

Propelled into action

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CATEGORY- Best cross-functional teamwork

WINNER- BAE Systems

With delays and cost overruns threatening to scupper a major submarine project, BAE Systems tackled supplier problems head-on. By Geraint John, Editor-in-Chief, Supply Management magazine.

When it enters service in the summer of 2008 it will be the biggest, deadliest, most powerful (and most expensive) attack submarine the Royal Navy has ever possessed. The Astute class nuclear-powered sub will be 97 metres long, weigh 7,800 tonnes, carry 38 torpedoes and Tomahawk cruise missiles, and be capable of diving to more than 300 metres and travelling at 29 knots. Its second-generation reactor is so sophisticated that it won't need to be refuelled during the vessel's 25-year life expectancy.

And yet Astute has been dogged by delays and cost overruns. According to the National Audit Office's most recent report on major defence projects, the first of the three submarines ordered is expected to be delivered over three and a half years late and cost 35 per cent more than initially agreed (around £3.5 billion).

A major factor has been prime contractor BAE Systems Submarines' complex supply chain, which accounts for most of each submarine's equipment and cost. BAE's lack of knowledge about its supply base aggravated this sense of fragility.

"The problems weren't an accident," says Peter Newman, project director for Astute subs 4-7 at Barrow-in-Furness, Cumbria. "They were a product of the way previous submarine programmes had been managed."

To tackle these problems, a cross-functional team was set up in December 2004, involving staff from procurement, operations and engineering. With the help of colleagues from the MoD and from Birmingham and Lancaster universities, it carried out a study of the supply base. Among the findings was that BAE Systems Submarines was neither as important nor as attractive a customer as many in the company thought. "We needed our supply chain a lot more than they needed us," explains Newman.

In 70 per cent of cases, BAE's contracts accounted for much less than 10 per cent of suppliers' revenues. And yet, because of the specialised nature of submarine equipment and the exacting quality standards required, he notes, "we are asking them to do things that are significantly different from the rest of their business".

Since June last year, the team has been using the information gleaned to mitigate supply chain risk and support the company's bid for the second wave of Astute class submarines. So far, reckons procurement manager Nicola Moore, action has been taken with a third of suppliers.

Newman has been "startled by the innovation, imagination and creativity used by the team in analysing problems".

Murray Easton, managing director of BAE Systems Submarines, adds: "This work to understand and address risk in the supply chain has been fundamental to the activities that have turned around the Astute programme and made it the success it is today."