

## **Newsletter Article, Transforming Project Delivery in MoD DE&S, 4 Nov 2021.**

Martin Gosden, SWWE Branch Co-Chair, introduced the webinar on 4<sup>th</sup> Nov where he welcomed Ian Butcher, MoD DE&S, who discussed the journey to transform DE&S' project delivery capability.

In setting the scene, Ian quickly acknowledged that the Public Accounts Committee, (PAC), report which was published on 3 Nov was critical of DE&S.

Ian started with an explanation of what MoD Defence Equipment and Support, (DE&S) is and what it is responsible for. DE&S is owned by MoD as a bespoke trading entity working with the Military Commands to provide their equipment and support requirements. The Submarine Delivery Agency, Defence Infrastructure and Defence Digital are separate organisations. DE&S has around 12000 civilian and military staff at sites across UK and some abroad. Annual spend is about £10 Bn with operating costs of £1.1 Bn. It is responsible for 600+ major projects, which are 80% of MoD's largest projects. It has placed 4500 contracts over the last 5 years. Projects which are specifically criticised by the PAC report represent only a tiny fraction of the portfolio and are legacy projects which have been in difficulties for many years.

Change and transformation has been a continuous process for the last 60 years. Ian shared a time line of significant reports and change programmes going back to 1961, including Rayner, Levene, Jordan Lee Cawsey, Smart Procurement and the Grey Report in 2009 which established the burning platform for the current transformation programme. The latest iteration of the improvement journey is DE&S@25, Delivering the edge through People, Technology & Innovation.

The Gray Report identified 3 root causes.

- Firstly, an overheated defence programme, with underestimated cost and schedules, customer requirements that were 'gold plated' and not prioritised and (despite a rebalanced budget) the fact that underlying incentives to underestimate had not been addressed.
- Secondly, an ill-defined relationship between the military customer and DE&S as deliverer, with blurred roles and accountabilities, too many senior military in DE&S who possibly had mixed loyalties, uncontrolled and uncosted changes to requirements, and lack of accurate financial information, and the conspiracy of 'entryism' to underestimate costs and timescales just to get a project into the defence programme.
- Thirdly, difficulty in planning and executing, with the need for better commercial skills, improvements to recruitment and retention of skilled staff, and better project management processes, and systems.

The Materiel Strategy, 2011 to 2018, saw Gray appointed as CEO to fix the problems! This involved rebaselining the programme, exploring different operating models including semi privatisation, setting up of a trading fund with freedoms and flexibilities, and reinforcing the customer supplier relationship with more formal change management processes. This was achieved with the help of external consultants (managed service providers), improved governance, incremental milestones and other

measures of progress, benefits tracking and a very successful Change Advocate Network which empowered staff to get actively involved in improvement activity.

There were three pillars to the improvement programme: People, Organisation, and Process and Controls. New approaches to managing and developing people's skills, motivation and performance were introduced. These provided the flexibility to deploy staff with the required specialist/functional skills to where needed using a matrix management approach. Standardised ways of working were introduced across DE&S – the 'DE&S Way'.

Ian described the balanced matrix approach which was adopted. The functions are responding for the 'who' and the 'how' of delivery. They manage recruitment, ensuring that DE&S has the required workforce capacity, develop skills, and deploy staff to where they are needed. They govern the 'how' by setting policy, standardised processes and providing tools. The 'what' and 'when' required to deliver agreed outputs are the responsibility of delivery pillars covering Customer-facing Air, Land, Sea and Strategic Enabler Domains, plus the Corporate enabling Directorates which serve the business.

People changes saw the removal of government-imposed resource constraints (staff numbers) and emphasis instead on management within an operating cost budget, with freedom to set pay and grading systems. But there are challenges here around how Industry-like DE&S should be. DE&S also introduced new competence frameworks, career pathways, massively expanded recruitment and placed increased emphasis on equality, diversity and inclusion. Delivery partners provide additional expertise (specialist skills, and/or additional resources) when needed, for commercial, engineering and project delivery.

Process and control changes resulted in an improved DE&S Way to Delivery. This was a back-to-basics approach including resourced delivery schedules focussed on DE&S internal work as well as supplier activity, and use of EVM for internal and external work. Contract planning and management have also been improved. A big investment has been made in tools for scheduling (Primavera P6), risk management (ARM) time recording, reporting and business analytics. The next tool suite upgrade (P3M Release 4), planned for Spring 2022, will be an even more integrated system with a single source of truth integrated with MOD's financial systems and sweeping away numerous spreadsheets and other stand-alone tools used today (improving efficiency and reducing errors).

Significant benefits have been realised, £4.5 Bn against a £3.44 Bn target. Unlike the recent PAC report, the July 2021 NAO report was quite positive about the progress in DE&S. This was based on a far greater depth and analysis of evidence. DE&S acknowledges that problems exist on some major projects, but notes that the main investment decisions/contracts often date back 10 or more years. It is hard, and sometimes impossible, to get such projects back on track.

Ian then looked ahead to the continuing journey. The current DE&S@25 programme's five pillars cover: Pace and agility; Value for the tax payer and society (including the Government's levelling up and environmental agendas); Delivery through people;

Digital solutions; and Delivery through partners. Ian summarised some of the key elements within the programme.

Ian rounded off his briefing with some personal reflections. He noted that some industry colleagues have admitted that they would never had undertaken such an ambitious transformation programme, which has been likened to simultaneously modifying all three legs of a stool. Transformation has delivered real benefits, and it has been the right thing to do, but it could have been done better (the usual benefits of hindsight), and it has cost a lot of money and resources. DE&S is however now in a much better position to build on its skills to deliver to the military customer and the tax payer.

The webinar concluded with a lively and engaging Q&A session.

Martin Gosden

SWWE Branch Co-Chair