Performance-Based Business Environment

PBBE — A Business Vision We Can Live With

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Quoting noted author Graham Green, former Defense Secretary William Perry once said, "There comes a moment in time when a door opens and lets the future in."

With the end of the Cold War, the iron curtain covering a massive passage in our nation's history finally drew closed, and an uncertain portal to our future opened. Currently, that portal does not give the DoD a clear view of things to come, but one image is certain – the Armed Forces of the future will continue to maintain a superior defense, though they will do so on a greatly reduced budget.

In today's world, when the threat prediction is more obscure and variable, a larger portion of our effort must focus on developing the long-term strategy and long-range requirements for meeting those unknown challenges.

Right now in the outer ring of the Pentagon, our senior defense strategists are reassessing America's fundamental defense posture. Not only are they assessing and balancing risks, but also developing new, more appropriate strategies to meet the challenges of the post-Cold War era. Simultaneously, they are making tough choices about the capabilities we need to carry out that strategy.

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THE VISION OF A PERFORMANCE-BASED BUSINESS ENVIRONMENT, ENDORSED BY SENIOR DOD AND INDUSTRY EXECUTIVES, REPRESENTS A STREAMLINED, FLEXIBLE, QUICK-REACTING APPROACH TO WEAPON SYSTEMS ACQUISITION THAT CAN CHANGE THE ACQUISITION AND SUSTAINMENT WORLD.

A reassessment of how we do business must be strategy-driven, practical, analytic, and professional. Good business management balances risk by evaluating competing alternatives and trading off present and future capabilities realistically.

With the advent of acquisition reform, we placed a lot of effort into improving our business practices and made considerable progress toward streamlining weapon systems acquisition. One lesson we learned is that performance-based acquisition is a better, faster, cheaper, and *smoother* way of doing business.

The Performance-Based Business Environment, or PBBE, creates a vision of a quality, business-like environment that simplifies and takes advantage of the basic acquisition and sustainment tools we use to enhance the products we provide to the warfighter.

No More Business As Usual

Why the call for reviewing our defense acquisition and sustainment strategies, making hard choices, and reshaping the force?

The new world environment brought rapid and profound changes to the DoD military acquisition and sustainment community, which are far-reaching and probably irreversible.

- Near- and long-term defense budgets reduced to pre-World War II levels.
- A strategy shift from a worldwide, large-force monolithic enemy to a tactical rapid response against localized threats with significantly smaller forces.
- Personnel cuts in government acquisition and support agencies as well as the defense industry.
- Major defense industry reengineering and reorganization through mergers and consolidations.

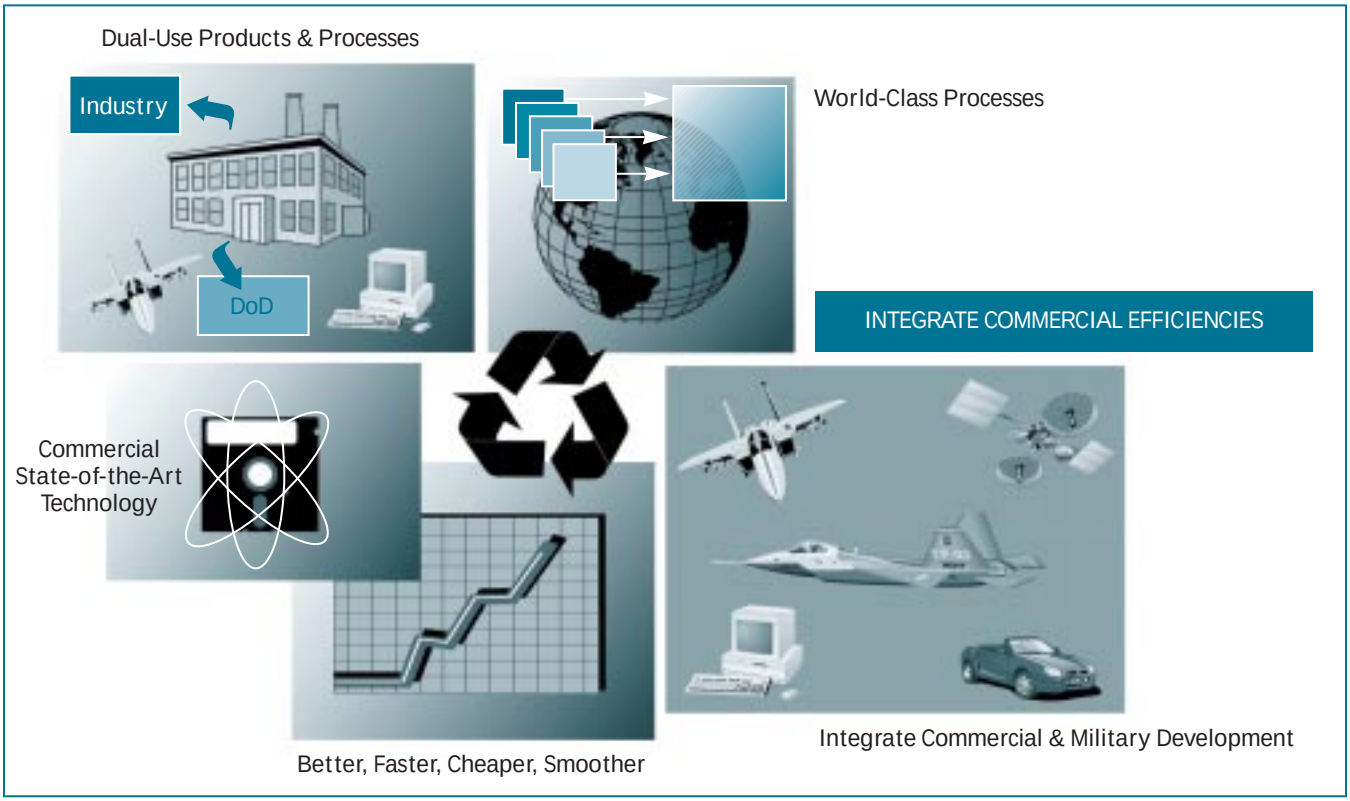
The resulting defense marketplace that we work in or associate with, is growing smaller and fundamentally different, and is highlighted by recognizable trademarks:

- Fewer new programs and greater attention on keeping existing systems for a long time.
- A desire for the best technology money can buy, but fiscal reality constraints driven by earned-value, cost as an independent variable, and affordability.
- More combined and joint-Service efforts vs. single-Service programs.
- Leveraging Commercial-Off-the-Shelf and Non-Developmental Items as opposed to developing military-unique technologies.
- Technology insertion rather than technology invention and building new stovepipes all the time.

In an era when DoD's budget falls short of enough money to do everything we would like to do, as fast as we would like to do it, the importance of a coherent, time-phased program to modernize and sustain our forces becomes all the more critical. Infrastructure reductions and reallocations resulting from reduced support costs will not produce the investment funds needed to fill every requirement.

Senior leaders indicate everything is on the table — from operations tempo and readiness, to whether planned modern-

FIGURE 1. PBBE Vision and Guiding Acquisition Reform Tenets



ization programs are the right ones in the right quantities, to whether we are operating as efficiently as possible in our business and management practices (Figure 1). As we begin to analyze the challenges and threats to meeting new future objectives, an opportunity exists to identify ways to favorably shape the future.

Farewell Military Specifications and Standards

For years, business as usual meant an unhealthy focus on the present at the expense of investment for the future. The commercial world recognized long ago that this practice, continued over time, will ultimately result in a business boxed into a corner with nowhere to go. We need a thorough, healthy scrutiny of how we balance current and future capabilities

In 1994, DoD kicked off a culture shift based upon a preference for acquiring materiel using commercial standards and practices rather than military specifications and standards. To maintain the military advantage, DoD needs to take advantage of commercial technologies and practices, incorporate them in weapon systems and development structures, and field new operational capabilities more quickly and easily.

This pathway starts by ensuring that our suppliers are the best available, and is followed by developing easier and better ways of doing business with them. Reengineered processes and excellent suppliers allow us to focus on those risk areas most critical to program success, enabling better capability at reduced cost and permitting staff rightsizing in industry and government.

To address the changing environment, government and industry subsequently initiated several efforts that incorporated the principles and practices of "Acquisition Reform" as their common thread.

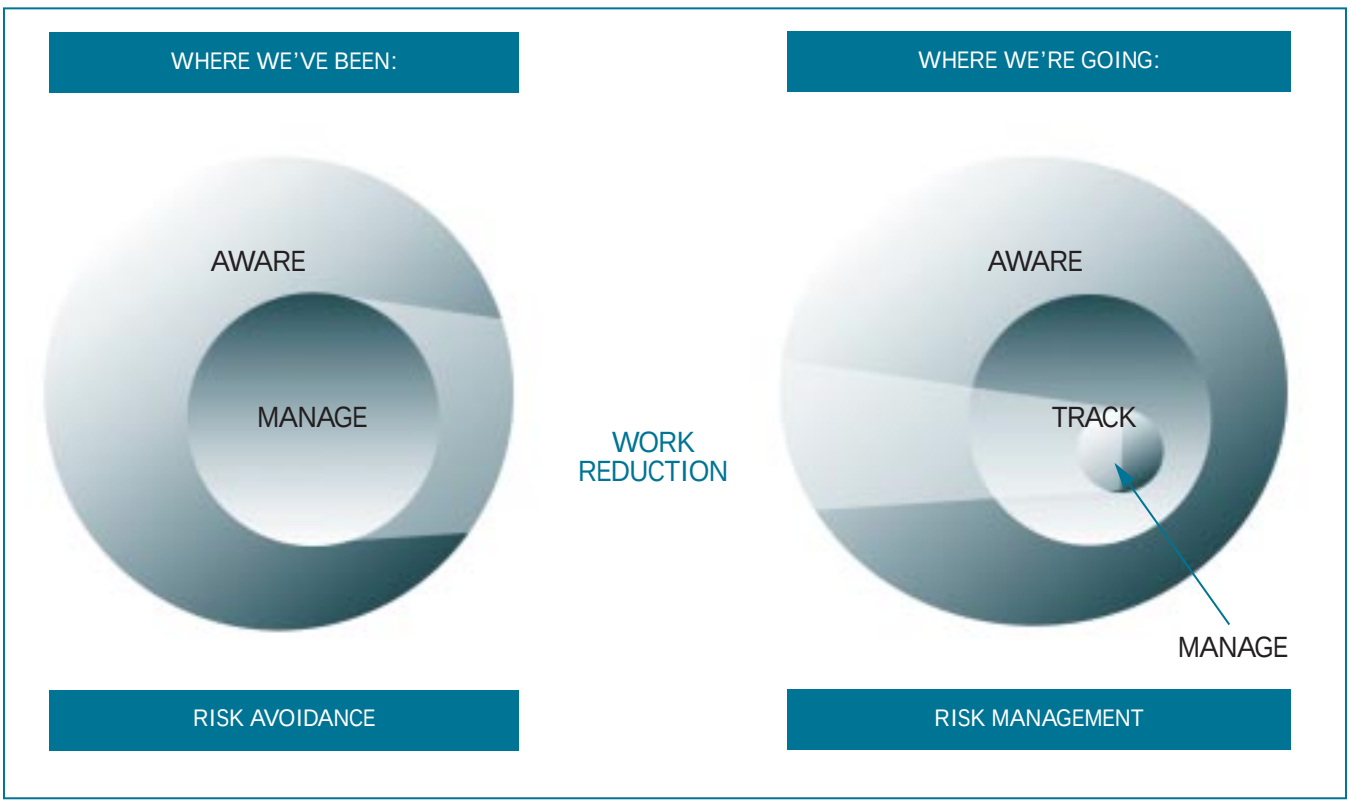
A joint government and industry effort known as the Non-Governmental Standards Integrated Product Team (NGS-IPT) thoroughly reviewed the various initiatives and offered their observations and findings to the Office of the Secretary of Defense (OSD) in early 1996. DoD's "new way of doing business" required a significant culture shift, which the NGS-IPT termed a "Performance-Based Business Environment or PBBE."

The Under Secretary of Defense for Acquisition and Technology recognized PBBE as an integrated approach to acquisition reform, and subsequently approved its implementation in the DoD aviation sector across the Services and the Defense Logistics Agency (DLA), through the Joint Aeronautical Commander's Group (JACG).

Early partnering of all interested parties allowed all customers and suppliers to resolve any individual barriers toward development of the concepts and products. Government and industry coordination and product reviews, through the Council of Defense and Space Industries Association and Aerospace Industries Association, proved invaluable in developing a single, unified set of guidance products, common approaches, and tools.

Early this year, the JACG "stood up" the PBBE within the aviation business sector, rolling out a product that is ultimately expected to serve as a model for migration to other DoD and related business

FIGURE 2. Risk Management



sectors (National Aeronautics and Space Administration, Coast Guard, and Federal Aviation Administration).

Needed — Practical Guidance

With Acquisition Reform naturally high on their agenda, program managers are expected to develop a "reformed" program strategy, establish metrics, and report progress toward meeting those goals. Unfortunately, many reform efforts lack sensible application guidance. What program managers and their teams need are specific, practical tools to transition to the new environment.

What is This PBBE All About?

The objectives of PBBE are to —

- convey product definition and key process expectations to industry in performance terms;
- promote life-cycle systems engineering and management practices, including integrated product and process development and support;
- increase emphasis on past performance;
- motivate process efficiency and effectiveness up and down the entire supplier base;
- encourage life-cycle risk management vs. risk avoidance (Figure 2); and
- simplify acquisition and support operating methods.

Initially, program teams create a performance-based environment, primarily through contractual arrangements with excellent suppliers in which the government, as an informed products and services buyer, defines what it needs in performance terms (i.e., what the product is expected to do) along with ways to verify that performance. Likewise, specifying key technical and management processes in terms of expected results rather than "how to" process descriptions also promotes a performance-based environment.

As the government conveys product definition and key process expectations in terms of desired performance, industry can use innovative and efficient practices to produce the desired product, based on —

- contractor-developed or -controlled key management processes;
- longer contractor involvement in system sustainment; and
- less government oversight.

Such an environment encourages prime contractors to promote good systems engineering and similar business relationships down through the supplier base. Similarly, program teams can expect the resulting efficiencies to flow back up through lower prices, shorter cycle times, and improved quality products.

To support long-term operational requirements, system sustainment liability, and incentives to keep the contractor involved through the life of the program, program teams need up-front planning to address Life Cycle Management.

DoD expects to establish a "win-win" relationship where it receives excellent quality products, in shorter time, at a lower overall life-cycle cost; while industry benefits from longer-term, profitable ventures, enhancing their position in worldwide commerce.

PBBE Products

The JACG produced eight guidance "products" as an integrated approach to acquisition reform. Many of the PBBE products flow across the life-cycle spectrum, and provide guidance to move from *oversight* to *insight*, resulting in a performance-based environment.

This new integrated "tool kit" of PBBE products covers everything from the initial stages of performing program risk assessments, market analysis, and requirements definition; through soliciting and selecting excellent sources to perform the work; through retrofitting and executing existing contracts to foster innovation and cost savings; through sustaining these weapon systems and their components.

IPG

The Integrated PBBE Guide (IPG) provides an integrated total system life-cycle approach, tying together many acquisition reform initiatives. It begins with much greater emphasis on risk management and depends strongly on continuously monitoring, identifying, assessing, and handling risks associated with program requirements and resources throughout a program's evolving life cycle.

Program management's primary function is managing risk in terms of performance, cost, and schedule. A performance-based environment expands these terms to address total life-cycle risk, termed as "Life Cycle Management." The *IPG* combines these risk factors into a program Life Cycle Management Strategy, addressing not only initial acquisition strategy development, but also developing an acquisition, sustainment, and support strategy for every part of the program life cycle, from initial concept exploration to final system deactivation.

In addition to providing top-level guidance for formulating or modifying acquisition strategy, the *IPG* also covers developing Requests for Proposal and contracts as well as conducting source selections. Included are suggestions on how to use data from various product and process performance sources to assess contractor excellence, which may help determine the business contract arrangement and identify the nature of government insight/oversight.

In a performance-based environment, system performance is defined in ways that enable contractors to make continuous improvements in their processes and product performance by giving them much more control of designs and their own technical and management processes. Performance-based suppliers will compete and be selected based upon their proposed approaches, process effectiveness, and prior performance.

To help modify ongoing activities, the *IPG* provides information on restructuring existing contracts or program technical requirements and business arrangements into performance-based terms through a vertical restructuring.

When deciding whether to vertically restructure, key decision factors are the current program acquisition phase, the type of contract, and how changing the business arrangement will affect program risk and the acquisition and support structure.

Finally, the *IPG* discusses strategic and decision trade-offs and costs, and describes the proposal solicitation and evaluation approach.

To leverage the commercial marketplace, DoD contractors need to develop, continually improve, and control their own plant processes. This means initiating common processes across a contractor's facility that are under the control of the contractor, not dictated by the government, and with enough flexibility to be useful for all company customers.

The *IPG* explains the rudiments of this "facility-wide changes" approach, called the "Single Process Initiative" or SPI, how SPI fits into PBBE, and provides references to other existing detailed guidance on SPI from OSD, Defense Contract Management Command (DCMC), and the Services.

In simplest terms, DCMC leads a Management Council in developing concept papers and proposals for facility-wide improvements, ultimately resulting in block changes to existing contracts within a plant or company.

The Risk Management Pamphlet

Risk affects our ability to meet program objectives within defined cost and schedule constraints. Historically, risk management is often a reaction to limit program execution problems because a comprehensive, integrated risk evaluation (which might anticipate problems) does not exist.

To address the pervasive "risk aversion" culture and provide practical guidelines to implement reasoned risktaking, *The Risk Management Pamphlet* provides common process elements to plan, assess, handle, and monitor program risk during all life-cycle phases. These concepts and ideas encourage risk-based management and suggest ways to manage program risk without prescribing specific methods or tools.

A significant aspect of the PBBE is identifying program risks up-front, assessing their program impact, and managing those most critical to program success. Admittedly, this is a change from previous practices where program managers risked many wasted resources simply trying in good faith to lower all risks.

The program team must focus on higher-probability, key risk areas to control and minimize program impacts. By focusing on critical areas and maintaining insight into the contract execution process, problems can be anticipated, identified, and then mitigated as they surface. Less important areas can be left to internal contractor management processes.

The first step is planning the program's risk management strategy. Next comes identification and assessment of specific

program risks in order to develop and implement appropriate riskhandling options. Finally, during the acquisition process program managers should keep the program on track by monitoring risk metrics and identifying new risks as early as possible.

Risk Planning involves developing a description at the outset of each acquisition phase that describes how to identify, quantify, and track risks. To aid in implementation, include a detailed summary of participant responsibilities, clearly defined required products, and fully documented Risk Planning.

Normally, Risk Assessments are performed a number of times during the life of a program. To be most effective, however, the team should perform the first one early in the program, focusing on a broad assessment of potential solutions. Simultaneously, program managers, working closely with their team members and the contractor, should establish program schedule and budget requirements.

Still another important Risk Assessment that is a key element of the source selection process and final selection decision, is an assessment of each offeror's proposal.

Other Risk Assessments support various life-cycle events, including milestone reviews, program estimates, major engineering changes, or wherever the program manager identifies risks. Each Risk Assessment should track to the previous assessment and document the riskhandling approaches selected.

Riskhandling identifies, evaluates, selects, and implements options to keep risks within acceptable levels, based on program constraints and objectives. The program team, in developing the Risk Assessment program, should incorporate a handling strategy for each significant risk, and update program schedules and estimates to reflect the approaches selected. Further, it's wise to document the plan to support monitoring activities.

The final step in the process — Risk Monitoring — is to monitor risks and the handling options implemented. Key to effective risk monitoring is establishing a metric indicator covering the entire Risk Assessment program, including periodically evaluating identified risks, riskhandling activities, and new risk areas.

The government and contractors have critical roles in this iterative process. With today's budgetary constraints as well as significant changes in the acquisition processes, up-front risk assessment is a critical planning factor in a successful program.

The Performance-Based Product Definition Guide

The Performance-Based Product Definition Guide is the complete top-level technical information set necessary to support performance-based acquisition and sustainment strategies. The "baseline" is for the prime contractor to allocate full, traceable requirements to key system components supporting top-level parameters.

Although past practices produced the best military systems in the world, the requirements allocation process was often flawed. Flowdown occurred without allocation at lower levels, resulting in incomplete definition at these levels. Test dominated the design evolution process. Overall, program and product teams failed to identify and control critical product features and processes. In many cases, the causes for a product's behavior were not understood or controlled as the design evolved. The result was a "design by trial and error."

Design was often a point solution that did not tolerate normal variation and was hard to transition from the laboratory to production. Incorporating changes or adding new technology often proved difficult. Such conditions limited the ability to apply innovative concepts (such as competitive sourcing through open system architectures and migration to common processes).

A good performance-based product definition will include three categories of information:

Category 1, a product performance requirements definition, translates the derived operational requirements into specific technical engineering language stated in performance terms and provides the basis for a design solution and qualification of the design.

Similar to the traditional "Part 1" development specifications, in a disciplined systems engineering process the contractor will nearly always develop and verify this data as top-level requirements filter down.

The government will contract through higher-level specifications, limiting military-unique specifications and standards. Although the government/prime contract may include some requirements allocation items, most will be under contractor control.

This product definition process is not trying to increase the amount of deliverable data or buy more Level 3 technical data. Based on the technical and capability Risk Assessments, the program team will decide to include or exclude data in the contract. An organic support strategy may require some of this information.

Category 2, the product design definition, links engineering and factory environments by translating Category 1 requirements into the designer's definition of a product. These design-specific performance requirements define key product engineering design and producibility characteristics and enable efficient technology insertion at minimum requalification cost.

The product definition must relate how the program team implements a given function. This avoids high, non-recurring costs that result from growing designs to meet new requirements, technology insertion, parts obsolescence, and service-life extension.

In developing the product definition, program teams will still specify key interface requirements that drive interoperability with other platforms and systems/subsystems, such as armament and jet engine fuels.

Category 2 also defines product acceptance criteria for functional and physical attributes measured in the factory and used for product acceptance. Where interchangeability and interoperability issues are complex (such as in avionics and electronic design), it is important that the program manager capture the "as installed/as integrated" characteristics within subsystem as well as total weapon system designs.

Category 3, the product fabrication and manufacturing definition, includes everything the build package needs to manufacture the product defined by the Category 2 requirements (including detailed drawings and production process capability requirements).

This detailed product definition includes drawings with production-level information (in contractor format) applicable to the "as built" condition and industry-wide process standards, which form the basis for factory quality assurance.

The data required to efficiently produce the product drive the level of detail, not government intent to control the contractor facility process.

A capable systems engineering process then, is the result of a thorough definition of the products used to produce and support the product over its life cycle. Rather than prescribing a new, rigid format, the process is flexible and carefully tailored to a company's specific engineering and technical processes.

The product description needs to quantify required performance parameters and define key product characteristics and processes, critical interface definitions, and product acceptance criteria.

A new approach to maintain product integrity draws upon lessons learned without dictating a solution. For example, past practice for flight safety critical parts and products imposed prescriptive military specifications and standards. Unfortunately, even this did not always capture critical information needed to produce and sustain the product.

Product acceptance uses process controls rather than extensive test and inspection. Special requirements identify safety critical parts, define special fabrication requirements or tolerances, and quantify critical software functions or life-cycle management requirements. Where product integrity can be maintained, this may offer considerable cost savings.

As part of a rigorous systems engineering approach to product design and development, performance-based product definition promotes efficient operations, fulfills performance and quality requirements at minimum cost, and facilitates robust design solutions that tolerate normal production variation and accommodate technology insertion in a cost-effective manner.

The Flexible Sustainment Guide

The Flexible Sustainment Guide explains principles that address long-term issues to maximize operational capability and optimize investment strategies. Flexible Sustainment is a logical, decision-point-driven process to implement acquisition reform.

To make these strategies viable, customers must make early decisions about the life-cycle support approach — decisions that directly impact the quantity, type, and timing of product definition data purchased and controlled by the government. Although program managers can incorporate tradeoffs at any stage of the system's life, a program will incur the lowest life-cycle costs when they identify and make tradeoffs during initial design.

For new systems or major upgrades to existing systems, a rigorous product definition offers a flexible sustainment option, including long-term contractor support using competitive awards and cost-reduction incentives. For some technologies, maintaining the system at a level higher than the piece-part level may be the best option.

Sustaining existing or legacy systems is more complicated. The quantity and type of product definition data needed to support a flexible sustainment strategy may not exist. As a result, tradeoffs occur between adopting a flexible sustainment strategy and the near-term costs of generating and acquiring data.

Today's program teams, however, can consider factors and options not possible in the past, such as —

- reverse breakout strategies (selected elements are converted from organic to contractor support);
- competitive support contracts, such as operational availability, dollar-per-flying-hour warranties to motivate efficient performance; or
- contractor life-cycle management and total system performance responsibility.

Near-term expenditures to enable these approaches are an investment — the underlying business decision is determining if the investment yields sufficient long-term gains.

Flexible Sustainment consists of two major sub-processes — Reliability-Based Logistics (RBL) and Trigger-Based Item Management (TBIM). When combined with Form, Fit, Function, and Interface (F^3I) reprocurement, it becomes an integrated tool to achieve a robust program life-cycle logistics plan.

RBL establishes a support structure for an item, based on that system's characteristics, which supplements the source of repair and inter-Service depot maintenance processes. Its output is a system design capable of future technology insertion and a maintenance concept tailored to that design.

Reliability-based decisions affect both the initial acquisition and sustainment phase. Many factors merit consideration; however, systems reliability is the key. Sometimes not repairing an item at all, may be the most cost-effective solution. Program teams should not automatically assume the availability of organic repair and management. RBL then, allows several support options:

- Organically repair an item.

- Provide sufficient spares (eliminating a repair activity).
- Commercially repair an item (avoiding an organic repair structure).
- Use commercial materiel management.

Occasionally, non-economic drivers (e.g., operational or political) override logic and good business sense. Another factor is whether industry uses a similar item or process, or if a support structure, repair manuals, or spares list already exists.

TBIM requires a program team to keep pace with the changing world. Without insight into industry and system field performance, a finely tuned support structure can become quickly out of date. TBIM responds to significant triggers by changing the equipment, reprocuring for F^{3}I, changing the support structure, or reaccomplishing the RBL process.

Flexible Sustainment offers three economic analysis–based alternatives for replacing or reprocuring performance-based components.

In the first and second alternatives — Traditional Build-to-Print and Modified Build-to-Print — the customer defines key characteristics, functional performance, and interface requirements.

In Traditional Build-to-Print, the program team specifies product design and fabrication methods to an organization capable of producing the product.

Alternately, in Modified Build-to-Print, the program manager specifies product design to a producer, who then determines the processes used to produce the product.

The third alternative — F^{3}I — allows technology insertion on one side of an interface without being forced to modify the other interface side. The program manager specifies functional performance, key characteristics, and interface requirements to an organization with design as well as production capability, which can then determine the design and manufacturing processes.

When F^{3}I reprocurement is the smart thing to do, appropriate testing must demonstrate that the new item meets performance requirements. A recovery strategy must be maintained in case the management or repair relationships end.

Flexible Sustainment reduces the cost of ownership by comparing contractor and organic repair and management investment, improving current systems reliability, eliminating inefficient practices, and encouraging technology insertion.

The Joint Service Specification Guide (JSG)

Still under construction, these specifications will provide generic guidance on assigning key requirements in order to assist program offices and contractors to convert to performance-based specifications. The *JSG* is generic, with specifications flexible enough to tailor for a specific product class.

Developing a common *JSG* for a product class means that the Services agree on a set of critical requirements with a high degree of commonality. This allows the Services to maximize resources and concentrate on critical product development requirements, which facilitates Joint programs and provides a single, consistent approach in providing defining requirements to industry.

Currently, the *JSG* is focusing on supporting the Joint Strike Fighter Engineering Manufacturing Development (EMD) source selection. A complete *JSG* set for aviation systems won't be available until later. Although focused on the Joint Strike Fighter and other major new programs, they will be useful for future modification programs.

Eight specification guidelines are being developed. The Air System Specification, at the top, bridges operational and technical requirements and can be used to develop the top-level contractual specification, translating operational requirements into engineering terms, or verifiable performance requirements. The Air Vehicle Specification is at Level 2. Key subsystem specifications at Level 3 include Avionics, Airframe, Engine Vehicle Management, Vehicle Subsystems, and Air Crew. Each specification guide is in varying degrees of development by a multi-Service team.

Each *JSG* has two parts. The first contains normal specification information, including the scope, a requirements section, reference documents, and a corresponding verification section. It also includes a comprehensive set of performance requirements for a given product class covering the most likely missions that product class is expected to perform. Users must tailor requirements for their specific application and fill in specific performance values. The verification section provides methods and criteria for proving that requirements are met.

The second part provides guidance, rationale, and lessons learned for selecting requirements and filling in performance values. Program teams must tailor specifications for a particular application and determine which set of requirements to include, resulting in comprehensive guidance to develop a program-unique specification.

Lower-level specifications, typically not mandatory, are available for industry use and guidance. The depth in the specification tree depends on government risk versus contractor-based sustainment. Depending on a specific program risk assessment, there may be cases when these lower-level specifications are also put on contract.

As we move toward performance-based business and contractors become more responsible and accountable for lower-level requirements and design solutions, the *JSG* will assist people writing specifications and help them capture and communicate a fully performance-based description of the item to be developed and procured.

The Key Supplier Process (KSP) Handbook

The Key Supplier Process (KSP) Handbook (MIL-HDBK-500) provides top-level, key

management processes commonly used by aeronautical business suppliers to support acquisition and sustainment.

- Program/Data Management
- Engineering
- Quality
- Manufacturing
- Procurement/Subcontract
- Management
- Logistics

A process is a series of steps delineating how to do something. Processes enable risk management, communicate government requirements and contractor intent, and provide government insight (rather than burdensome oversight).

Knowledge of a source's processes aids in distinguishing between more- and less-capable sources. Understanding the processes helps the government understand a contractor's ability to carry out the work to be done.

Eliminating prescriptive government "how to" requirements increases contractor responsibility and accountability. With the *KSP Handbook*, program teams encourage contractor processes based on commercial industry standards and practices, and contractor internally developed processes, practices, and procedures.

Although the *KSP* handbook is not contractual, it may help —

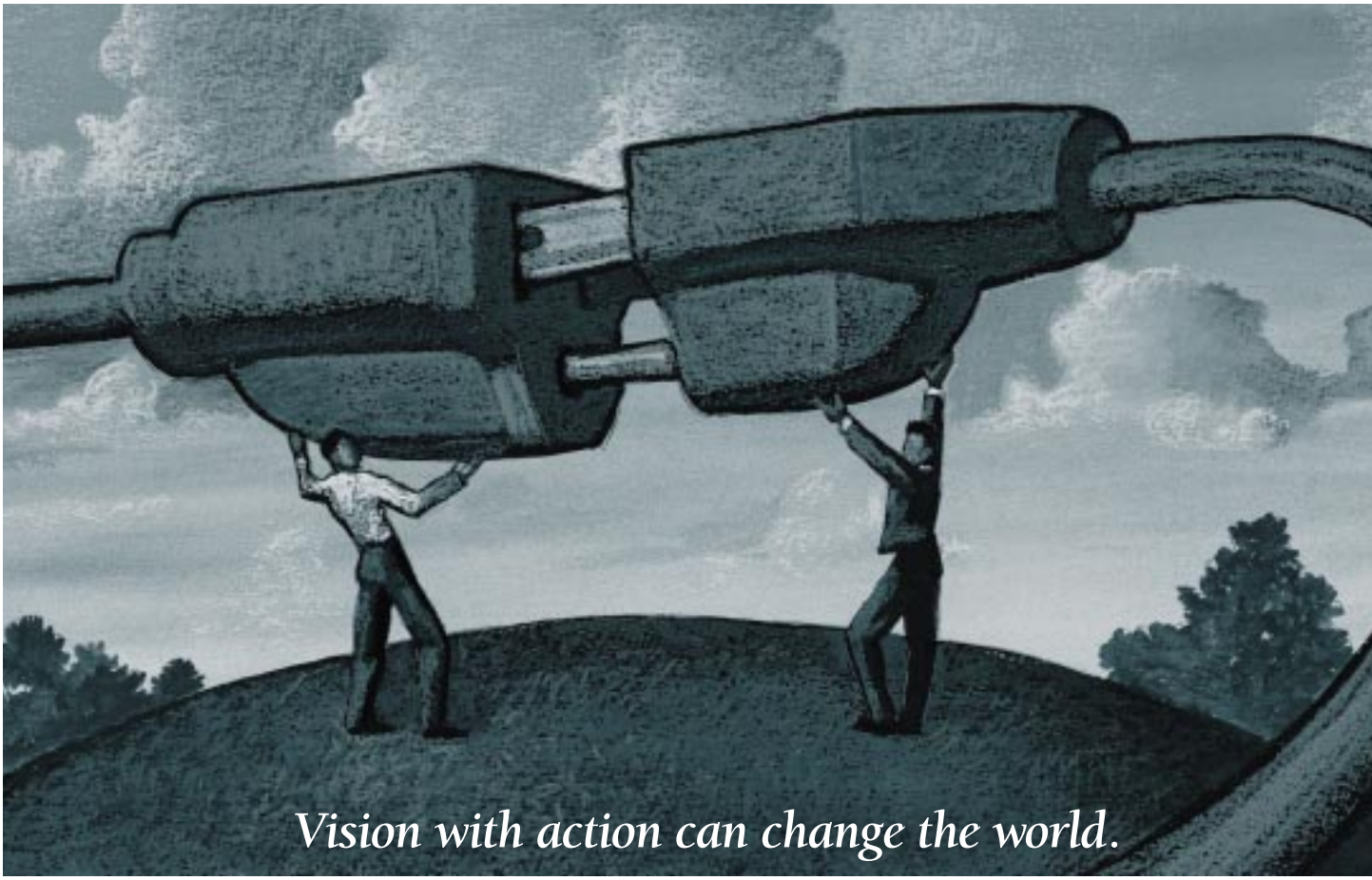
- define and improve a supplier's common processes;
- develop top-down process metrics to assess process effectiveness and monitor improvements;
- identify process performance attributes critical to program success;
- construct solicitations allowing supplier-defined processes in place of processes defined and controlled by military standards; and
- communicate process characteristics and performance attributes.

Differences may exist between suppliers in defining process boundaries and interfaces, as well as application differences between programs in a given organization. Generic definitions allow industry to tailor and partition their management processes to fit individual functional organizations and products.

OSD's preferred approach is to have no processes on contract. However, after reviewing program complexity and risk and the contractor's capability, it may be necessary (as a last resort) to require potential offerors to commit to critical processes.

Program teams should require that a contractor commit to critical processes in a graduated fashion, first using the contractor's own processes (specified in key attributes and/or performance parameters), and progressing through the least desirable step (used only on an exception basis), of placing government processes on contract, in accordance with specific Component procedures.

The government team must not dictate the processes contractors are to



use. Performance-based processes emphasize commitment commensurate with risk and criticality to program success.

The Contractor Performance Assessment Report (CPAR) Form and Instruction

The CPAR Form and Instruction contain guidance to systematically assess contractor performance on current procurements exceeding $5 million.

The JACG *CPAR* provides a common vehicle to assess contractor performance and provide critical past performance inputs to source selections. The following key elements describe the collection system endorsed by the JACG:

- Due process for the contractor (can respond to an assessment).
- Annual assessment, as a minimum, preferably at contract completion.
- Government participation by multi-functional teams, DCMC, and users.
- *CPAR* reflecting , as a minimum, rates of quality, delivery, cost control, business relations, and customer satisfaction.
- Defined ratings, which range from excellent to unsatisfactory.
- Program or contract manager responsibility for the report, with review required one level above.
- Report protected as For Official Use Only/Source Selection Information.

The sole purpose of *CPAR* is for use in source selections. It applies to programs in Demonstration/Validation, EMD, Production/Deployment/Modifications, or Programmed Depot Maintenance.

CPARs are not cumulative – they only cover the reporting period. The contractor can respond to a report, the program manager can revise the *CPAR* based on this response, and the reviewing official can then comment on significant differences.

The JACG *CPAR* prohibits manpower support contractors from providing *CPAR* inputs and does not require evaluation of Cost Control for Firm Fixed Price contracts.

The Performance Risk Assessment Group (PRAG) Desk Guide

The PRAG Desk Guide helps assess offerors' relevant past performance in order to select a proven performer. Providing best practices and tools for performance risk assessment activity during Pre-Proposal and Source Selection, it also explains how to organize and train *PRAG* members, establish a performance risk assessment approach, develop inputs for an RFP, obtain and assess past performance information, and formulate and present *PRAG* results to the Source Selection Authority.

The *PRAG* itself is the team within the source selection organization tasked with assessing the performance risk of each offeror and its critical or teaming subcontractors. Team composition depends on the size and complexity of the source selection, and mainly includes government personnel with expertise in the system being procured.

Using past performance allows performance risk assessment at the area level or as a general assessment. *The PRAG Desk Guide* provides a consistent method across the business sector for assessing past performance risk.

Implementation

JACG's Implementation Plan for PBBE employment and deployment includes three phases: first, get the word out; next, get specifics into the users' hands; and finally, fully integrate program teams into the way we do business.

Phase I provides top-down awareness through the community's execution chain. A community achieves this level of awareness by accelerating public relations activities, such as advertising on the JACG World Wide Web Acquisition Home Page; and publishing articles in various defense publications, supplemented by joint government/industry awareness roadshows and townhalls.

To kick off the JACG training plan, Aeronautical Systems Center at Wright-Patterson AFB created and distributed videotaped briefings during Acquisition Reform Day II in March 1997, that addressed each PBBE product area in a 15- to 20-minute presentation.

Organizational trainers, following each briefing, used the videotape to stimulate discussion about changes in each business area. This awareness training provided the basic tools to enable ASC's acquisition workforce to *begin* incorporating PBBE into their programs and accessing information from this new toolbox. Electronic copies of these briefings are available on the JACG Home Page at **http://www.wpafb.af.mil/az/jacg** on the World Wide Web.

The next step in the JACG implementation plan is to incorporate PBBE (through the Systems Engineering Steering Group) into the Defense Acquisition Deskbook and Defense Acquisition University (DAU) training material.

Phase IIA highlights immediate application-level training for "Lead the Fleet" projects selected to provide early feedback on practical application pitfalls and possibilities. This Service-led training emphasizes "just-in-time" training for programs entering acquisition strategy development or modification phases. Lessons-learned from the awareness workshops and feedback from Lead-the-Fleet programs will be rolled into the products, Desired Learning Objectives, and other training data developed.

Phase IIB integrates feedback for improvements and changes, then continues with long-term training through DAU, with eventual implementation expected across all defense business sectors. The plan includes using any and all the technology resources available, such as Defense Acquisition Deskbook updates and virtual-classroom Web training.

Phase III fully migrates PBBE into the DoD acquisition culture. DAU-led continuation training, incorporating Service

feedback and lessons learned, will enable full integration into DAU and industry training. The living nature of a performance-based business environment implies continuous training for the acquisition community

The Next Step

This is not the end of Acquisition Reform by a long shot. Changes will continue that, hopefully, will make it easier for program teams to do their jobs and still provide the world's best tools for our country's defense.

Performance-based acquisition creates new ways of contracting and communicating between program offices and contractors. The PBBE products provide guidance, tools, and the thought processes needed to develop the acquisition strategy and approaches that lead to performance-based solicitations and contracts.

A wise man once said —

Vision without action
is just a dream.

Action without vision
is just passing the time.

Vision with action
can change the world.

The vision of a Performance-Based Business Environment, endorsed by senior DoD and industry executives, represents a streamlined, flexible, quick-reacting approach to weapon systems acquisition that can change the acquisition and sustainment world. Through our actions, and by the strategies we develop, we can shape the future, and more efficiently provide our nation the means to decisively respond to any potential adversary that may threaten our national interests.

Editor's Note: Access additional information about Performance-Based Business on the DoD Acquisition Deskbook Home Page at **http://www.deskbook.osd.mil** or through the JACG Home Page at **http://www.wpafb.af.mil/az/acg/index/htm** on the World Wide Web.