NATO Agency Reform

Gene E. Warner

US Mission to NATO

8TH Annual Acquisition Research Symposium

Naval Postgraduate School

Monterey, CA

11-12 May 2011

Gene Warner

+32-(0)493-240-355

gene.warner@mac.com

Overview

- NATO's Strategic Change
- Strategic Change and Organizational Structure
- Methodology
- NATO's Current Agency Structure
- Current Reform Efforts
- Comparison With Strategic Change Research
- Conclusions and Recommendations

NATO's Strategic Change

- Alliance has evolved since its founding in 1949
- Now numbers 28 nations
- Acquisition and Procurement relatively simple
  - Nations make voluntary contributions via Force Generation Process
  - Acquisition/Procurement handled by contributing nation
- First Acquisition Agencies established in early '60s
- Now number 14 Agencies
  - Employees over 6,000
  - Business volume of 10B Euro
  - Each Agency has unique governance and funding framework

Agency	Description	Business Function
Central European Pipeline Management Agency (CEPMA)	Manages petroleum pipelines for NATO use in central Europe	Support, Logistics
NATO Air Command and Control System Management Agency (NACMA)	Design, development, and deployment of next-generation NATO aircraft C2 system	Acquisition, Procuremen t
NATO Airborne Early Warning and Control Programme Agency (NAPMA)	Management of NATO airborne early warning aircraft and associated upgrades	Acquisition, Procurement, Support, Maintenance
NATO Alliance Ground Surveillance Management Agency (NAGSMA)	Development of NATO unmanned intelligence, surveillance, and reconnaissance aircraf t	Acquisition, Procuremen t
NATO Battlefield Information, Collection and Exploitation System (BIC E S)	Development and procurement of battlefield intelligence networks	Acquisition, Procuremen t
NATO Communication and Information Systems Services Agency (NCSA)	Support and maintenance of deployed networks	Support, maintenance
NATO Medium Extended Air Defence System Agency (NAMEADSMA)	Development, acquisition, and procurement of ground-based medium-range air defense system	Acquisition, Procuremen t
NATO Eurofighter and Tornado Management Agency (NETMA)	Management of Eurofighter and Tornado aircraft within NATO	Support, Maintenance
NATO Consultation, Command and Control Agency (NC3A)	Development, procurement, and technical research in command and control systems	Research, Acquisition, Procurement, Support
NATO Helicopter Management Agency (NAHEMA)	Management of NATO helicopter assets	Maintenance, Logistics
NATO Maintenance and Supply Agency (NAMSA)	Logistic support to NATO systems	Logistics
NATO Airlift Management Agency (NAMA)	Management of heavy fixed-wing airlift capability	Maintenance, Logistics
NATO Standardization Agency (N S A)	Standards developmen t	Support
Research & Technology Agency (R T A)	Harmonization of Allies research and technology efforts	Resear ch

Strategic Change and Organization Structure

- Strategy and structure are linked (Chandler, 1962)
  - Organizations re-structure to accommodate strategy
  - Converse can happen but not as common
- Organizations change strategy in response to internal and external forces (Porter, 1980)
  - Function of suppliers, customers, market rivalry, substitutes, and barriers to market entry
- Strategic choices are critical (Child, 1972)
  - Leadership must deal with dominant coalitions in the organization
- Strategy & structure change sporadically in successful organizations (Mintzberg, 1978, 1985)
  - Function of strategy is to keep organization on course
  - Strategic change is necessary for organizational success

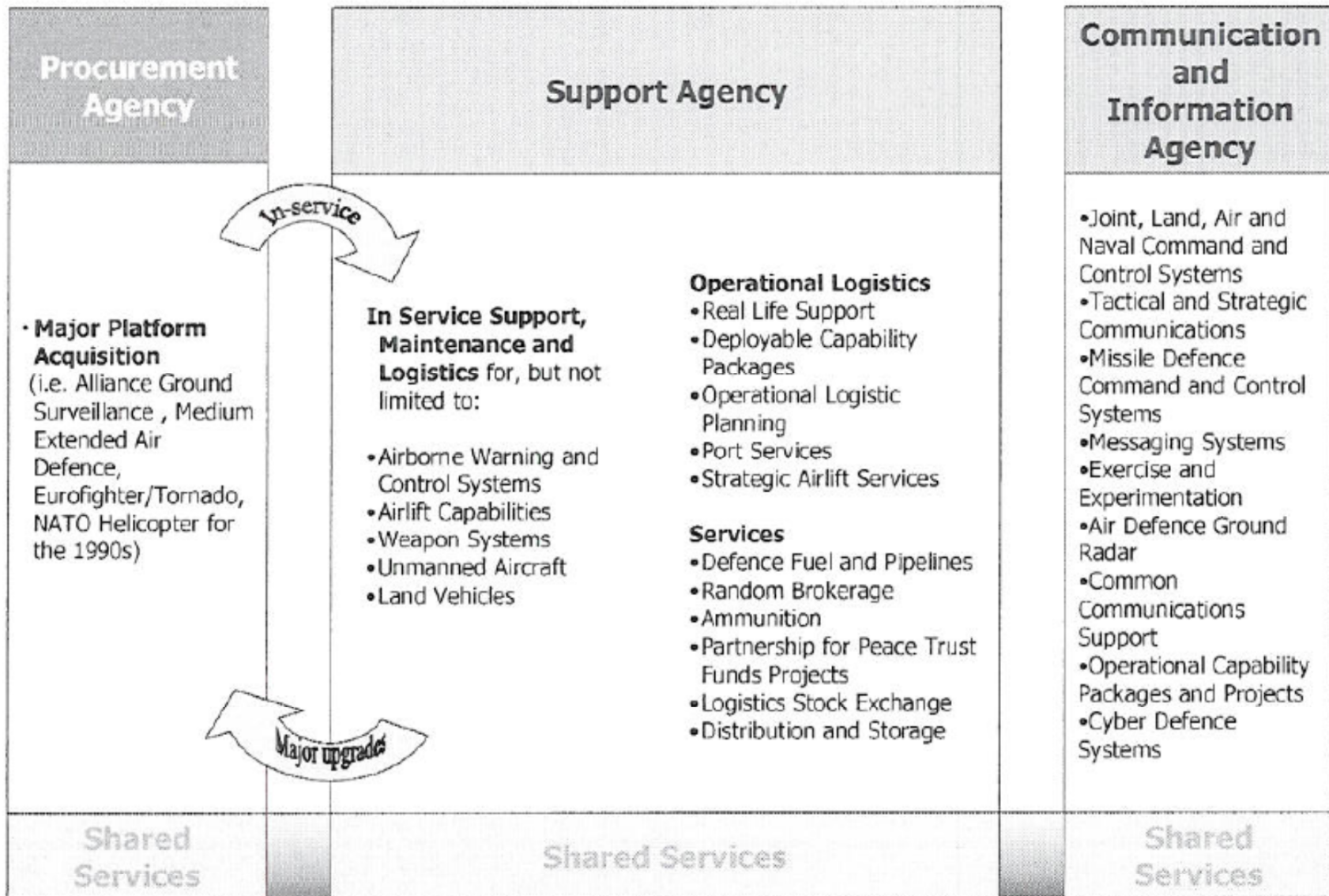| Author, Year	Domain	Methodology	Research Type	Paradigm
Chandler, 1962	• Strategy Formation • Strategic Management • Organizational development	Longitudinal Study	Qualitative & Quantitative	Structure dictates strategy and vice-versa
Child, 1972	• Strategy Formation • Organizational Development	Literature review	Meta-Study of existing literature	Strategy as conscious choice vice reaction to environment
Mintzberg, 1978	• Strategy Formation • Strategic Management • Organizational development	Longitudinal Study	Qualitative & Quantitative	Strategy as organizational learning
Porter, 1980	• Strategy Formation • Strategic Management • Organizational Development	Literature Review	Meta-Study of existing literature	Strategy as position within a marketplace
Mintzberg, 1985	• Strategy Formation • Strategic Management	Longitudinal Study	Primarily Quantitative	Strategic change as a cyclic occurrence

Methodology

- Review of research literature
- Collection of NATO documents and decisions
- Selected interviews
- Comparison of NATO's efforts with research literature
  - Strategy formation
  - Strategic change management
  - Organizational change and implementation
- Limitations
  - Agency Reform is evolving
  - Process is not complete
  - Data selected not comprehensive

NATO Agency Reform Summary
(June 2010 - Lisbon Summit November 2010)

- SYG describes Agency Reform goals
  - Increased efficiency, 20% savings in cost, increased transparency and governance
  - Consolidate 14 Agencies into 3
    - Procurement, Support, Comms and Information Systems
    - Common governance structure
    - Agencies direct report to North Atlantic Council (NAC)
- NATO Agency Reform Team (NART) formed
  - Volunteers from delegations
  - Driven by SYG private office and international staff
  - Agencies initially not consulted or participating

Procurement Agency

· **Major Platform Acquisition** (i.e. Alliance Ground Surveillance , Medium Extended Air Defence, Eurofighter/Tornado, NATO Helicopter for the 1990s)

In-service

Major upgrade

Support Agency

In Service Support, Maintenance and Logistics for, but not limited to:

• Airborne Warning and Control Systems
• Airlift Capabilities
• Weapon Systems
• Unmanned Aircraft
• Land Vehicles

Operational Logistics
• Real Life Support
• Deployable Capability Packages
• Operational Logistic Planning
• Port Services
• Strategic Airlift Services

Services
• Defence Fuel and Pipelines
• Random Brokerage
• Ammunition
• Partnership for Peace Trust Funds Projects
• Logistics Stock Exchange
• Distribution and Storage

Communication and Information Agency

• Joint, Land, Air and Naval Command and Control Systems
• Tactical and Strategic Communications
• Missile Defence Command and Control Systems
• Messaging Systems
• Exercise and Experimentation
• Air Defence Ground Radar
• Common Communications Support
• Operational Capability Packages and Projects
• Cyber Defence Systems

Shared Services   Shared Services   Shared Services

NATO Agency Reform Summary
(Post-Lisbon / November 2010 - March 2011)
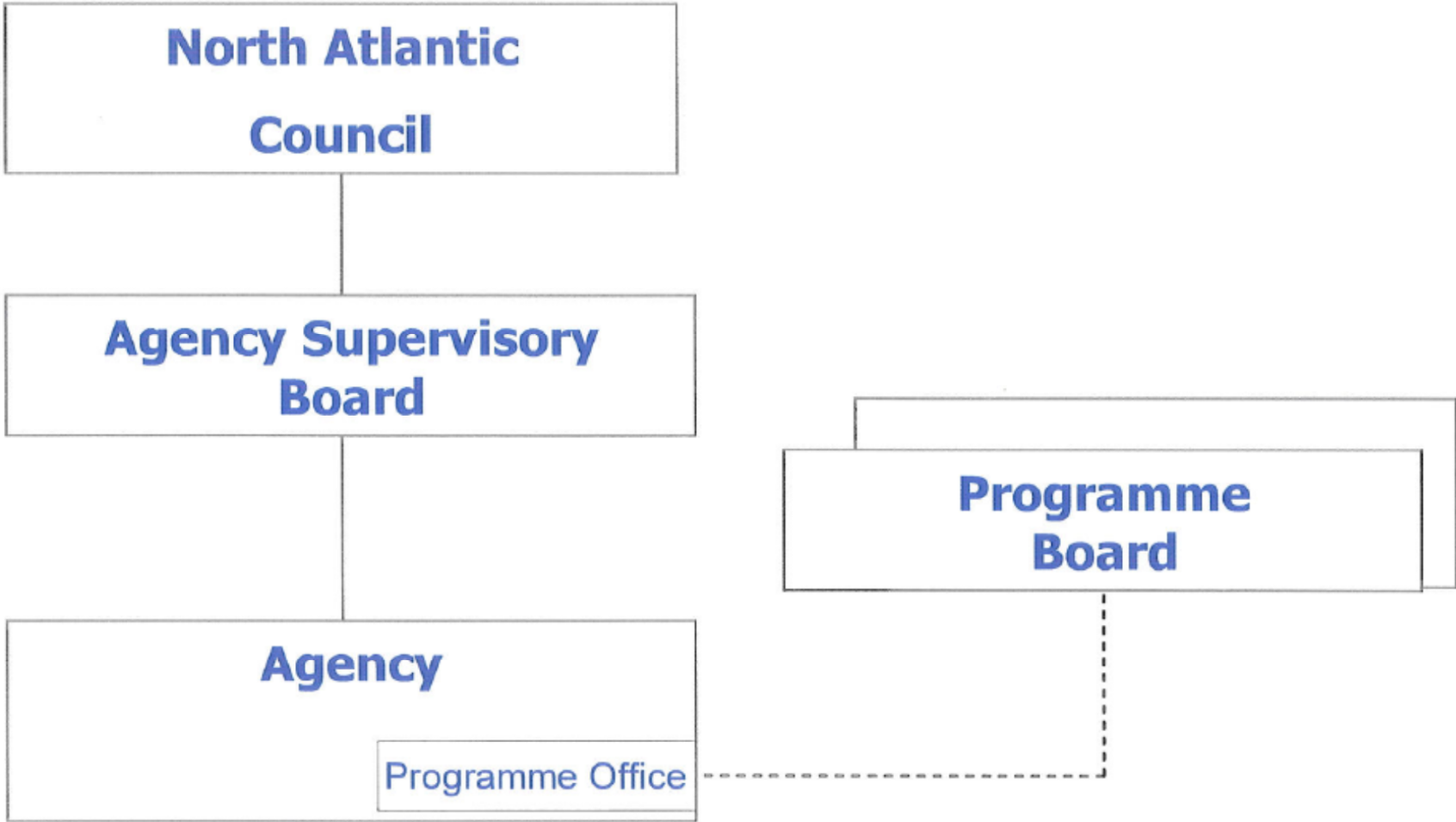
- Lisbon Report Summary
  - Significant discussions on Agency governance
  - Not all nations participated in all Agencies
- Governance structure could not be agreed
  - No basis for Agency reform
  - Business cases required
- Reduction of 14 Agencies to 3 may need reexamination
  - Some Agencies represent "Special Cases"
  - Research & Technology, Communication and Information Systems

```
┌─────────────────────────────┐
│      North Atlantic         │
│         Council             │
└──────────────┬──────────────┘
               │
┌──────────────┴──────────────┐
│    Agency Supervisory       │
│         Board               │
└──────────────┬──────────────┘
               │                            ┌──────────────────────────────┐
               │                           ┌┴─────────────────────────────┐│
               │                           │       Programme              ││
               │                           │         Board                ├┘
               │                           └───────────────┬──────────────┘
┌──────────────┴──────────────┐                            ┊
│          Agency             │                            ┊
│        ┌────────────────────┤                            ┊
│        │ Programme Office    ┊┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┈┘
└────────┴────────────────────┘
```
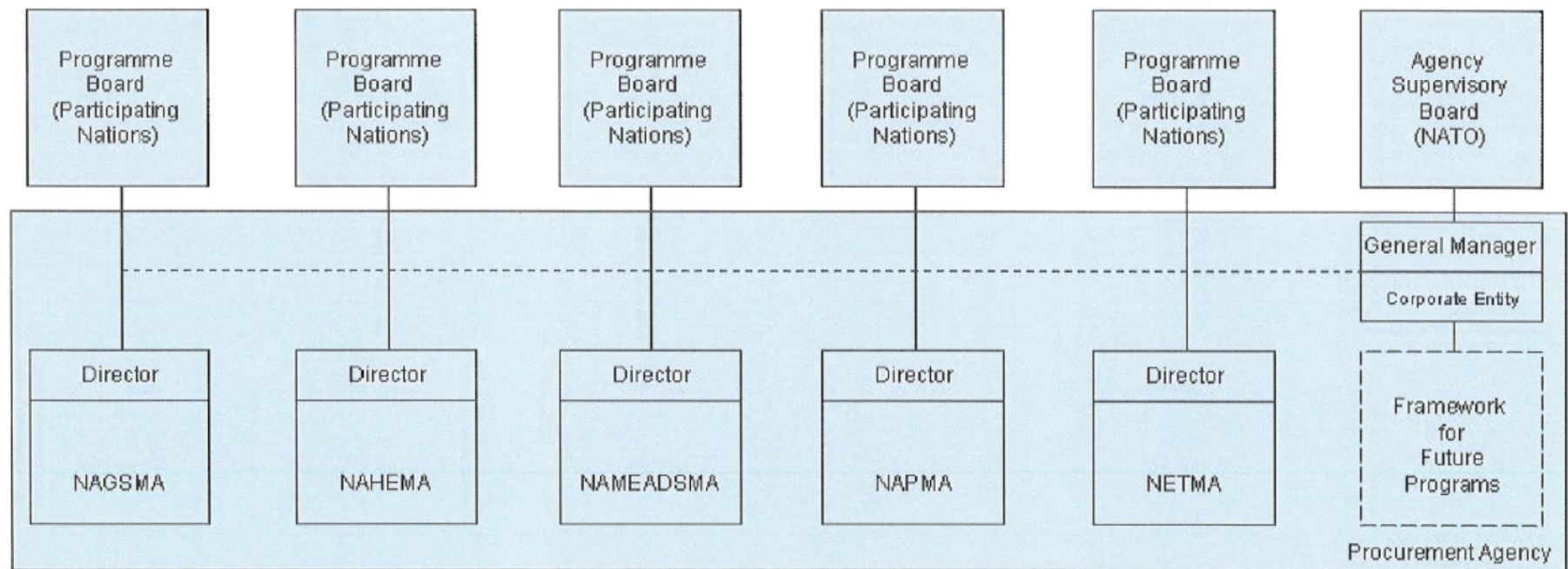
| Programme Board (Participating Nations) | Programme Board (Participating Nations) | Programme Board (Participating Nations) | Programme Board (Participating Nations) | Programme Board (Participating Nations) | Agency Supervisory Board (NATO) |

General Manager

Corporate Entity

| Director | Director | Director | Director | Director | Framework for Future Programs |
| NAGSMA | NAHEMA | NAMEADSMA | NAPMA | NETMA | |

Procurement Agency

Complies to Lisbon decision

Respects autonomy of BoDs

Respects that the BoDs appoint / approve the managers in charge of the programmes

Develops & promotes standards (process, procedures, tools etc.) based on lessons learned & best practices

Limited GM leverage on organisation

Provide framework for future programmes

(P)MOUs do not need to be revised

Harmonized reporting schedule

NCS light Model

Requirement holders
(consultational, operational, transformational, others)

Separation of requirements setting from implementation

C&I Agency

C&I Agency holds and operates
C3 capabilities
(i.e., the C&I systems)

in order to ...

ACO

- ... has OPCON „for operations"
  over parts of the C&I Agency,
- ... owns the NATO CIS Group,
- deploys DCIS

  in order to
  enable the C&I Agency to ...

... provide CIS services to all ...

Separation of the customers from the provider

Static customers/users   ←→   Deployed customers/users

NATO Agency Reform Summary
(Report to Defense Ministers / March 2011)

- Agency Reform more complicated than originally thought
- Significant issues
  - Inadequate business cases
  - Rationalization of functions while maintaining equities
  - Interaction of stakeholders (nations, Agencies)
  - Estimation of savings => not as much as envisioned
- Emergent resistance to change
- Emergent issues with respect to footprint, funding

NATO's Agency Reform Strategy Approach

- Start with strategic goals
  - 14 Agencies to 3
  - 20% savings
  - Better accountability to NAC
- Develop strategy with small team (NART)
- Develop implementation timeline
- Communicate strategic change plan to nations
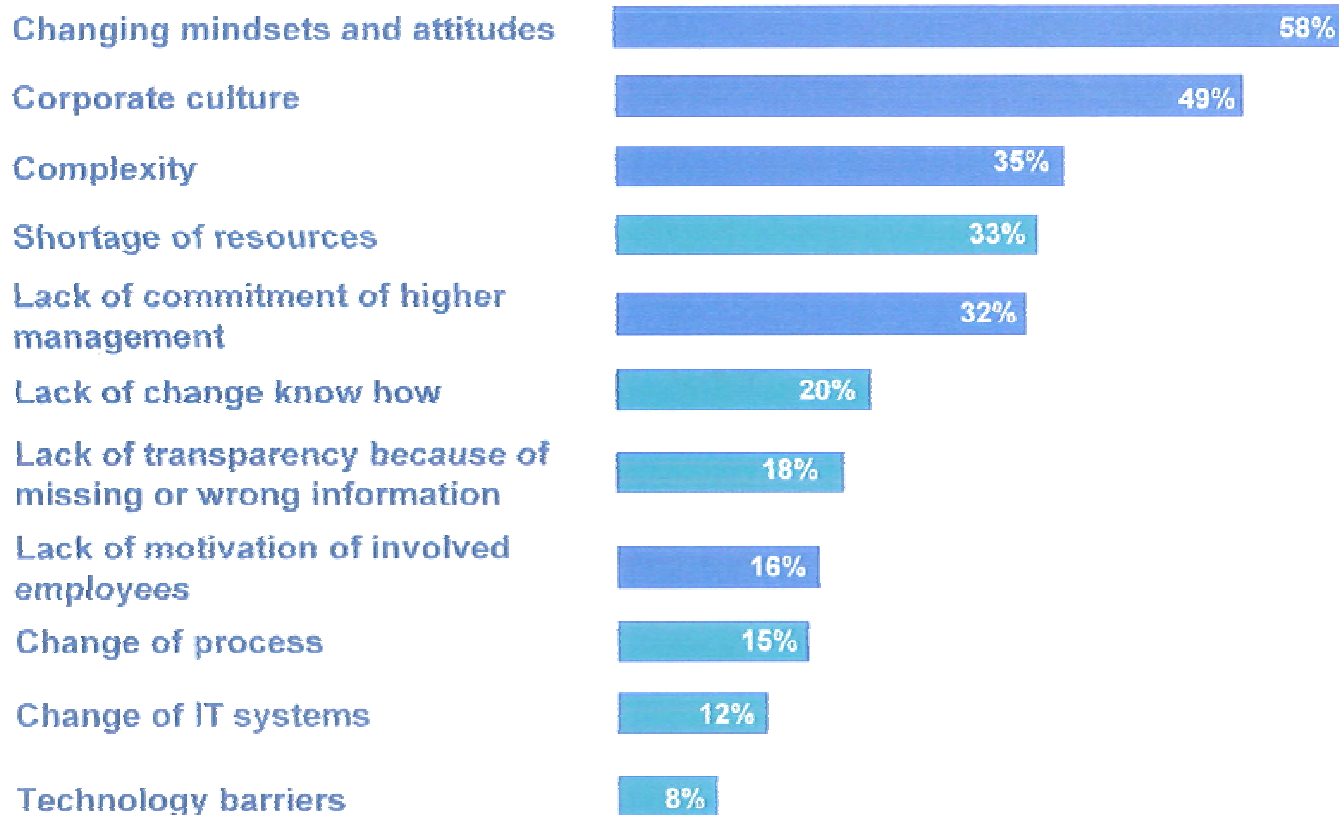- Implement Agencies transformation

NATO Reform Strategy
&
Research Literature Comparison

- Linear strategy typical for NATO's size and structure
  - Representative of "Planning" school of strategy formation
  - Driven from the top down
- Strategy developed in isolation
  - Results in significant resistance within organization
  - Implementation prospects are usually poor
- Strategic change driver is absent
  - "Why are we doing this? What is the problem?"
  - Strategic goal articulated without analytic bases
  - Strategic change requires alignment with driving forces
  - Alignment required for stakeholder ownership of strategic change
- Equities not addressed in strategy formation
  - Agencies are distinct subcultures in NATO
  - Governance equities not addressed until processes was well advanced

Strategy Item	Function	NATO Agency Reform	Strategic Change Research
Business Case Analysis	Provides rationale and analytic underpinning for strategy formation and strategic change	Business cases developed late in the Agency Reform process	Ideally developed in advance of strategic goal formation
Strategic Goal Development	Develops the strategic goals for later implementation; represents major shift in strategy	Specific goals developed primarily by Secretary General, as informed by Defense and Foreign Ministers	Strategic goal development a collaborative activity with all stakeholders
Stakeholder Consultation	Involves stakeholders early in the strategy formation process; stakeholders are internal and external and come from all levels	Occurred relatively late in the process; specific goals and work toward implementation well along before substantive consultatio n	Occurs concurrent with developing strategic goals for maximum chance of successful implementation
Organizational Culture Impact	Significant internal stakeholder	Not considered	Should be included as a key stakeholder
Communication Approach	Communicates progress of strategic change with affected stakeholders	Communication occurs late in the process	Communication plan developed with stakeholders and implemented early in strategic change efforts
Implementation Planning	Translates strategy and goals into plans for organizational change	Occurring at the end of business case analysis; already being developed for OSS	Occurs after strategy formation and with input from stakeholders; includes metrics for monitoring effectiveness of change
Monitoring	Collection of metrics to determine effectiveness of change efforts	Planned for two years from completion of Agency Reform; metrics yet to be developed	Monitoring is regular and timely

Why many transformations fail? Because "soft" stuff is hard

Changing mindsets and attitudes	58%
Corporate culture	49%
Complexity	35%
Shortage of resources	33%
Lack of commitment of higher management	32%
Lack of change know how	20%
Lack of transparency because of missing or wrong information	18%
Lack of motivation of involved employees	16%
Change of process	15%
Change of IT systems	12%
Technology barriers	8%

Soft Factors   Hard Factors

Analytic Conclusions & Recommendations

- **Identify Strategic Drivers**
  - NATO => identified strategic goal
  - Need to develop robust business cases
  - Agency reform lost momentum without well-articulated strategic context
- **Include stakeholders and their equities early**
  - Agencies not brought in until very late
  - Equities discovered concurrent with implementation planning
- **Allow for organizational learning and emergent strategy development**
  - NATO approach was top down
  - Precluded Agency lessons learned and their application
- **Need diverse metrics for robust strategic change**
  - Critical for measuring change progress
  - NATO identified cost savings and Agency reduction but little else
  - Measures of merit and metrics needed to work through strategy development and implementation plan

Way Ahead for NATO Agency Reform

- NATO can still move forward with Agency Reform but certain items will have to be addressed:
  - Review and improve business cases
  - Build the strategic basis for Agency Reform
  - Communicate better with stakeholders
  - Instill ownership of strategic change with Agencies