



Project Profile: Pennsylvania

Impact Statement

Since 2014, the Commonwealth of Pennsylvania has used OEA Industry Resilience (IR) funds to develop and manage the Defense Industry Assistance Partnership, a collaboration of 65 regional economic development partners to provide business services to defense suppliers. The Partnership enabled state, regional, and local service-providers to engage with hundreds of local suppliers in receiving market diversification, cybersecurity preparedness, and process improvement services. By providing business support to small-and medium-sized contractors in the defense supply chain, it increases the resiliency and readiness of the DoD by increasing the capacity of these firms to support a broader range of DoD contracts and commercial markets through improved capacity. Additionally, this program resulted in an improved capacity by the Partnership's individual members to support defense suppliers' unique needs.

Key Project Takeaways

The Pennsylvania Department of Community and Economic Development (DCED) used Industry Resilience funds to coordinate the delivery of business support services to defense suppliers. Services provided by regional economic development assets to assisted firms resulted in new capacities that enable assisted firms to support a broader variety of DoD contracts and enter new commercial markets. Regional services providers developed new capacities in supporting the specific challenges of defense suppliers. This supports DoD readiness and resiliency by both increasing the ability of firms to support a broader range of DoD missions and the ability of firms to diversify to support added business lines in commercial markets. The Pennsylvania DCED nested many of the Defense Industry Assistance Partnership's efforts within the PREP! and ENGAGE! programs, which allow the state to maintain its added capacity to support defense suppliers beyond the period of OEA support. This represents added capacities by state and regional business service providers to support the defense industry, increasing the resiliency of the DoD through interagency support for the defense supply chain. The DCED also developed a supply chain map which plays a pivotal role in providing services to defense supplier in the case of major job and/or business turnover in the sector due to changes in defense spending.

Project Description

Rationale

The Commonwealth of Pennsylvania is a long-time center of defense industry activity, currently ranking 9th among US states as a recipient of DoD spending. Pennsylvania's 58,000 defense-related workers are employed in a variety of sectors in support of numerous DoD supply chains. Defense manufacturing remains an important component of the Pennsylvania economy, and the state hosts many major DoD facilities and installations, such as the Tobyhanna Army Depot and several logistics facilities located in central Pennsylvania.

Pennsylvania officials first approached the Office of Economic Adjustment (OEA) for Industry Resilience assistance in 2013 to address the impacts of budget sequestration-related job cuts and closures. Defense activity is dispersed across Pennsylvania, as in other large states, with a few areas of heavy



concentration (e.g. near major installations, Philadelphia metro area, Johnstown area). With a regionally concentrated defense industry, Pennsylvania's IR projects addressed defense supply chains at the regional level. Initially, the project primarily limited itself to supporting companies in a seven-county region of in Northeast Pennsylvania affected by downsizing at the Tobyhanna Army Depot. As other regions also began facing the impact of reductions in defense spending, the Commonwealth initiated new regional strategic plans. Ultimately, OEA-backed programs provided business assistance to defense suppliers across all 67 Pennsylvania counties. The program is now transitioning to focus on cybersecurity preparedness assistance.

Program Activities

In addition to its initial support for defense suppliers in Northeast Pennsylvania, the state also made initial investments to compile a database of DoD contractors in the defense supply chain¹ operating across the Commonwealth. In addition to driving defense supply-chain research, the IR team used the database to identify at-risk firms, and to drive and prioritize programming for small and medium-sized (SMM) contractors.

The Pennsylvania Department of Community & Economic Development (DCED) centrally manages the Defense Industry Assistance Partnership, but most work focuses on regionally-led initiatives. Beginning in Northeast Pennsylvania under the auspices of the Northeast Pennsylvania Alliance (NEPA), the project quickly expanded to include partnerships with eight other regional economic development entities: Innovation Works (SW PA), the Southern Alleghenies Planning and Development Commission, MANTEC (serving South Central and SE PA), Philadelphia Works, Inc., the Erie Regional Chamber & Growth Partnership (NW PA), Penn-Northwest Development Corporation (Mercer county), the Covation Center (NW and North Central PA), and Northern Tier Regional Planning & Development Commission.

Each regional partner used unique program tools and strategies to meet the particular needs of their communities, but every project focused on helping SMM defense suppliers diversify into new markets and compete for new defense contracts and in new commercial sectors. All the partner service-providers participate in the state's Partnership for Regional Economic Performance (PREP) network, a statewide network of regional business service providers. Many of the service providers are also part of other state or national networks, such as the Ben Franklin Technology Partnerships, the NIST-MEP network, the workforce development system, or the SBDC network. While regional partners customized program services and engaged with different service providers to meet a business' needs, Pennsylvania's full menu of diversification services included:

Market and Market Diversification Research; Sales and Marketing; Website Design; Search Engine Optimization; Export Compliance; Capability Statement Development; Product Development; Cybersecurity Preparedness; Technology Integration; Process and Quality Management Improvement; Advanced/Additive Manufacturing; Supply Chain Optimization;

¹ The grantee's contractual agreement with the sub-awardee to develop the supply chain analysis, DCAT, ended in 2019 with the end of the OEA grant. The Commonwealth is working internally to stand up a filterable visualization tool for future use and plan to revise and update the website.



Industry Certification; Leadership and Organization Management; Succession Planning; Business Continuity Planning; Project Management; Valuation and Forecasting; Strategic-Growth Planning.

As a statewide network, Pennsylvania's regional partners engaged 1,735 defense suppliers across the state. Of this group, 831 contractors received direct technical assistance and an additional 541 completed a formal technical assessment. Overall, this work supported the creation of 4,502 new or retained jobs, the establishment of 8 new companies, and the leveraging of over \$17 million in private and public investment by Pennsylvania defense suppliers.

Resiliency Impacts

Enhancing Force Multipliers to Support the Defense Industrial Base

The statewide defense industry partnership and the supply chain mapping tool can potentially impact the state's economic development and build a stronger defense industrial base. The supply chain mapping effort provided insight into the lower tiers of the defense industrial base. DCED and its 65 partners mapped more than 23,000 potential suppliers and found that only 4,000 of these firms held prime contracts with DoD. All of these firms—whether or not they are currently prime contractors—offer critical capabilities that support the DoD and national security objectives. To capitalize on these findings, the Defense Industry Assistance Partnership formed a team of business support providers, including the state's Ben Franklin Technology Partnership network, to help defense suppliers capture new contracts and develop new capabilities. Program partners aggressively reached out to firms identified through supply chain mapping. In Southwest Pennsylvania, Innovation Works quickly engaged 25% of the total potential market of local defense manufacturers.

Commercial Diversification of Defense Companies to Sustain the Industrial Base

Assisted firms received a variety of services, but a large share (320 firms) created new market diversification plans that assisted defense-dependent firms identify new products, services, and commercial markets. By diversifying their business development efforts to support a wider range of defense and commercial applications, these firms become more resilient by reducing their dependency on a single DoD program. With a wider range of capacities, these firms can increase the resiliency of the DoD supply chain while also prospering from commercial opportunities. In Southeastern Pennsylvania, Philadelphia Works engaged Sabre Systems in Bucks County in 2016 through their relationship with the Delaware Valley Chapter of the National Defense Industrial Association (NDIA). With IR-funded support, Sabre Systems hired a consultant to determine the value proposition for commercialization and to develop a marketing plan to diversify their business. In 2017, Sabre built out a small commercial team of 3-4 employees to pursue opportunities found during their marketing study. As a result of their findings, Sabre decided to create a new brand for its commercial offerings, including a new logo, website, and tagline. In 2018, Sabre launched a new division, Sabre On Point. The Sabre On Point team has now grown to include 6 full-time employees, plus 4-5 shared team-members who split their time between Sabre Systems government division and the Sabre On Point commercial division.



Lethality Impacts

Innovation through the Development of New Intellectual Property or New Technologies

Thanks to critical program support provided by the Defense Industry Assistance Partnership's team of service-providers, assisted defense suppliers developed 16 new products/technologies and assisted entrepreneurs founded eight new companies.

Readiness Impacts

Training and People Support

Several regional programs provided workforce training services to 450 displaced defense workers. These programs generated impressive outcomes. Johnstown, which had a significant downsizing among local defense firms, was an early site for the Commonwealth's efforts to support displaced defense workers. In the first phase of its workforce program, this effort assisted 22 workers. Nineteen of these individuals were placed directly into new work, and another program participant started a new company. The remaining two individuals were retirement-eligible and chose to retire rather than take a new job.

Other Community Impacts

Alignment with State Programs

By focusing on regional partnerships, the Pennsylvania's Industry Resilience program succeeded in developing a comprehensive business service network with 65 active partners to assist defense suppliers anywhere across the state. In addition, the Defense Industry Assistance Partnership is closely aligned with other state-wide networks, including the PREP! and Engage! programs that have a strong presence in rural regions. By nesting the effort to support defense suppliers within existing efforts to link state business services, the Pennsylvania IR Team ensures that the state's added capacity to support defense suppliers from the IR Grant continues to provide value. This alignment and reach ensures defense firms located anywhere in the state can tap into the full array of business support programs made available by DCED and its partners even without OEA support.

Lessons Learned

Most Important Lessons Learned

- **Tap into Regional Networks:** Pennsylvania's reliance on regional partners created some initial challenges in terms of program rollout, but it helped to ensure that programs are designed to meet unique local needs and to reflect local market conditions.
- **Embrace Sustainability:** By linking new defense programs to existing initiatives like PREP! and Engage!, Pennsylvania's team ensures that programs will remain in place after IR funding ends.
- **Trusted & Seasoned Advisor:** Ensure you employ a trusted and seasoned broker who can get in the door, has access to business intelligence, can build trust and offer valuable insight.