

Naval Postgraduate School 6th Annual Acquisition Research Symposium – Defence Acquisition in Transition

UK Defence Acquisition Process for NEC:
Transaction Governance within an Integrated
Project Team

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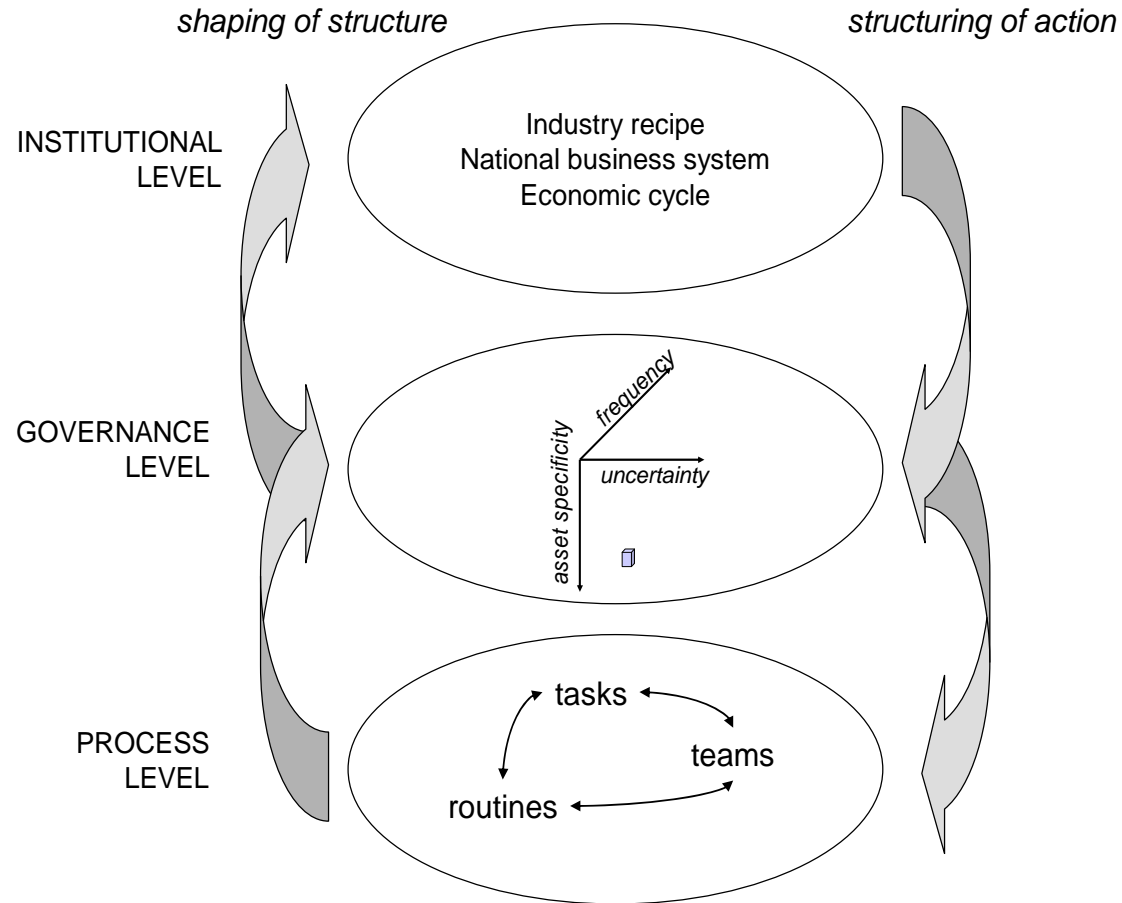
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The Case Study

- First of a multiple case-based investigation into IPT Transaction Governance
- 19 open-ended interviews with key members of an Advance Military Vehicle IPT
- Demonstration Phase of CADMID
- Focus on the MoD-Prime Contractor bilateral exchange relationship

The Tectonic Conceptual Model



A Recent History of Defence Acquisition

Defence Acquisition From the 80's onwards

A gradual change from the 'cosy relationship' between MoD-Industry to a competitive, yet adversarial, bilateral exchange relationship.

Nationalised Defence Sector (Pre-80s)

British Aerospace, British Shipbuilders,
Royal Ordnance Factories and Rolls Royce

Era of Privatisation

BAe (1981-5); RoF (1987); Rolls-Royce; (1988) BS (1989)

Levene Reforms (1984)

'Competition and Collaboration'

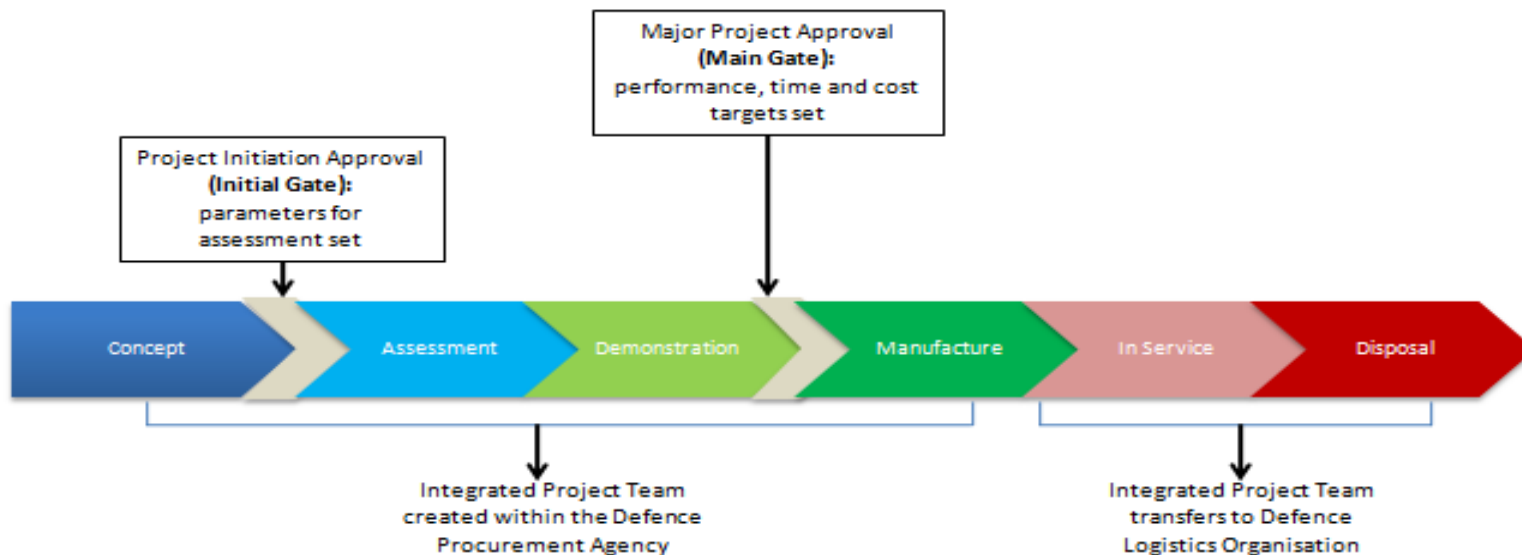
Liberalisation

Divestments, Mergers & Acquisitions, and Joint Ventures

Consolidation

Industry Champions, Prime Contracting, Monopoly Vs Monopsony

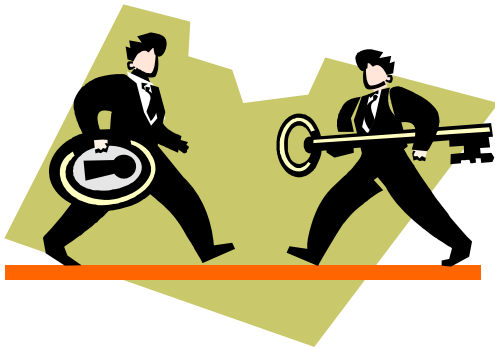
Defence Capability Acquisition



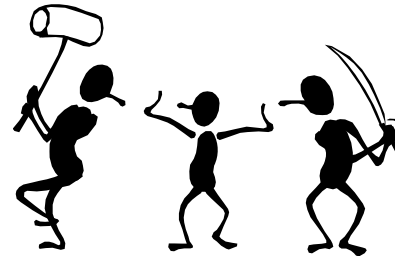
- Transition from Platforms to Capabilities
- Through-Life Capability Management
- Network-Enabled Capability
- Defence Equipment and Support

Transaction Governance in Defence Acquisition

Market Governance

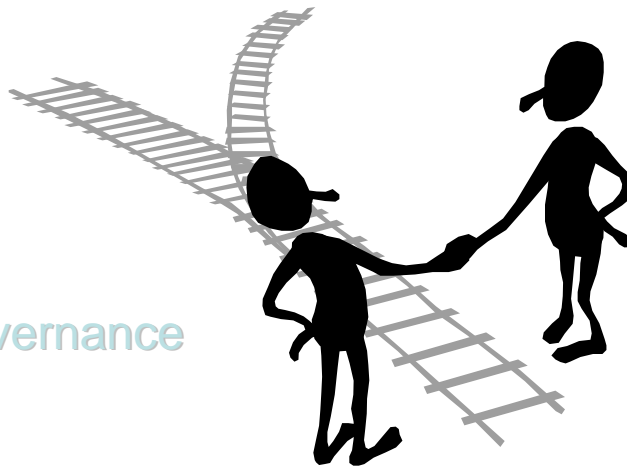


Neo-classical Contracting



Trilateral Governance

Classical Contracting



Bilateral Governance

Relational Contracting

UK Defence Acquisition

Relational Contracting for Defence Acquisition

- Consolidation in the defence industry created a monopolistic supplier, in the case study
 - Feasibility stage started with competitive tendering between 5 consortia in 1990s
 - Successful bidder merges with pre-contract competitor in 2004, resulting in pre-contract asset specificities
 - Asset specificity creates a risk of opportunism (Williamson, 1979); thus, relational contracting remedies the hazards created by lock-in
- IPTs as a mechanism for relational contracting
 - Low transaction frequency negates the need for vertical integration by buyer (Unified governance vs. Bilateral governance)
 - Uncertainty/complexity in defence acquisition create the need for collaboration
 - IPT is the governance mechanism for a close partnership, enhancing communication, conflict resolution and requirement definition: e.g., Shared Data Environment

IPTs: Tasks, Routines and Teams

- IPTs are responsible for the delivery of defence capability to the end-use customer
 - Up to 120 personnel (civilians, civil servants and military personnel)
 - From key specialists in MoD (finance, requirement definition, logistics, etc.) and from prime contractors' business units
 - Engender collaboration and represent the relational contracting approach
 - [The IPT in the case study](#)
- Frictions in the IPT case
 - Competitive tendering process
 - Delivering technical requirements
 - Sharing information
- Public and Private teams
 - Civil Servant rotation
 - Cohesion and understanding
 - Conflicting goals and routines

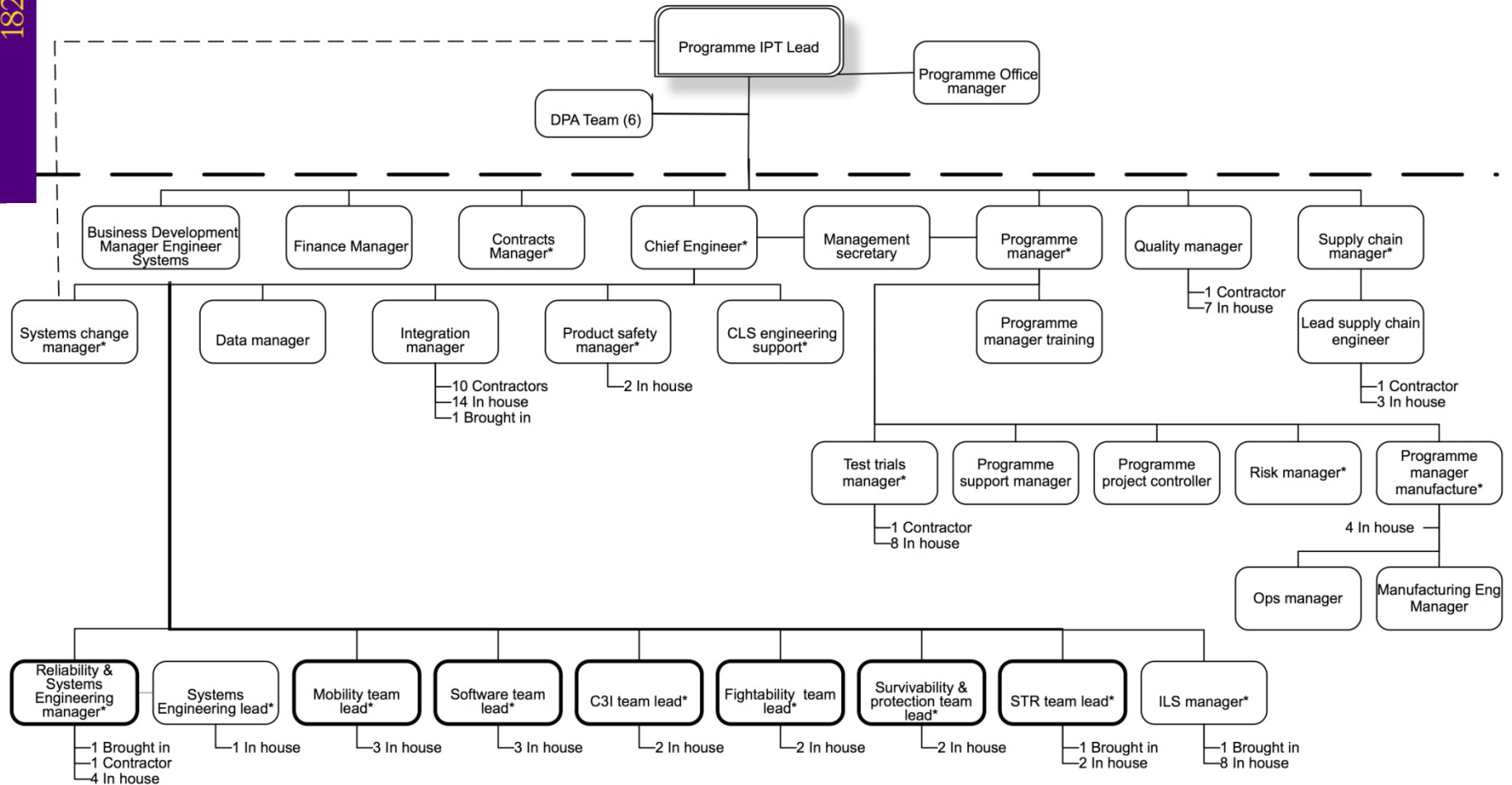
The Breakdown of the Acquisition Structure

- Structuration problems
 - Change in responsibilities and accountability within the IPT structure
 - Constraints of budget and resources creates an overload of work for the team
- Process problems
 - Organisation 'best practice' routines culturally conflict
 - Rigidities in routines inhibit innovative systems thinking
 - Delays due to incomplete processes
 - Civil servant rotation creates team instability
- Domino effect
 - The MoD wants competitive tendering, but the industry is consolidating
 - Competitive tendering process creates unrealistic goals and milestones for the IPT
 - Lack of resources, time and money can create conflicts, delays and increased costs
 - Collaboration becomes difficult due to a weak (or problematic) mechanism—i.e., the IPT
- Need to rethink the acquisition structure with new policies, stronger mechanisms and an effective IPT process

Conclusion

- The Tectonic Model provides an effective way of analysing a highly complex transaction using a case study methodology
- It seeks to understand the actions taken at the three tiers and how each level effects the next.
- Using the knowledge gained from the analyses, it is possible to reshape the structure of the three tiers in order to improve the flow of actions, and reactions.
- The UK defence acquisition process faces a number of new challenges, specifically concerning NEC. Our model provides the mechanism for finding solutions to the transactional problems.
- This study is the first attempt to understand the challenges facing defence acquisition using the three-tier model. Further case studies will be forthcoming.

IPT Structure



* Interviewed

