

AFTER THE DEFENCE REVIEW: AN OPERATING MODEL FOR INTEGRATED ACQUISITION

by Major General (ret'd) David Shouesmith and Dean Gilmore

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By the time this article reaches publication the results of the general election on 6 May will be known. Both main parties have promised a Strategic Defence Review (SDR) in the second half of 2010 and so posturing has already begun within the defence community, seeking to influence the outcomes of the Review. Stakes are high as the Review's policy decisions will define the character of the three services, and the industrial supply base, for a generation.

Once the strategic direction is clear, it will be possible to develop a coherent capability set that can be delivered within resources, to match the foreseen range of future defence scenarios. However, the changeability of the security and defence landscape makes it unlikely that decisions taken during the Review will survive even to the promised quad- or quinquennial refresh point. In this environment it is essential that the acquisition process has the agility, flexibility and responsiveness to deliver capability requirements that meet this volatility and unpredictability. The aim of this article is not to comment on which capability should or should not feature in the post-SDR equipment programme; our aim instead is to outline the operating model of the acquisition system to meet this challenge. In other words, an acquisition system that delivers the right, affordable capability that is flexible enough to meet changing policy requirements over time. The article builds on one we wrote for *RUSI Defence Systems* in June 2009, entitled 'Integrated Acquisition: The Future for UK Defence'.

The past few years have seen a degree of divergence between foreign policy and defence commitments and resources that would have challenged the most effective of acquisition systems. The pressures arising from sustaining two medium-scale operational commitments, cost growth of an equipment programme rooted in outdated policy assumptions, and the more recent economic crisis, all indicate that we have lived, in acquisition terms, in unprecedented times. This has been compounded by the in-year budgetary challenges that have relied on the acquisition process, and especially DE&S, to balance the Department's books, thus forcing DE&S to act as a surrogate policy maker, as Ministers have been unable or unwilling to re-align increasingly divergent policy and resources. The inevitable result is an equipment programme



The Astute submarine and the Type 45 destroyer are two of the big-ticket programmes. The equipment programme contains too broad a range of projects, trying to deliver too many capabilities that lack coherence because of short-term affordability decisions, and which have drifted inexorably 'to the right', with a corresponding rise in costs [Crown copyright]

that contains too broad a range of projects, trying to deliver too many capabilities that lack coherence because of short-term affordability decisions, and which (as both Bernard Gray and the NAO have noted) has drifted inexorably 'to the right', with a corresponding rise in costs.

Overall Governance of Defence

If we are to separate the acquisition role from that of policy-making, we must first look to the overall governance of Defence and start at the most senior level. Even if one assumes a successful SDR in 2010 where foreign, military and treasury policies are in balance, it is not sufficient to wait four or five years for the next SDR before applying the 'steadying hand on the tiller'. Our view is that this steadying hand must be applied continually (annually in practice) and that only Ministers can provide the top-down direction and decision-making to ensure that there is continual balance between the three environments, as represented by each of the services. This requires a decision-making forum (we'll call it the Defence Portfolio Board), chaired by the Secretary of State for Defence and with PUS and CDS as the core members, which meets annually to ensure the alignment of resources with defence policy.

This chimes with Bernard Gray's recommendations, although our view is that DE&S must remain within the Department – the scale

of its operations, the value of its programmes and the importance of its relationships with the front-line commands all suggest that it would be best if it remained tightly coupled to MoD.

For this approach to be successful, however, a significant skills increase within DE&S is needed to be able to manage the six elements of the delivery operating model we outlined in our June 2009 article. The scale and complexity of the challenge of leading a major capability acquisition from concept to disposal must be recognised and DE&S must ensure it can attract and retain the relatively small number of senior leaders (we estimate low-hundreds) it needs from a small national talent pool, for which it competes with industry. Attracting these skilled, capable individuals would make a significant difference to delivery leadership and transform the current culture.

This newly acquired talent must manage the Integrated Acquisition model we described in our June 2009 article. We outlined the 'platforming' approach, in which the technical architecture that enables the incremental addition of modular capability is the critical feature. As requirements change, platforms can be reconfigured accordingly because they are supported by a long-term technology strategy agreed with industry. This approach renders obsolete the traditional approach that builds expensive, monolithic and inflexible platforms to specific requirements, more readily enables industry to develop export options and allows industry's technology resources to be better targeted and leveraged. Together with appropriate contracting models, comprehensive through-life value-for-money measurements and relevant metrics, this integrated acquisition model is appropriate for capabilities in all three environments.

It is worth highlighting the FRES SV¹ programme as one which has started to adopt this approach. The programme seeks a vehicle architecture and contractual relationship with General Dynamics that will enable the broadest range of potential capability to be accessed and applied well into the future.

There is a strong case for DE&S' more transactional functions to be outsourced, allowing the remaining, smaller organisation to optimise for through-life delivery of complex programmes. Transactional procurement of commodity items and services requires different skills and should be done by a suitably staffed organisation – perhaps in concert with other government departments, as the Defence Support Review has suggested, or by contracting directly with an external supplier. With transaction management grouped under a single organisation, there is great potential to generate efficiency from both scale and by application of appropriate skills.

Conclusion

In conclusion, setting the clear strategic and policy direction for Defence is the critical first step in developing an acquisition system fit to meet the challenges of the 21st

century – without it, other reforms deal merely with the symptoms. The SDR will provide the bold correction needed and commitment to subsequent periodic reviews promises a more stable policy environment than has existed hitherto, and against which the acquisition system can be re-designed. An integrated acquisition system has been proven in the world's largest private companies to deliver significant reductions in both cycle time and cost in complex, large equipment programmes and offers similar opportunity for the MoD, thus meeting the demands of efficiency, agility and responsiveness.

It is often cited that the MoD is too complex and different from industry to enable import of best practice. We agree that the MoD is a complex – if not labyrinthine – and challenging environment, but we don't accept that appropriate change cannot be made. Given clarity over policy, strong determination to drive change through the inertia which is characteristic of all large organisations and a clear operating model based around integrated acquisition, the MoD could quickly develop a world-class acquisition system. This in turn would deliver a world-class defence industry that would be the envy of other nations. Surely now, while affordability provides a somewhat unwelcome 'burning platform', is the time to make these changes and get the UK set for the next generation? ■

NOTES

- ¹ Future Rapid Effect System Specialist Vehicle



HMS Daring: The scale and complexity of the challenge of leading a major capability acquisition from concept to disposal must be recognised and DE&S must ensure it can attract and retain the relatively small number of senior leaders (we estimate low-hundreds) it needs [Crown Copyright]