

Military contracting in a war zone: Rohit

Logistics supplier loses prime vendor status over charges of excessive pricing

Kuwait City, November 18 2009. It was a blisteringly hot day and Rohit was sitting at his desk fuming about the recent action taken by his organisation's largest client. Rohit managed contracts for Agility Logistics, one of the key providers of logistics coordination in the combat-ridden Middle East region, providing the majority of transport, storage and supplies to the U.S. Department of Defense (DoD) in Kuwait and Iraq. Agility had grown from its roots in the late 1970s as a small, state-owned company, then called the Public Warehousing Company, to being one of the primary players in the global supply chain management space, a publicly traded company with annual gross profits in excess of US\$2.1 billion on revenues of US\$6.4 billion in the last fiscal year (see **Exhibit A**). In large part, this growth and profitability was due to contracts with DoD to furnish supplies and transport to the tens of thousands of troops who had descended on the region since the second U.S. conflict in Iraq had begun. Providing the services Agility did was tricky at the best of times: compromised infrastructures, challenges sourcing supplies and, of course, there were serious dangers associated with working in war-torn regions. Agility had suffered 33 fatalities since their involvement in the region began.

Rohit had managed Agility's contracts with the U.S. Defense Logistics Agency (DLA) since the company had become a 'prime vendor' to the DLA in 2003. The move towards using prime vendors within the DoD – single, full-service suppliers who could bring private-sector efficiency and expertise to bear – was designed to save the government money through simultaneously outsourcing, centralising and automating supply chain management¹. Winning the DLA's prime vendor contract for logistics and food supply to the troops in Iraq and Kuwait had been a major coup for Agility, and the company had worked hard to maintain it, both out of a source of pride and because the contract meant billions in revenues.

Rohit's main DoD contact, Bill, had occasionally questioned the high cost of providing some of their services. However, Rohit was always successful at quelling his concerns by pointing both to the high risks to personal safety faced by their personnel and the

Celia Moore, Assistant Professor of Organisational Behaviour, London Business School, prepared this case with research assistance from Quang Nguyen, MBA 2010. The facts of this case are derived from public sources; however, the protagonists herein are completely fictional and developed for teaching purposes only.

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