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Part IV — Leading the Charge for Change in Logistics

This publication is the final installment (Part IV) of a 4-part series providing key insights into performance-based logistics (PBL). Part I of this series introduced us to key logistics concepts and an overview of supply chain management (SCM) supporting the rise and acceptance of PBL as a natural extension of SCM. Part II introduced the reader to the performance relationship shared between and among contracting and logistics, giving particular emphasis to performance-based contracting/acquisition. Part III was devoted to a review of performance-based logistics as a viable strategy that inherently employs industry best practices to achieve program cost, schedule, and performance improvements. This final installment closes the review of PBL with an eye on leadership’s role as change agents in the quest for continued improvements in both the public and private logistics sectors. It answers one of the most important questions of this series: How do leaders become a catalyst for change as their agencies move forward with the implementation of PBL?

A PBL support strategy that properly aligns the incentives of the support provider with the performance requirements of the system is well on its way to establishing the requisite trust that forms the basis of a long-term, collaborative relationship between the government and logistics support provider. This final installment will help us answer one of the most important questions of this series: How do logistics leaders become a catalyst for change as their agencies move forward with the implementation of PBL? For the agency that embraces change, this is a very exciting time full of great opportunity. Abraham Lincoln, in his Annual Message to Congress, Concluding Remarks, Washington, DC, 1862, understood why change can be so very essential when he asserts, "The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise—with the occasion. As our case is new, so we must think anew, and act anew." During times of major change, it is easy to lose sight of the important while attending to the urgent, especially as an agency busies itself with the challenges of transforming from a process-oriented tit-for-tat institution to a results-oriented organization.
Who is responsible for implementing change and how is it sustained?

David Walker, comptroller general of the Government Accountability Office, formerly the General Accounting Office (GAO), in his testimony before the National Commission on the Public Service (GAO, 2002b), *Using Strategic Human Capital Management to Drive Transformational Change*, emphasized an “organization’s people define its culture, drive its performance, and embody its knowledge base,” and thus are the keys to a successful transformation. Teamwork is essential, a necessary component of the value stream running through performance-based logistics and the supply chain. People, after all, are more inclined to support change they help create themselves while, on the other hand, resisting mandated change. Nevertheless, effective change management clearly begins at the top. Elements particularly important in implementing and sustaining change initiatives that genuinely take root and eventually resolve the problems they are intended to fix, according to the Government Accountability Office, formerly the General Accounting Office (GAO, 2002a), are (1) a demonstrated leadership commitment and accountability for change, (2) the integration of management improvement initiatives into programmatic decision making, (3) thoughtful and rigorous planning to guide decisions, (4) employee involvement to elicit ideas and build commitment and accountability, (5) organizational alignment to streamline operations and clarify accountability, and (6) strong and continuing congressional involvement.

The author and social philosopher Eric Hoffer (1973) once wrote, “In times of change, learners inherit the Earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists.” What an elegant way to tell us that people who embrace change will continue to move forward while those who don’t will get left behind. It is creativity that draws color from the grays; it also draws sharp, often uncomfortable, contrasts from the “old way of doing business.” New approaches to old problems, of course, are nothing new. Neither the problem nor the solution, however, should distract us. What matters is the persistent charge, the willingness to leave the comforts of status quo behind, to forge ahead in search of new discoveries that lay the groundwork for a better tomorrow, and to finish the work. To quote from the President’s Management Agenda (Bush, 2001),

*Government* likes to begin things—to declare grand new programs and causes. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises. In my Administration, that will be the standard from the farthest regional office of government to the highest office in the land.
National attention serves to clear the air and breathe new life into public organizations. With this new life comes the ability to see more clearly, to bring into focus those things that matter most. For those following this series, the focus clearly zeroes in on logistics leadership. Consequently, the ability for public agencies to see more clearly will ultimately boil down to what is perhaps the most important question of this series: How do logistics leaders become a catalyst for change as their agencies move forward with the implementation of PBL?

So, how do logistics leaders become a catalyst for change as their agencies move forward with the implementation of PBL? Perhaps the single most important element of successful change management, the GAO repeatedly points out, is the demonstrated commitment through the personal involvement of top leaders in developing and directing reform. The responsibility for improving long-standing management weaknesses is not something to staff out. "Today in government," suggests Robert Behn (2006), professor at Harvard's John F. Kennedy School of Government, "'performance management' is all the rage. Yet if you read or listen carefully, you will observe that, too often, what is meant by performance 'management' is little more than performance 'measurement.' And if all it takes to get something done is to measure 'it,' measurement is all that is needed." "To improve the performance of public agencies, measurement can certainly help," Behn (2006) continues. "But performance will never go up unless the agency's executives exercise real, motivational leadership" (Behn, 2006).

People look for vision, integrity, and judgment in their leaders; those charged with the responsibility to lead change must be busy communicating, engaging employees with the vision, and creating an enabling culture because they recognize too many overlapping reform initiatives often blur an otherwise compelling leadership vision. Change of the sort we are discussing is not easy; it challenges and impacts organizations from both inside and outside of the organization (OSD, 2002a):

- **Internal**—structured shifts or programs that are an ongoing phenomenon within an organization. These changes may be undertaken to avoid deterioration of current performance or to improve future performance of a process or system. In this sense they are controlled and managed from within the organization in an orderly, planned, and systematic way.
- **External**—environmental changes that come from outside of the organization, and the organization exercises little or no control over them. In business, this could mean shifting economic tides, new competitors, or radical technology.
developments. In government, it can mean changes in the world situation, the administration, legislation, budgetary issues, or management reform.

**Is resolute leadership the only prerequisite for change?** Leading change in the public sector is not a tidy thing to do; in addition to top leadership involvement, it requires clear lines of accountability if there is to be any hope of overcoming an agency’s natural resistance to change, marshalling the resources needed to improve management, and building/maintaining the organization-wide commitment to new ways of doing business (GAO, 1999). Agencies need to be less hierarchical, less stove-piped, and less inwardly focused. They must work better with non-governmental organizations and industry to achieve desired results, and achieve a better balance between customer and employee results. The public sector needs logistics leaders who, while operating within a lawful framework, possess the skills—and chutzpah—to apply visionary leadership skills in tackling extraordinarily complex challenges.

**What are the key challenges?** The Government Accountability Office (GAO) often reports that many of the major challenges confronting federal agencies—among them, globalization, state and public administration reform, the growing quest for popular participation, widening income disparities, religious conflict, ethnic diversity, and the rapid pace of technological change—represent long-standing, difficult, and complex problems that will not be easily or quickly resolved (Bertucci, 2003). In fact, implementing and sustaining major change initiatives such as performance-based logistics often requires a cultural transformation. More specifically, federal agencies are being driven to transform their cultures to be more results-oriented, customer-focused, performance-based, and collaborative in nature. Important and major transformation efforts are underway across the federal government in agencies as diverse as the Departments of Defense and Homeland Security, the United States Postal Service, the Internal Revenue Service, the Centers for Disease Control, and the GAO, to name just a few. As these agencies are certain to attest, the journey is far from easy or, for that matter, certain. Freeing people from inertia and getting them to see beyond the well-known territory of status quo and, perhaps, a few of their own fears—real or perceived—is a daunting challenge of piercing relevance as an agency finds itself in the throes of a paradigm shift, an evolving system of assumptions, concepts, values, and practices that constitutes a new way of viewing reality … and the benefactors, America’s communities, are sure to notice.
It should come as little or no surprise the road to success is seldom straight and narrow; it is more often winding with ups and downs, speed bumps and potholes, and an occasional guardrail (e.g., policy, regulation, standard, etc.) fashioned to keep us in our lane. Logistics leaders must recognize each bend in their road represents an opportunity. The less-than-optimistic might refer to these opportunities as challenges, if not downright obstacles. Without due diligence, such challenges—or, obstacles—are certain to impede progress. In any case, two particular “opportunities” cited frequently within the public sector include 1) employee resistance and 2) management behavior that undermines progress/change. In the words attributed to Alan Cohen (1993), "It takes a lot of courage to release the familiar and seemingly secure, to embrace the new. But there is no real security in what is no longer meaningful. There is more security in the adventurous and exciting, for in movement there is life, and in change there is power." As a point of reference, an executive manager typically initiates change in as many as 70% of all projects (Allen, 2002); however, in nearly half the projects, accountability for the change is passed on to a lower-level manager or team member, and the executive manager was not the visible sponsor. This delegation of sponsorship is one of several important mistakes top managers repeat routinely. Others include (Allen, 2002):

- Not being directly involved with the project.
- Not engaging all management levels in the change.
- Sending inconsistent signals or not communicating enough.
- Shifting focus or changing priorities too soon.
- Not providing adequate resources.

**What else can leaders do?** Logistics leaders must carefully regard all policies affecting their organization; if a misguided or ill-advised policy confounds a concerted effort to improve, it becomes imperative they take the requisite steps to eliminate it. Such a task may not be easy to accomplish. In fact, changing ineffective policies, measures, or behavior patterns can be daunting, if not unpopular. Not only are they typically far more damaging to the “system” but, to make matters worse, they are far more difficult to identify and eliminate. Why? Policy constraints are not measurable system attributes. It is not possible to measure a policy; it is only possible to measure the effect a policy has on a system, subsystem, or individual resource capacity. To overcome the debilitating effects of bad policy, logistics leaders must take three important steps: 1) empower their people to rapidly identify core erroneous policies without fear of retribution; 2) encourage construction of new policies that will not bring
with them new devastating problems; and, 3) enable construction of a feasible implementation plan that would not be hampered by resistance to change.

**How does the agency culture affect change?** In short, we are discussing the collective participation in cultural transformation—the evolution (sometimes revolution!) that underpins innovation. Peter Drucker—a legendary management and leadership consultant—speaks of innovation as "change that creates a new dimension of performance" (Hesselbein, et al, 2002). Catch that? It is the performance that changes the culture—not the reverse. In the end, it is a good thing that culture is not easily changed. A culture defines the heart of the organization, and a change of heart is not to be taken lightly. Changing the culture of an organization requires the organization itself to transform—its purpose, its focus on customers, and results. Frances Hesselbein (2002), editor-in-chief of *Leader to Leader*, chairman of the Drucker Foundation, and former chief executive of Girl Scouts of the USA, tells us the "culture does not change because we desire to change it. Culture changes when the organization is transformed; the culture reflects the realities of people working together every day." This transmogrification becomes evident with the evolution of strategic linkages fashioned between central, overarching applications such as governance, communications, risk management, and performance monitoring. In *Managing In a Time of Great Change*, Drucker (1995) nudges us closer to the crux of the matter: "For the organization to perform to a high standard, its members must believe that what it is doing is, in the last analysis, the one contribution to community and society on which all others depend."

Successful change efforts start with a vision of radically improved logistics performance and the relentless organization-wide pursuit of that vision (GAO, 2002c). It is this introspective and inclusive process by which an organization formulates its values and revisits its mission that will allow organizations to serve their customers and communities, to be viable and relevant in an uncertain future (Hesselbein, 2002). The capacity to change and to serve is the essence of a great and vibrant culture. Change management is seldom easy, even with well-intentioned help. To begin, a logistics organization must first begin the slow and tedious process of chipping away at the hardened status quo before new tools or practices, such as performance-based logistics—can be introduced. A sense of urgency must prevail, and the transformation can succeed only if a new vision and strategy are effectively communicated ... early and often ... by senior logistics leadership. But there’s more. The changes must be firmly
grounded in the organizational culture if they should have the remotest possibility for success. Indeed, the central task of logistics leadership is to create an organizational culture that supports the agency’s mission. Empowerment, orchestrating short-term wins, and consolidating gains to produce even more wins will help anchor new approaches in the emerging culture. An engaged and effective logistics leadership team is the key if your agency is to create a nimble, effective, robust, results-driven logistics strategy that promotes change. Within the last decade, the GAO (1999b) has made a number of recommendations for improving federal performance. A summary list follows:

- Clear goals and performance measures should drive daily operations. A central principle of performance-based logistics management is a clear understanding of what is to be accomplished and how progress will be gauged. This means recognizing the importance of using results-oriented goals and quantifiable measures to address program performance.
- Building the organization’s human capital is key to achieving results. An agency’s logistical success is possible only when the right employees have the right training, tools, structures, incentives, and accountability to work effectively.
- Logistics programs and supply chain processes must be linked to results and customer satisfaction. This means successful logistics organizations will need a clear understanding of their mission and be able to articulate how day-to-day logistics operations contribute to overall mission-related results. Results-oriented performance should draw upon best business practices, such as strategic sourcing and shared-services concepts. Producing financial statements that withstand the test of an audit is important but not the overarching goal; rather, routinely generating useful, reliable, and timely financial information for the effective execution of day-to-day logistics operations becomes the focal point.
- Decisions should be based on sound data. Decision-making processes must be based on sound, reliable, and timely data. Collecting this data requires integrated systems that help clarify the true cost of logistics operations. As a point of reference, CASS Information Systems Inc. (formerly CASS Logistics Inc.) has produced annual estimates of national logistics costs for the United States since 1973. As one United Nations' document states, the CASS report "has taken on oracle status in the profession and statistics in it are often cited in federal government reports" (UN, 2002). The CASS measure of logistics costs includes three broad cost components comprising the business logistics system: inventory-carrying costs, transportation costs, and logistics administration costs. A recent Annual State of Logistic Report (2003), shows the total logistics costs were $910 billion in 2002, equivalent to 8.7% of the U.S. gross domestic product in the same year, where GDP is the total value of all goods and services produced during a certain period of time, such as a year, that has not been consumed by the production itself (UN, 2002).
- Integrated business process reform strategy. Business management processes must not be addressed in isolation or in a piecemeal fashion. Logistics reengineering to support a performance-based approach should be viewed more holistically, as it connects to other management problems. It must be addressed in an integrated, enterprise-wide approach.
Active logistics leadership. Strong, sustained leadership is essential to changing deeply rooted corporate cultures and successfully implementing logistics reforms.

Clear lines of responsibility and accountability. Successful implementation is dependent upon clear lines of decision-making authority and resource control.

Incentives and consequences. Incentives should be offered that motivate decision-makers to initiate and implement efforts that are consistent with better logistics program outcomes. An emphasis at the Congressional level on results-oriented management can also have an impact on resource allocation decisions.

Enterprise architecture. The Clinger-Cohen Act requires agencies to develop and maintain an integrated, system architecture.

Monitoring and oversight. The periodic reporting of status information to OMB, Congress, and the audit community is essential to ensuring effective change management and implementation of business process reforms.

So, what is change management? A change initiative is any action to alter the status quo. By extension, change management is the proactive molding of an organization's culture, as needed, to successfully implement a change initiative. A number of critical, interdependent components comprise the change agenda. Logistics leadership, chief among them, must set a clear direction as an essential driver for a successful change. Undeniably, one of the most significant factors that impede success in logistics organizations is lack of leadership. Cultural resistance to change and parochialism play a critical role in hindering reform efforts as well. According to a report for the Office of the Secretary of Defense (2002b), “many current operating practices within the public sector have a long, entrenched bureaucratic history, and have developed piecemeal over time in order to accommodate the needs of different organizations.” The more deeply rooted these systems and attitudes, the more difficult comprehensive change. Such change is unlikely to be immediate; therefore, strong logistics leadership is necessary to sustain long-term commitment to performance-based logistics and other results-oriented reforms.

Why change? As time marches on, our entire society transforms in an altering global context. Many major institutions (e.g., government, industry, and finance) must continually search for ways to restructure that will increase their flexibility and effectiveness in this climate of change. Bainbridge (1996) writes,

New competitors enter the marketplace and sweep away established customer bases, technology changes the rules of how business can be undertaken, legislation demands changes to the way in which products and services are delivered, and deregulation throws up whole new trading blocks and industry
sectors. Behind it all the expectations of customers grow as they become ever more knowledgeable and demanding.

Conger, Spreitzer, and Lawler (1999) posit, “Cutting-edge technology, the triumph of capitalism over communism, a burgeoning global economy, a billion new entrants to the global workforce, and a surplus of products all feed into an environment that is highly competitive and fast changing.” Traditional ways of doing business are quickly going out of fashion. Bureaucracy, control, rigidity, and functionalism have become outdated and actually present obstacles to change management. Change, according to Bainbridge (1996), “is no longer an irregular outing, an inconvenient upheaval to be undertaken once every ten years. Change is something we have to learn to live with, to structure and to manage. Change is here to stay, and the winners will be the ones who cope with it.” So, it’s easy to see why most experts believe that a change in corporate culture is needed before companies can realistically expect to work collaboratively with their supply chain trading partners. And changing the logistics culture will almost certainly require a change in performance measures. Without the right metrics and incentives in place (for a review, please revisit earlier installments of this series), there’s almost no chance the necessary changes will take hold.

**Why is collaboration important to logistics leadership?** Collaboration lies at the heart of PBL (Vitasek, Geary, and Quick, 2006). To promote collaboration, agencies need to change, among other things, the way they measure performance (Cooke2003). This may require agency logistics leaders to take a broader, external view of their logistics processes. “A lot of people are looking at functional activities, like transportation, customer service, and warehousing, and they suboptimize what they’re doing. They need to take more of a process orientation” (Cooke, 2001). The “Seven Immutable Laws of Collaborative Logistics” (Langley2000) provide a framework for the development of effective, collaborative supply chain relationships sharing the definitive goal of cost-effective delivery of capability to the ultimate customer. Getting the “right product to the right place at the right time in the right condition for the right price” simply is not enough in a performance-based logistics world where customers,
suppliers, and even competitors join together for mutual benefit (Langley 2000)—a world that assesses product support costs across the life cycle of a system and focuses energy on the necessary outputs, providing both effectiveness and efficiency for the life of the program. PBL is an opportunity for the contractor to exercise greater flexibility in deciding how support is provided, ensure stable cash flow over long-term contracts, and increase revenue by rewarding contractor investment in support process improvements. Couple that with the government’s ability to obtain guaranteed increased availability while decreasing costs and logistics footprint through partnerships with private business for complete program support and you find yourself with a winning hand (Vitasek, Geary, and Quick, 2006).

So what forces do we see being applied to logistics today? In short, many. In magnitude, mega. Forces of change in our economy — e.g., globalization, a shift in economic power toward the end of the supply chain, the drive for efficiency (demand for better, faster, cheaper), a changing labor market (largely driven by service industries as well as information technologies and the dot-com companies), uncertainty, deregulation of key industries, competition for high-technology skills, mobile workers far less loyal to a single company or single geographic area, emerging technologies, system-of-system approaches that offer command, control, and information capabilities on vast scales, more open-system architectures with greater processing power, further miniaturization, new materials based on nano-technologies and, conversely, large structures that are able to be produced affordably and quickly, using far fewer parts, fasteners and tooling than ever before, and an empowered consumer — have elevated the importance of supply chain management in general and performance-based logistics in particular as a strategic weapon for competitive advantage (Coyle, 2002; Spong, 2001).

How can my agency take advantage of complex change forces? Recognizing the need to change is certainly one of the first steps. Realizing change takes considerable energy and a lot of time is another. As the forces of economic change mentioned in the preceding paragraph illustrate, technology alone won’t drive true value—as defined by the customer and not the accounting ledgers. Obtaining real value—and competitive advantage—requires logistics elements within your agency to change the way they do business. Normally, that means changing business processes. This will not be easy or necessarily straight-forward. Process reengineering of this magnitude requires changes to organizational alignment and accountability; its success
hinges on a few reliable, relevant metrics that people focus on. Communication must be open and forthright, delivered early and often by logistics leadership. Operations must be transparent and facilitate visibility across your global supply chain. Foresight and the development of sound demand and supply plans will prove helpful … unless they are left on the shelf. The capability to execute against those plans must be in effect and within easy reach of your entire performance-based logistics team (customer, supplier, and even competitor). Essentially, agencies must acquire an entirely new mindset. Key features (Vitasek & Geary, 2007) include:

- Expanding the scope of planning efforts, explicitly addressing the requirements of the customer’s customer and crafting a demand-driven supply chain.
- Expanding the scope of planning efforts to include the supplier’s suppliers, and putting themselves at the head of a responsive and effective demand driven supply chain.
- Aligning compensation streams from their customers and suppliers, against a single set of commonly understood and visible performance-outcome measures.
- Aligning service delivery processes to their customers’ needs, breaking functional silos and tailoring service offerings to the needs of specific customers, not the general marketplace. One size never fits all.
- Understanding core competencies and relying on the team’s other service providers to deliver the best blended capability to their customers.

**Conclusion.** Logistics is a fluent and dynamic process. Effectively managing and controlling the movement of supplies and resources from point of origin to ultimate destination while balancing cost, effectiveness, and risk is a key challenge of every logistics operation. Today’s fast-paced environment requires people and organizations to develop the ability to adapt to pervasive change (Conger, Spreitzer & Lawler, 1999). Key characteristics of future change includes: a move from vertical to virtual integration, further development of collaborative capabilities, knowledge of core competencies, technology and connectivity, and a move to a comprehensive supply chain perspective. The key to successful transformation is daring and resolute change management by competent and visionary logistics leaders. Their ability to optimize progressively intricate and dynamic supply chains to accommodate growth and distribution expansion is crucial to effectively proving PBL’s ability to provide cost effective readiness, and equipping your agency with capabilities to deal with even greater change.
References (Part IV)


