Great Britain’s PPP experiences placed in a Business Model

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This article is based on a master thesis which was conducted at Lunds University in cooperation with The Swedish Material Administration (FMV). The purpose was to analyze examples of military PPP, interfaces in logistics and business models in order to demonstrate other countries experiences and to give a proposal of how to put these experiences in a business model for the Swedish Material Administration. A big part of the assignment was to make a mapping of Great Britain’s purchasing process for defense materials and to explain how this process works in reality and how it can make up a business model.

Key words: Public Private Partnership Interfaces in Logistics, Business Models and Strategic Partnerships.

1 Introduction

The global market increases day by day and by that also the importance of building the ability to manage in such a market. The public sectors as well as private companies are trying to gain competitive advantages through closer cooperation with suppliers, where certain suppliers take responsibility for larger parts, systems and/or functions.

One of many possible solutions for public authorities to become more efficient in this dynamic business environment is to cooperate with the private sector in what is called Public Private Partnership, PPP. This kind of collaboration where the supplier is involved from a very early stage through the whole chain is what often is called a strategic partnership. The main purpose with these partnerships is to create advantages and add value to both parties by higher effectiveness and efficiency which is achieved through smart risk sharing and by making sure that both parties do what they do best (Bucht, 2004). This way they together can reach reduction of the total cost of a project, better product or service quality, reduction of time-to-market to mention few of the possible benefits.

The development of this collaboration form together with the economical and political factors has led to a situation where states are looking to implement PPPs within the defensive sector, a sector that is traditionally for the most part provided by the public authorities.

The Swedish Material Administration is the main procurement organ to provide for the Swedish Armed Forces. Their involvement in projects starts with the specification of a function and ends with the disposal of it. Therefore FMV want to find the most effective and efficient way to work through the whole procurement process. Because of this they have decided to look at different “best practice” solutions particular in PPP projects.

The Swedish armed forces have a history of being a total defense why FMV always
has worked as a provider, this meaning that most of the functions have been supplied and provided from within the armed forces circle. Through time the armed forces have changed where they today are more of a task-force oriented defence, smaller sizewise but more flexible and able to operate all over the world. At the same time their economical resources have been reduced. Because of this it has become important to change their business model so it fits with the new needs and challenges. Figure 1 describes a model of how the authors look upon the problem and how the procedure of the master thesis was.

Figure 1 Model of the problem formulation

The boxes in today’s business show that just a small part of today’s business is conducted through PPP. FMV wants to create a business model where the major parts of all projects are possible to carry out as PPP projects, which leaves one with the challenge of finding ways to do so.

This led the authors to the following problem formulation of their master thesis:

“Many of the countries within the European Union have come far with their work within Public Private Partnership. What of their experiences regarding new interfaces, military PPP and business models can Sweden use in order to ensure the implementation of their new material maintenance strategy?

3 Method
The method used is a single case study where a number of interviews have been conducted with people that have a great knowledge in PPP co-operations within the Great Britain. Interviews have also been made with people within the Swedish Material Organization and the Swedish Defense Organization. All the interviews have been of a qualitative nature.

4 Theoretical frame
To create a platform for the study several theoretical areas have been studied. To find an unequivocal definition of Public Private Partnership we have studied how different organizations have defined this wide concept, and then we have merged these different definitions together into one single definition:

A Public Private Partnership is a form of collaboration in which the government and the private sector, each retaining its own identity and responsibilities, join forces to carry out a project, based on appropriate allocation of resources, risks and awards.

Since the purpose, to a certain degree, was do find an adequate business model proposal, an important part of the of the theoretical framework is based on
Osterwalder’s (2004) “The business model ontology - a proposition in a design science approach”. This ontology presents a business model as a conceptual tool which is due to showcase an organizations moneymaking logic. Since either the study object or FMV are profit making organizations some adjustments where to be made but overall, Osterwalder’s ontology, shown in figure 2, works well in forming the business model structure applied to describe Great Britain’s experiences in PPP projects. Other areas of importance have been strategic alliances and logistic interfaces.

4 The mapping of Great Britain’s procurement process

Great Britain is one of the countries that are considered as leaders in PPP projects. This, together with their similarity to Sweden, made them the study object.

Great Britain uses what they call a CADMID cycle, see figure 3 below, as a platform for their purchasing process.

![Figure 3 Great Britain’s procurement process](image)

This cycle is used by Ministry of Defense which could be compared to FMV and FMLog together. Through research in the purchasing process and interviews with experts and people with great knowledge in the CADMID five different skills were identified as critical capabilities that an organization has to posses and master if it is to be successful in using PPP within military acquisition. These “capabilities” are listed below.

- Through Life Management
- Defence Lines of Development
- Risk Management
- Process based way to work
- Innovative PPP operation modes

One of the most vital and crucial of the capabilities that are mentioned is a Through Life Management approach (Tatham, 2008). This approach means that everything that is acquired has to be forecasted in advance. Since military equipment has a long lifetime a detailed through life approach is not easy to apply.

Defense Lines of Development is way to work that shall help the organization to think in a wide perspective when systems are procured. The purpose is basically to foresee how one line affects the others and to optimize towards one great military capability. Today there are nine lines: training, equipment, personnel, information, concepts and doctrine, organization, infrastructure, logistic and interoperability.

Risk Management must be a core competence for public sectors that are using PPP contracts since transferring risk to a more suitable risk owner (private sector) is one of the principal of PPP (Eastwood, 2008). How a public organization will handle different kind of risks and risk transfers in projects will always be critical for the public sector, either in a good or a bad way.

Process based way to work means that organizations must change from function based organization to more process based
way of work. Great Britain uses something they call Integrated Project Team, IPT. This IPT is always set up with all stakeholders and they will manage a project together from the concept phase and through the whole CADMID cycle (MoD, 2008).

Innovative PPP operation modes are important for organizations in order to find new ways of solving problems. PPP is a concept that includes a lot of different operation, this underlining the importance that the public organization always has to have an active approach and customize the PPP concept to the project commercial opportunities that are offered by the market. In another way this means that there is not one single way to apply PPP that works all the time. To succeed organizations will need to know how to use PPP as a flexible tool in different situations.

5 The proposed business model

We propose a framework for a business model which shows some of the logic an organization is supposed to follow if they are going to be successful in applying the PPP concept. The model, seen in figure 4, is based on, and summarizes, Great Britain’s experiences that we have found being the most important ones in order for FMV to succeed in their new material maintenance strategy and eventually become more of a decision maker instead of being a provider.

The crucial capabilities, which are part of the model, have already been mentioned but there is more to this model and its logic. Like figure 4 shows, different blocks surround the center of the model, which is the Product. FMVs product offered to the customer (FM) is an “efficient procurement in a through life perspective” where FMV’s present strategy to become more efficient is to involve the private sector more through PPP. To be able to do so a number of things have to be in place.

FMV needs to have a Relation with its customer where it is in position to help the customer to describe customer’s needs as a functional output. This way, more is left to be done by the private sector, which now can do what it does best and be innovative while developing sufficient input to match the after sought output.

The paragraph above suggests indirectly that FMV, in order to deliver its Product needs help from the private sector, in different words, needs to have partners and Partnerships. These partners not only contribute with their own expertise, which is usual within outsourcing, but depending what kind of Relation FMV is able to establish with them they can contribute in a way which makes it easier for FMV to better perform its own critical capabilities, i.e. a supplier providing good, solid user data so that through life management is better estimated for a certain equipment.

To be able to get the best out of the partners so that most possible value is added to the product, the interaction between private and public sector needs to be performed in a structurally correct way that allows good Value Configuration. This is here the previously mentioned CADMID plays an important role. CADMID is structured in a way which encourages innovation in public-private interaction but at the same time brings the work forward with help of, for most of the time, clearly defined milestones, activities and work processes.
To CADMID’s help, the business model suggests a number of Economic elements. This block contains of a number identified economical tools that can help FMV to:

1. Secure the through life approach in every project that enters CADMID by using different payment mechanisms and gain shares.
2. Make outsourcing decisions with help of Public sector comparator.
3. Make investment decisions that come up before and during the CADMID by better appreciating value.

The presented model is structure-wise on a “top level” and really lacks the detailed understructure. This of course can be seen as a drawback saying it is not clear enough, but we state that is an advantage because the model is simple, logic and ready for organizations to break it down and customize it according to their own business. Even though it is modified towards FMV it is ours true opinion that the model can be applicable on any public organization that wants to work with PPP concept. The future will show if the model was a step in right direction for FMV and their strategy and ambition.


Tatham, P. (interview 23 01 2008). Deputy Course Director, Defence Acquisition Management MSc. (V. Friberg, & A. Mehmedovic, Interviewer)

Eastwood, A. (interview 24 01 2008). Program Manager. (V. Friberg, & A. Mehmedovic, Interviewer)


MoD 2008 http://www.ams.mod.uk/content/randr/active/pg000066.htm

![Business Model](image-url)