

Defence projects are often the subject of negative media coverage, including cost over-runs and scheduled delays. Is this a result of poor project management or program management? Does Australia's defence industry have the breadth and depth of skills in these areas to ensure future projects don't become the subject of poor performance.

Executive Summary

Defence projects in Australia deliver 99% of required capability, on average 6% under budget. This contrasts significantly with perceived negative media coverage, and demonstrates the capability and technical skills of project management personnel employed by Australia's defence industry.

However, there remain underperforming Defence projects of concern that are rightly the subject of scrutiny, both in the media and by the Australian National Audit Office. These are often highly complex, long term projects, that include the delivery of capability, and are also influenced by the necessity to deliver program benefits that fall outside of discrete project scope.

It is here, where technical, political, and strategic uncertainty is amplified, that enhanced program leadership skills, rather than enhanced technical project management skills, are required; and here that a skills gap exists for Defence.

Skills required are those of leadership, openness, relationship strengthening, stakeholder engagement, and effective communication; skills that need to be developed and taught, recognising that the application of those soft skills will contribute enormously to determining program success, and how the program is perceived in the media.

To bridge this skills gap, and seek to ensure that future projects don't become the subject of poor performance, the following three recommendations are made:

- Create a Defence wide professional development framework focused on future leaders
- Plan for Success, recognising that leadership & relationships are critical
- Manage the media by establishing a strategic communications team

Rethinking the path to defence program delivery in this way is a key enabler to long term improved complex defence program performance.

Introduction

Unlike private companies, which report to a defined group of stakeholders, public money funded defence projects and programs are subject to the scrutiny of the Australian people, media and government. These projects and programs are also often of an order of magnitude in value which is difficult to comprehend – for example the \$50 billion SEA1000 Future Submarine Program. How does the public reconcile *value for capability*, against a sum of money that is unimaginable and for a capability which many wouldn't appreciate, nor understand the strategic importance of in terms of national security? Added to this are the limitations in information, relating to capability and associated threats, which can be communicated to the public because of the sensitivity of that data, and the necessity to retain secrecy to protect the public and maintain a strategic defence advantage.

Whilst the current publicly accessible Defence policy framework goes a fair way to outlining its policy position, objectives, strategic sovereign capabilities and planned approach, the media focus on specific defence projects and programs is understandable, and unavoidable, especially against that backdrop of high monetary cost and detail shrouded in secrecy. Every cost or schedule overrun will be reported upon, and questions asked.

In reality though, the majority of defence projects deliver the capability required, and within the budget set. The Government Capability Acquisition and Sustainment Group (CASG) report 99% of Material Capability Performance measures being met, with on average projects delivered 6% under budget.

These figures offer basic evidence of excellent technical skills demonstrated by project managers in delivering defence projects at a tactical level. However, there remains room for improvement in these technical skills with the existence of the specific projects of concern list, for underperforming defence projects, a clear indication of this.

Interviews with multiple Defence professionals with a collective 160 years' experience, went further, offering a key message for Defence to '*stop importing capability*'. The message was based on anecdotal evidence of a Defence customer that is heavily resourced with contractors, in lieu of public servants, often from overseas. This highlights an industry skills capability gap, and an inability to attract talent to public roles. Furthermore, it identifies that the tactical recruitment framework aimed at simply delivering projects is not aligned to the strategic objectives of building a sovereign Defence capability; project execution is not delivering critical program outcomes.

Understanding Project Management vs Program Management

Project definition – “a temporary endeavour undertaken to create a unique project service or result.”

Program definition – “a group of related projects managed in a coordinated way to obtain benefits and control not available from managing them individually. Programs may contain elements of work outside of the scope of the discrete projects in the program.”

Pertinent examples of these could be:

- Project – SEA1180 Offshore Patrol Vessel
- Program – Naval Shipbuilding Plan

Management of both Projects and Programs require a mix between the mechanics of Project Management, and leadership through professional judgement, relationship development and management. The term mechanics refers to systems, tools, and processes; the technical skills. Professional judgement refers to the experience that underpins informed professional wisdom and how to handle challenges and issues. Relationship development and management refers to soft skills, which enable the fostering and development of relationships between international partners, subsidiaries, the customer, and suppliers.

Complexity and uncertainty are critical factors that contribute to poor performance for projects and programs, yet the style of management – the mix between mechanics and leadership – required for success is quite different. In projects removal of uncertainty and minimisation of change is sought, whereas in programs uncertainty should be expected, and change embraced to maximise the benefits offered by those opportunities.

It is within programs, where technical difficulty, and political and strategic uncertainty is amplified, that enhanced program leadership skills, rather than enhanced technical project management skills, are required; and here that a skills gap exists for Defence. The nature of programs means it is not possible to map them out perfectly at the beginning, and is misleading to maintain that it is.

Skills required are therefore those of leadership, openness, relationship strengthening, stakeholder engagement, effective communication; skills that need to be developed and taught, recognising that the application of those soft skills will contribute enormously to determining program success; and how the program is perceived in the media. Outside of program delivery, the application of these skills to project delivery would also contribute greatly to reducing the number of projects of concern.

Identification of future program leaders and managers is also key, since success in leading or managing smaller projects is not necessarily a measure of having the skills to manage and lead the major programs, yet those successfully managing smaller projects form the pool from which talent is selected to lead the major programs. For the group selected, pre-program development and preparation is critical. It's an unforgiving place to try to learn; the skills gap needs to be bridged.

Recommendation 1 – Create a Defence wide professional development framework focused on future leaders

Most Defence companies have an internal professional development framework, which is used to identify talent, skills gaps and provide support to individuals to identify development needs, opportunities and grow their capabilities. This activity is local to the company itself and to the individual. It's clear that to have the depth and breadth of skills required (at the time required) to successfully execute the massive suite of Defence programs we need to be more strategic and have a Defence wide approach.

An independently governed Defence industry placement program could compliment organisational based planning, promote greater mobility across the industry and allow individuals to join knowledge of and access to unique capability development opportunities. A Defence wide industry placement program, focused on supporting both the capability development needs and desires of individuals as well as the needs of Defence, to compliment work already been undertaken by others (such as Naval Shipbuilding college) who are focused industrial skills shortages and education programs to ensure the right number of upcoming engineers, technically qualified people and tradespeople and the transfer of know-how and know-why embedded in the Australian Industry Capability strategies of large programs such as SEA5000 and SEA1000, could be a critical enabler to achieving the right breadth and depth of skills.

There is undoubtedly a breadth and depth of capability in Australia in regard to the mechanics of PM. It's been a tertiary qualification for many years, there is an abundance of training and educational opportunities and even for those whom don't choose PM as their core craft, the mechanics of PM, usually forms part of most technical, management and business education, so there is a strong foundation in the mechanics of PM throughout industry.

If there is a gap in the breadth and depth of skills that exists in PM, it would be more related to professional judgement and relationship development and management. Bridging gaps in professional judgement skills is directly related to continuous professional opportunities to gain that valuable experience.

This recommended framework would be Industry wide and focused on mid-level and executive leaders (the future leaders of complex programs). It would focus on leadership skills not technical skills

The role of the framework would include:

- Analysis of industry leadership capability to identify future leadership demands and gaps
- Identify high potential candidates to support
- Provide long term career planning support to identified candidates
- Maintain relationships with defence industry stakeholders as well as other targeted industries (i.e. space)
- Refer candidates to existing opportunities to develop such as SADILP, DISC, industry leaders fund etc.

- Facilitate opportunities for mobility across CoA / primes / SMEs / other complex program industries / allied country programs
- Find meaningful & unique development opportunities to fill gaps in demand for leaders' capabilities (bridging gaps between programs)

This is a different approach to organisational development done at the company level, which usually focuses on opportunities within the company. It is also different from some of the early work of the shipbuilding college which is focused on the broader workforce, trades and skills to build and then sustain platform. They are not bridging the gap to develop the future leaders of these programs.

The outcomes intended to be achieved include:

- Broaden the experience, breadth and depth of leaders ready to lead complex defence programs
- Improving leadership skills to create the right environment for success (culture, relationships, structure etc), to lead through complexity and uncertainty and foster, improve and influence stakeholder relationships, quicker decision making and conflict resolution
- Less reach back on international contractors early in the programs
- Greater relationships between the customer (CoA) and industry as you have leaders whom have walked in the others' shoes
- Increased ability to attract leaders to public service position (part of their planned professional development journey)

Recommendation 2 - Plan for Success – Leadership & Relationships are critical

The procurement process focuses on the product selection not the how the project parties are incorporated to work together, all the players including the commonwealth should identify and agree to a program charter focusing on people and relationship goals leading to success.

Programs need an approach to leadership recruitment with involvement of all parties in the process of selecting the right team - Plan the leadership dynamics, their style, & capability, planning how to bring different culture together, international and business and develop the correct program culture.

How the parties intend to do this needs to be a question planned for in the tender process.

The Air Warfare Destroyer project is a great example of why an alliance was created. They came close to aligning all the key stakeholders, teaching key members language and some culture tips, but this stopped and failed to filter to the shop floor, the project lost their grip on assimilation, leading to angst and division between the international parties and required later work to mend relationships, trust and regain productive momentum.

For example, the production team referred to the knowledge the imbedded Navantia team members held about working on the shop floor as "tribal knowledge, this when translated to the Navantia team was offensive, who began to resent those who used the term.

A plan for the assimilation of international cultures requires consideration to developing a constructive program culture, and then how to you sustain it. When recruiting key management positions one of the focuses should be how they would successfully plan to build a culture that works for all parties.

There are some examples of how we might achieve a better culture that includes; co-location of office space, spend time together in work teams with common project goals, workshop the culture we want for the program through the levels of the company, provide language and cultural lessons to key elements of the team.

Develop a Culture and leadership plan to influence the recruitment of leaders – define the traits in the who, the project is looking for. There should be resources dedicated to cultural assimilation planning & implementation early in the program planning process. Programs must invest time and money on cultural and relationship development activities to find success,

If we get the assimilation (the intangible) right there will be better understanding of the social norms, how the other party is wired, their way of working in the business environment, social cues, writing styles. These are needed understanding so that helpful directions are not miss-interpreted as arrogance or interference.

Recommendation 3 - Manage the media - Strategic communications team

There are many stories about the problems with the major Defence projects. It is challenging to develop and build a capability that may not have been build or even designed before. Cutting edge design adds cost and complexity to a Program that is not always visible to the public.

While we do have strategic communications teams that are embedded into projects, they don't necessarily work across all the major players to ensure the messaging is consistent. Getting on the front foot with the bad news is important to build trust with the Minister's office and the public.

Good news stories or the ones that just provide updates of information, so the public can see what is happening should also be planned. This allows the program to get out there and bring the public along for the journey.

The strategic team should be part of the senior management team, so they can see what is coming and prepare for it. They should be able to work across all the major players in the Program, collating information for the Minister's office. The Air Warfare Destroyer program had a communications and media team that had representation from the Commonwealth, ASC and Raytheon. This ensures the messages are consistent and correct when they are approved to go out and there are no separate messages.

It is important that this team should be one of the first teams implemented into the Program so planning for the stories and engagement with the Minister's office can be done early in the Program. It should be noted that major projects also attract political attention and can be used by our political parties to score points. This type of negative publicity is very difficult to control or influence. However, if you have a team in place that can shape some of the messaging, be consistent and update public information points e.g. websites this may reduce the impact of the negative stories.

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