

# **TRANSFORMATION AND IMPROVEMENT OF QUALITY OF THE BRITISH PROCUREMENT PROCESS AT THE TURN OF THE MILLENNIUM**

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***Abstract:** The Strategic Defence Review (SDR) was completed in connection with the changed security policy and in terms of higher defence expenditure in Great Britain in the late 90's. The whole logistics system was restructured concerning organisations and operating processes on the basis of review consequences. This reform affected defence acquisition very directly and this modernisation was completed on the basis of full life cycle. SDR can give an alternative solution for the Hungarian defence acquisition organisations, cooperative participants in the course of defence acquisition logistics reform.*

***Keywords:** Strategic Defence Review, security policy, British Defence Forces.*

## **1. INTRODUCTION**

The Strategic Defence Review (SDR) started in the end of 2002 is approaching its finishing. Therefore, a comprehensive strategic development plan for 10 years is outlined. The aim of the strategic development conception for the period 2003-2013 is to establish volunteer defence force until 2005 and to redefine the quality and mission of the Hungarian Defence Forces (HDF). The necessary background is the changed strategic environment; the military capability suited the national, EU and NATO requirements as well as effective and economical using of resources.

Main elements of the strategic development plan:

- structural changing of the HDF;
- reform of the operational processes;
- new bases of the providing and employing of effective force;
- modernisation of equipment.

The structural changing as well as the development and modernization of equipment requires the transformation of defence acquisitions as well. This includes among others the reform of the tasks, organisations, operational processes, procedures and methods.

In Great Britain, this transformation process, which was a consequence of the SDR started in 1997, was completed over three years. It is worth considering the reform of Britain's defence acquisition in order that our reform can be made more simple and efficient by using the British experience and achievements.

## **2. SECURITY POLICY CONSIDERATIONS AND MAIN GOALS OF THE BRITISH STRATEGIC DEFENCE REVIEW**

In the 90s, significant security policy changing occurred in the whole world. These affect the character and direction of the British military commitment very directly. The danger of the military threat caused by mass forces earlier has stopped. The conception of using British Defence Forces has changed. It was necessary to create a smaller and more mobile force. In addition, using British Defence Forces plays a more significant role in international and humanitarian missions as up to now. The reform of the whole system, using procedures, organizations, equipment is ripe for decision. This process resulted the strategic

defence review started in 1997.

The British government carried the SDR in consequence of the changing in the security policy environment in 1997. Task of the SDR is to survey the main national security principals and to develop them in such a way that, they are in harmony with the above mentioned changed strategic environment. The review of the British Defence Forces' acquisition procedures was one of the key viewpoints. The main goal was that the British Defence Forces is able to perform its changed tasks and it provides effective and successful changing. In accordance with British defence economy experts, the satisfaction of the army's demands is can be provided by the selective and refined operation of the reformed defence acquisition system so that, the harmony of the British industry and economy interests can be created and it can be squared with the integration interests.

The SDR differed from the previous procedures in many ways. It did not follow the previously used cutback. The review of the most important national security and defence policy principals were fulfilled in order to develop their security and defence policy, and to provide the harmony of the goals, the tasks, the processes and the executive organisations. Their foreign policy was urged to be committed to NATO and to realize that the influence of the USA's European investment expansion to Europe and Great Britain could be dangerous.

One of the key goals of the SDR was to equip the British Defence Forces at the request of the accepted task system. In accordance with before established, this required the acquisition of more flexible using equipment. It is apparent why did compose army equipment plans the basis of review. It was difficult to perform the acquisition of more flexible using equipment because of the accelerated technical development. It was necessary to reduce the term of research, development and manufacturing – especially in the field of information technology, communication and electronics – in consequence of rapid changing. This required using defence industrial and other civilian technical resources in performing of tasks.

Similarly the department of defence had to become being able to use fast and cost-effective procedures in the area of acquisition to reform the defence acquisition.

### **3. GOALS, DIRECTIVES AND PREPARATION METHOD OF THE BRITISH DEFENCE ACQUISITION SYSTEM REFORM**

The acquisition process will be:

- better (Acquisition of the military equipment and systems which will be better and cost-effective);
- cheaper (Prodigal, parallel parts of the acquisition will be cancel);
- faster (Reduction of the manufacturing, receipt and development cycle-term).

It was important to formulate the directives in order to reach the above mentioned goals.

The directives were composed in the following:

- a) to adopt the best methods used in the industry and trade in acquisition;
- b) to use “value for money” classical acquisition principle;
- c) to prevent from exceeding of the planned cost and the planned deadline;
- d) to adopt experience of the national/foreign state and private sphere;
- e) to adopt achievements of the dynamic developed high technology in the direct military activities.

British employed American experts for reorganisation works. They had experience in American and European reform of the electronics industry in the course of US' acquisition reform. They accomplished the review achieved with experts in two phases:

- a) 1<sup>st</sup> phase: to determine the most significant problems and to audit the structure, which will be composed in the second phase;
- b) 2<sup>nd</sup> phase: to create the real solutions.

Some promising ideas have already arisen during preparing of the study.

One of the most important statements was the demand concerning flexible approach of acquisition. The reason for this demand is that the acquisition of the equipment has become complex and varied because of different procedures were used in case of the acquisition

of different type equipment. These procedures had three main groups.

Product group connected procedures were:

- a) Goods, you can procure in the market (e.g. road vehicle)
- b) Special defence goods with medium price and risk, which require department of defence to be an “intelligent” customer.
- c) The most complex weapons, particular those weapon systems which are in interaction with other equipment and systems, and have to adjust to the 1<sup>st</sup> and 2<sup>nd</sup> categories.

**4. TERMS AND TASKS OF THE NEW DEFENCE ACQUISITION**

The acquisition as a concept is explained by British and American scientific literature in a comprehensive way. Acquisition equals the assessment of demands namely the specifying of requirements, the procurement and the support in the further period of lifecycle. The formula on the subject:

$$A = r + p + s \quad (01)$$

where: A represents the acquisition; r – the requirement; p – the procurement; s – the support.

The top-level leadership agreed with the statement of workgroup and they made a decision by the modernisation of system. A taxonomic conception was accepted and tasks were classified in three main group:

**A. Strategy**

- using different strategies in different acquisition
- flexible approach
- opening

**B. Processes**

- checking of procedures in connection with military operations
- modernisation of authorization procedures and their supervision
- establishing of integrated program group in order to arrange acquisition projects
- using effective stimulating resources

**C. Organisation**

- auditing and restructure of acquisition system in the Department of Defence and its direct surrounding
- auditing and restructure of industrial, economical, financial, civil-military cooperation

The new procurement cycle was divided into six parts. Figure 1 shows the structure of new procurement cycle, the names of parts and the connected acquisition organisations. The essence of certain parts is the following:

a) Conception

The situation formulated by users is outlined and the expected results are defined. This is aimed at establishing of correct tactical, operational capabilities.

b) Evaluation

Evaluation includes analysis, examination, harmonizing and modification. Considerations of the all participants in the planned project are integrated in the interests of user’s goals and project execution.

c) Justification

Manufacturing is prepared and risk is reduced in connection with development step by step.

d) Manufacturing

Development is finished in this phase as well as manufacturing and accepting is happened.

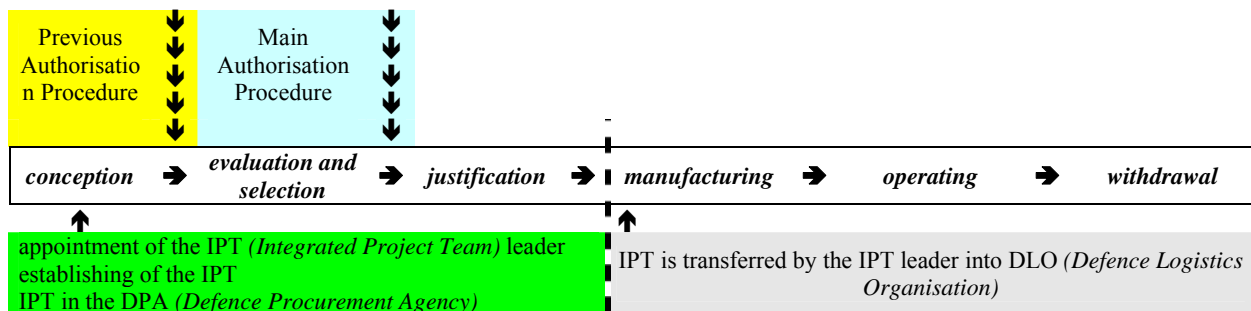


Fig. 1 The New Procurement Cycle

e) Operating and Running

The main task of this phase is to examine, analyse and justify the effective operating of system (equipment) in connection with supporting and executing of military operations in tactical-operational circumstances.

f) Withdrawal

The effective and safety withdrawal, the occasional sale and the recycling is fulfilled.

## 5. CONSEQUENCES AND ORGANISATIONS OF THE NEW PROCUREMENT CYCLE AS WELL AS APPROACH OF FULL LIFECYCLE MANAGEMENT

The British SDR resulted in structural changes in connection with defence acquisition. Two new organisations (DPA and DLO) had crucial role in defence acquisition. Creating of IPTs was one of the most important elements of structural changes. IPTs controlled acquisition and development programs play a significant role in the new procurement cycle and in the full lifecycle management.

### 5.1. DLO

The basic goal of DLO is to harmonize logistics system and procedures as well as to achieve more efficiency in adopting of the best civil and military logistics systems.

The integrated DLO had 41.000-strong staff. 31.000 people worked as a civil servant and this number equals a quarter of all civil servant in the defence portfolio. Organisations were situated in 87 garrisons. Its maintenance cost was 4,6 billion and its implement value was 21 billion £. (remark: the British DLO is the equivalent of the HDF's Armed Forces Support Logistics Headquarters)

### 5.2. DPA AND IPTs

The new procurement cycle issued after the SDR includes the procurement phase, maintenance phase, renewal and withdrawal

phase of equipment lifecycle. The DLO is responsible for maintenance and withdrawal while DPA is responsible for procurement and renewal.

60-80 IPTs were created within DPA, which controls the acquisition-development programs. The IPTs were established basically from the former research and development groups, supporting groups and project groups operated to execute different acquisition. The IPT's leader had more sphere of authority, than the former supporting leaders.

### 5.3. FULL LIFECYCLE MANAGEMENT

The full lifecycle management is the most important principle and the taxonomic approach of new defence acquisition conception. Therefore outline of full lifecycle management plan is prepared by IPTs in the phase of conception. The process of project, the procurement of equipment in harmony with customer's demand and the task of all affected participants are planned in this phase.

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