

Ministry of Defence

Implementation of Integrated Project Teams



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
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executive summary

- 1 The Ministry of Defence's (the Department's) 1998 Strategic Defence Review resulted in fundamental changes in the Department's processes for buying and supporting equipment in the direction of establishing a seamless through-life acquisition system. These changes, now known as 'Smart Acquisition' are intended to 'enhance capability by acquiring and supporting equipment more effectively in terms of time, cost and performance'.
- 2 Integrated Project Teams (IPTs) are a central enabler of Smart Acquisition intended to improve acquisition by moving from a functional to a project-based organisational structure. They are intended to be responsible for managing an equipment throughout its life-cycle, be headed by an effective and empowered IPT Leader and contain all the skills necessary to manage the project. The introduction of IPTs has involved a major change in culture, processes and relationships for the Department and those doing business with it.
- 3 This study examines whether the transition to IPTs is being managed effectively. Specifically, we examine whether IPT structures and processes have been successfully introduced (Part 1); and whether the momentum of the transition is being maintained through continued development of IPT leadership, resources and people (Part 2). Our methodology is detailed in Appendix 1. This study is the first in a series of planned outputs examining how well the wide-ranging reforms under Smart Acquisition are contributing to 'faster, cheaper and better' equipment acquisition. The next study, which will cover whether the introduction of IPTs is enabling a through-life approach to acquisition, will be published in late 2002.



- 4 We have found that IPTs were introduced rapidly and successfully. The Department took a pragmatic approach and reallocated around 10,000 personnel into some 130 IPTs in 18 months. It now needs to ensure that the structures and processes set in place are evolved further to enable continuous improvement. We also found that there is an impressive degree of commitment to Smart Acquisition but firm direction is needed to embed IPTs and maintain momentum. Changes affecting IPT Leadership, resources and people are ongoing and need to be fully embedded.

IPTs were introduced rapidly and successfully but need to evolve further

The Department adopted a pragmatic strategy to achieve early implementation

- 5 Given the short timescale, the Department adopted a pragmatic approach to devising the IPT structure and relied heavily upon the existing structures. The Department acknowledges that its approach to the creation of the IPT structure is likely to require modification. The Defence Logistics Organisation is undertaking a Business Process Review to identify a number of generic IPT models with the aim of modifying its IPT structure and the Department is developing Maturity Models, which are at various stages of development, to determine which factors are contributing to IPTs' success. Organisations, such as Boeing, use such maturity models to evaluate and sustain the performance of their teams.

IPTs were successfully established but systems to enable continuous improvement need to evolve further

- 6 When each IPT was created it went through a managed change process known as 'breakthrough'. A key objective of breakthrough was that each IPT should set itself Hard and Stretch targets. The Hard targets were intended to set the IPT testing but potentially achievable goals. The Stretch targets were intended to be set at a level well beyond what was considered achievable in order to encourage innovation and continuous improvement. Many IPTs have met their Hard targets and some have met their Stretch targets and new targets have not always been set. The Department is now examining its approach to ensure that the scrutiny of Hard and Stretch targets is more rigorous.
- 7 To ensure continuous improvement it is important that best practice is captured quickly and disseminated widely. Lessons learned internally by IPTs from each other are captured and disseminated better than lessons learned from external partners such as industry and overseas counterparts. The Department recognises the need to better capture and disseminate lessons across the acquisition community. In response to this, the Department is developing an Acquisition Knowledge Network.
- 8 The results expected from IPTs are defined differently in the Defence Procurement Agency and the Defence Logistics Organisation reflecting their different roles in procuring and sustaining equipment capability. Both organisations are continuing to evolve their performance measures. In doing so, it is important that they ensure the measures are coherent and focus on through-life performance as well as acquisition and support performance.

Firm direction is needed to maintain momentum

The initial leadership of the change management process was positive and after some uncertainty is now being given fresh impetus

- 9 Throughout breakthrough, the Department's senior management demonstrated continuous and visible commitment to lead the change process. Senior managers have also attended events such as project launches and introduced award schemes to recognise good performance and the positive cultures underpinning Smart Acquisition. More recently, there has been a

perceived loss of impetus and direction as the Department has considered how best to take forward Smart Acquisition. For example, the key post of leading the change programme was vacant between August and December 2001. However, in January 2002, the Department appointed a new Director General Smart Acquisition on a long-term basis to drive forward the Smart Acquisition changes and broaden them to extend to non-equipment parts of the Department.

IPTs have strong leadership but some obstacles remain

- 10 Recognising that the calibre of the IPT Leader will be a key factor affecting the success of an individual IPT, the Department has established a systematic process for recruiting and selecting IPT Leaders. Most IPT Leader posts were initially filled by the person already leading the relevant project, but two-thirds of posts have now been competed, and all leaders will undergo the systematic recruitment process over time. The Department has offered over 23 per cent of the competed posts to external candidates but only three IPT Leader posts have actually been filled by external candidates. The Department recognises the need to gain more private sector expertise and to work with the private sector to create more joint career opportunities at all levels, including IPT Leader.
- 11 All newly appointed IPT Leaders receive mandated training based on defined acquisition behavioural competencies. Subsequently, IPT Leaders are responsible for ensuring that they continue to develop the competencies relevant to their role and take account of developments in the acquisition field. Nearly three-quarters of IPT Leaders have undertaken further training but there are considerable variations in the amount of further training undertaken. The majority of IPT Leaders said they felt more empowered than before the introduction of Smart Acquisition and that they now had sufficient delegated authority to manage their project(s). However, four-fifths did not consider that they had sufficient flexibility to recruit the personnel they required, largely because they felt constrained by the bureaucratic nature of the Department's recruitment process, by a lack of available personnel with suitable qualifications and by budgetary constraints.



Adopting a through-life approach requires an effective mechanism to review how IPTs are funded and staffed

- 12 To date, cost reductions in Defence Procurement Agency-hosted IPTs have been the main driver in determining IPT funding. From 2002-03, the focus will change from reductions in operating costs (inputs) to delivering challenging targets for the procurement and sustainment of defence capabilities (outputs). IPTs were created very quickly and the Department's strategy for staffing them was pragmatic but unsophisticated with staff allocated on the basis of existing complements. The allocation of staff to IPTs does not, therefore, necessarily reflect the size and complexity of the projects managed by the IPTs. The Defence Procurement Agency is establishing a team (the Project Team Resource Modelling) to examine this complex and important issue. The Defence Logistics Organisation is undertaking a separate Business Process Review which includes looking at ways in which staff can be deployed more effectively.
- 13 IPTs reported through the National Audit Office's census that they were overall understaffed by some six per cent against complement, but for the reasons just given current complements may not reflect the staff required by IPTs to deliver their outputs. Also, a small level of vacancies can be expected due to normal staff turnover. Nevertheless, IPTs appear particularly understaffed in the areas of Requirements Management, Integrated Logistic Support Management and Finance and very few IPTs share such scarce staff. These are key functions necessary to ensure a through-life approach.

Good progress has been made to ensure IPT personnel are adequately trained and incentivised

14 Smart Acquisition has introduced fundamental new ways of working and the Department has clearly defined behavioural and functional competencies for acquisition specialists, and has established an Acquisition Training Cell to co-ordinate the provision of acquisition training. Identification of training needs is the responsibility of the individual and his or her immediate line manager. Personal Training and Development Plans are mandatory. In addition, many IPTs have team training plans in place. The Department does not centrally co-ordinate or monitor training undertaken by IPT personnel and is not able, at a corporate level, to identify where there are skills gaps or anticipate future skills gaps. It is developing a process for the strategic evaluation of acquisition training with the aim of enabling future acquisition training to be more coherently focused on meeting business and personal development needs.

Recommendations

15 The Department has made a quick and encouraging start to introducing IPTs. In terms of evolving IPT structures and processes, we recommend that the Department should:

- i undertake a stocktake of its existing IPT organisation to ensure that it reflects the experience the Department has gained to date and provides the most effective structure to deliver the benefits anticipated from Smart Acquisition. Without requiring significant cost or time, this stocktake should bring together the outcomes from the various exercises currently being undertaken in different parts of the Department and take account of the experiences of comparator organisations (paragraph 1.9);
- ii press ahead with the development of IPT Maturity Models and ensure that the success factors identified are promulgated to drive improved performance across all IPTs. In doing this, the Department should draw where possible on the experiences of other organisations that have successfully used Maturity Models to develop and sustain the performance of their teams (paragraph 1.10);
- iii be more rigorous in setting and reviewing Hard and Stretch targets to ensure that targets are set more consistently and reviewed more robustly. Using Hard and Stretch targets as performance measures linked into corporate performance measurement systems would facilitate this and add to their potential to motivate IPTs (paragraphs 1.14 to 1.16);
- iv ensure that lessons learned from both internal and, particularly, external sources are captured consistently and disseminated widely to all with an interest in the effective operation of IPTs and Smart Acquisition more generally (paragraphs 1.17 to 1.20);
- v rapidly move ahead with introducing its Acquisition Knowledge Network (paragraph 1.21); and
- vi ensure that the performance measures being developed by the Defence Procurement Agency and Defence Logistics Organisation focus on through-life performance as well as measuring acquisition and support performance separately (paragraphs 1.23 to 1.26).



- 16 In terms of embedding the change to IPTs and maintaining momentum, we recommend that the Department should:
- i quickly press ahead with action to embed and drive forward the Smart Acquisition changes under the leadership of the new Director General Smart Acquisition to avoid losing the positive momentum which has been built up in recent years (paragraph 2.7);
 - ii work, together with its commercial partners, to create more joint career opportunities at all levels including IPT Leader (paragraph 2.12);
 - iii monitor the continuing professional development of all IPT Leaders and work with them to ensure that opportunities to update and learn new skills are not overlooked (paragraph 2.15);
 - iv take forward in a coherent manner the ongoing Defence Procurement Agency and Defence Logistics Organisation work to establish realistic staffing levels for IPTs (paragraphs 2.26 to 2.30);
 - v take into account the experiences of other organisations in staffing IPTs (paragraph 2.31);
 - vi examine opportunities to share scarce staff between IPTs by making best use of structures such as Defence Procurement Agency Peer Groups and Support Groups and Defence Logistics Organisation Business Units (paragraph 2.34); and
 - vii improve its corporate monitoring of training ensuring that this is coherent and linked across the different parts of the Department. This would enable the Department to balance and identify gaps in competencies and ensure that opportunities for all IPT staff to update and learn new skills are not overlooked (paragraphs 2.36 to 2.38).

