

Procurement Capability Review Programme Ministry of Defence



Delivering World Class Procurement Operations

May to June 2008



MoD Overview

Seven key facts to give context to the Review findings

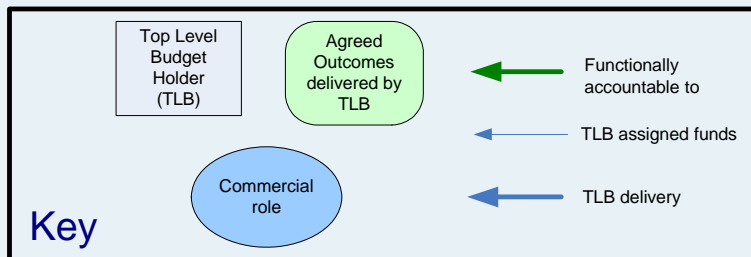
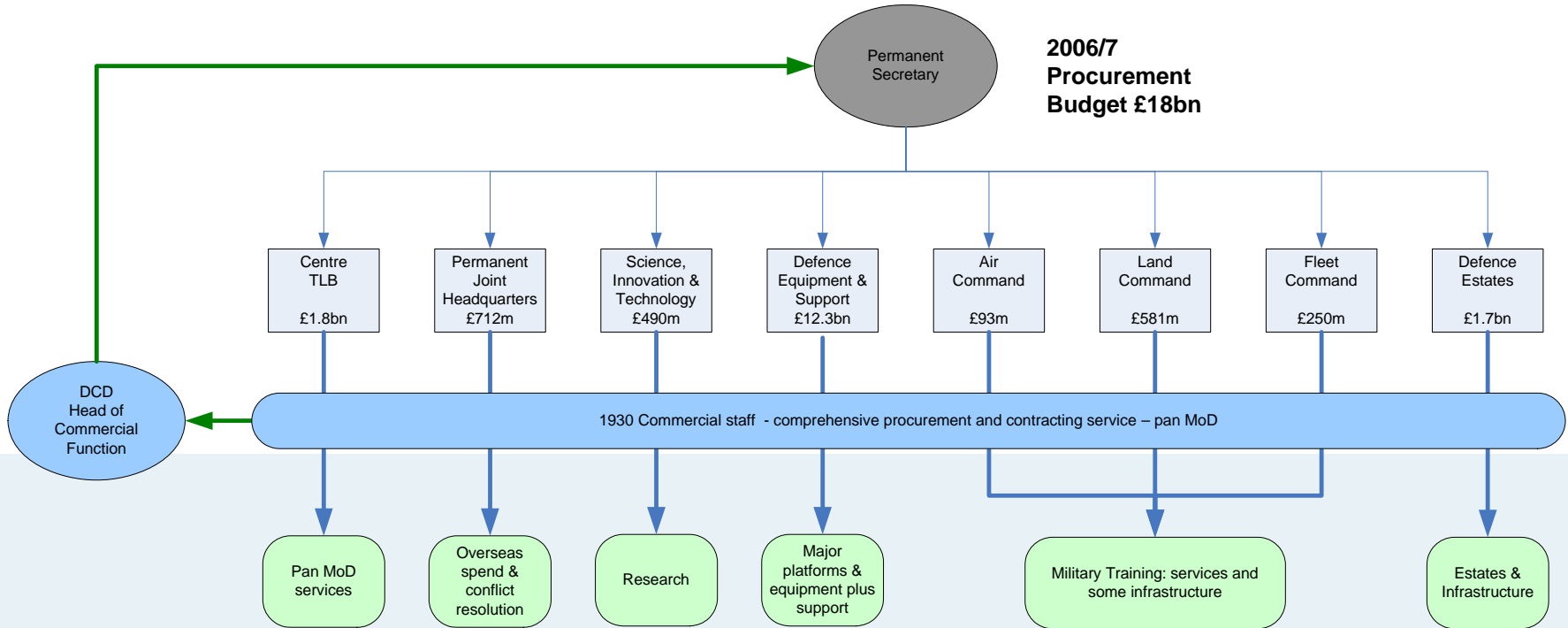
- MoD is both a Department of State and a Military Headquarters. It creates and implements defence policy to deliver defence capability at readiness, responding quickly and flexibly to operational need. It continues successfully to rise to the challenge of this multi-faceted environment to acquire and deliver to a demanding operational tempo.
- The MoD has, by far, the widest range of procurement activity of any department. It has a hugely complex, demanding and delicate role within the UK and internationally. Its suppliers span a vast array of markets, from food, fuel and pharmaceuticals, to construction, ICT and the acquisition and support of military equipment. Constantly adapting to technology and changing threat, the latter generate some of the most challenging engagements in Government.
- Procurement is recognised as a key enabler; driven by the need to support overseas operations whilst managing capability on a through life basis. The department has already invested hugely in the Defence Acquisition Change Programme and has some of the most sophisticated procurement processes in Government. DE&S was an early adopter of category management and partnering and runs a maturing strategic supplier programme. MoD has a large PFI/PPP portfolio. Nonetheless, it recognises that much more needs to be done and is strongly committed to driving further improvement in procurement practice.
- MoD has assets of £76 billion and an annual budget of £31 billion. Procurement represents £18 billion, engaging approximately 18,000 suppliers (top 30 accounting for £10.2bn) on items ranging from specialist military equipment to low value, high volume commodities. Procurement activity comprises Defence Equipment and Support (DE&S), Information Systems and Estates. Significant commodity procurement occurs within DE&S and the wider department.
- CSR07 delivered a 1.5% increase in MoD's budget. Value for money reforms generate net cash-releasing savings of £2.7 billion by 2010-11. MoD must deliver 5% year on year administration efficiency.
- The Defence Commercial Director (DCD) has functional responsibility to the Permanent Secretary for all commercial activity. Whilst not on the Defence Board, DCD is on all Board level procurement meetings, including Investment Approvals Board and the National Defence Industries Council, reflecting the significance of this activity to the MoD.
- Procurement has undergone a number of major reviews and changes over the past few decades, most recently the Defence Industrial Strategy and associated Defence Acquisition Change Programme. The latter includes "Fit for Business", focused on the Commercial function, and PACE, focused on the effectiveness of DE&S.

A glossary of acronyms may be found at the end of this report.

Headlines

- The complexity of the environment and scale of the challenge demands strong management over an extended period. Suppliers and major stakeholders agree that the MoD has come a long way since the Defence Industrial Strategy. The Defence Acquisition Change Programme, the creation of a Defence Commercial Director and the Defence Equipment & Support, led by the Chief of Defence Materiel, are starting to make through life capability management a reality.
- CDM has already made significant progress in the DE&S, with his clear focus on skills, commercial practice and a through life approach to capability management. DCD's Fit for Business (FFB) initiative will provide a refreshed commercial vision and five-year strategic plan. To deliver consistent procurement excellence, however, requires long term behavioural change across the department and further enhancements in business and commercial skills; the roles of DCD and CDM are vital, as is the sustained, visible support of the Board. FFB needs the departmental commitment and resources to ensure its delivery and to address many of this Review's recommendations.
- There is a concern that both DCD's central organisation and the wider commercial function is underpowered at senior level to deliver this change. Leadership throughout the function is variable; it must be strengthened, better aligned and performance driven, for the change to be enduring and delivered at the required pace.
- The performance management system for acquisition has an insufficiently clear focus on the Commercial function's contribution. The function is not coherently driven to improve performance and it is impossible for DCD to present an aggregate picture of performance and difficult to support investment in improvement.
- There are a few exceptional individuals but, overall, procurement staff lack the broad commercial skills essential for the future; too many do low value tactical work. Work has started on a formal department-wide approach to resource, career plan, train, develop and retain, but this needs to be substantially strengthened for it to meet the future challenge.
- A sound Category Management approach for commodities delivers value both to the MoD and to wider Government. There is an established Key Supplier Management programme. These, and equipment sector strategies, demonstrate the benefits of cross-cluster and cross-Top Level Budget approaches, but opportunity is being lost through a failure to adopt such approaches consistently. There has been some strong market differentiation, but it is not uniformly applied.
- Work has started to define some of the key processes, including the creation of a contracts database but there is, as yet, no comprehensive procurement systems strategy for the department to support end-to-end commercial processes and no easy availability of management information.

MoD Procurement Spend Map



MoD Procurement involves integrating, across TLBs, all commercial activity for the acquisition of goods, services and infrastructure. This underpins operational systems and equipment storage, operation, maintenance and replacement.

Key Definitions

To avoid any confusion, because MoD uses “procurement” in a different way to that of other Government departments, in this report we use:

- **“acquisition”** for the processes which lead to the delivery of capability;
- **“procurement”** for the end-to-end process of market engagement which supports acquisition projects and broader activity, such as goods, services and estates;
- **“purchasing”** to describe low value transactional procurement; and
- **“Commercial”** in the sense of the **function** that supports procurement activity including the ongoing management of contracts to the conclusion of delivery.

MoD Procurement Change Programmes

Defence Acquisition Change Programme (DACP) - part of the Defence Industrial Strategy (DIS) implementation. The DACP Director reports directly to the Permanent Under Secretary (as the Senior Responsible Owner). Pan-MoD DACP workstreams include:

- Planning and Through Life Capability Management
- Appropriate Approaches to Acquisition
- People, Skills and Behaviour
- Knowledge Management

And embraces two further elements, namely:

“Fit for Business” (FFB) – a year-long programme to create a framework for and bring coherence to a number of existing commercial business change initiatives. Its intention is to set the direction for the Commercial function, which is totally aligned to and supportive of the DACP. It will also identify any new activities required to deliver the necessary change. FFB will deliver a vision, strategy and five-year delivery plan. FFB reports to DCD. Its workstreams include:

- Commercial Community
- Professionalism
- Processes and Policies
- e-Procurement
- Book of Business

PACE – **P**erformance (in processes and people), **A**gility (in response to requirements), **C**onfidence (of the customer) and **E**fficiency (best value in output) – a change framework for DE&S. Reports to Chief of Defence Materiel (CDM).

Review Model

9 indicators of procurement excellence in 3 groups:

Leadership

1. Visibility and impact of leadership
2. Vision, aspirations, business and policy alignment
3. Stakeholder and supply base confidence levels

Skills development and deployment

4. Effective resourcing of procurement activity
5. “Intelligent client” capability

Systems and processes

6. Governance and organisation
7. Strategic and collaborative approach to market engagement and sourcing
8. Effective use of procurement and PPM tools and techniques
9. Knowledge and performance management

1. Visibility and impact of leadership

The creation of the Defence Commercial Director (DCD) role is a vital and positive step confirming procurement as a key departmental function and providing the leadership required to address the fundamental challenges faced. This will require the full and sustained support of the Defence Board and all in the department's top team.



Findings

- The challenge facing MoD procurement is huge, requiring long-term behavioural change across the department to bring the business focus required for delivery excellence. This demands determined and sustained Board support.
- The role of DCD is recognised by the department's senior management as vital; providing both decision support and leadership of the Commercial function. The post, a result of the Defence Industrial Strategy, is a key component of many of the Defence Acquisition Change Programme workstreams; its vision to be delivered through work flowing from FFB.
- Strategic procurement issues are rarely discussed at the Defence Board; when they are, they tend to be focused on particular projects or specific suppliers. This was a recognised concern of the Board members interviewed.
- DCD is on all appropriate Board level bodies, including APB, IAG, IAB and NDIC. He is not a member of the Defence Board; the Review team do not believe that this necessarily inhibits his ability to influence and drive effective procurement practice.
- A refreshed commercial vision and five-year strategic delivery plan flows from the DCD's FFB programme. The developing plan has the potential to address many of this Review's recommendations, but requires strong departmental commitment to ensure its delivery. Significant progress has already been made towards its objectives, but there is much more to deliver.
- Strong relationships at the leadership level between Commercial, Finance and HR are vital to deliver the ambition of FFB. Positive collaboration was evident within the DE&S, but a much stronger bond and a shared sense of purpose is needed between these three key enabling functions in the wider department.
- DCD is having a real impact in the MoD, but a consistent theme from interviews was a lack of visibility of leadership and the sharing of his intended direction of travel; this despite significant communication effort by the various change teams.
- The magnitude of the change and the department's organisational complexity suggests that both the DCD organisation and the wider commercial function is underpowered at the senior level. Leadership throughout the function is variable; it must be strengthened, better aligned and performance driven for enduring change to be delivered at the required pace.
- There is no strong sense of a commercial community or awareness amongst staff of the benefits that FFB would bring to their customers or themselves.

2. Vision, aspirations, business and policy alignment

The refreshed vision and a strategy for its delivery must be in place if progress is to be sustained and further accelerated into a new commercial way of working. This will be the clearest signal for permanent change and to motivate the wider Commercial team.

A

Findings

- DCD has made much progress but there is an urgent need to complete the planned work to develop a stronger **single** vision for the Commercial function through engagement with the wider team, incorporating their views and aspirations.
- This is required to ensure that the DCD's five-year strategic plan provides clear direction within MoD's numerous concurrent and consecutive change programmes. The complexity of the environment, the scale of the challenge and the crowded change agenda demand strong change management over an extended period. Anything less risks the impact of the programme and the intended delivery of enduring change.
- Currently, there is no single coherent view of procurement activity – its status, effectiveness and delivery value are not known. Many in the department classify procurement, along with other acquisition processes, as an administrative function. This is very much at odds with DCD's wish to imbue the department with a stronger business focus, and to establish a Commercial function which adds real value to the primary delivery of output.
- DCD and his team have undoubtedly made great progress in galvanising the function. However, the absence of an adequate vision and resourced five-year strategic plan for its delivery makes activity appear piecemeal and unconnected. This only serves to reinforce the importance of the FFB and the need for it to be adequately resourced so that it can proceed at pace.
- In the absence of this and the five-year plan, there is a lack of strategic objectives or plans flowing down the functional chain which set out the high-level challenges and goals and the implications for the Commercial function and the wider community.
- Further, the understandable decentralisation of Commercial increases the difficulty of aligning business and policy and achieving a common direction.
- As yet, the function is not coherently driven to improve all aspects of performance. Opportunity for driving even greater value from supply markets is being lost. This makes the business case for investment in capability, and even the release of staff for training, difficult.

3. Stakeholder and supply base confidence levels

Engagement with key industrial groups is well developed and respected. However, procurement processes are cumbersome and often extended. Stakeholders and suppliers believe that the commercial skills, systems and influence need improvement to deliver future defence needs.



Findings

- Regular (annual) programme re-planning and continual challenge to cut costs further, even on committed programmes, causes uncertainty for teams and suppliers, introducing additional risk and cost. One supplier said delay and uncertainty created by the planning round caused double digit percentage cost increases and depressed shareholder value.
- The complex, often extended, procurement processes create huge costs of sale for suppliers, which is ultimately passed on in price. Not all MoD staff recognise this.
- Commercial and finance processes are not integrated effectively at a strategic level. There is no effective end-to-end transaction management system (P2P, the commercial system; PtP, the finance payment system) and limited commercial contribution to the business planning process. There is no single contracts database.
- These and other strategic supplier challenges have been recognised by DCD and the department, forming a key element of DACP and FFB. A new senior (two-star) post with responsibility for MoD's industrial relationships has been created. This will lead to a view of the department's total 'book of business'. Coupled to other DACP activity it starts to address these issues.
- Treasury believe DCD to be "a force for good" and highlight the need for "top class commercial skills, and in big numbers" to support him. They seek a more productive relationship with MoD, but expect MoD to address its programme challenge.
- In a recent survey, 98% of Integrated Project Team Leaders are said to be satisfied with their Commercial Officers (up to and including SCS), but often more for their "encyclopaedic knowledge of the contract terms" than their commercial skills.
- Both suppliers and stakeholders reinforced this concern, identifying the shortage of true commercial skills within MoD: "Industry is better coordinated on partnering; MoD does not uniformly have the calibre to front up to them effectively".
- AOF sets out clear routes for potential new suppliers to engage with MoD. Some suppliers highlighted inconsistencies in how MoD treats them with some confusion about the rules of engagement with the front line commands, Director Equipment Capability and DE&S. It is evident that tier 1 ("Prime") suppliers discourage direct MoD access to lower tier players.

4. Effective resourcing of procurement activity

A shortage of capable commercial staff exists at all levels. There are a few exceptional individuals but too many are doing low value tactical work. A more formal MoD-wide approach is needed for resourcing, career planning, training, development and retention.



Findings

- There is an acknowledged shortage of sufficiently capable commercial staff at all levels in the department:
 - The Review teamsaw a small number of exceptional individuals but overall there are few functional managers with both the necessary leadership and commercial skills.
 - Capability across the more junior grades is mixed – a sizeable proportion of the 2,000 staff are transactional, process-bound; whilst some would readily respond to the challenge, others are strongly resistant to change.
- Career planning is currently largely down to individuals and there was very limited evidence of succession planning (HR operate an open market approach); the pressing need for this is recognised at senior levels and work has started, particularly in the DE&S where a number of supportive HR initiatives are being pursued.
- There is as yet no overall resourcing strategy that sets out, e.g. the appropriate extent of external recruitment, the action that will be taken to retain key staff, or the role job rotation and secondments will play. This requires proactive HR support.
- The Defence Academy offers a wide range of commercial training interventions. The commitment of line managers to staff training and development is however, variable, though the DE&S are addressing this in PACE.
- The training of commercial staff is not seen or driven in the context of an overall function strategy. Resources have been strengthened to take this work forward and DCD is considering the establishment of a new two-star post to provide it with greater strategic leadership. The aim is to develop capability, to assess the competency levels of staff and to assess training needs. In the absence of an overall commercial strategy, there is a concern that the framework will fail fully to reflect the future need.
- The commercial acumen of MoD staff is mixed. Besides the obvious impact on supplier-facing roles, a degree of commercial understanding is vital for those managing decentralised commercial teams to appropriately direct, support and challenge them.
- Despite a stated commitment to increase professionalism and a recent case put by DCD, the department still pays only a nominal sum for attainment of MCIPS, in contrast to most other departments where salary supplements are paid. There is an emerging pattern of staff lacking the commitment to study and of the better staff leaving for higher paid jobs out of the MoD.
- There was no sense of a community among the commercial staff with a knock-on impact on sharing of knowledge, support and functional development. Alongside pay this is an essential element for recruitment and retention.

5. 'Intelligent client' capability

A valued KSM programme is in place but strategic engagement by senior executives is inconsistent and supplier performance data incomplete. The trend to service contracting increases the need for awareness and investment in lifelong commercial management.



Findings

- The department has run a very successful Key Supplier Management (KSM) programme for some time, with some truly startling results, and is developing and extending its application. Its effectiveness is, however, undermined by a variability in the approach of senior MoD executives and a failure to consistently capture the benefit delivered. It was less than clear that the approach was being flowed down to key elements of the supply chain (often a vital source of innovation).
- The nature of the engagement between suppliers and the MoD is very variable; many suppliers comment that this is largely determined by individuals within the teams. To quote one supplier, “every procurement feels like an experiment”. FFB is intended to address these issues through its skills initiatives and the standardisation of contracts and process.
- There was universal agreement on the success of the Urgent Operational Requirements (UORs); how suppliers and MoD work effectively to quickly bring these into theatre. Pragmatism, commonsense and pace come together, in a manner not seen with normally funded capability.
- The Supplier and Customer Performance Management (S&CPM) process has been implemented to underpin the KSM programme with objective supplier performance data. However, contribution from some of the IPTs has been patchy despite DE&S instruction requiring compliance. Quite a few of those responsible for generating this performance data felt the process to be a black hole, with little information coming back from the programme to assist them in decision-making.
- There have been some ground breaking partnering deals but frequent rotation of staff (especially military) was cited as a significant issue where relationships need to be built up over time on the basis of individual trust and performance.
- The department’s increasing reliance upon partnering has been supported by the publication of a handbook and the development of a guide to “softer” behavioural skills. Training and development need to ensure consistent application of these, alongside the “harder” commercial tools.
- Highly innovative and complex contracts are being developed that require strong contract management organisation to deliver and manage but capability in some areas, (and the awareness that this needs to be improved), was felt to be too low. There needs to be a significant acceleration in the development of this capability otherwise the department will need to limit the extent to which arrangements of this nature are entered into.

6. Governance and organisation

The Commercial organisation is decentralised with clearly defined roles, responsibilities and reporting lines. However, there is no sense of cohesion in the community and the balance between individuals' team responsibilities and those of the function is one-sided.



G

Findings

- The Commercial function is but one, albeit essential, component of acquisition. Many of the issues around governance are thus dependent upon the DACP and the role Commercial plays within it.
- The Commercial organisation is decentralised; reporting is through the various business units. At least two levels of functional reporting lie between DCD and a team's senior commercial staff. This, coupled with insufficiently strong and consistent leadership throughout the function, means that control has to rely too much on process and procedure. The function is, as a consequence, seen to be excessively rule bound and procedural.
- Given this and the variability of commercial staff it is not surprising that some do not feel empowered and fail to be engaged by teams on strategic issues. The strong sense of leadership and of community and the cohesion required to operate effectively in such circumstances was not consistently felt in all areas of the department.
- Whilst the approval process has recently been improved, it can still be cumbersome. This is often not helped by project teams' approach where approval becomes the focus of activity. Some concern was expressed over the extent to which the Investment Approvals Board process has responded to key initiatives (e.g. Through Life Capability Management) and whilst these are being addressed, by DACP, this was not widely known. Meanwhile, the Defence Equipment and Support Investment Board has been created to assure the quality of submissions and the evidence that underpins them.
- The Acquisition Operating Framework (AOF) is a very good example of an on-line tool suite which makes core operating procedures available to all areas and contributes to the sense of commercial community.
- Integrated Project Teams (IPTs) have been successful in creating project focus, however there are situations where conflicting demands are made on the same supplier. Strong interaction between DCD, DCDS(EC) and the DE&S is now driving a more considered strategic approach. The work of DG Industrial Relationships and Initiatives looking horizontally across IPTs, such as cluster level coordination, KSM and Category Management, will also help to ease this problem.
- In the wider community, the maturing relationships between internal customer and internal suppliers, who in turn engage the market for delivery, need to continue.

7. Strategic and collaborative approach to market engagement/sourcing

There are good examples of strategic and collaborative activities. However, there is limited evidence of the widespread application of differentiated strategies across supply markets, which can lead to the inappropriate following of a 'fashion'.



Findings

- There is a growing strategic engagement with key elements of the defence industry, born of the Defence Industrial Strategy (DIS). However, with some notable exceptions, there is limited evidence of the application of a consistent sourcing methodology through which to differentiate the procurement approach to markets, either within IPTs or horizontally across business units.
- There are excellent examples of partnering but not all teams have the skills and some have difficulty adjusting their traditional adversarial behaviour, undermining its value.
- Category Management has produced significant value to the department but has somehow lost its way. There is still some legacy thinking that Category Management is an inferior process only to be used in commodity purchasing.
- Good progress has been made in some areas to rationalise the number of suppliers to the department but they lack strategic context and the sense that they are part of a differentiated approach.
- There has been some excellent work undertaken to define and manage the supply chain risk associated with certain areas of capability but this has yet to be applied consistently across all supply chains. This is a uniquely challenging environment and one where ongoing work on sector plans is of world class quality, with more to follow over time. However, at project level risk registers often appear to be generated primarily for the approvals process, focusing on "admiration" rather than management.
- There is also evidence to suggest that specifications are too prescriptive with insufficient management of "scope creep". Suppliers have observed that whilst there is a stated encouragement to develop innovative solutions they are often not pursued when offered. This issue is made worse by a focus on the tier 1 and not tier 2 suppliers.
- MoD have a high level of engagement with Government-wide Collaborative Procurement Programme, leading in a number of categories.

8. Effective use of procurement tools and techniques

There is no procurement systems strategy in place for the department. There is no single end-to-end Purchase-to-Pay system deployed across the department leading to a lack of a quality function-wide management information.

A

Findings

- There is not yet a comprehensive systems strategy for the end-to-end procurement process for the department as a whole nor the resources to deliver one. Such a strategy would include Purchase-to-Pay, catalogues, Government Procurement Card and other e-tools and would show how these systems integrate with other departmental systems. DE&S is developing plans to achieve this on behalf of the DCD, which will need to be adequately resourced.
- P2P is a Purchase-to-Pay system but it is not implemented in all areas. There is a plethora of legacy systems and local Access-based systems are still being developed. Some raise manual orders using multi-part order sets (F640 process). This means that high quality management information such as spend, transaction volumes, and contracts data is difficult to obtain; neither is there a single owner of this end-to-end process to work closely with Finance.
- With some notable exceptions, there is a concern with regard to the management of some contracts where a lack of creative thinking and inappropriate use of technology by commercial staff perpetuates large numbers of people being engaged in non-value added activity.
- The suppliers viewed the payment performance of the MoD as being very good. However, considerable effort is made by them to get invoices approved before they are submitted to the Financial Management Shared Services Centre. There was also evidence to suggest that in some cases invoices were paid before they needed to be (e.g. inside the 30 day payment period).
- Some excellent work is being undertaken to review the principles underpinning the Government Profit Formula. The importance and impact of this work on the department's achievement of long-term value for money should not be underestimated.

9. Knowledge and performance management

There is no single performance measurement system across all commercial areas. This prevents target setting, benefits recognition and contributes to the lack of function cohesion.



Findings

- Whilst there is now a single performance management system for acquisition, there is within this an insufficiently clear focus on the Commercial function's contribution and the function is not driven coherently to improve performance. This makes it hard for DCD to present an aggregated picture of performance. It also makes benchmarking, and the assessment of performance improvement, difficult.
- There is no single benefits tracking system from which to identify the overall value of the function or to provide the basis for year on year improvement targets or to justify investment. Such a process would have to be consistent with the role commercial staff play as members of integrated teams.
- Commercial staff objectives, where they exist, tend to relate to transactional performance or contract milestones which reinforces their continued focus on these areas. There is a lack of objective measures which would help assess the value derived from key change programmes such as DACP and FFB.
- Whilst there are measures in place to increase speed and agility of procurement activity, the Review team found little evidence that these were making any tangible difference.
- There was a lack of spend data. Not only is this difficult to obtain but there is a low level of awareness, amongst both senior and junior staff, of the importance of such information.

Scorecard for MoD

			Score
World Class Leadership	1	Visibility and Impact	A/G
	2	Strategy and Business Alignment	A
	3	Stakeholder and Supplier Confidence	A/G
World Class Skills Development and Deployment	4	Resourcing	A/R
	5	Intelligent Client Capability	A/G
World Class Systems	6	Governance and Organisation	G
	7	Sourcing and Collaboration	A/G
	8	Process and Tools	A
	9	Information and Performance Management	A/R

Recommendations

Leadership

Visibility and Impact of Leadership

1. CDS and PUS should reinforce the importance of DCD's role by restating their commitment to retaining it as a key and permanent component of MoD capability.
3 months
2. The Defence Board should seek a regular report from DCD on the department's overall commercial performance. They should require DCD to attend the Board on at least a quarterly basis, or when they wish to focus on strategic commercial issues identified by his report.
3 months
3. DCD needs to further raise his profile amongst commercial staff. He needs to drive leadership, commitment and responsibility in the wider function by engaging all senior commercial staff in development of the strategy. Planned events such as the management conference in November are essential to this.
6 months

Recommendations

Leadership

Vision, Aspirations, Business and Policy Alignment

4. DCD has already started the development of a new vision and strategy and five-year delivery plan. When this definition work is completed, it should be endorsed by the Defence Board.

3 months

5. The department should invest in more top level commercial leadership resource, both within the DCD and in the wider commercial community, to enable delivery of necessary change.

6 months

Stakeholder and Supply Base Confidence Levels

6. Departmental support for the Commercial function from the senior leadership of both the HR and the Finance communities must be greatly enhanced. Proactive support from HR on policies and arrangements to drive professionalism (in Commercial and other functions) and meet the resource challenge are an essential component of the change needed. Alignment of commercial and financial processes and a complementary set of management information and performance indicators, are also necessary to drive the intended changes.

12 months

Recommendations

Skills Development and Deployment

Effective Resourcing of Procurement Activity

7. The work already undertaken to identify future capability and skills requirements should, as intended, be reassessed in the light of the new vision and strategy. This work should set the requirement for skills, experience and qualifications (including MCIPS) for each role and ensure the objective assessment of individual capabilities. The output will support a Training Needs Analysis which should subsequently be used to drive priorities of the Defence Academy, including a renewed focus on commercial awareness. The department will need to fully resource this to deliver the intended outcome. **6 months**
8. DCD should, with the strategic support of HR and departmental Top Level Budget (TLB) holders, develop a resourcing strategy for the whole function covering such elements as career planning, succession planning, retention policy, etc. **6 months**
9. In conjunction with HR, a programme should be commissioned by DCD to strengthen the leadership capability of all managers and team leaders in the Commercial function. This would include both capability development and recruitment/deployment strategies. **6 months**
10. The department should reassess DCD's proposals to reward the achievement of professional qualifications, consistent with other government departments and developments in OGC's Reward project. **6 months**

Recommendations

Skills Development and Deployment

11. DCD should strengthen the engagement with the Defence Academy by appointing a senior level commercial champion. The role would have responsibility for sponsorship of training and associated coaching and mentoring. **6 months**
12. DCD should build on his existing communications strategy to reinforce the sense of a commercial community. **6 months**

“Intelligent Client” Capability

13. DCD should commission work to improve MoD’s commercial management of major contracts. Consideration should be given to the need for all business cases presented to DIB and IAB to set out size, capability and cost of contract management, using an agreed operating model to guide investment. **6 months**
14. The programme to further streamline the approvals processes, both at the formal IAB stage and the preparation for it, should be pursued with vigour. **12 months**

Recommendations

Systems and Processes

Governance and Organisation

15. DCD should review the current reporting lines within the Commercial organisation and assess whether functional reporting at all levels is adequate to deliver the emerging vision and strategy. This review should be undertaken cross-functionally to avoid undermining the integrity of integrated teams. **6 months**

16. The different commercial reporting lines of DE&S, Defence Estates, Permanent Joint Headquarters (PJHQ), MoD Centre, the Commands and agencies should be optimised to meet the joint needs of functional leadership and direction. As part of this, consideration should be given to the operational span of control of some existing key posts, which in the PCR team's view was extreme. **6 months**

Strategic Approach to Market Engagement and Sourcing

17. DCD should commission a programme of work to ensure that differentiated sourcing strategies are deployed more consistently across the commercial community. **6 months**

18. Urgent consideration should be given to the adequacy of resources for the management of cross-cluster and cross-TLB initiatives. Such valuable initiatives (e.g. Category Management) are at risk under the current resource pressures. **6 months**

Recommendations

Systems and Processes

19. DCD should continue to build upon the current approach to the assessment and management of commercial risk, including the overall departmental exposure.

12 months

Effective Use of Procurement Tools and Techniques

20. DCD has appointed DGC to develop procurement systems and a commercial management information strategy. This requires strong Finance and IT support and the plans and resources to implement an end-to-end solution for all commercial activity.

6 months

21. There is a need to plan and resource a programme which across the MoD addresses the current inefficiencies in high volume low value procurement and non-value adding activities in contract management.

6 months

Knowledge and Performance Management

22. In conjunction with Finance, DCD should develop and implement a performance measurement system for the Commercial function aligned to performance management in the wider department and in particular the developing Acquisition Performance Measurement system. This needs to achieve consistency across the function and line of sight to DCD.

6 months

Glossary

APB	Acquisition Policy Board
AOF	Acquisition Operating Framework
CDS	Chief of Defence Staff
DACP	Defence Acquisition Change Programme
DB	Defence Board
DCD	Defence Commercial Director
DE&S	Defence Equipment and Support
DEC	Director Equipment Capability
DIB	Defence Equipment and Support Investment Board
DIS	Defence Industrial Strategy
DCDS (EC)	Deputy Chief of Defence Staff (Equipment Capability)
FFB	Fit For Business

IAB	Investments Approvals Board
IAG	Informal Acquisition Group
IPT(L)	Integrated Project Team (Leader)
MCIPS	Member of the Chartered Institute of Purchasing and Supply
NDIC	National Defence Industry Board
PUS	Permanent Under Secretary
PJHQ	Permanent Joint Headquarters
TLB	Top Level Budget
TLCM	Through Life Capability Management
Two Star	Senior Civil Servant Band 2 or military equivalent Major General, Air Vice Marshall, Rear Admiral
UORs	Urgent Operational Requirements

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