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Performance-Based Logistics Works

Performance-Based Logistics, a strategy for making sure warfighters have the equipment they need when they need it, works. Government, industry and academic studies show PBL contracts regularly improve availability 20-40% and costs by 15-20%. Caught in the pincer of escalating military risks and increasing budget pressures, one might expect military leaders to be clamoring for PBL, but there are pockets of outright resistance. Some counterarguments are solid, but three are paper tigers:


- *I know somebody who tried something like PBL and it failed.* PBL contracts need to adhere to certain tenets that have been proven over time. When these guidelines are violated, results suffer. There is anecdotal evidence that bastardized versions of PBL fail, but there is convincing research showing that properly constructed PBL contracts work.

- *Statutory restrictions make PBL difficult.* Issues surrounding policies such as the Title 10, the 50/50 rule, and “color of money” restrictions are real enough, but so what? While not easy rules to live by, they are the

into its estimates of building and operating the business. However, it's also common for the customer considering shifting work to a PBL contract to ignore reductions in its fixed costs. After all, if they are truly fixed, they are not going away. The resulting apples-to-oranges comparison is made in both government and commercial PBL contracting, but blurry government accounting exacerbates the problem for the military. The solution is to assign good people to learning how others (U.S. and foreign militaries and commercial companies) have wrestled with these issues in building business cases.

- *PBL threatens to erode jobs and infrastructure we need to protect.* One strategy for addressing the threat of lost work is a “not on my watch” stance to stonewalling PBL. An alternative strategy is to focus on how to partner with organizations offering complementary skills in order to provide the most cost-effective support to warfighters. The logic of the second strategy is that it is more important to be on the winning team than it is to hang onto historical roles. The best way to protect jobs and infrastructure is to be part of the team that provides the most affordable support.

- *There is no burning platform.* The organizations that have been the quickest to get on board with PBL have been standing on the burning platforms of competition among commercial airlines or dangerously low mission-capable rates in military organizations. Today, U.S. military services don't consistently perceive such a burning platform. But there is a growing consensus that defense budgets are likely to flatten (shrink in real terms) while the Global War on Terror supplement disappears and missions continue to increase in scope and complexity. Responsible leaders will get ahead of the trends, recognize the coming burning platform and move now to prepare their organizations for the new reality.

In the coming years, military leaders will have to take more seriously than ever their responsibility for finding the most cost-effective means of supporting warfighters. The research shows that properly done, PBL can be an important part of the solution. However, to move in this direction, leaders will need to get past the bogus arguments and address the real issues. Considering the stakes, this work is worthy of our best efforts. 

Military leaders will have to work harder to find the most cost-effective means of supporting warfighters

hand we've been dealt, and others have been able to play the hand just fine. Get on with the work of sourcing the best possible results for the warfighter given the regulations governing your options.

- *PBL must be more expensive for government; contractors would not be interested if PBL weren't more profitable for them.* Profits are the carrot that keeps contractors focused on whatever mixes of improved availability and lowered costs the contract targets. In a well-built PBL, improving contractor profits result from better performance and decreased customer costs.

Beyond the paper tigers, three genuine obstacles face U.S. military leaders:

- *The business case analysis for PBL is seldom straightforward.* Every business case must grapple with two costs: the fixed cost of being in a given line of work and the variable cost of actually carrying out the work. It's common for a contractor proposing a PBL contract to figure both types of costs