

# Ministry of Defence pioneers Public Private Partnership for helicopters with help from IBM



## Overview

### ■ Customer Challenge

- Provide a cost-effective, integrated support solution for the Sea King helicopter fleet
- Reduce business risk.

### ■ IBM Solution

- IBM Business Consulting Services provided project management plus commercial, risk, HR, change management and finance support to help deliver a framework for innovative contracting.

### ■ Customer Benefit

- Reduces through-life costs and improves performance via supplier incentives
- Cost savings in phase 1
- Improves risk management
- Creates a reusable framework to help roll out benefits to other similar projects.

In order to support the rapid, precise military solutions required today, the UK Government's Strategic Defence Review and the Smart Acquisition reforms place new emphasis on closer co-operation and openness in the MoD's relationships with the industries that support it. Following the Review, the MoD's Defence Logistics Organisation (DLO) began to examine the way support for maintenance, repair and overhaul, supply of spares, and technical advice was provided to existing aircraft. Its goal was to improve efficiency whilst maintaining aircraft operational availability and effectiveness.

The Sea King helicopter is used throughout the world both at sea and on land and is operated in the UK by the Royal Navy and the Royal Air Force. Among its many tasks it is used by the Ministry of Defence (MoD) in a search and rescue role to locate and evacuate people in emergency situations. The helicopter is fitted

with advanced, all weather search and navigation equipment as well as IT equipment to assist positioning. The maintenance and support of such a crucial MoD resource must be efficient, timely and cost effective.

The Sea King Integrated Operational Support (SKIOS) team initiated the first project in what was to become a larger programme, now being rolled out to other rotary wing Integrated Project Teams (IPTs). When the project began, the IPT responsible for Sea King support was dealing with around 100 different contracts and had to bring everything together to deliver an efficient and cost effective service. The majority of the risk was carried by the IPT and the sheer volume of contracts and interfaces meant this was not the most efficient and effective way of supporting the Sea King platform.

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*Sharon McCormick, Commercial Manager of the Sea King Integrated Project Team*

In addition to the risk involved, contractors had no incentive to deliver what the MoD required - effective support provided as quickly and cost effectively as possible. In reality, contractors were rewarded for completely opposite behaviour, the longer a helicopter spent in the repair pool, the more they were paid.

“Our relationship with industry was often adversarial,” says Sharon McCormick, Commercial Manager of the Sea King Integrated Project Team. “We had very limited experience of working in partnership with our contractors to negotiate and achieve mutual benefits.”

### **Expertise on tap**

The advantages of changing the way it worked with contractors were quickly recognised by the SKIOS team. The team also recognised, however, that its skills and resources to develop public/private partnerships and manage the transformation to this new way of working were not as strong as it would have liked. Expertise was needed from elsewhere.

“We chose to work with IBM for two main reasons,” says McCormick. “IBM has a long term relationship with the MoD and understands the way we work. This eradicates the steep learning curve an organisation new to us would face. What’s more, we wanted an innovative solution and knew we could call on a wide variety of IBM Business Consulting Services expertise as and when it was needed. Over the course of the project, IBM’s experience in risk management, financial methodology and implementing cultural change proved particularly valuable.”

### **Building a solid framework**

From the outset, IBM worked alongside the SKIOS team to develop the processes and tools necessary to support a new way of working with industry suppliers. An IBM Project Manager worked with the MoD Project Manager to ensure skills transfer took place.

One of the first tasks was to scope what the MoD wanted from its contractors in terms of output based requirements. The aim was to minimise constraints and give contractors the freedom to find innovative solutions while still adhering to MoD governance. Six Key Performance Indicators were established to measure the technical support and spares delivery service provided once the contract was let.

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The MoD has very strict guidelines on how investment appraisals of major expenditure are carried out and IBM made a large contribution to the financial models required to assess the various options. The Investment Approvals Board oversees the business case for all new support contracts and the MoD and IBM jointly promoted the main business case for SKIOS, working with scrutineers, assurers and key stakeholders. This involved delivering presentations at all levels of the MoD and to HM Treasury.

Risk management was a further area where IBM was able to transfer key skills to the SKIOS team, guiding them through the costing of a number of key risks associated with the different solutions.

### **Ensuring partnership benefits for the long term**

“One of our greatest challenges was dealing with the cultural change inherent in this project,” explains McCormick. “IBM Business Consulting Services has a great deal of expertise in change management and we were able to learn from this as we went along.”

IBM ran a number of relationship and networking workshops to bring industry and the MoD closer together and to ensure an understanding of what was required. A Strategic Partnering Charter was developed, which the MoD and its main contractors signed up to. The charter sets out how all parties will behave and details the expected mutual and individual benefits.

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*Captain Peter Kenward, Sea King Integrated Project Team Leader*

A major consequence of the SKIOS project was the transfer of MoD staff to industry suppliers. Under EU TUPE (Transfer of Undertakings Protection of Employment) regulations, they had to be employed under the same terms and conditions that they enjoyed as civil servants. “Not only did IBM experts help us identify the functions that would be best transferred to industry, they also provided sound insight and guidance on the process we had to go through to comply with the requirements of TUPE,” says McCormick. “IBM’s help was invaluable as a great deal of Trade Union involvement and consultation was necessary, along with stakeholder communication.”

### **Co-operation replaces confrontation**

One of the greatest benefits to come from the SKIOS project is the physical location of industry staff with their MoD partners and out at the three main Sea King operating bases. “This is a massive step forward,” explains McCormick. “We are now far more effective in dealing with issues as they arise. It’s much easier to solve problems and share knowledge when you can wander over to someone’s desk rather than having to organise a meeting.”

The relationship between the MoD and industry is greatly improved. Both parties are now working primarily towards the same goal. The IPT is guaranteed delivery of the required service at the agreed price while the contractor has incentives to deliver on time and ensure ongoing cost savings. Performance is measured and the IPT can withhold payments if the contractor fails to meet agreed levels of service. Much of the risk that was borne by the IPT is now carried by the industry supplier where it can be better managed.

Although it is early in the implementation to measure the full operational and cost benefits, real savings have already been achieved and further savings are expected as implementation progresses.

IBM are continuing to work with the MoD on the next Integrated Operational Support projects and IBM project leaders and the DLO Partnering Support Group, who worked closely together on SKIOS, are conducting seminars to pass on the lessons learned.

Captain Peter Kenward, Sea King Integrated Project Team Leader concludes: “SKIOS is the first of a number of Integrated Operational Support projects and led the way in this innovative approach to long term support. Working in partnership with IBM we have been able to create a framework for innovative contracting that provides benefits to both industry and the MoD while increasing aircraft availability.”

### **For more information**

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