How far should the core services of the military be contracted out?

Dr D M Moore
Centre for Defence Acquisition
Cranfield University
CONTENT

- Context
- Background
- Complexities
- Challenge
- Importance of Knowledge
- Professionalism in Outsourcing
- Summary
The Defence Outsourcing Environment

**Defence Battle-space**
- PJHQ
- Operations
- Front Line Commands

**Capability**
- UK Government and MOD HQ
- PT
- DE & S

**Defence Business-space**
- International Defence Industry
- UK Defence Industry

*Increasing Commercialism*
COMPLEXITY: SUPPLY/SUPPORT CHAIN RELATIONSHIPS

Managed Process Links
Monitor Process Links
Not-Managed Process Links
Non-Member Process Links


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COMPLEX: CAPABILITY = INTEGRATION

- Personnel
- Information
- Training
- Logistics
- Infrastructure
- Organisation
- Equipment
- Doctrine and Concepts

\[ \text{COMPLEX: CAPABILITY} = \text{INTEGRATION} \]
CHALLENGE
PRESSURES FOR PERFORMANCE

COST EFFICIENCY

PERFORMANCE

OPERATIONAL COMMITMENTS

UK ARMED FORCES

OPERATIONAL EFFECTIVENESS
Background ‘Contracting out’

Conceptually – Focus upon ‘core’ activities

*but* Size of UK armed forces (and what are allies doing?)
UK Industry ?
Political influence
PFI / PPP
Nature of ‘Core Activities’ in defence environment

Nature of services outsourced & the extent of support activities
e. g. Benign & Hostile
CONDO & CLS
Specifying & Contracting

Importance of optimising Supplier Selection

*in* Public Sector environment
Building effective relationships
– Partnering & Competition
- Initiatives, Initiatives, DIS; DACP; DARP etc etc
So... how far can the core services of the military be contracted out?

Answer

... as far as possible except actual war fighting

Therefore ...

primary focus on ‘support’ activities... but what is support?

And ...

where does military activity in defence and security start and end?
War

Peace

1. Minimise Cost
2. Failure to deliver On Time & In Full is (within reason) acceptable

1. Certainty of Support is paramount.
2. Cost is a Secondary Consideration.

Efficient (Lean?)

Effective (Agile?)
Performance Issues

- Defence Support Chain is complicated
- It crosses both internal and external organisational boundaries
- It is multi-disciplinary
- It involves management of materiel, information and relationships
- The customer is very demanding
- Drivers of individual and organisational behaviour across the Support Chain / Acquisition are not always consistent or coherent
- The consequences of getting it wrong can be catastrophic
- Everyone has a view as to how it can/should be improved
- Measuring and managing performance of the Support Chain / Acquisition can, therefore, be very difficult
Total Support Force

- Real Challenge – Rhetoric & Reality!
- Conceptually sound - but huge cultural behavioural issues in practice
- Historical evidence
- International evidence
- Risks
- Strategy to Operations
- Assurance and Confidence
- People and Knowledge
Questions

• Is OUTSOURCING (i.e. ‘contracting out’) knowledge being created?

• Is it being retained, refined and utilised?

Retaining and utilising corporate and individual knowledge is not just a matter of filing and keeping data
Traditional contracting for availability inclusive spares.

Contracting for capability.

Intelligent Customer

Provider

Decider

Opportunities
Challenge: Being an Intelligent Customer to ensure effective Outsourcing performance

Three elements:

- A Knowledge Management issue
- A Cultural issue
- People and their decision making abilities

Aspirations include:

- Through Life Capability Management Support and cost reduction
- Closer relationships with flexible industry
- Organise & manage optimal performance – especially on operations
Developing an Outsourcing Strategy

- Awareness
- Knowledge
- Internal Assessment
- Supplier Selection
- Working Together
- Value Creation

Staying Together

Exit Strategy
Linking Strategy to Operations  
People as Professionals

• Derivatives of ‘Profession’
  – Noun / Adjective / Adverb

• Elements of a ‘Professional’
  – Training
  – Education
  – Experience
  – Exercising judgement (with / from supporting systems)
PROFESSIONALISM

Propositional Knowledge

Considered with

Process Knowledge

Personal Knowledge

Filtered

Cognitive Growth

*Informing practice to enable ‘Intelligent Customer’ decision making for effective Acquisition / Outsourcing Performance*
MEETING THE CHALLENGE: DECISION MAKING IN THE CONTRACTING OUT / OUTSOURCING ENVIRONMENT

Communication

Knowledge

Understand Risk

Relationships

Capability

Intelligent Customer
Future for Outsourcing in Defence assuming an Age of Austerity

‘Contracting Out’ must cover the interaction of social and technical systems

Need for new Body of Knowledge to meet rapidly changing environmental challenges

Increasing Complexity
QUESTIONS & DISCUSSION?
Relationships, Power & Dependence

- **Risk**
  - **Bottleneck**
    - Develop new suppliers
    - Medium term contracts
    - Detailed market knowledge
  - **Strategic**
    - Direct negotiations
    - Supplier quality management process
    - Prepare contingency plans
    - Competitor analysis

- **Value for Money**
  - **Routine**
    - Automate (EDI)
    - E-commerce
    - Simplified ordering
    - Stockless procurement
    - Rationalise supplier base
    - Consider contracting out
  - **Leverage**
    - Maintain flexibility
    - Competitive bidding
    - Procurement coordination
    - Standardisation

- **Supplier Strength**
  - **Exploit**
  - **Exploit**
  - **Balance**
  - **Exploit**
  - **Balance**
  - **Diversify**
  - **Diversify**
  - **Diversify**

- **Customer Strength**

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