



# ROLLS-ROYCE SUBMARINES >>

## PRODUCTIVELY MANAGING CRITICAL RELATIONSHIPS



Rolls-Royce Submarines and the Ministry of Defence Nuclear Propulsion Integrated Project Team had historical contracts that constrained both parties from delivering timely performance and reduced costs. A partnering approach was needed to bring the parties together in a mutually beneficial agreement that would satisfy joint objectives and create a productive platform for the future.

## Introduction

The Ministry of Defence (MoD) Nuclear Propulsion Integrated Project Team (NP IPT) is charged with delivering a safe and available Nuclear Propulsion plant to the Royal Navy's flotilla of nuclear powered submarines. The NP IPT is the principal customer of Rolls-Royce Submarines, placing 90% of its business with the company. Rolls-Royce Submarines Business accounts for around 18% of Rolls-Royce Marine Division turnover, amounting to some £1.4 billion a year.

## The challenge

The contracting strategy between Rolls-Royce Submarines and the NP IPT had been in place since the late 1990s. The strategy included devolving project cost risk management to Rolls-Royce Submarines to the detriment of timely performance and reduced costs to the MoD.

The interpretation of MoD governance requirements led to too much time being spent by Rolls-Royce Submarines project managers on risk contingencies rather than quality of performance and timeliness of delivery. As a result, frustration and mistrust were starting to undermine an important relationship.

To their mutual credit, both the NP IPT and Rolls-Royce Submarines acknowledged the problem, and rightly identified that both the contracting strategy and their relationship needed to change. They agreed to embark upon a programme that would deliver a new joint approach to managing their relationship, based on a contracting strategy that satisfied their respective objectives in the most cost-effective way.

## The solution

The solution was made up of several linked components, each of which was essential in its own right and also formed part of a long-term programme designed to deliver productive, sustainable and trust-based change.

The overall purpose was to align the individual business objectives of Rolls-Royce Submarines and the NP IPT, ratified in a new contracting strategy, and delivered via a joint partnering framework, new ways of working and a commitment to continuous improvement.

To this end, a co-located Joint Project Team was established, made up of Rolls-Royce Submarines and NP IPT resources, and set about articulating a vision that could be translated into a shared strategy and values. The Joint Project Team provided a simplified decision-making structure, without any duplication of roles, capable of delivering two core functions:

- > Continuous improvement in performance and cost line with the strategy and values
- > Integrated programme planning and delivery.

## Twin-track partnership

A continuous improvement team addressed issues such as enhancing quality, reducing costs, creating Lean value chains and process development aligned to business objectives. All activity took place within a joint business planning process so that, as the new partnering arrangement took root, each and every issue would remain at the forefront of decision-making during the coming years.

A programme delivery team established contract terms for the first contractual arrangement within the new partnering framework – a 10 year, output-based contract supported by a detailed joint-cost model.

At the heart of the contract was a comprehensive performance and cost measurement system designed to achieve the joint business objective. Crucially, the system created a direct link between performance, cost reduction and profit which is focused on four key areas; Availability, Sustainability, Cost of Submarine Enterprise and First Demand Availability of Spares.

In this way, Rolls-Royce Submarines is now incentivised to deliver a programme of work to the MoD within defined performance levels. The contract not only agreed a maximum price but also a minimum acceptable performance level.

Linking these in one contract confirmed the joint approach to managing the programme, because performance and cost will remain within these parameters regardless of future emergent issues. The contract was let in July 2007 and announced by the Secretary of State in parliament on 25 July 2007.

## Delivering assurance

In order to provide mutual assurance, Atos Consulting conducted a diagnostic of the joint business to make sure the commitments agreed to by both sides could be delivered. The diagnostic process reviewed cost savings, performance improvements, plans, capabilities, capacity and culture. It also affirmed that, with the planned continuous improvement programme in place, the commitment to reduce programme costs whilst simultaneously improving service delivery was attainable.

Equally important, the new working culture was identified as a key area, because both parties recognised that a focused programme of interventions would be required to drive improvements in their relationship and behaviour. This remains a focus for the future.

The overall result of the joint approach was a development of client commercial and supplier management knowledge, creating a platform and the skills needed for both parties to move forward as self-generators of further improvements.

## The benefits

The partnering approach combined with target measurables has created confidence and trust as the basis for high quality management of the joint enterprise. Effort, targets and the routes to meeting targets are now mutually agreed and written into contracts, with the result that Rolls-Royce Submarines and the NP IPT are pulling in the same direction towards a common aim. Our input has helped to deliver:

- > High quality management through co-ordinated and complementary efforts of NP IPT and Rolls-Royce Submarines
- > Continuous performance improvement through joint planning, delivering focused change projects and initiatives
- > Tangible benefits in quality, value and service.

The core achievement has therefore been the delivery of genuinely mutual benefits. As the customer, the MoD has a commitment from Rolls-Royce Submarines to improve availability at a reduced cost within a long-term sustainable enterprise. As the supplier, Rolls-Royce Submarines has the opportunity to generate greater profitability through innovation and efficiency and a long-term commitment in this strategic business.

For both parties, Atos Consulting has become a trusted consultant and facilitator and continues to support business improvement delivery.

“We now have a contracting strategy that delivers long-term benefits which can be measured, adapted and sustained through a fair and productive partnership in terms of price, profit, performance, quality and delivery timescales.”

**Commodore Tony Johns**, Director Nuclear Propulsion, Royal Navy

## Next steps

For more information about Atos Consulting and our solutions to productively managing critical relationships, please call 020 7830 1944 or email [ukconsulting@atosorigin.com](mailto:ukconsulting@atosorigin.com)



**“THE JOINT PARTNERING APPROACH TO CONTRACTS HAS UNLOCKED A POTENTIAL WE ALL KNEW WAS THERE, WHICH NEEDED TO BE UNCOVERED AND CONFIRMED SO THAT WE, AND THE MOD COULD MOVE FORWARD TOGETHER.”**

Jeff Elliot, Director Production Submarines, Rolls-Royce Submarines

## **About Atos Origin**

Atos Origin is an international information technology services company. Its business is turning client vision into results through the application of consulting, systems integration and managed operations. The company's annual revenues are EUR 5.4 billion and it employs over 50,000 people in 40 countries. Atos Origin is the Worldwide Information Technology Partner for the Olympic Games and has a client base of international blue-chip companies across all sectors. Atos Origin is quoted on the Paris Eurolist Market and trades as Atos Origin, Atos Euronext Market Solutions, Atos Worldline and Atos Consulting.

## **About Atos Consulting**

Atos Consulting, the global consulting practice of Atos Origin, is a leading provider of business, process and technology consulting services. With more than 2,500 staff globally, it focuses on delivering proven, pragmatic solutions to the telecom, manufacturing, financial services and public sectors.

**[WWW.ATOSCONSULTING.CO.UK](http://WWW.ATOSCONSULTING.CO.UK)**

**Advance your business with Atos Consulting**

Atos, Atos and fish symbol, Atos Origin and fish symbol, Atos Consulting, and the fish symbol itself are registered trademarks of Atos Origin SA. September 2007  
1615-0907 UK Marketing