

Performance-Based Agreements Support Customers at DLA

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The Department of Defense is changing, and the Defense Logistics Agency is changing, too. One of the key features of these changes is performance-based agreements being put in place between the Agency and its many customers.

As the future operating environment within DoD focuses on complexity of growth in business, logistics support will need to match that same level of complexity. DoD logistics in the future will focus on integrated partnerships requiring 24/7 support. DoD personnel will find themselves in a dynamic environment that empowers them to partner with customers when and wherever it is needed – whether special handling or pre-deployment requirements, according to Larry Glasco, director of DLA's Customer Operations and Readiness Directorate (J-4) at DLA headquarters.

One of the first such performance-based agreements was finalized in November when DLA Director Vice Adm. Keith Lippert, SC, USN, and Lt. Gen. Mike Zettler, USAF, deputy chief of staff for installations and logistics, signed a comprehensive performance-based agreement that signaled the beginning of a new cooperative relationship between DLA and the Air Force.

This PBA establishes a framework for cooperation to improve DLA support to the Air Force and establishes a Partnership Council of Air Force and DLA people. The council will determine areas to target for action as well as metrics to measure improvement. The term of the agreement is three years and will build on the already strong working relationship between DLA and



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the Air Force.

The DLA-Air Force agreement, Glasco said, will become commonplace for the Agency, typical of the major transformation effort that began when DLA embarked on its Business Systems Modernization effort five years ago. BSM represents a major DLA system reengineering effort incorporating commercial practices and commercial-off-the-shelf software to provide improved readiness support for customers. The effort creates a centralized supply chain management system that affects order fulfillment, financial management and procurement, allowing a seamless flow from the customers' request to delivery of the product.

"DLA's Customer Relationship Management effort flanks BSM on the left-hand side to provide the customer desires," Glasco said. "For DLA, CRM is the bundling of DLA's customer strategies and processes. CRM will be

supported by the relevant software, for the purpose of improving customer support and, eventually, national readiness at an affordable cost. CRM will provide the strategy, tools and technology needed to better understand the unique requirements of the customer and to adjust product and service attributes accordingly. One of the more notable strategies used by CRM is that of performance-based agreements."

PBAs, previously referred to as service-level agreements, state customer expectations of DLA and DLA's expectations of the customer. PBAs are negotiated to delineate what each party will provide and can expect to be provided in the business relationship. For example, a PBA could include what products or services DLA will provide to the customer, in what quantities, at what price and at what time. PBAs are being developed in support of BSM. There are currently eight signed PBAs,

and DLA continues to expand its PBA development.

The PBAs include discussions on collaborative demand planning and review of metrics, and they use customer data within the CRM environment. These discussions provide insight into customer needs to help meet and anticipate customer needs by the Agency.

“CRM is a major effort that will take several years to fully implement,” Glasco said. “It incorporates the changing world of DoD and customer needs. Ultimately, CRM will transform DLA’s enterprise into a true customer-facing Agency by altering the way people, processes and technologies serve as enablers. PBAs serve as an important tool to ensure the customer’s needs are met.”

SLA or PBA? That is the question.

DLA began pursuing customer relationship management a few years ago. Initially, an effort to improve customer support, CRM transformed

into a program integrating DLA’s customer strategies and processes with relevant software to improve customer support and, eventually, national readiness at an affordable cost. At the beginning of the program, the Agency negotiated service-level agreements, or SLAs, with its service customer groups.

In spring 2003, the Office of the Secretary of Defense reviewed DLA’s SLAs and, redefining ideas contained in them, created performance-based agreements, or PBAs. An SLA is a formal agreement between a business and customer. It contractually details the terms of performance required of the supplier or service provider. An SLA typically contains a scope or objective, detail of service to be provided and measurable performance standards.

A PBA is a written agreement between the DoD component source of supply and the customer. It describes measurable service and

performance-level parameters based on customer requirements and expectations. In other words, SLAs are agreements used to manage customer expectations of DLA and DLA’s expectations of the customer. PBAs are negotiated to document what each party will provide and can expect to be provided within the business relationship.

“Regardless of what they are called, DLA’s performance-based agreements are a very important part of DLA’s BSM and CRM customer-facing effort,” said Carolyn Martin, a program management analyst in the DLA Customer Operations and Readiness Directorate. “While CRM will provide the strategy, tools and technology needed to better understand the unique requirements of the customer and to adjust product and service attributes accordingly, PBAs provide the required agreements to negotiate customer requirements and expectations.” ♦