

*“Doing more
with less”*

“Affordability”

*“Faster,
cheaper,
better”*

“Smart Defence”

“Pooling and Sharing”

Public Private Business Models for Defence Acquisition

Presentation at ISMOR 29

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*“Adequate/Reduced/Optimised/Minimised
Logistics Footprint/Tail/Burden”*



Outline of presentation

- Introduction
- Theoretical Frame of Reference
- Research Methodology
- The Four Cases
- Results and Implications for Practise

Background to the Research



COMPETITION IN THE DEFENCE SECTOR

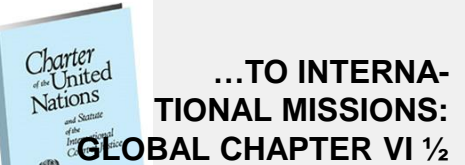


REDUCTION OF DEFENCE BUDGETS – “DOING MORE WITH LESS”



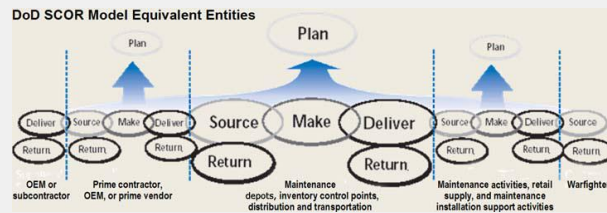
TRANSITION FROM NATIONAL DEFENCE...

“ADEQUATE/REDUCED/OPTIMISED/MINIMISED LOGISTICS FOOTPRINT/TAIL/BURDEN”



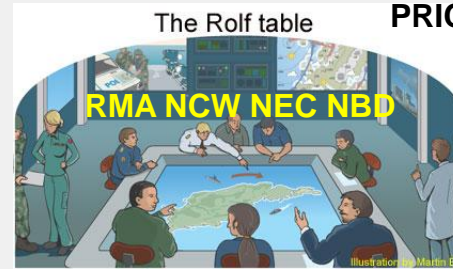
INCREASED TECHNICAL COMPLEXITY LEADS TO INCREASED PRICE PER UNIT AND INCREASED PRICE FOR SERVICES

COMMERCIAL BEST PRACTICES – “FASTER, CHEAPER, BETTER”

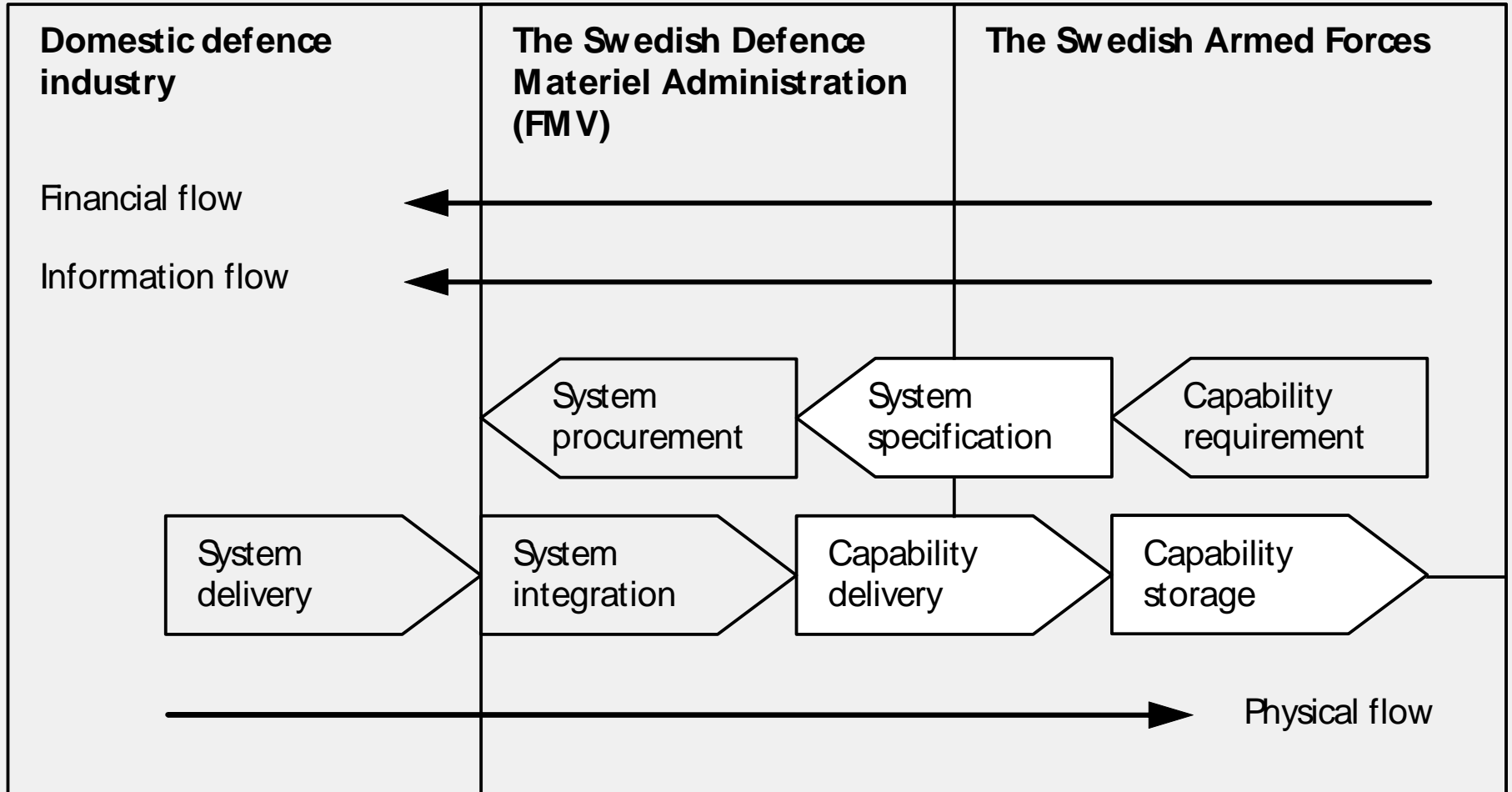


SCM Push/Pull TPL

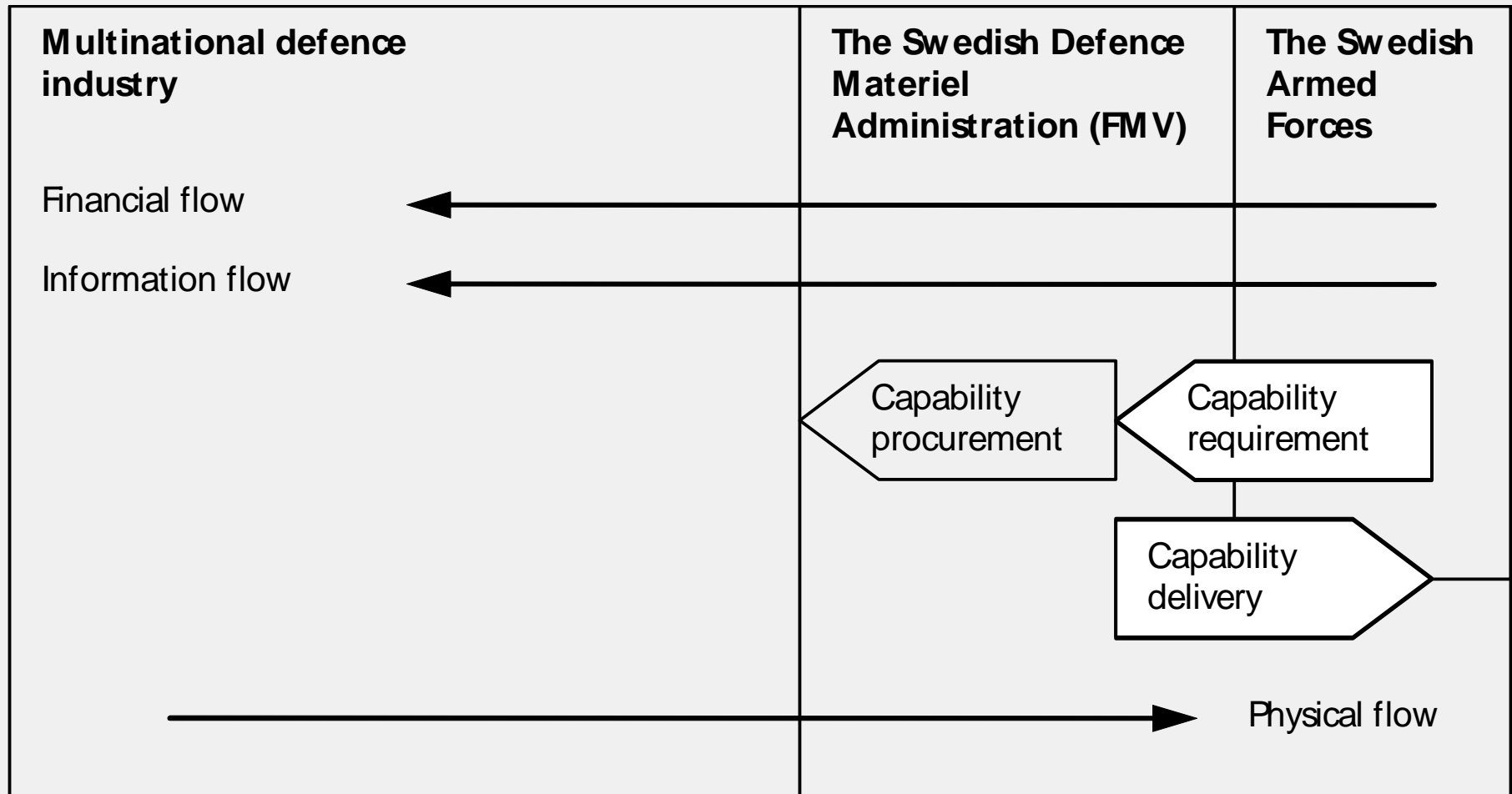
Lean/Agile JIT



The Cold War System



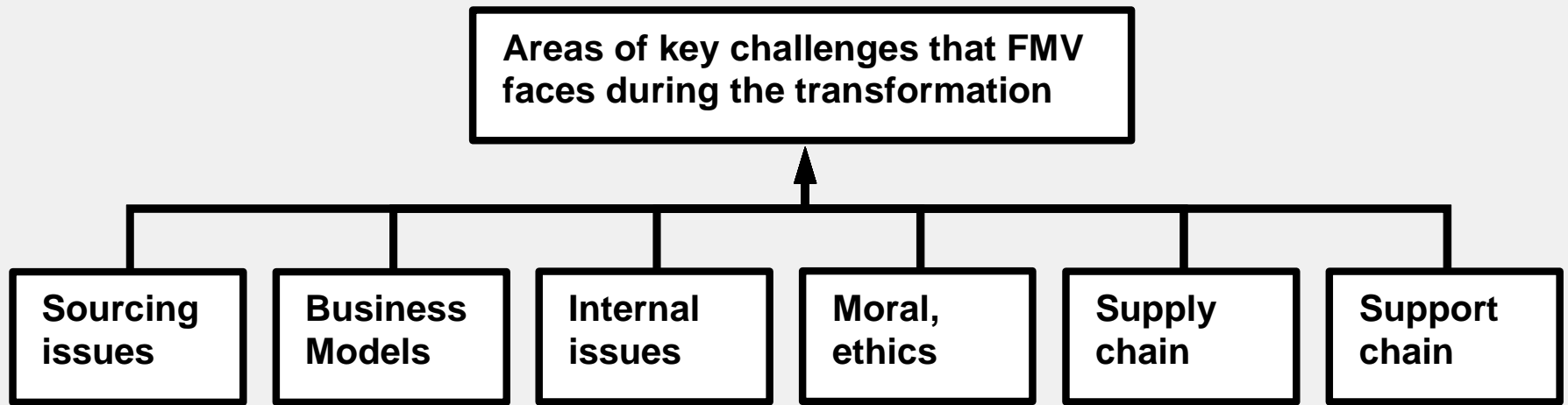
The Post-Cold War System



Research Purpose

- *“Study, analyse, and evaluate Business Models (BMs) regarding how they can handle the new supply concept that a new logistical interface brings about, with a particular emphasis on the risk taking that is part of the business concept”.*

Research Problem



Research Questions

- Research Question 1: How can a generic Business Model for a non-profit, governmental, Defence Procurement Agency be described?
- Research Question 2: Which strengths and weaknesses do different Business Models have in the context of defence acquisition?
- Research Question 3: Which risks are associated with different Business Models in the context of defence acquisition?

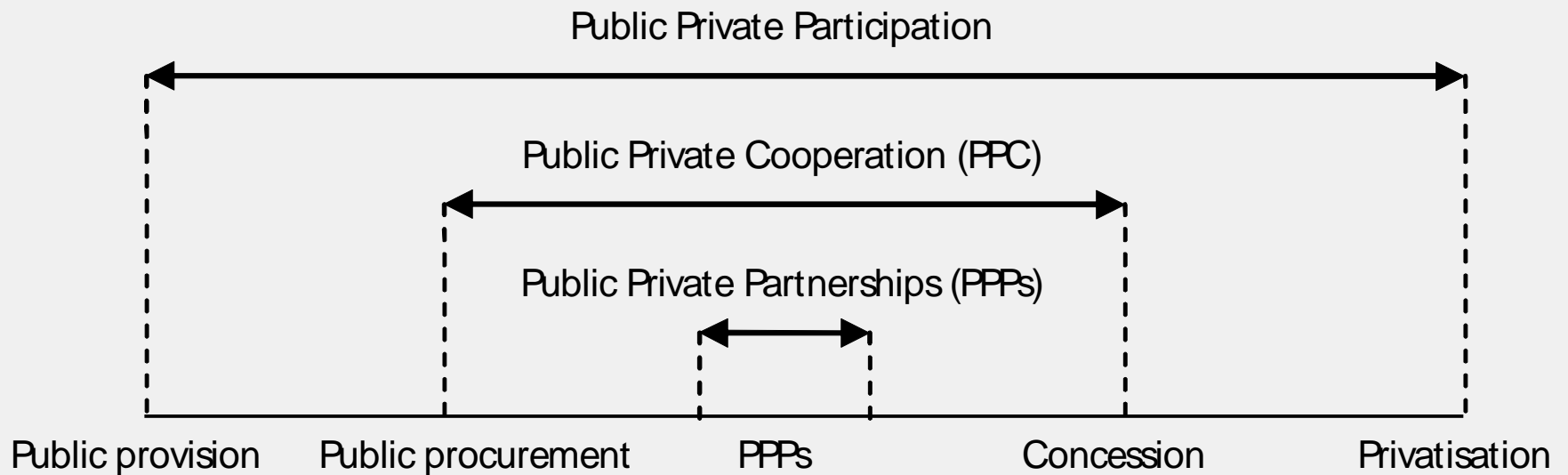
Decomposed Research Purpose

Decomposed Research Purpose	Relevant area of theory
study, analyse, and evaluate business models	Business Models
regarding how they can handle	Performance Measurement
the new supply concept	Military Logistics
that a new logistical interface brings about	Public Private Participation
with a particular emphasis on the risk taking	Supply Chain Risk Management
that is part of the business concept	Defence Acquisition

Key Constructs

Business Models	Defence Acquisition	Public-Private Participation	Military Logistics
<i>The Business Model Canvas (Source: Osterwalder and Pigneur, 2010)</i>	<i>The spectrum from public provision to outright privatisation (Source: e.g. Grimsey and Lewis, 2004, p 54)</i>	<i>Value-for-Money (VfM) (Source: e.g. Grimsey and Lewis, 2004, p 135)</i>	<i>Functions (Source: e.g. Foxton, 1994, p 11)</i>
<i>The Business Model building blocks (Source: Osterwalder and Pigneur, 2010, pp 16-17)</i>	<i>Off-The-Shelf (OTS) (Source: e.g. Lawrence, 2009, p 167)</i>	<i>Bundling (sharing of responsibilities) (Source: Grimsey and Lewis, 2004, p 129)</i>	<i>Principles (Source: e.g. Foxton, 1994, pp 3-7)</i>
	<i>Types of public private contracts (Source: e.g. Sols et al, 2007)</i>	<i>Modes of delivery (Source: e.g. Grimsey and Lewis, 2004, p 54)</i>	<i>Alternatives (Source: e.g. Kress, 2002, p 10)</i>
	<i>(Defence acquisition transition staircase) (Source: The UK MoD, 2005c, p 135)</i>		<i>Distribution channels (Source: The author)</i>
	<i>(Defence Lines of Development) (Source: The UK MoD, 2011d)</i>		

Public Private Participation



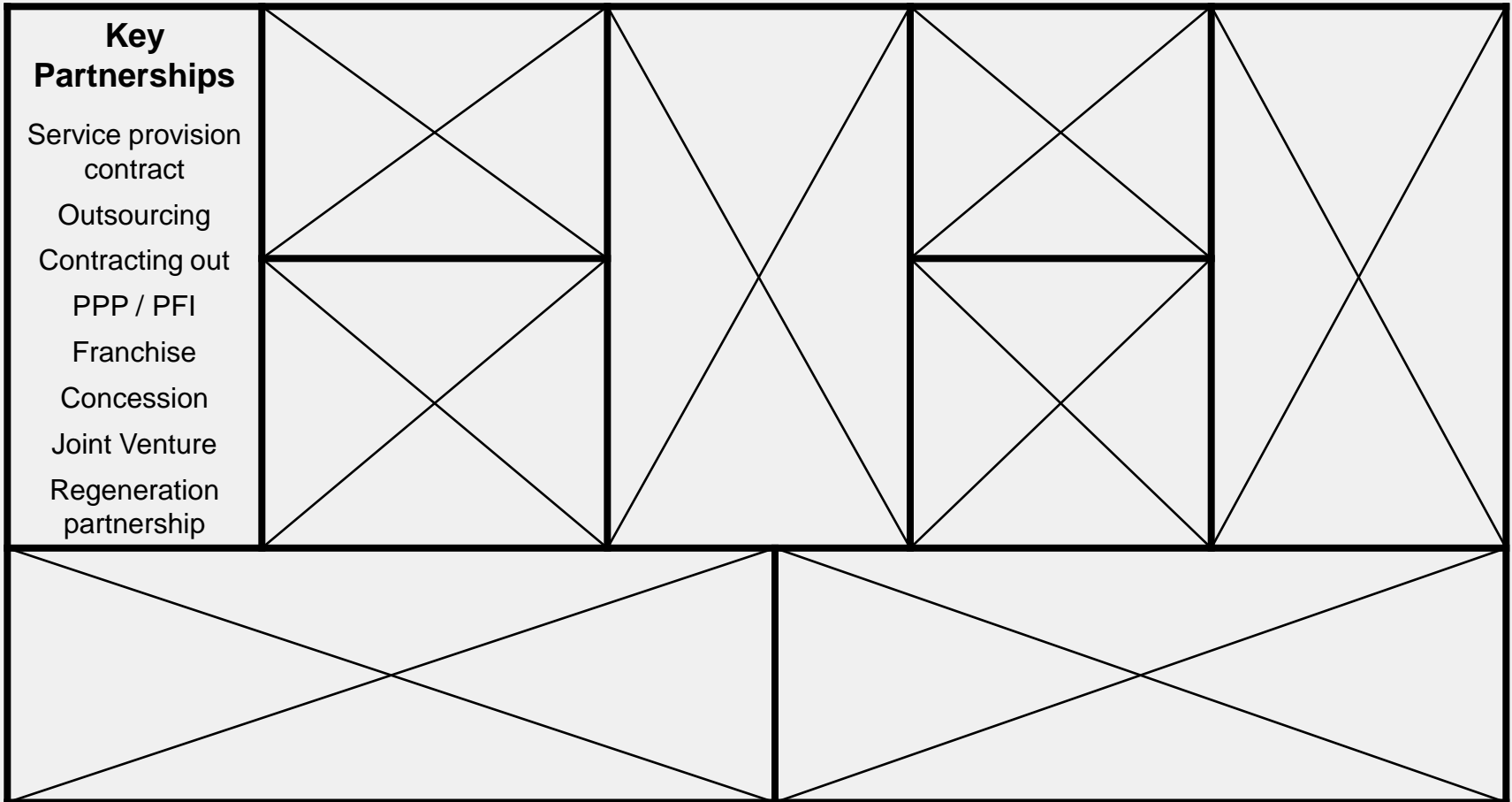
The Business Model Canvas

Key Partnerships “The network of suppliers and partners that make a business model work”.	Key Activities “The most important things a company must do to make its business model work”.	Value Propositions “The collection of products and services that create value for a specific customer segment”.	Customer Relationships “The types of relationships that a company establishes with specific customer segments”.	Customer Segments “The various groups of people or organisations that an enterprise aims to reach and serve”.
	Key Resources “The most important assets required to make a business model work”.		Channels “How a company communicates and reaches its customer segments to deliver a value proposition”.	
Cost Structure “All costs incurred to operate a business model”.			Revenue Streams “The cash a company generates from each customer segment”.	

Public Procurement Business Models

- Her Majesty's Treasury view on Business Models:
 - Service provision contract
 - Outsourcing
 - Contracting out
 - Public Private Partnership (PPPs)
 - Private Finance Initiative (PFI)
 - Franchise
 - Concession
 - Joint Venture
 - Regeneration partnership


HMT's view and the BM Canvas



A PPBM for Defence Acquisition

<p>Key Partnerships Spectrum of degree of Public buyer – Private supplier Cooperation (PPC)</p> <p>Process for selection of partner</p> <p>Identity of partner</p>	<p>Key Activities Public buyer or private supplier responsibility, as well as Transfers (T) of responsibility, for activities such as: Design (D), Finance (F), Buy (B) / Rent (R) / Lease (L), Construct (C) / Build (B), Develop (D), Own (O), Operate (O), Manage (M), and Maintain (M) for products (equipment) and services (support).</p>	<p>Value Propositions Equipment: Existing – Standard (OTS) – Adaptation – Foreign Development – Domestic Development</p> <p>Support: Traditional – Contractor Logistics Support (CLS) – Contract-for-Availability (CfA) – Contract-for-Capability (CfC)</p>	<p>Customer Relationships Spectrum of degree of compliance with – opposition to the user requirements: Colleague, Procurer, Challenger</p>	<p>Customer Segments Section or department within the Armed Forces Permanent Joint Headquarters (PJHQ) or the Front Line Command (FLC) Or Service within the Armed Forces Or Branch, Corps, Regiment, or Military unit within the services</p>
	<p>Key Resources</p> <p>NOT included in the reported research</p>	<p>Influence on other Defence-Lines-of-Development (DLoDs): Training (T), Equipment (E), Personnel (P), Information (I), Concepts and Doctrine (D), Organisation (O), Infrastructure (I), Logistics (L)</p>	<p>Channels Overseas supply chain (operations) Overseas support chain (operations) Domestic supply chain (training and exercises) Domestic support chain (training and exercises)</p>	

<p>Cost Structure Only different forms of the external costs (i.e. FFP, FPI, CPIF, CPFF, PBC) have been explicitly included.</p> <p>Internal costs are NOT included in this thesis</p>
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<p>Revenue Streams</p> <p>NOT included in the reported research</p> 

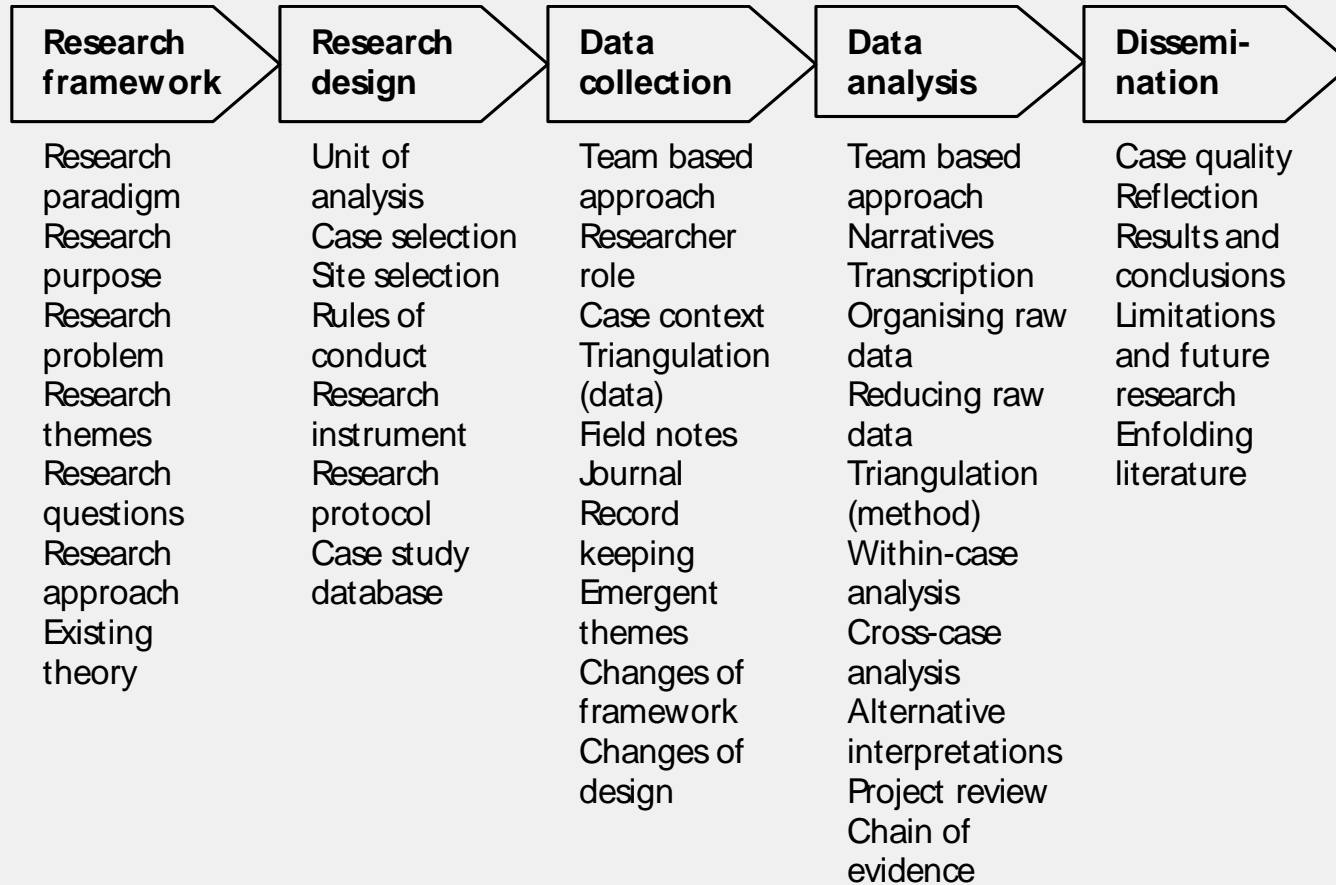
A Model for Analysis of Performance

	Goals		Strengths	Weaknesses
Effectiveness	Availability target	Ops		
		T&E		
	Reduced delivery time	Ops		
		T&E		
	Reduced delivery cost	Ops		
		T&E		
	Increased delivery quality	Ops		
		T&E		
Efficiency	Monetary resources	Ops		
		T&E		

A Model for Analysis of Risk

Ops: Overseas operations T&E: Domestic Training and Exercises			Sources of supply chain risks and uncertainties			
			External		Internal	
			Environmental risks	Organisational risks	Network risks	
					Supply risks	Demand risks
Type and consequence of supply chain risks and uncertainties	Operational accidents	Ops				
		T&E				
	Operational catastrophes	Ops				
		T&E				
	Strategic uncertainties	Ops				
		T&E				

Research Methodology



Research Methodology (cont'd)

Research questions	<p>RQ 1: How can a generic Business Model for a non-profit, governmental, defence procurement agency be described?</p> <p>RQ 2: Which strengths and weaknesses do different Business Models have in the context of defence acquisition?</p> <p>RQ 3: Which risks are associated with different Business Models in the context of defence acquisition?</p>
Unit of analysis	Public Private Business Model (PPBM)
Type of case study	Qualitative, explanatory, holistic multiple case study
Case	Defence acquisition project
Site	MoD Defence Equipment and Support (DE&S), Bristol, UK

The Four Cases



The Four Cases (cont'd)

Case	Equipment	Support	Affected DLoDs	<i>Nota bene</i>	Contract period
C Vehicle	Acquisition of new equipment: Adapted COTS construction vehicles	Provision of consumable and repairable spares, maintenance and repair: CfA (C Vehicle)	Training, Equipment, Personnel, Information and Logistics	PFI; Reached Initial Gate in 1999	2006-2021
STSA	Acquisition of new equipment: MOTS aircraft for strategic airlift	Provision of consumable and repairable spares, maintenance and repair: CfA (C-17)	Training, Equipment, Personnel, Information and Logistics	Leasing; Interim, short term solution	2001-2008
HASP	No acquisition of equipment	Provision of consumable spares: CfA (CR2 MBT)	Equipment, Information and Logistics	Interim, short term solution	2009-2011
ADAPT	No acquisition of equipment	Provision of consumable and repairable spares, maintenance and repair: CfA (Rapier SAM)	Training, Equipment, Personnel, Information, Organisation, Infrastructure and Logistics	Permanent solution until OSD	2007-2020

Potential Misalignments

- Between the JSC and private sector ownership
- Between the JSC and risk transfer to the private sector
- Between the JSC and CfAs for overseas operations
- Between the JSC and reduction of delivery times
- Between PBCs (CfAs) and traditional price agreements, i.e. Fixed-Price Contracts and Cost-Plus Contracts
- Between Defence Acquisition practise and PPP theory

Problems with PBCs

- A potential “*definition problem*” (i.e. *what to measure*)
- A potential “*measurement problem*” (i.e. *how to measure*)
- A potential “*comparison problem*” (i.e. *with what to compare*)

The Political Rhetoric

- Peace dividend:
 - “Doing more with less”
- Defence Acquisition:
 - “Faster, cheaper, better”
- Logistics:
 - “Adequate / reduced / optimised / minimised logistics footprint / tail / burden”

Looking behind the Political Rhetoric

- Peace dividend:
 - “Doing more with less” –
 - Quantity and cost. What about quality, flexibility and dependability?
- Defence Acquisition:
 - “Faster, cheaper, better” –
 - Speed, cost and quality. What about flexibility and dependability?
- Logistics:
 - “Adequate / reduced / optimised / minimised logistics footprint / tail / burden” –
 - Without constraints, is a footprint that is identical to zero the objective to aim for? What about flexibility and dependability?

Questions?

“ADEQUATE / REDUCED / OPTIMISED / MINIMISED
LOGISTICS FOOTPRINT / TAIL / BURDEN”

“FASTER, CHEAPER, BETTER”

Fast: No...

Cheap: Yes!

Good: No...

One out of
three! (Good
enough?)



Eliminated logistics footprint, but the logistics tail and the logistics burden are still there!