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Don't let naysayers with a bully pulpit sidetrack Performance-Based Logistics. PBL may be the Defense Dept.'s best hope of keeping increasingly complex weapons systems operational while ensuring military contractors don't lose their shirts supporting this national security imperative. PBL isn't rocket science, but the best ideas often aren't.

According to a recent piece in *The Wall Street Journal*, the Pentagon is "aiming to trim between \$10-15 billion a year in planned defense spending from fiscal 2007-12, slowing the overall rate of Pentagon-spending growth. Given the continuing military operations in Iraq, the Pentagon is scouring weapons programs for possible cuts instead of taking reductions from current-force needs."

The Pentagon is a big place with lots of people working lots of fine ideas, but PBL is the most impressive body of thought we've seen, with both intellectual rigor and real results, endeavoring to reform weapons program spending. It's a real solution to a real problem, already delivering improved performance at lower total cost.

The basic idea behind PBL is the purchase of support to sustain weapons systems as an integrated package based on quantifiable measures, such as weapon system availability, rather than merely parts and technical services. This is a fundamental shift in the way the military keeps its systems operational. The Pentagon is applying best commercial practices, and trying to buy smart.

Cue the hallelujah chorus.

And then last month the Government Accountability Office released a report on PBL—"Defense Management: DOD Needs to Demonstrate That Performance-Based Logistics Contracts Are Achieving Expected Benefits"—that would rain on any parade, but it's what many have come to expect of the GAO. The agency responds to requests from Congress, and when was the last time you saw a politician schedule a press conference applauding Pentagon creativity?

The report states: "DOD cannot evaluate the extent to which [PBL] arrangements are achieving expected benefits and being effectively implemented within DOD." Word choice is important. GAO did not question *if* PBL is delivering benefits . . . just the "extent." Hmm.

Today, two-thirds of the Defense Dept.'s major weapons systems acquisitions include PBL in some fashion, with either a current or specific implementation date set, and the population is growing. GAO reviewed 15 of these programs, and was unable to conclude that PBL caused costs to go up.

But, they also resisted concluding that PBL caused costs to go down or delivered improved value.

In fact, GAO's findings appear to suggest exactly that. "Performance indicators tracked by the program offices showed that the contractors met or exceeded performance requirements. Of the 15

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programs, 10 reported that performance levels exceeded contract requirements, and five reported that performance levels were meeting contract requirements." The GAO is an audit agency, trained to look for problems. So, to some observers, a GAO inquiry that doesn't find "waste" is a pretty good indicator that something good is happening.

GAO recommended that the Defense Dept. should "demonstrate whether performance-based logistics contracts are resulting in reduced costs and increased performance, develop procedures to track whether program offices validate their business-case decisions and verify the reliability of contractor cost and performance data."

The Pentagon is facing a budget crunch of epic proportions, and the best the GAO can come up with after reviewing a slew of successful PBL programs is to add red tape?

GAO's headline could just as easily read: "Defense Management: PBL Contracts Meeting or Exceeding Weapons System Performance Goals; Costs Appear to be on Track." Like the GAO, we have looked into PBL across a number of programs and companies. Though challenges remain, the results delivered by many of these programs are as compelling as the available case studies. PBL can work, and that's what GAO should be talking about. It's a war of ideas.

No matter how complicated an acquisition becomes, the essential beauty of PBL shines through. PBL contracts fundamentally align the interests of contractors with the Pentagon. If both do the job right, contractors make more money. To do this, they find ways to deliver better system performance at lower total ownership costs, so the Pentagon wins, too.

In other words, contractors: Have your elevator pitch ready; people need to hear it. Clearly articulate the financial opportunity inherent in each PBL opportunity. Communicate that cost-plus type guaranteed profits are coming to an end and that the Defense Dept. is playing by a new set of rules. Explain the value potential, both in improved performance or reduced cost, to government customers. Objectively define risk factors and lay out strategies available to address each of them. And ensure that their leadership has a context for understanding assessments like the GAO report.

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