

# AN OVERVIEW OF THE PARTNERING ARRANGEMENT BETWEEN FLAGSHIP TRAINING LIMITED AND THE NAVAL RECRUITING AND TRAINING AGENCY

BY

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## ABSTRACT

In 1996 Flagship Training signed a 15 year agreement with the UK Ministry of Defence to enter into a unique partnering arrangement with the Royal Navy's Recruiting and Training Agency (NRTA), and in doing so ushered in an exciting new era in naval, industrial and management training. Flagship markets Royal Navy training expertise and courses to overseas navies, related naval markets and to UK industry as a whole. Training purchased through Flagship is underwritten by the Royal Navy and delivered either by Royal Navy personnel, or Flagship instructors working to Royal Navy standards.

Based in the United Kingdom, close to the headquarters of the NRTA, Flagship has a growing staff of skilled specialists who market and support the extensive programme of Royal Navy training courses. Many Flagship employees are ex-Royal Navy personnel who understand core naval training in intimate detail and can develop bespoke training programmes to support our customers' individual needs.

## THE PARTNERING ARRANGEMENT

### **Selecting a Partner**

In 1994 the Royal Navy's Recruiting and Training Agency (NRTA) was facing a reduction in its budget of over 25%. Detailed feasibility studies were conducted which considered various strategies to achieve the necessary savings.

Outsourcing, and various other cost saving ideas, were considered in detail, but it was decided that these on their own had shortcomings. The RN wanted to retain control of their core training activities and overall control of the establishments. Full outsourcing was considered incompatible with this. Furthermore, it was considered that greater use could be made of the existing facilities, possibly by bringing in other training activities from third parties. The concept of 'Partnering' was therefore developed, which offered the most advantages to the RN.

The RN conducted a competition to select its partner. The competition was primarily concerned with finding an organization which offered the best fit with the RN, and the decision was not based purely on price. The key criteria used by the RN to select their partner were:

- Compatibility
- Commitment
- Net benefits
- Relationship.

### **Compatibility**

Compatibility of the partner with the Royal Navy was considered vital to the success of partnering. This compatibility was considered to consist of three dimensions:

- Convergent objectives
- Culture
- Complementary strengths and weaknesses.

The partner's objectives had to be compatible with those of the NRTA. The factors considered included their vision for the future, at both corporate and establishment level, their ability to contribute positively to the advancement of RN training rather than simply maintaining the existing quality, and their interest in avoiding excessive dilution of RN personnel both within establishments as a whole and on individual existing RN courses.

The NRTA required a cultural 'fit' with its partner. Culture might, for these purposes, be summarized as,

'The way we do things round here'

and embraces values, management style, approach to change, personal conduct, etc.

Three particular aspects were identified.

1. The NRTA sought a partner who could help it respond to the challenge of change, particularly in terms of an increasingly customer driven and commercial approach.
2. The partner's culture had to be attractive to the RN, not in a like-minded sense but in an aspirational sense. That is, the culture should be such that it would engender positive change in the NRTA.
3. The partner had to have an interest in preserving the RN ethos across the NRTA establishments, recognizing its importance in RN training, and be consistent with its maintenance.

The partner would provide strength in areas of NRTA weakness, and would itself benefit from the NRTA's strengths in its own areas of relative weakness.

### **Commitment**

The NRTA looked for evidence of long-term commitment from the partner. The important elements were seen as the necessity for the partner's senior staff to be involved, the proposal for financial investment in the venture by the partner and a measure of interdependence between the two parties.

### **Net Benefits**

Net Benefits to the NRTA were seen both as financial, such as an income stream or reduced running costs which would serve to offset the costs of RN training, and those to do with quality (e.g. improved quality of outputs).

The partner would generate additional net revenue to be shared with the NRTA on an agreed basis. The sought after benefits would include secondary benefits such as a raised NRTA profile in the training field and investment in additional resources that might be accessible to the NRTA.

The partner should increase the efficiency and effectiveness of current NRTA training execution, training support and establishment support activities.

It was vital that proposals contributed positively to the advancement of RN training. At the end of the partnering period the NRTA should not only be left with a set of human and physical assets at least as good as that currently in place, but one which had been realigned to meet the prevailing needs.

The other key aspect was the reputation and profile of RN training. The 'brand' has a high value and this was not to be compromised in the pursuit of short term gains.

## Relationship

The relationship requirements are:

### *Management Structure*

The management structure was required to dovetail with that of the NRTA to provide adequate monitoring, control and development of the business to satisfy the needs of all parties. It was required to be responsive, in that the relationship should be such as to facilitate the business to respond to change, not be a barrier to change. In addition, it was expected that Partnering should support active development of the business, maximizing achievement of objectives. For example, the relationship should help the business anticipate, prepare for and respond to the changing needs of the RN and other clients. A key dimension to the success of the relationship would be the content, quality and timeliness of management information. The partner was also required to identify at this stage the key (i.e. managerial, technical and financial) roles on its side of the relationship, together with the required skills profiles for the post holders.

### *Financial/Commercial*

With regard to the legal framework of the venture, the partnering arrangement could not constitute a 'partnership' under the terms of the Partnership Act 1890. The corporate and commercial structure needed to conform to restrictions placed on Government departments and the use of public funds, and reflect the requirement to account separately for public and private expenditure.

In terms of financial accounting, transparency would be crucial to the development of trust in the relationship. Partnering was therefore required to include a practical 'open book' accounting framework so that the costs and benefits to each partner were clear. This had to extend to all dealings carried out by the partners as part of the arrangement, but not necessarily into areas which had been subcontracted out.

The proposition for the sharing of risk and reward had to be both acceptable/attractive to the NRTA and robust enough to withstand any subsequent public scrutiny.

The level of capital investment by the partner and the mechanisms for agreeing and making the investment were also taken into account.

The partner had to be accepting of MoD Terms and Conditions, legal and statutory obligations. The partnering agreement would be in the form of a contract which contained certain standard MoD Terms and Conditions of Contract, but would be sufficiently flexible to accommodate the most appropriate special arrangements.

### *Transition/Development*

It was critical that the relationship was both successfully phased in and developed over the period of the partnering agreement. Of paramount importance were the skills and experience of the key personnel to be involved in the partnering process. In addition another key component involved the evaluation of the completeness of the transition/development plan, e.g. activities to be undertaken, timing, resourcing and transfer of staff.

These acceptance criteria of compatibility, commitment, net benefits and relationship were identified in a non-prescriptive 'Invitation to Propose' issued by the NRTA, which invited a shortlisted group of companies to propose the services they could provide in partnership with the NRTA.

The recommendation of the choice of Partner, based on the companies' proposals was made by the NRTA Partnering Programme Team, which reported to the Rear Admiral in charge of the NRTA. The NRTA's selection was approved by the Royal Navy Board. At this stage the Ministry of Defence Contracts organization commenced negotiations on the commercial aspects of the Partnering Arrangement.

In July 1996, Flagship and the NRTA signed the Partnering Arrangement contract. It has a 15 year duration, and is designed to be flexible to cater for the ever changing situations over its lifetime.

### **Elements of Partnering**

There are three main elements to the Partnering Arrangement—outsourcing, marketing and investment.

Under the first of these elements, the NRTA outsource to Flagship their support activities, on the basis of proposals which provide cost savings to the NRTA. Both Flagship and NRTA benefit from the savings.

In a marketing context, Flagship proactively promote Royal Navy training to overseas navies, merchant navies and industry. The training offered, which could be provided at NRTA training establishments or customers' premises both in the UK and abroad, is all delivered to the same high standards of RN training. Both Flagship and NRTA benefit from this third party business.

Under the third component, Flagship makes investments in additional facilities, such as new simulators, accommodation or information systems, for use in both RN and third party training.

### **Progress**

At initial contract signature the value of work was low—it covered for the provision of several key senior managers from Flagship to produce business plans and other planning documents. However, the partnering soon started to accelerate, as third party income was generated and activities were outsourced to Flagship. At each stage, the RN remained in control of the speed and scope of the Partnering.

In the first two years, approximately £400m worth of contracts were signed and £300m of other business is being negotiated. These are:

#### *Outsourcing*

- Hotel services (cleaning and catering)
- Grounds maintenance
- Administration tasks
- General support (stores, refuse, handyman duties)
- Information Systems
- Training Support
- Simulator maintenance
- Functional machinery maintenance
- Property management

Approximately 400 personnel, previously employed by the NRTA, have transferred to Flagship employment, and almost 500 RN billets, that is positions filled by uniformed personnel, are being replaced by new Flagship employees. Of particular interest are the following:

### RN Role Players

Flagship provides various levels of Role Player in support of the Command Team Training that is undertaken at HMS *Dryad*. All areas of the Combat System are provided covering the major warfare functions of command and control, weapon engagement, electronic warfare, communications and data-links, General Operations Plot, underwater (sonar) warfare, anti air warfare and surface warfare.

Flagship presently provides 35 role players in support of these tasks.

### Communications Operators

Several operator positions in support of the Fleetwork (ship manoeuvring) trainer at HMS *Collingwood* are supplied by Flagship. These personnel man all communications positions in support of rating and officer training requirements.

### Catering and Cleaning

Flagship provides catering and cleaning at each training establishment via sub-contracts with accredited suppliers. Wherever possible a regional approach has been adopted. Chosen sub-contract suppliers are ISO-9000 accredited for their specific areas of delivery.

### General Services

The services Flagship provided in this area are general handyman and heavy-gang personnel to maintain establishment infrastructure outside specialist requirements (see Technical Services); the collection and disposal of all refuse in accordance with legislative procedures; and the management of naval stores in accordance with MoD procedures.

### Administration Services

Flagship supplies administration and general office management support; secretarial services; messenger and mail services; graphics design and delivery; and reprographic services.

### Training Support Services

In terms of training support, Flagship provides planning and scheduling services, including the implementation of an integrated Course Booking System; design for systems, marine, weapons engineering, warfare courses and safety (fire fighting, damage control and sea survival); and delivery for a wide spectrum of instructional duties in all areas of naval training.

### Technical Services

Additionally, Flagship will provide property management of all establishment assets to meet maintenance and works programmes against agreed annual budgets; the general maintenance of establishment functional machinery and training equipment in accordance with agreed maintenance plans and schedules; and grounds maintenance.

### Information System (IS) Services

Flagship's services entail the generation of an integrated IS strategy across all NRTA sites; the provision and maintenance of all PCs, Networks and ancillary equipment, e.g. printers; IT personnel to support IS equipment in all NRTA sites.

### **Marketing**

Contracts have been signed with 10 navies and over 100 companies. The training, provided in the UK and overseas, covers most elements of naval training as well as leadership, systems engineering and technician training for

industry. English Language training, delivered in a naval environment is particularly popular.

Major training initiatives, whether they be for establishing the training requirements across an entire navy, for a specific new capital asset, or to set up new in-country facilities, should be considered initially through a Training Needs Analysis (TNA). TNAs have been completed for several Middle East and Pacific Rim countries, as well as for the RN's own requirements.

Tailored training programmes, some lasting for up to 5 years are designed, developed and delivered by Flagship/NRTA. Current projects include major initiatives for several countries from the Middle East and the Asia Pacific region. The scope of these programmes include English Language, naval general training, marine and weapon engineering, operations training and academic courses. Approximately 1,000 students are scheduled to be trained in the UK, and on completion of this it is expected that in-country training ventures will be developed.

On many of these projects comprehensive welfare support is provided to the trainees (and their families where appropriate), to ensure that students are able to take the maximum benefit from the training courses. Flagship even operates an Arabic School for the children of officers under training in the UK.

In addition to training in the UK, Flagship is also working with several navies to establish and upgrade in-country training facilities. The 'Partnering' model is being suitably adapted and then applied to individual navies' needs. The benefits from contractorisation of naval bases and facilities, the lease back operation of training equipments and the opportunities for third party revenue streams allow for customer navies to grow their training infrastructure.

In this area Flagship's experts are able to offer guidance on the outsourcing of non-core naval activities such as hotel services (cleaning and catering), administration, property and machinery maintenance, general support, information system and training support. The benefits to the customer can be modelled, and a financial case demonstrated. Course design, accreditation and control, along with the provision of all the required documentation to a high standard, is ensured through Flagship's linkage with the Royal Navy.

Flagship also provides instructors in Royal Navy establishments teaching both the RN and overseas customers. Building on this experience, instructors can be provided overseas, teaching to the same high standards. Flagship is experienced in providing Naval training aids, such as simulators and Computer Based Training, and they can be exploited to ensure the maximum availability for training and revenue generation. Flagship can assist in the marketing of any spare capacity of the training equipments to the mutual benefit of all parties concerned.

Flagship's accreditation to ISO 9001 for Project Management and the Provision of Training Solutions ensures that the services provided are of an equivalent quality to RN training standards.

### **Investment**

Flagship, with the NRTA, have already invested in new facilities for language, apprentice and systems engineering training, as well as in selective new accommodation upgrades and a major new information systems infrastructure.

Negotiations are well progressed on the provision by Flagship of new fire fighting training facilities, which will have propane gas fired units rather than diesel.

Proposals are also being developed for an additional bridge simulator, sail training vessels, workshops and sports facilities.

All of these facilities will support the service provided to third party customers.

## **Benefits**

### *Financial benefits*

Savings generated by outsourcing activities to Flagship are generally worth 25–30% and to date have provided NRTA with £60m of net benefits. At all times, the existing standards and quality of the service are maintained by Flagship and in many areas (for example, Information Systems) improved.

Business generated from marketing to third party customers has provided the Partnering with income worth approximately £40m, and will increase substantially over time.

Investment in new facilities is expected to reach £300m over the 15 year duration.

### *Operational Benefits*

Several non-financial benefits are also produced through Partnering. These include:

- Risk transfer from the RN to Flagship, where through a commercial approach, Flagship is better able to handle them.
- Spreading out of budgetary requirements, thus removing the need for large capital budgets by the RN.
- Flagship handles the cash flow problems for the RN by charging for new assets on a usage basis over several years.
- Freeing up of uniformed personnel by replacing RN support staff with Flagship employees.
- Access to the latest technology training devices and techniques.
- RN able to concentrate on operational matters by transferring support and non-core activities to Flagship.
- Recently retired ex-service personnel are able to be retrained by Flagship and re-employed with the consequent retention of skills.
- RN retain control of the training establishments but benefit from the commercial expertise provided by Flagship.

### *Mixed Manning*

Many areas of activity at the training establishments now include a combination of RN and Flagship personnel (known as 'Mixed Manning'). A code of practice has been agreed to handle the situation, not encountered before Partnering, where uniformed personnel often report to Flagship personnel, and vice versa.

The guidelines cover two main areas: the day to day delivery of the service, where responsibility for personnel performance lies with line managers from either Flagship or NRTA, and the professional/career development of individuals where responsibility lies with a nominated person from the employee's own organization.

A pre-requisite to successful mixed manning is that individuals who manage personnel have a thorough knowledge of both Flagship and the RN's terms and conditions of service.

Flagship has developed a team approach to mixed manning which places much reliance on all members to contribute to finding more efficient ways of delivering the service. Flexible service teams and multi-skilling are two particular approaches.

The code of practice also provides guidelines on forms of address, discipline, welfare and appraisals.

### **Summary**

Flagship is proud to be partnering with the Royal Navy. In only 2 years considerable savings have been achieved for the NRTA and new income generated from the marketing of RN training to third party customers. New markets have been identified and the future potential is enormous. Partnering is a success and Flagship hope that the UK model will be adaptable for similar ventures overseas.

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