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Integrated Project Teams: the way forward for UK defence procurement

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Abstract

This paper looks at a particular aspect of the Smart Procurement Initiative which was announced in the Strategic Defence Review, that of Integrated Project Teams. These teams aim to bring together all the relevant stakeholders from the Ministry of Defence, armed forces and industry. Much has been written on the perceived benefits these teams will bring to the procurement process in their management of a project from ‘cradle to grave’. This paper examines the potential pitfalls that lay ahead and the factors the Ministry of Defence will have to take into account in order for them to succeed. © 2001 Elsevier Science Ltd. All rights reserved.

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1. Introduction

We trained hard ... but it seemed that every time we were beginning to form up into teams we would be reorganised, [and] I was to learn later in life that we tend to meet any new situation by reorganising: and what a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralisation.¹

History knows many more armies ruined by want and disorder than by the efforts of their enemies. (Richelieu, 1995)

With the end of the Cold War and collapse of the Warsaw Pact and Soviet Union, the monolithic threat to Western Europe disappeared and many governments took the opportunity to obtain a ‘peace dividend’. This has meant the reduction of defence spending and the reallocation of those funds to other areas of public spending. However, the ‘New World Order’ has taken a direction, which is rather different from that forecast. Instead of the one major threat, there is now a multitude of smaller ones, which cannot be met with large conventional forces stationed in the Central Europe, but will

have to be countered by smaller intervention forces capable of rapid deployment.

This reorientation, so far as the United Kingdom’s Armed Forces were concerned, was announced in the Strategic Defence Review, in July 1998. It also recognised the need to do more with a smaller budget, given the rate of defence inflation (which is generally above normal economic inflation). Faced with criticism stretching back many years which accused the Ministry of Defence of having an over bureaucratic approach to procurement (Kincaid, 1997a,b, 1998), failing to prevent high defence inflation and in-service date slippage, the Smart Procurement Initiative was announced as part of the Strategic Defence Review. It is hoped that these “*radical changes ... will deliver a forward looking organisation using up to date acquisition processes and procedures. The emphasis will be on flexibility ... and continuous evaluation to avoid any danger of stagnation*” (Ministry of Defence, 1998, Supporting Essay 10, Paragraph 6). ‘Faster, better, cheaper’ (Ministry of Defence, 1998, Chapter 8, Paragraph 161) has become the new catch phrase for the supporters of change but for others, the change in mindset is a difficult proposition.

Smart Procurement involves a change from the previous Downey procurement cycle and a move to a more streamlined acquisition cycle. The structure of this cycle aims to reduce risk by carrying out a more comprehensive assessment of projects at an earlier stage, while streamlining the approval process (Jdir, 1998, p. 7).

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¹ Petronius, Arbiter, Greek Navy, 210 BC.

Formal approval has been reduced from three to two occasions, the first time is during the concept phase (Initial Gate) and between the assessment and demonstration phases (Main Gate).

Central to the implementation of Smart Procurement is the introduction of Integrated Project Teams, which are part of the drive to move from a functionally based management and reporting structure to a project-based organisation. They will drive the management of major defence equipment procurement, balance the trade-offs between performance, cost and time, within boundaries set by the approving authority. These Teams will bring together all defence stakeholders and industry under a single-team leader. They will be responsible for overseeing the complete life cycle of the piece of equipment, and once in service, will move from what was the Procurement Executive, now the Defence Procurement Agency, to the Defence Logistics Organisation where they will manage equipment support.

Since the announcement of Smart Procurement much has been written on the potential benefits that Integrated Project Teams will hopefully bring. It is supposed that they will improve the interface with industry, create a better understanding of requirements and establish an environment where industry is motivated to perform (DPA, 1999; Galloway, 1998; *The Financial Times*, 1998) and so reduce cost, risk and time into service while improving product quality. The formation of a team should provide continuity, consistency, flexibility and increased performance due to the integration of a wide range of functional activities and decision-making, as well as increased motivation. These may well be gallant objectives, but how achievable are they? What obstacles does the Ministry of Defence face in the implementation and running of these Teams?

2. A not-so-new, new idea

Integrated Project Teams have been described as the “*centrepiece of Smart Procurement*” (Nolan, 1998, p. 14) which itself has been described as a “*revolution and complete cultural change in MoD procurement*” (Cook, 1998, p. 37). Many of the initiatives in Smart Procurement may well be revolutionary, but the Teams themselves are not a new idea. The US Department of Defense adopted the concept in 1995 and introduced Integrated Product Teams, which consisted of “*everyone with a stake in the outcome or product of the team, including the customer and suppliers*” (US Department of Defense, 1996, p. 2). Also, the Society of British Aerospace Companies states that such Teams have been an integral part of the aerospace industry for the past five years. They refer to them as “*cells of individuals, whose skills span the design, development, manufacture and through-life aspects of a platform or weapon system*” and maintain that

such Teams are a key element wherever lean manufacturing is practised (Cook, 1998, p. 37).

Similar thinking was expressed in the 1983 ‘Value for Money’ paper, where the Government recognised the need for improved management practices and “*sharing the risks and costs, through international collaboration and/or joint ventures with industry*” (Pattie, 1983, Section II, p. 5). These ideas have been known variously as Integrated Procurement Management Teams, matrix resourcing or Multi Disciplinary Groups (Ministry of Defence, Smart Procurement: The Integrated Project Team, p. 2). However, they were organised along functional lines, and according to McKinsey, characterised by an arms length relationship between the Ministry of Defence and contractors. This in turn inhibited the full exchange of information thereby preventing effective problem solving (McKinsey and Company, 1998, p. 1). Integrated Project Teams could be viewed as another name in what is currently good management practice. The Challenger 2 project team for example, maintains almost daily contact with their opposite numbers in industry at Project Manager level (Inglis, 1999). In terms of in-service support there are cases where Ministry of Defence and industry teams are closely integrated, one example being the joint Royal Navy and contractor project teams established at Devonport Dockyard to manage surface ship and submarine refits.

3. Industry: competition, participation and partnership

Even after Smart Procurement, competition remains the Ministry of Defence’s primary tool for achieving value for money in defence contracts. Industry participation in the Integrated Project Teams will vary according to where in the decision cycle the project is and according to the competitive situation of each phase (Ministry of Defence, Smart Procurement: The Role of Industry, p. 2). Industry may be involved in one of two ways. Firstly, through the participation of selected individuals from potential prime or subcontractors and secondly through secondment of an individual who is not from a potential supplier to the project. In the second case, it would be possible for that individual to be appointed as team leader (Ministry of Defence, Smart Procurement: The Role of Industry, p. 3). The introduction of Integrated Project Teams will make it harder to strike a balance between industry participation and competition, and this may well be difficult to achieve in practice, despite what the Smart Procurement documentation says.

Teams will form during the concept phase where it is quite likely that industry will be ‘co-opted’ on to a team, rather than being a full member. This is because several companies would be involved in providing solutions as part of the User Requirement Document process

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