

MILITARY PROCUREMENT MANAGEMENT SYSTEM AFTER 1989

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Abstract: *The article analyses the military procurement system after 1990. After 1989, in order to absorb quantitative oscillations and shocks specific for military orders, sectors of manufacturing consumer goods have been created alongside the production of military equipment. The new defense procurement system is a single system. Under this system, military procurement includes research, development, testing and evaluation, production, and maintenance equipment operational units of combat.*

Keywords: *military production, military acquisition, military procurement programs, research, development, testing and evaluation*

1. INTRODUCTION

After 1990, former European communist companies underwent unique changes on a large scale, which involved simultaneous development of several processes: large-scale institutional changes, economic restructuring (primarily industrial), structural adjustment and macro stabilization. Usually, the general population does not realize the extent of such changes. For this reason, different perceptions persist about the real changes and the speed of making them, features interpreted differently on one hand by the population and politicians on the other. These different interpretations act as a source of social tensions and seeds for flawed macro-measures.

One of the most contentious aspect of this period is the requirement for reallocation of resources and the system's capacity in undertaking rapid changes. In Eastern Europe, particularly in Russia, economy's structure and to a small extent the allocated resources, have made the system to be extremely limited and sensitive to internal and external shocks

Reallocation of resources and industrial restructuring requires privatization. In order to accelerate this process, in the case of pronounced economic downturn and acute shortages of local funds for investment, direct foreign investments, mobilization of all domestic resources, especially human resources, political will and political consensus are essential.

The so-called "benefits of peace" that led to the conclusions of the "Treaty on the Non-conventional armed forces in Europe", signed in Paris on 19 November 1990, led to massive reorientation of the military allocated resources towards the civilian sector.

For the national defence industry the keywords are: re sizing, restructuring and increase in effectiveness based on economic and necessity criteria, revamping the competitive sectors, privatization, clustering into businesses and national companies, mixed structuring, civilian production, including the use of dual technology, alongside military production, reorientation of surplus staff.

Also, in order for the surplus staff to avoid diminishing their skills, staff which was specialized in "buffer" economic units, and in order to attract them in need, ways were needed to be found to utilize them.

Furthermore, other keywords are as follows: conversion of some capacities, participation in integrated allied programs of research and development.

To carry out the national defence missions, or those resulting from participation in alliances with other states, to provide an effective support for humanitarian missions, the armed forces need equipment to cope with both the extended field of action, in particular for offensive maneuvers, as well as with environmental conditions.

The defence industry envisions the armed forces as a potential market, the national authorities as clients and the troops that use these resources as the actual consumers.

The task of this industry is to design, develop and produce, mainly in close cooperation with the authorities responsible for signing contracts, the required defence equipment and in the case of extensions to ensure their absorption in third markets.

Because state-subsidized companies are an obstacle both to international cooperation and to industrial strengthening and companies receiving state protection are not profitable in the long run and cannot remain competitive, Romanian military enterprises have been privatized, most focusing on European cooperation.

In the context of international alienation, the international cooperation programs have pointed out difficulties in sustaining competition.

Competition is the most important factor in driving the process of reorganization and modernization of the arms industry.

It stimulates the design in the respective field and the development of the products; cost reduction encourages trade with the necessary equipment based on economic principles and allows governments to acquire defence equipment by applying the "best value for the money" principle.

2. THE INFLUENCE OF GLOBAL ENVIRONMENTAL CHANGE ON MILITARY PROCUREMENT PROGRAMS

After 1990, global environmental alterations have drawn changes in technology markets, labor, production, organizational conglomerates, and emphasis on leadership and organization structure.

Technology has moved from an electromechanical base to a computerized base. Markets that previously were stable are now dynamic and rapidly changing.

Labour based on muscle strength has turned into brainpower – the time of the white-collar worker has arrived.

Manufacturing went from mass production to a consumer-based production. Instead of focusing on management, organizations are now focusing on customers, and switched from a horizontal to a vertical, team-oriented hierarchical structure.

These changes have brought about a series of amendments in the methods of organizational approach. In the past, organizations have focused on domestic activities; they used fixed goals for performance, set relations in a hierarchical framework, concentrated decision-making process in the hands of the general manager and used a control-based leadership style.

Today, the organization's focus is outward-oriented due to the global changes in business. Instead of fixed goals, continuous improvement represents the basis for performance. Workers' relationships are now team oriented and not hierarchical. The employee and not the leader holds the power.

Drastic labour and budget cuts within the Ministry of Defence resulted in major changes in the acquisitions methodology - fewer funds, fewer people and fewer programs. These major changes in the MoD environment led to consequences involving those who work and manage military acquisition workforce. These consequences include the need for effective leadership and management, the need for flexibility and adaptability and the need for development of the remaining workers.

Because global changes also took place within the Ministry of Defence, the most effectively type of leadership style changed from a supervisory management to a participatory management, and then teamwork. Supervisory leader explains decisions, directs people, trains them, leads, resolves conflicts and reacts to decisions.

Participatory leader involves people, gathers data for decision-making, develops individual performance, coordinates group-effort, resolves conflicts and implements exchange.

The team leader builds trust and teamwork, facilitates and supports team decisions, expands the team's capacity, creates team identity, takes advantage of the differences between the teams, and influences the change.

In the past, managers of the military acquisitions program were primarily engaged in planning and financing, organizing and providing personnel, inspecting and problem solving. Today, considering the problems created by the reduction and the changes in the global environment, program managers need to focus on their role as commanders.

They must be proactive in setting the course of programs, aligning personnel with the scope of the program and motivating people.

The activities of the acquisitions manager take place in the framework of global changes. As a result, a modern acquisitions manager must understand the "big picture" of how the items given by the suppliers transform into products and customer service.

An open system perspective is useful to allow the manager to understand the complexities of managing the program.

Teams composed of representatives from all functional disciplines working together with an appropriate team leader in order to build balanced and successful programs, identify and solve problems and make healthy decisions on time.

Making decisions for the team based on the entire team's data (e.g. program management, technology, manufacturing, testing, logistics, financial management, procurement and contract management), including customers and suppliers.

Experts have identified seven paradigm shifts necessary for success in the 1990th:

1. The first involves redefining the quality. A new way of thinking about quality has begun since 1980th. This change in quality paradigm involves the following: we don't believe anymore that high quality costs more, we actually know that quality costs less; we don't believe anymore that products should have a short service life, we know that durable products allow a company to increase their market share; we don't think of quality as defined by the technical experts, we know it is defined by the client; we don't think of quality as being synonymous with luxury, we know that is defined as satisfying customer requirements; we don't believe that the current performance

will ensure future success, we know that today's excellence is tomorrow's mediocrity; we don't believe anymore that quality is defined by local competition, we know that we have to measure ourselves against the world's highest quality standards.

2. The second paradigm shift, constant improvement, comes from the belief that people are determined to improve and that improving will give meaning to work. Continuous improvement is determined by the client and requires a focus on the customer and constant examination of the value they receive every step of the process.

3. Third paradigm shift recognizes that people make the difference. The employees are the blood of the company. Employees are catering to customers, are improving the processes and are always thinking of a better way in which to do their jobs.

4. The fourth paradigm shift is improving the process against the result. A step from the exclusive concern of obtaining results to a concern that focuses on how to get results - focus on process.

5. The fifth paradigm shift is systemic thinking/approach. It is a step from a reduction-driven culture (where trying to gain a greater understanding of things by dividing them into the smallest possible pieces) towards a system-designing culture (where we are trying to gain an understanding seeing how parts fit throughout). The synergy, the total is greater than the sum of its parts, comes from partnerships with customers and suppliers.

6. The sixth is a shift towards a horizontal structure, thus replacing the vertical functional organization, which becomes dysfunctional. Horizontal structure represents the way in which the work is done. As a result, managers act as coaches who are providers that add value to the process operators - workers.

7. The last (seventh) paradigm shift involves teams as a system. A team system is formed when individual teams are linked with other teams of the organization in relation to the client-supplier chain. Having a dynamic partnership between any two depending teams results in perfect execution.

Process improvement teams have the opportunity to become a team system - a team of teams

Fixed organizations are the ones that did not adapt to the new paradigms. These organizations are managed from within and are functionally concentrated and focused on management.

Fixed organizations are managed from within - they make decisions based on their professional or departmental interests and not on renewed information regarding the customers' changing needs. Also, are functionally concentrated - are organized as a collection of separate functional departments and spend time and energy while competing with each other for resources and rewards. The overall impact of this type of concentration is a reduction in quality and an increase in time and costs. Finally, organizations are focused on management. Leaders see themselves as key players in the organization and assume the need to control almost everything. Often, these result in the denial of information, skills, experience and authority that workers need to improve the processes.

By contract, organizations that have adapted to new paradigms of the 1990th are called dynamic organizations. They are customer-driven, focused on process and involves employees.

Dynamic organizations are customer-driven, so they can rapidly and continuously understand, meet and exceed customers' ever-changing expectations. They cover the gaps between functional departments by understanding, monitoring, improving and speeding up work processes through horizontal movement within the organization.

Finally, dynamic organizations recognize that the world is moving too fast for managers to know enough things to be accurate in an acceptable manner, to have sufficient time to control occurring events and prevent the organization to become stuck. Thus, dynamic organizations are becoming involved in terms of employees.

They make a systematic effort to build and benefit from the knowledge, skills and involvement of their non-managers.

Because of their proximity to the business processes and customer and due to their numbers, non-managers can quickly know enough things in order to improve business processes.

These paradigm shifts have triggered the need for leaders and managers to change their roles. In the old paradigm of the early 90th, which defined the traditional environment, maintaining control was the most important task of the leader. As a result, managers determined and planned workload, tasks were clearly defined, training was seen as inefficient, most of the information was considered "management property", the training of non-managers focused on technical skills, risk taking was discouraged and punished, people worked alone, rewards were based on individual performance, and managers determine the "best practices". A team environment emerged with the advent of new paradigms for the 1990th. This new environment has made the anticipation of change to be the most important task of the leader. As a result, managers and team members jointly determine and plan work, tasks require broad skills and knowledge, and training is the norm.

Moreover, most information is freely shared at all levels, continuous learning requires interpersonal, administrative and technical training for all, reasonably risk-taking behavior is encouraged and supported, people work together, the rewards are based on individual performance and also on contribution to team performance and everyone works to continuously improve methods and processes.

A leader needs different type of skills for being successful in a traditional environment compared to teamwork-based environment. We will take into account the skills and characteristics of a supervisory leader, a participatory leader and a team leader.

Supervisory leader has the ability to direct people, to explain decisions, to train individuals, to contain conflict and react to change.

This type of leader highlights the downward authority of his position, which is sufficient in the traditional environment but not in a team-based environment.

Participatory leader has developed abilities to work with the employees and not just command them. This type of leader involves people, gathers data for the decision-making process, enhances individual performance, coordinates group effort, finds a resolution for conflicts and implements changes.

Team leader steps away from “controlling” and focuses involvement and responsibility by sharing command. This type of leader builds trust and enhances teamwork, facilitates and sustains team decisions, foresees and influences changes.

3. MILITARY PROCUREMENT MANAGEMENT SYSTEM

Given the significant changes in the Romanian society after 1990, both in economy and in the new defence policy guidelines and also in the general structural transformation, the Armaments Department aims to match the requirements of the NATO standards in terms of procurement management concept and of own’ and subordinated structures’ organizational chart.

In this respect, data was analyzed over a period of several years regarding structure and procurement management system of traditional NATO countries. Study visits and presentations by experts from these countries provided the information in order to achieve and implement a similar system. To create the capability of introducing a new procurement system, the Armaments Department underwent constant restructuring.

The new defence procurement system is unique so that the Ministry of Defence plans, develops, acquires and maintains the fighting techniques, equipment, establishments and services. The system includes regulations and procedures designed to identify and prioritize the necessary resources, to coordinate and control the process, to sign contracts and report to relevant entities (Government, CSAT, Parliament).

Under this system, acquisitions include research, development, testing and evaluation, production, supplying the operational units and maintenance of fighting technique.

Starting from the basic principle that, in the field of procurement, one person having full control is not possible, regulations and procedures govern the procurements integrated-management framework.

In the decision-making process of acquisitions, three systems that are involved, interact and ensure the effectiveness of decisions:

- The issue of requirements;
- The procurement management system;
- The planning, programming and funding system.

The issuing system of requirements is the responsibility of the General Staff and the staffs of all armed forces categories and is led by the Supervisory Board of Requirements. In the context of changing threats, political line, orientation, military strategy and tasks, these components of Ministry of Defence must constantly assess the current capacity as opposed to the required capacity in order to identify any inconsistencies between them, hereinafter deficiency.

Once identified, these deficiencies must be resolved, and as a first measure should be taken into account changes in organization, doctrine and tactics and eventually additional training.

These alternatives, called immaterial alternatives, are primarily taken into account due to the relatively low cost and ease of implementation.

In certain cases, this analysis can be performed through a detailed evaluation, called Domain Analysis Mission (DAM). If it is necessary to adopt a material solution, then the Mission Needs Document (MND) is drafted and respectively the Operational Requirement Document (ORD), the activity which presents the deficiency or the new technological possibilities within a MND which refers to general operational capacities.

These documents are revised by the Requirement Oversight Council (ROC) for validation and approval by the Chief of General Staff. After this step, they are submitted to the Department for Armaments for triggering the procurement program.

Procurement management system is the responsibility of the Department for Armaments, being led by the Procurement Council – CODA – and is regulated by the Ministry of Defence instruction 1000.2, which refers to:

- Structuring the acquisition process on the following phases: concept study and selection, system defining, technological development, production and delivery to troops, handling and logistic support. The transition from one phase to another is done by major decision points, on which occasion take place the assessment on the fulfillments of the requirements, the costs and risk projected by the program;

- analyzing several alternatives prior to starting an acquisition program, taking into consideration the latest technological achievements as well as the specific information of the acquisition programs;

- Procurement contract to take into account fair allocation of risk between Ministry of Defence and producer;

- Assigning the execution of the programs will be made based on competition;

- Costs, implementation schedule, performance parameters will be established at the beginning acquisition program, and will be evaluated and adjusted throughout the program

- The decision in the major decision points will be made at the appropriate level, but the lowest possible one.

4. CONCLUSIONS & ACKNOWLEDGMENT

Planning, programming and funding processes are directly subordinate to the Minister of Defence and are responsible for providing the requirements and funds necessary for developing procurement programs, as well as setting, together with the two other systems, the priorities in resource allocation included in the budget law. Planning, programming and funding processes are cyclical, every couple of years, being led by the Council for Planning and Resource Allocation, which is chaired by the Minister of Defence. This Council includes the Head of the General Staff, Secretary of State for Procurement, Chiefs of Staffs of all categories of armed forces and the Manager of Financial Division.

Every couple of years, the Directive for Defence Planning is developed, which includes, for a preliminary budget, the strategic military objectives, provisions concerning the use of defense resources in order to ensure the best capabilities for the armed forces (training, equipment, logistics, and infrastructure). This Directive is subject to review by the Council for Resource Allocation while the Minister of Defence approves it.

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