphor for functional organizations where support functions are usually vertical and product delivery roles are usually horizontal) and 'Pipelines' (horizontal stovepipes eliminated and merged into one conduit to represent the enterprise process for all products and services) to describe their re-engineering approach.

> "When the process requires organizations to work together, the individual stovepipe logic, rules, and measurements are the primary behavioral drivers. When organizations intersect, they are too often at cross purposes and usually have large amounts of wasted energy, wasted resources, delays, re-work, and worker de-motivation. The conflict nodes, shown as fires in the figure below, offer the greatest opportunity for a dramatic jump in enterprise performance. Converting conflict nodes to synergy nodes requires re-engineering a new metaphor and a process-driven model measured by throughput to the customers."[ii]

A key point: The new horizontal organization must retain the critical contributions of skills, people, and specialized responsiveness, viewed as being the strength of the old structure, when forming a new customer-driven organization.

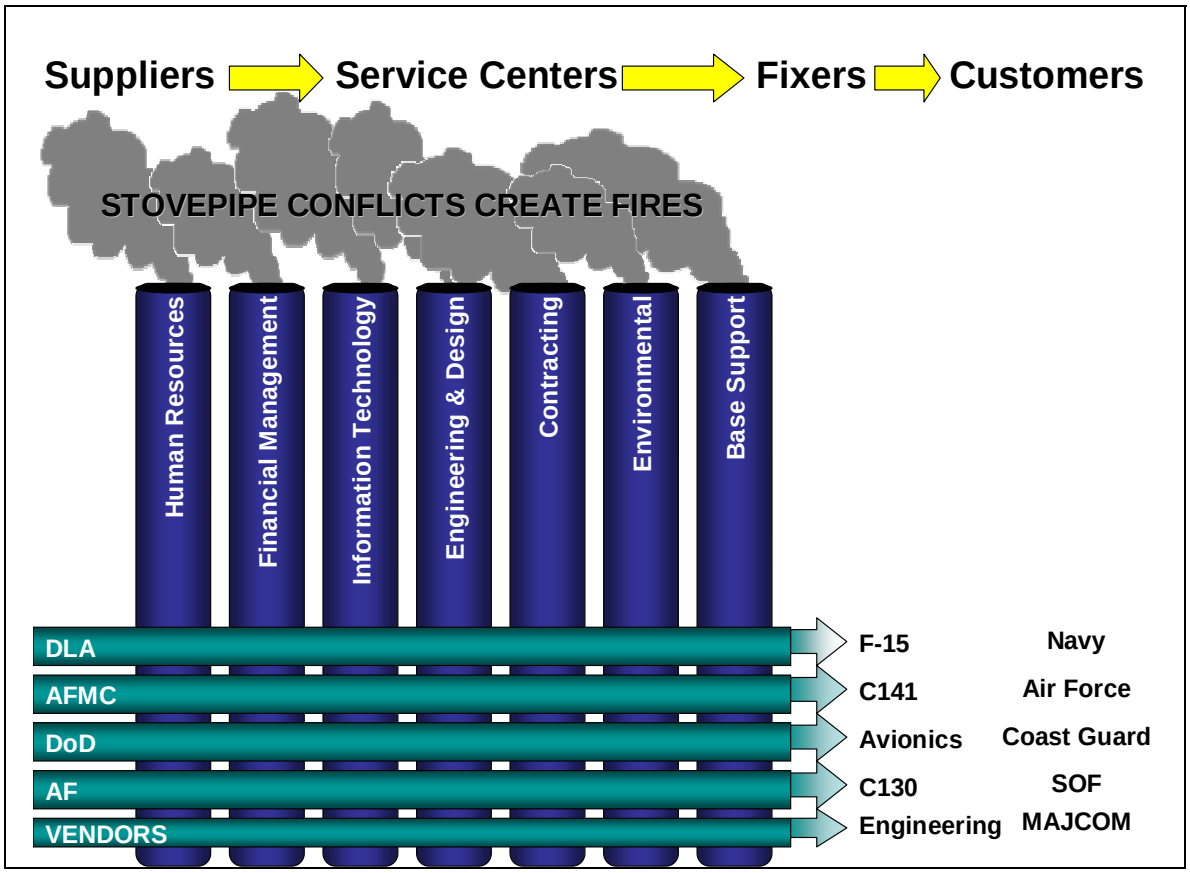

FIGURE 1: WARNER ROBINS

Changes to the organization's functions (structure) are necessary before improvements to the supply chain can be made. In a study of commercial supplier performance management the Aberdeen Group[iii] found that approximately 60 percent of surveyed organizations identified difficulties in consistently measuring and managing supplier performance as the biggest hurdle to supply chain improvements. Companies that have succeeded in applying consistent measures and procedures improved supplier performance by an average of 26 percent.

Both RAND and Aberdeen studies identified three similar strategies for improving the supply functions: 1) track the performance of a broader portion of the supply base, 2) standardize supplier performance measurement across the entire enterprise, and 3) collaborate with suppliers on defining performance metrics.

These researchers found best practices across private firms and DoD which demonstrate a certain pattern for success for improving management systems, organizational structure and processes. We combined the RAND and Aberdeen studies to create the following six best practices. We saw evidence of all six in our research.

1. Assign responsibilities clearly throughout the firm: Blanket statements about policy changes that imply that *PBL is everyone's responsibility,* usually find that anything that is everyone's responsibility is no one's responsibility; it easily falls through the cracks.

The Navy, AF, and DLA all address this issue. Each requires that specific organizations have responsibility for the success of any PBL program. For the Navy, NAVICP is taking the lead. They are the champions of PBL and have a consistent approach to PBL. Responsibility is assigned to specific departments to execute a PBL strategy.

For example, the NAVICP Operations Research (OR) Group is focusing its efforts on understanding metrics. This is a critical task since it carries the responsibility to provide guidance to managers. Each member has a complete understanding of the PBL approach and provides expertise on metrics. Metrics must be right.

2. Design metrics to motivate the right behavior: The cliché "successful firms manage what can be measured" can be overstated, but RAND found that proactive firms *do* rely on metrics as the foundation for managing improvement.[iv] Accordingly, metrics designed to motivate the right behavior must be carefully crafted and applicable across the organization. Metrics must 1) induce the decision maker to pursue [organizational] goals, 2) be compatible with the constraints that the decision maker faces in each setting, 3) be easy to collect and verify, and (4) be mutually understood and accepted by the decision maker and oversight authority.[v]

Defining the right metrics is difficult. NAVICP is using its OR group to answer questions about performance. Contractors noted that metrics present challenges for them as well. Initially, it is easy for contractors to exceed expectations and improve performance. After the initial changes take place, it becomes increasingly difficult to continue to gain higher levels of performance. Contractors and government employees hinted at potential difficulties in this area on the horizon.

One Navy contractor talked about how negotiations for more difficult metrics are on-going while performance is still within acceptable performance expectations. If the Navy were to change the delivery expectations to include overseas delivery, the contractor would also have to re-think the metric and the associated cost of meeting the new metric (overseas delivery). The on-going question at NAVICP is whether it is buying too high a level of performance. (The selection of a standard short delivery time of 24-hours or 3-days, when 10-days or 30-days is what is really needed.)

An issue that was not mentioned is the design of forward-looking metrics. Most metrics deal with performance that has occurred, delivery times, backorders, readiness rates, etc. Neither AF nor Navy mentioned metrics that predict outcomes; however a September, 2003, news release identified a B100 engine team from Tinker AFB,

> "That took a process that gave the warfighter adequate support and transformed it into the most outstanding support seen in a decade. They

> knew they needed to take drastic steps to improve the real root of the problem—forecasting ability."
>
> "They included engineers, maintainers, warfighters, contractors and the logistics specialists responsible for ordering the parts from both the center and the Defense Logistics Agency. Using a COTS application, they started with a 12-month look at each part needed to overhaul a module or engine. The system prioritized action items and provided the budget justification for the buy and repair contracts. They also reviewed current data which is the past usage, and matched it with input from the mechanics who are handling the parts every day, to identify potential parts shortages created by increased wear because of the extended life."
>
> Another issue that lacked attention was how each entity changed its incentive structure to accommodate long-term relationships. While there was an abundance of discussion on incentives in contracts, there was little emphasis on how this provides the appropriate incentives for a long-term commitment.

Metrics and incentives should be designed simultaneously. This will ensure that performance is measured correctly and rewarded appropriately.

3. Manage failures to limit disincentives for risk-taking: Failure is part of the learning process. The term "failing forward," that is, "creating forward momentum with the learning derived from failures," usefully describes this process. [vi] While most commercial firms understand this, RAND found little insight about how, specifically, to implement such understanding in DoD.

PBL requires interdisciplinary organizations and teams, consisting of professionals with advanced interpersonal, analytic, and computer skills. PBL requires knowledge of contracting, logistics, funds management, metrics, and organizational effectiveness and efficiency. It also requires building relationships and operating from a holistic view of the organization.

4. Develop a supportive organizational context for tools: These tools include "middleware" to standardize decision-making based on legacy system output and tracking systems to document performance improvements and lessons learned across the organization. The WR-ALC uses *SCCOP* to provide a common operational view of the total supply chain and details on all factors that affect weapon system availability. Each data element is obtained from the identified authoritative source for the information. This is accomplished through the retrieval, display, and integration of information captured from multiple data sources. (See Appendix I for more information.)

5. Manage relationships with stakeholders: Continuing communication with stakeholders in normal time is one way to get their support when it is needed. In the case of environmental management, Procter & Gamble invested time to train state regulator

personnel on issues relevant to the industry. The DoD IG is a similar regulator that may be having some difficulty understanding PBL required changes in contract management and administration.

The DLA Customer Relationship Management (CRM) Office provides a consolidated approach to developing and delivering information related to DLA business goals to key stakeholders and DLA customers. Using an IPT network of customer-touch points, strategic level information at headquarters (from public affairs offices and current DLA publications staff) is integrated with what is happening at the field level. The CRM office then develops content and tools to provide the needed message to customers. (See Appendix II for DLA Best Practices.)

6. Benchmark to promote continuous improvement: With benchmarking, solutions that were never dreamed of are possible. Benchmarking also offers standards, or best practices, as a way to judge performance.

The six best practices are derived from a variety of lessons learned. AMCOM can use these lessons to begin the process of aligning the current organization with the customer's needs. It will be critical for AMCOM to provide the right services, in the right format (a good example is the Boeing Customer Contact Profile in Appendix I), at the right time for the customer.

AMCOM will need to continuously evaluate itself in order to be proactive in relationships with its customer, through techniques like benchmarking and satisfaction surveys. Relationships involve mutual goals, beliefs, understandings, values, trust and commitment. This is true for relationships with employees as well as suppliers and customers. AMCOM must be willing to nurture and develop these relationships.

[i] GAO Report , GAO-02-776, September, 2002, Defense Logistics: Improving Customer Feedback Program Could Enhance DLA's Delivery of Services, Report Abstract, www.gao.gov.

[ii] Warner Robins ALC __The DoD Depot of Choice, Brochure published by the WR-ALC Re-engineering Office, WR-ALC/RE, Robins AFB, GA 31098-1638. www.re.robins.af.mil

[iii] Leahy, Tad, "Supply & Demand – Does your supply chain management system measure up? Technology could bring inefficiencies into balance."
http://www.insight-mag.com/insight/03/09/bonus-2-SupplyDemand.htm

[iv] Camm, Frank, Jeffrey Drezner, Beth E. Lachman, and Susan A. Resetar, 2001, "Implementing Proactive Environmental Management," RAND, ISBN: 0-8330-3015-9, p. 30.

[v] Camm, Frank, Jeffrey Drezner, Beth E. Lachman, and Susan A. Resetar, 2001, "Implementing Proactive Environmental Management," RAND, ISBN: 0-8330-3015-9, p. 30-31.

[vi] Leonard-Barton, Dorothy, 1995, "Wellsprings of Knowledge: Building and Sustaining the Sources of Innovation," Boston, MA: Harvard Business School Press, ISBN: 0-87584-612-2.