



# Outcome-based Contracting

What Works, What Doesn't, and What's Next

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# THE PROBLEM

## The Core Challenge

Agencies want measurable results, but the acquisition workforce lacks clear definitions, practical guidance, and institutional infrastructure to shift from paying for inputs to paying for outcomes.

Outcome-based strategy and outcome-based contracts are distinct constructs—**conflating them produces implementation failure.**

The FAR Companion Guide (Parts 11 & 37), while well-intentioned, risks limiting the OBC concept and confusing the workforce.



### Definition Confusion

OBCs vs. PBCs remain poorly distinguished across the workforce



### Compliance Drift

Contracts drift from purpose toward compliance even when both parties intend otherwise

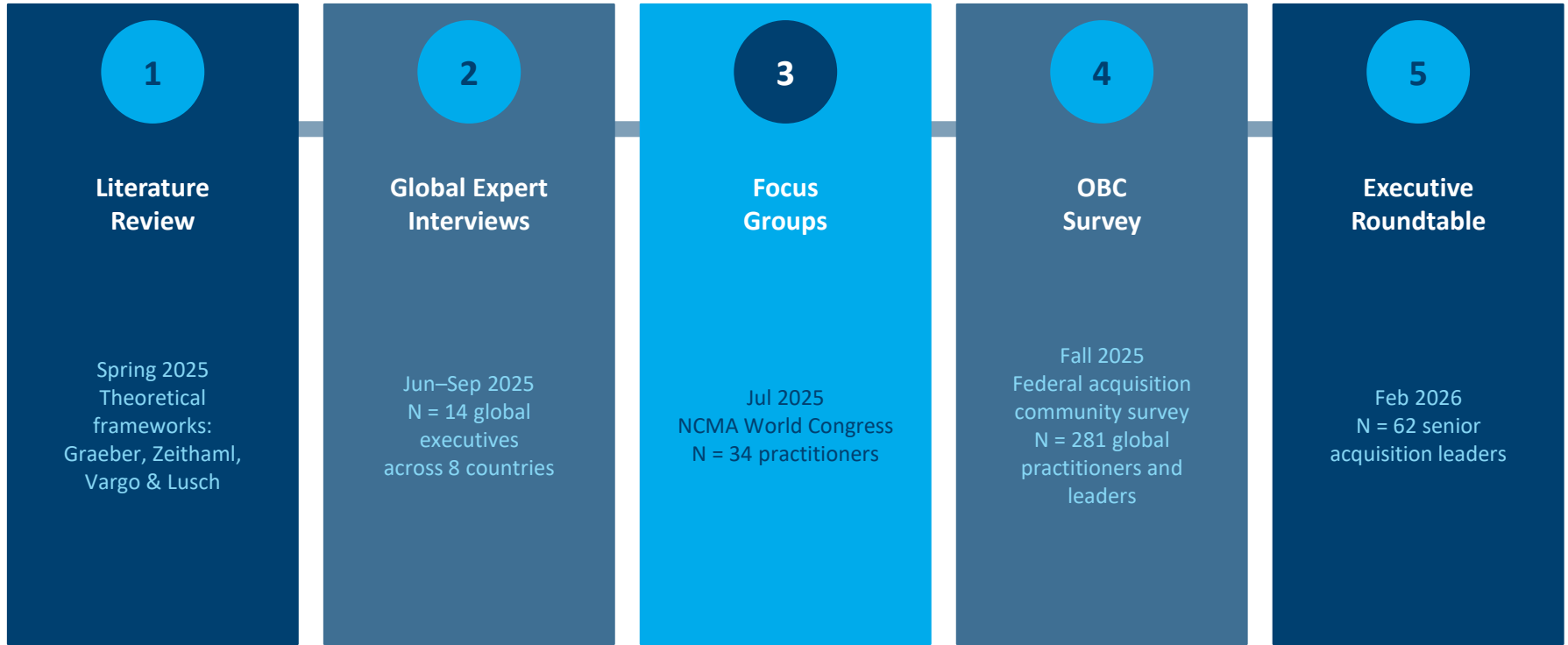


### Workforce Gap

Professionals lack governance training to execute outcome-oriented relationships

# RESEARCH METHODS

*Five-Phase Mixed-Methods Design · Spring 2025 – February 2026.*



*Integrating U.S. federal acquisition and global commercial contracting perspectives*

# KEY FINDING: THE OBC SPECTRUM

*"Outcome-based strategy and outcome-based contracts are distinct constructs. Conflating them produces implementation failure."*



## Two OBC Types Identified:

Availability OBCs — clearly measurable outcomes (e.g., 95% system uptime) | Economic OBCs — broader goals harder to quantify (e.g., reduce homelessness 20%)

# FINDINGS: FIVE CRITICAL SUCCESS FACTORS

*"If the answer is NO on any of these five factors, the OBC model will struggle."*

## 1 Requirements

Can outcomes be articulated as measurable, attributable, and contractually actionable? Outcomes must be elevated to the requirements stage—not treated as a contract feature.

## 2 Data Sufficiency

Baseline data must exist and be reliable. Measurement requires structured design: outcome definitions, success thresholds, RACI models, two-way accountability.

## 3 Inter-Party Trust

Risk misalignment undermines OBCs. Collaborative sharing—communication, feedback, teaming—correlates strongly with quality outcomes. Cultural and financial barriers must be addressed.

## 4 Governance Capability

The single largest barrier. Acquisition professionals lack governance training. OBCs need joint boards, adaptive frameworks, and structured renegotiation triggers—not compliance controls.

## 5 Oversight Balance

Oversight must enable rather than impede. Over-prescription reintroduces task-orientation; under-oversight loses accountability. Balance is essential for sustained value delivery.

# RECOMMENDATIONS FOR DEFENSE ACQUISITION LEADERSHIP

R1

## Elevate Outcomes to the Requirements Stage

Revise FAR Part 11 to establish outcome-definition as a fundamental requirements responsibility, not a contract feature.

R2

## Reposition OBC Guidance in the FAR

Define OBCs in FAR Part 2 (Definitions) and move structural guidance to FAR Part 16 (Types of Contracts) to signal enterprise-wide applicability.

R3

## Develop & Pilot OBC Governance Training

Build role-based curriculum (COs, PMs, CORs, financial staff, industry partners) grounded in CMS4 competency framework; pilot across defense agencies.

R4

## Develop a Portfolio Prioritization Schema

Assess portfolio segments against the five CSFs to determine OBC readiness and sequence—extending beyond services to production, IT, construction, and sustainment.

R5

## Structure Contracts for Low-Risk Piloting

Method A: Mid-flight conversion via negotiated option. Method B: Parallel option tracks at initial award. Both enable reversible OBC pilots within existing authorities.

# NEXT STEPS: PHASE II RESEARCH AGENDA

## Objective 1: OBC Case Study Analysis

- Document OBC applications across government and private sector
- Span service delivery, production, and construction contracts
- Analyze which of the five CSFs were present/absent and how that shaped outcomes
- Integrate international case studies for comparative benchmarking
- Build on Phase I global expert network (8 countries)

## Objective 2: OBC Decision Framework

- A practical decision-support tool for acquisition professionals
- Systematic methodology to evaluate OBC suitability for a given acquisition
- Assess all five CSFs within specific procurement scenarios
- Distinguish outcomes-based requirements in traditional vehicles vs. structured OBCs
- Provide both empirical evidence and actionable tools