

OUTSOURCED PROCUREMENT TRAINING FOR DEFENCE IN AUSTRALIA

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ABSTRACT. The Defence Materiel Organisation, a prescribed agency within Defence, has responsibility for Defence procurement in Australia. Defence for over ten years has outsourced the training of procurement personnel to the private sector. One of the providers is DeakinPrime, commercial arm of Deakin University. Training of the procurement professionals has been targeted at simple and complex levels, with an earlier focus on strategic procurement. The current training is accredited, although not at undergraduate and postgraduate levels. This case study will highlight the successful partnership between Defence and the private sector, allowing Defence to concentrate on its core business. Also included will be the impetus for change in procurement training to meet the professionalisation initiative to upskilling and professional development of Defence personnel.

INTRODUCTION

Deakin University and DeakinPrime

DeakinPrime is the commercial arm of one of Australia's leading distance education universities. DeakinPrime was established in 1993 to provide integrated education, training and development programs for professional associations, corporations and government agencies. DeakinPrime currently delivers to Defence both simple and complex procurement units as part of an accredited award. DeakinPrime has been

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a partner with Defence for over ten years in the delivery of accredited competency based procurement training. DeakinPrime also developed and delivered a Graduate Certificate in Strategic Procurement to Defence between 1995 and 2000.

In 2005, DeakinPrime was successful in two major tenders for the Defence Materiel Organisation (DMO). The first was the design, development and delivery of Business Acumen training across the organisation. The second is the provision of education and training services through a strategic partnership. For the provision of DMO education and training services DeakinPrime proposed that a DMO corporate university be established.

Defence in Australia

The Australian Department of Defence is relatively small by international standards, with 71,088 military and reservist personnel and 17,754 civilian personnel.¹ Whilst small in size its three service arms are well equipped and active offshore.

The Australian Defence Forces are actively involved overseas in Iraq, Afghanistan, Sudan, Egypt, Solomon Islands and more recently Timor-Leste.

The Defence Budget for the next financial year 2006-2007 consists of funding of AUD19.6 billion (Euro11.6 billion, USD14.8 billion). This maintains Australia's Defence spending by the Australian Government at 1.9% of our Gross Domestic Product. This is an increase of 11% from the result for 2005-2006 and is 9% of total Government spending. The Government is committed to a real increase in funding for the next ten years.²

Defence is proposing major capital equipment purchases of AUD51 billion (Euro30.1 billion, USD38.4 billion) over the next ten years. This is detailed in the new Defence Capability Plan 2006-2016.³ New heavy lift aircraft, air warfare destroyers, large amphibious ships, helicopters and the Joint Strike Fighter are features of the new Defence Capability Plan. In global terms Australia ranks number 13 of the countries with the highest military expenditure in 2005.⁴

Defence procurement is often in the media in Australia, especially when there are problems with the procurement process and outcome. The

focus of a lot of the attention in the media is on cost blowouts, problems with equipment and schedule slippage for major acquisition projects.

Within the Department of Defence, acquisition of capital assets and the sustainment of these assets is the responsibility of the DMO. The DMO is a prescribed agency within the Department of Defence, giving it a separate identity and with the desire to become a more business like organisation. In the 2005-2006 financial year the DMO will spend AUD7.2 billion (Euro4.3 billion, USD5.4 billion) on acquiring and sustaining military equipment and services. This will rise to over AUD8 billion (Euro4.7 billion, USD6 billion) in 2006-2007. This represents approximately 40% of Defence's annual budget.

Professionalisation in the Defence Materiel Organisation

The vision of the DMO is to become the leading program management and engineering services organisation in Australia. To achieve this vision the organisation is pursuing six themes, including professionalising its workforce and encouraging lifelong learning.⁵

Professionalising its workforce includes the provision of education and training programs for its procurement professionals. The aim of these programs is to ensure that DMO procurement professionals attain qualifications and status compared with their industry counterparts. To support the professionalisation agenda, the DMO has established a corporate university. The DMO Institute is located on site and offers accredited and non-accredited education and training programs at vocational and tertiary level. The establishment of the DMO Institute is a practical commitment to professionalising its workforce through high quality education and training that is job-ready and designed to award formal qualifications, where appropriate.

Defence industry

Australia's defence industry spans four major sectors:

- Maritime
- Aerospace
- Land, weapons and munitions
- Electronics

The electronics sector has the largest turnover. In terms of employment the industry represents less than 1% of the overall Australian economy. The defence industry comprises a relatively stable core of large (prime contractors), medium and small companies who devote all or part of their capacity to defence or defence related businesses on a long term basis. The core is supplemented by a large number of small and medium sized companies who enter or leave the defence market on a contract-by-contract basis.

The core of ten defence suppliers accounts for at least 60% of the total defence industry sales in Australia. All but three of these ten are at least 50% foreign owned by parent companies in the United States and Europe. None of the largest players are listed on the Australian Stock Exchange.

A feature of the industry over the last ten years has been the change in ownership amongst some of the prime contractors. There is also a big gap in size of the prime contractors (average of over 1,000 employees) to the companies outside of the top ten (less than 200 employees). The defence industry supports 19,000 jobs in Australia, with a third of these located in regional Australia.

Skilling and skills shortage

Australia is facing a significant shortfall in the quantity and quality of professional, technical and trade skills in Defence and defence industry. In order to deliver and maintain the current and proposed defence equipment, will require people with a range of skills and qualifications. Up to 5,000 additional engineers, technicians, trades people, project managers, procurement and contract managers will be needed by Defence and defence industry over the next decade.

Defence is addressing the skilling and skills shortage by investing 0.5% of the money spent on major defence capital equipment projects in generating extra skilled positions. The money will also be spent on upskilling existing employees and improving the quality and quantity of skills training in defence industry.

DEFENCE PROCURMENT POLICY AND TRAINING

Policy

The DMO is the business process and policy owner for all Defence procurement in Australia. This policy is outlined in the *Defence Procurement Policy Manual*.⁶ The manual is the primary reference document for all Defence procurement. It incorporates the *Commonwealth Procurement Guidelines*⁷ and is intended to be used in conjunction with other Defence documents, contracting templates and applicable legislation. The General Counsel Division within DMO is responsible for Defence procurement policy, which includes policies regarding training for all personnel involved in procurement.

Training

Delegates exercising financial delegations for all procurement (simple, complex and strategic) are required to meet procurement and contract management competency standards or to have sought advice from a person holding the relevant competencies prior to exercising the delegation. Training is recommended for all personnel involved in the procurement process, whether or not they exercise financial delegations.

The General Counsel Division of DMO as the policy owner is responsible for the analysis and evaluation of procurement and contracting skilling, mandatory and recommended skill requirements and the content of Defence procurement and contract management courses.

The Defence Business Training Centre (DBTC), part of the Defence Personnel Executive, is responsible for the development and delivery of portfolio-level business training, including procurement within Defence. Defence is a nationally recognised Registered Training Organisation (RTO) and is able to issue national qualifications in a range of subject areas, including procurement.

The DBTC has developed a suite of training for simple and complex procurement that can be delivered face-to-face, via distance education and also flexibly. Defence personnel who have completed similar training may apply for recognition of this training and possible advanced standing. Nationally recognised statements of attainment are issued by Defence upon successful completion of the training and competence recognition. The procurement training courses are aligned to the Public Sector Training Package.

Simple procurement

The simple procurement course is assessed against the Public Sector Training Package unit of competence Undertake Basic Procurement. It is delivered face-to-face over two days including assessment and is available in distance delivery and online mode.

Complex procurement

The complex procurement course is assessed against five Public Sector Training Package units of competence. These are:

- Establish Procurement Need
- Develop Requests for Offers
- Receive and Select Offers
- Administer Contracts
- Dispose of Assets

All five units are delivered face-to-face over eight days. Assessment for each of the units is conducted in separate workshops, approximately four weeks after the delivery of the units. All of the units have been converted into distance delivery mode, although face-to-face delivery is the predominant mode of delivery.

Both simple and complex units of competence are at the Certificate IV level in the Australian Qualifications Framework.⁸ The Australian Qualifications Framework is a unified system of national qualifications in schools, vocational education and training providers and the higher education sector.

The six units form part of the Certificate IV in Government (Procurement) qualification. Defence is the Registered Training Organisation and issues statements of attainment for successful completion of the units of competence for both simple and complex procurement.

The simple and complex procurement courses are customised to Defence's needs and requirements and include Defence specific examples and case studies. The strength of the courses lies in this customisation, as a generic off-the-shelf product would not have met the business need for Defence in Australia.

Strategic procurement and contract management

At present there are no courses developed for Defence personnel in strategic procurement. A training needs analysis was conducted by one of the current procurement panel members in 2005 and to date the outcomes has not been released by Defence.

DeakinPrime developed and delivered a Deakin University Graduate Certificate of Strategic Procurement to Defence between 1995 and 2000.

A number of contract management courses have been developed and delivered by private providers. The training has not been accredited and has been under contract to individual business units within Defence. This decentralised delivery of the face-to-face courses has been on an ad hoc basis and has been evaluated as not meeting the skilling needs of Defence.

OUTSOURCING OF THE PROCUREMENT TRAINING

In 1995, DeakinPrime developed the original Certificate IV in Public Sector Procurement for the Australian government and the Graduate Certificate of Strategic Procurement for the Department of Defence. In 1998, DeakinPrime was selected to develop and deliver an upgraded Certificate IV in Public Sector Procurement.

In the first half of 2001 the Department of Defence issued a request for tender for a Standing Offer panel of providers for the delivery of competency based training and assessment services for procurement. The period of the Standing Offer was for a maximum of four years to 30 June 2005. Two organisations were selected to join the panel, including DeakinPrime. The other organisation was a Sydney based, privately owned Registered Training Organisation, comprising a number of former military personnel.

The Standing Offer was managed by the Defence Business Training Centre in Canberra. No guarantee of services under the Standing Offer was made until a Contract was created. A Contract was created through the issue of a Service Order for services required.

The range of services to be provided included:

- Face-to-face training delivery

- Design and development of learning materials
- Assessment services
- Reproduction and distribution of training materials

The services were on an as required basis, with training to be delivered Australia wide. During the four years of the Standing Offer, over 250 workshops were successfully delivered by DeakinPrime, in all capital cities and regional centres of Australia. DeakinPrime did not provide services for design and development of learning materials. The majority of the training delivery was for complex procurement courses.

Regular meetings were held between DeakinPrime and DBTC to evaluate progress against the desired outcomes of the Standing Offer. Both parties agreed that the outcomes were largely met as all training requests were fulfilled and the only concerns were for the low completion rates for the assessment of competency. The assessment was completed post training and in our experience less than 50% of those who attend the training, go on to complete the assessment. This represents a low return on investment for the Defence procurement training. The issue of assessment was addressed through the design of a new course in 2005 and implemented in the new panel in the second half of the year.

The relationship between DeakinPrime and Defence was cooperative and developed into a partnership in the management and administration of the procurement training. The management of the Standing Offer was at a distance with DBTC located in Canberra and DeakinPrime in Sydney and Melbourne. Communication was effective and was characterised by openness and responsiveness. There was a high turnover in Defence personnel involved in managing the Standing Offer panel. In DeakinPrime the management team was relatively stable.

Current panel

In February 2005 Defence, through the DBTC, issued a request for tender for the establishment of a panel of providers for the delivery of training in procurement. The period of the Standing Offer was for a maximum of five years up to 30 June 2010. Four organisations were selected to be included on the panel, including DeakinPrime. The other organisations selected were two privately owned Registered Training Organisations, and a government funded vocational education provider.

The training is to be conducted across Australia at both Defence and non-Defence establishments, similar to the previous panel. The range of courses included both simple and complex procurement. A change from the previous panel was the inclusion of extra training. The additional training to be delivered under the Standing Offer included strategic procurement, contract management, intellectual property and project management. To date none of the additional training has been developed and delivered, except for a pilot project management course.

The most significant change in the delivery of the procurement training in the current arrangements is the assessment of competency for the five complex units. The new course provides for separate assessment workshops approximately one month after the delivery of the training. Assessment is completed in the workshops and there has been an increase in the completion rates, as a result of the new assessment process. The other change has been the reduction in the size of the workshop groups to 15 maximum from 25.

Since the beginning of the new panel on 1 July 2005 DeakinPrime has continued to deliver the training Australia wide. In the second half of 2005 63 workshops were successfully delivered and we have over 70 workshops scheduled for delivery in 2006. A change implemented by DBTC in 2006 has been the introduction of a workshop bidding process for the four panel members. The DBTC issued a schedule for the year and invited the panel members to bid for the delivery of workshops. This has provided further transparency for the panel members in the total pool of workshops and the resultant share of the business to a provider of the procurement training.

OUTSOURCING THE OUTSOURCED TRAINING

Management of the Standing Offer is retained through a DeakinPrime contract manager. This involves a senior manager dedicated to the project who is the key point of accountability for all aspects of the services rendered and manages the relationship with the DBTC. This involves detailed project management and continual formal monitoring of progress to maintain standards according to the Standing Offer.

The manager draws upon the resources within DeakinPrime to undertake the required services. Our standard is to give immediate, same-

day responses and aim to ensure that there is a high level of confidence and trust with Defence.

DeakinPrime's approach to the provision of services arising from the Standing Offer is to outsource, where possible. In this case the delivery of training, reproduction and distribution of materials and the assessment services is outsourced by DeakinPrime.

DeakinPrime's business model is not to retain the services of facilitators for delivery of training as employees; rather we subcontract to individuals and organisations. All facilitators delivering the procurement training have been subject to a credentialing process, prior to being contracted. This is in accordance with mandated standards in the Australian Quality Training Framework⁸ and that specified by the DBTC.

All facilitators' quality assured by DeakinPrime are contracted and minimum service standards are specified in all contracts. We are committed to ensuring the quality of the contracted facilitators through a number of quality checks and audits. These include mandatory facilitator induction sessions and the citing of original documents and information such as certificates of insurance and qualifications.

All courseware printing and dispatch for training delivery and assessment workshops is outsourced, which is managed by a dedicated production coordinator within DeakinPrime.

The outsourcing of services under this Standing Offer has been successful and continues a business practice well established within DeakinPrime. This practice contributes towards providing Defence value for money in the provision of procurement training across the organisation. For DeakinPrime the procurement training has been a profitable account, with margins in line with government work of this nature.

GAPS IN DEFENCE PROCUREMENT TRAINING

There are a number of gaps in Defence procurement training which have been identified through our work with Defence.

Contract management and strategic procurement

One major gap is the lack of training and education in contract management and strategic procurement. DMO has entered into a large number of major contracts and is proposing some significant strategic priorities for new equipment over the next ten years. Defence spending by the Australian government is growing each year and the defence industry is booming.

There is a critical need to design, develop and deliver training in contract management and strategic procurement for Defence personnel involved in these major contracts. The Graduate Certificate of Strategic Procurement delivered by Deakin University between 1995 and 2000 met the need for education and a similar course could provide a solution to demand for education and training in strategic procurement.

Education pathways

The lack of education pathways for Defence personnel involved in procurement and contract management is a problem which requires addressing by Defence and the education and training sector. At present the six procurement units in simple and complex procurement are part of the specialist qualification Certificate IV in Government (Procurement). Defence personnel attaining the six units of competency require a further nine in order to gain the qualification. The award does not articulate into higher education awards focused on procurement. At present Defence only support and mandate the six units and not the qualification.

There are only a small number of universities in Australia offering procurement undergraduate and postgraduate qualifications. At the undergraduate level procurement is offered as a major or elective only. These qualifications would need to be tailored to Defence and their business needs to be mandated to personnel involved in procurement. A customised procurement pathway would be necessary for Defence and it is up to the education sector to take the lead and develop the pathway as the demand for such a course could potentially be strong.

Professional certification

In tandem with education and training Defence recommend that personnel involved in procurement should be certified by a peak professional association or body. In Australia there has not been a dominant professional body representing the procurement profession and

this has been a gap for those in Defence procurement. The recently established (2005) Chartered Institute of Purchasing Supply Australia (CIPSA) could be the professional body for certification of procurement professionals within Defence.

Procurement reform

In mid 2005 the General Counsel Division of DMO announced a major reform of procurement processes in Defence. One initiative is the Procurement Improvement Program (PIP) which is a strategic review of all procurement and contracting policies, practices, templates and training. The major reform of procurement, once implemented will render the current training out of date and necessitate the roll out of new procurement training for Defence, as well as defence industry.

An update of the reform of procurement in Defence was provided in June this year at the Defence+Industry conference in Canberra. Some of the changes foreshadowed will include the requirement for skilling plans in request for tenders, new contracting templates, e-commerce tools and professionalising of the procurement workforce through the DMO Institute.

Defence and industry training will be required in the new policies, practices and templates. The PIP and its implementation is the most appropriate point in time to address the gaps in procurement and contract management education and training and professional certification.

ADVANCING PROFESSIONALISATION IN PROCUREMENT

The DMO is one of the largest contracting organisations in Australia and is currently undergoing major reform to improve the way it buys and maintains equipment for the Australian Defence Force. One of the means of bringing about this change and reform of DMO is professionalising the workforce and encouraging lifelong learning. Professionalising the DMO workforce will incorporate both upskilling through accredited education and training programs and certification with key professional bodies.

In 2005 DeakinPrime was selected as DMO's strategic education and training partner in driving the professionalisation of its workforce. One of the key initiatives for the professionalisation is the establishment of a

corporate university within DMO. The aim of the initiative is to align all corporate education and training with the business objectives of the DMO.

The professionalisation initiative will cover all practitioner, vocational and higher education across DMO. This will include procurement and contract management education and training.

Corporate university

The DMO Institute was officially launched in February 2006 with the signing of a partnering agreement between the DMO and DeakinPrime. The DMO Institute follows the establishment by DeakinPrime of Australia's first corporate university: the Coles Myer Institute.

All of the corporate learning and development programs designed, developed and delivered through the Institute will be tailored to the requirements of DMO and will include organisation specific content, scenarios and case studies.

A major feature of the Institute is the outsourcing of the DMO training administration function to DeakinPrime. DeakinPrime has established the Institute within the Canberra DMO office, with a team of management and administrative staff. The DMO Institute is a virtual entity, which contrasts with the bricks and mortar US Defense Acquisition University. The DMO Institute is very similar to the US Federal Acquisition Institute, which has contracted a private provider to manage career management programs for the acquisition workforce. The Defense Acquisition University and Federal Acquisition Institute have entered into a partnership to provide the civilian and defense acquisition workforce training and development opportunities tailored to their business environment.

Procurement and contract management

One of the main priorities of the DMO Institute in 2006 will be the design, development and delivery of procurement and contract management education and training, which is aligned to business practices. The Institute will engage with DMO subject matter experts during the design and development phase and will also benchmark internationally to ensure the best courses are offered to DMO personnel

in procurement and contract management. The Institute will aim to offer accredited courses and align with a professional body for certification.

The procurement and contract management courses once developed will be made available to Defence and defence industry. It will also contribute to the development of the procurement profession.

The education and training opportunities will continue at the vocational level with updating the current courses and also developing diploma and advanced diploma qualifications. Higher education courses at undergraduate and postgraduate level will be developed in partnership with a selected university.

The DMO institute will also review, develop and deliver practitioner training which includes contracting templates and tools. The goal is to ensure that a framework is developed for the procurement and contracting workforce in Defence detailing levels, qualifications, professional status, knowledge, education, training and workforce.

SUCCESSFUL OUTSOURCING

Defence in Australia has outsourced procurement training to the private sector for over ten years and will continue to do so into the future. DeakinPrime's involvement during this period is an example of successful outsourcing. A benefit to Defence has been that through the outsourcing of training they have been able to concentrate on the priorities of defending Australia and fiscal responsibility.

DeakinPrime has also benefited from this outsourcing through the development of a partnership with Defence. This partnership in the delivery of accredited training in procurement has fostered the development of DeakinPrime's significant track record in delivery of education and training services to Defence. This is culminating in Defence developing into one of DeakinPrime's key clients, now and into the future.

The delivery of procurement training to Defence has also led to DeakinPrime delivering procurement and contract management training to a number of other government agencies in Australia and overseas in Hong Kong.

CONCLUSIONS

Procurement and contract management training for Defence personnel is heading in the right direction with the DMO taking the lead in its professionalisation initiative. The establishment of the DMO Institute will set the agenda for future accredited procurement training across Defence in Australia.

Defence personnel have had access to customised accredited simple and complex procurement training for over ten years in Australia through a successful outsourcing arrangement with the education and training sector. The outsourcing arrangement has delivered value for money for government and has met the business needs of Defence.

ACKNOWLEDGEMENTS

The author wishes to thank the DeakinPrime staff and Defence personnel involved in managing the procurement training delivery under the Standing Offer for their support. Also, special thank you to the DeakinPrime consultants delivering procurement and contract management training across Australia, in particular Laurie Le Fevre and Rob Leach.

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