



MACFIN - PROGRAMME

**Materiel Management,
Acquisition and
Finance**

**FINSE Autumn
Systems Engineering
Boat Seminar 2002**

Programme Manager
LtCol Jukka Ponsi

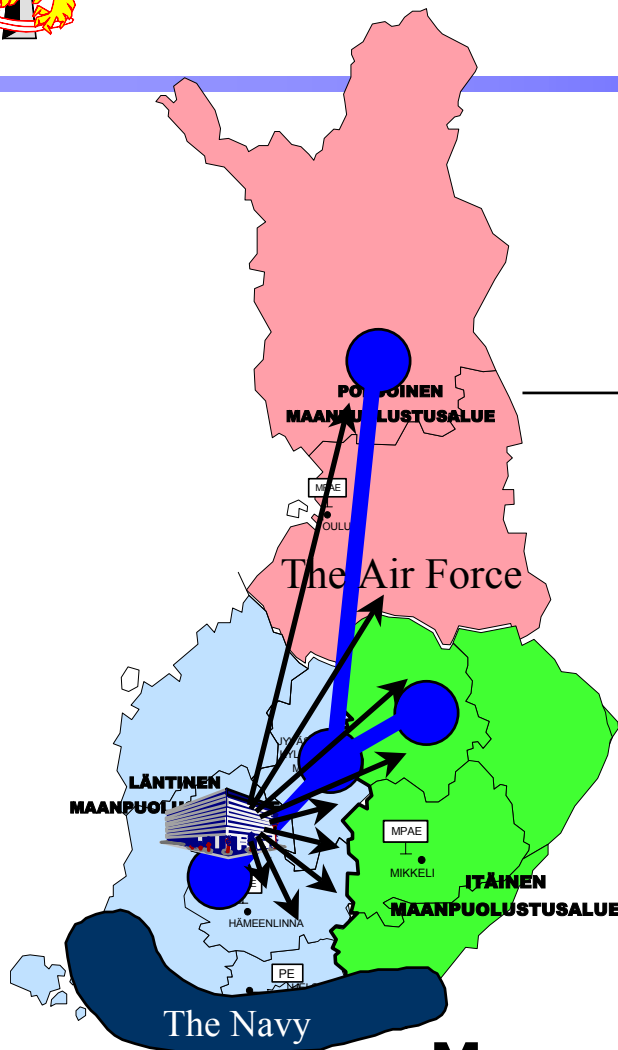


LtCol Jukka Ponsi

- Defence Staff, Logistics Division
- Chief of Branch (1995 -)
- Co-ordination of Information Management of Logistics for the Finnish Defence Forces
- The Finnish Representative in
 - NATO Life Cycle Integration Group, NATO AC/135 (Codification) and PLCS, Inc. Board
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The Finnish Defence Forces



Employees ~ 17.000
Units appr. 90
Budget ~ 1700 m€

The Army

- 3 Army Commands

The Air Force

The Navy

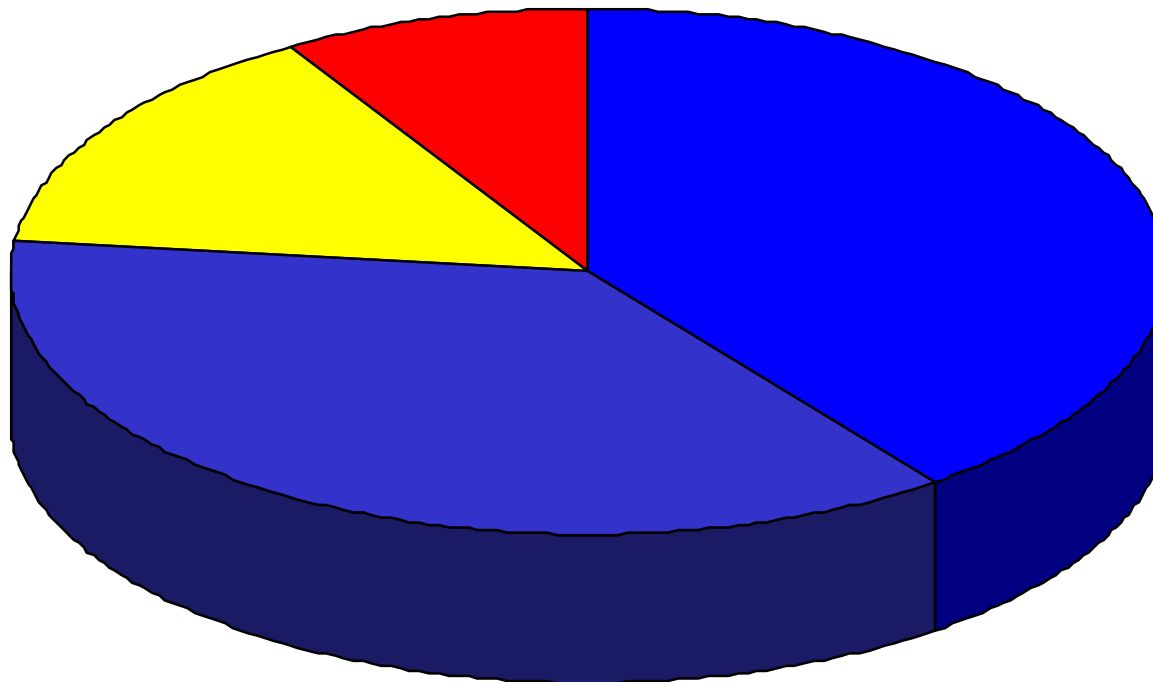
Others

- Defence Materiel Command

Manpower in Wartime 420.000 -> 350.000



National Defence Expenditure 2000 (9336 mio FIM)



■ **Mat Procur 39,8 %**

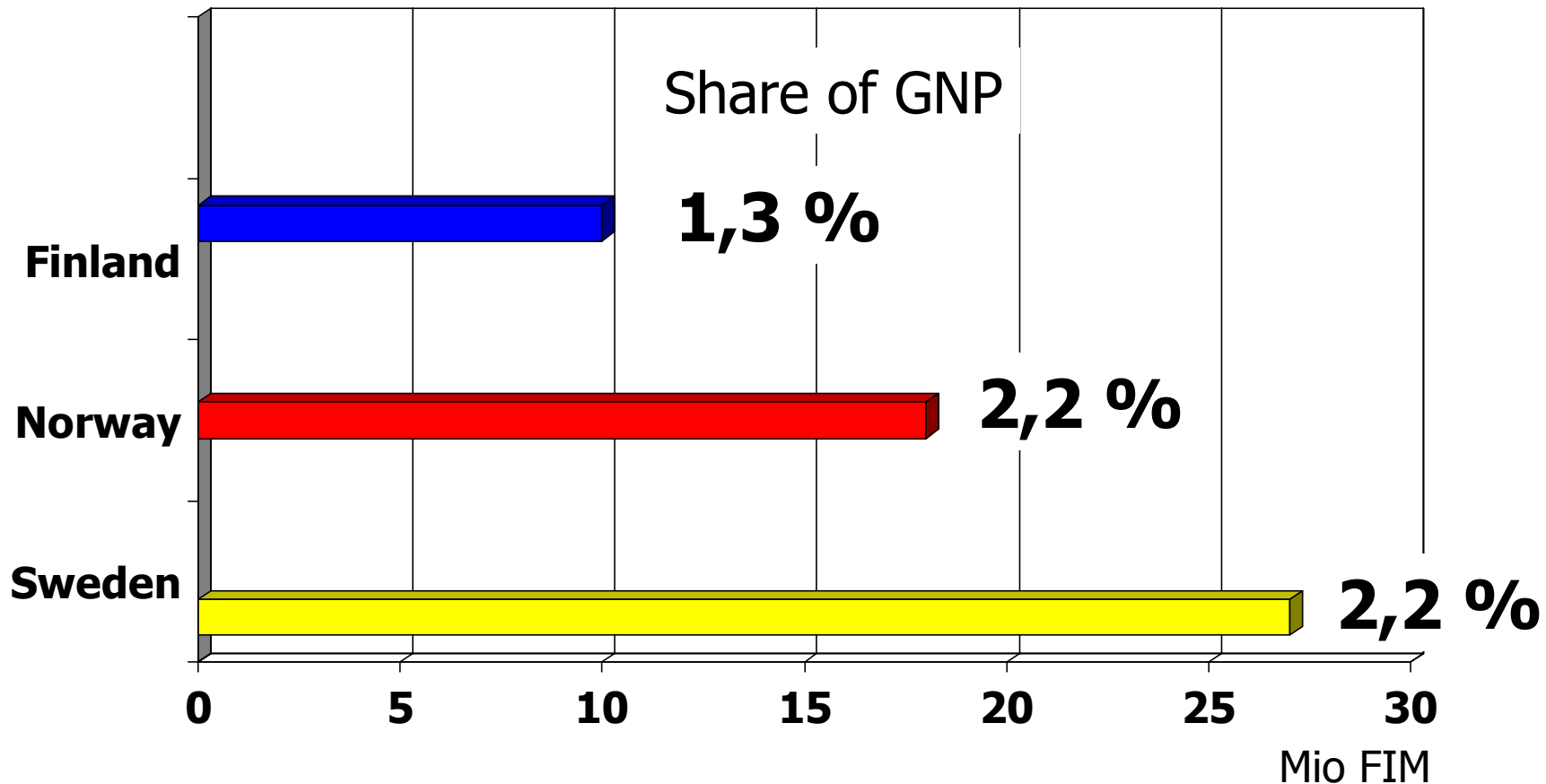
■ **Labour exp 37,1 %**

■ **Operat. costs 14,5 %**

■ **Upkeep of Conscr 8,6 %**

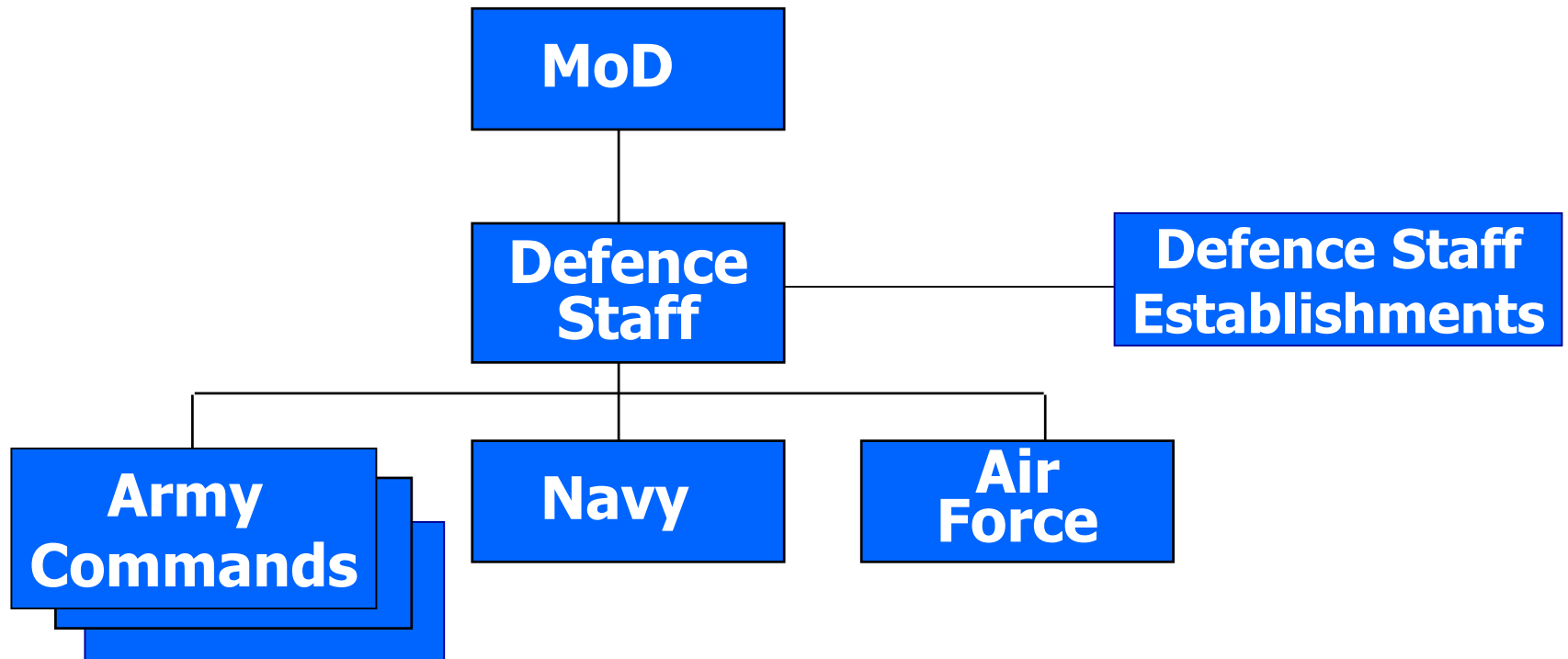


Comparative Data on Military Defence in 2000





Organisation of FDF





**Programme to Improve
the Management of
Financial and Materiel
Resources
in The Finnish Defence Forces**



Managing Financial and Materiel Resources in 2005



Compatible and effective processes throughout the Finnish Defence



Effective support to defence by keeping defence systems operational and producing necessary information to decision making

Rational workflow without double work

Modern IT-support



Updated and right information for decision making





Changes in processes, personnel and IT

What changes?

What doesn't change?

Processes

- Materiel and financial processes and workflows will be effective and fluent
- Automation to help routine work

- Some of the processes will not be developed with the help of new IT-system
- Service-specific functions will remain

Personnel

- Increasing effectiveness on a personal level
- 3500 people will learn to use new IT-system
- More integration into every day work
- Outsourcing IT-support

- Skilful personnel still needed in logistics and finance

IT-systems

- Number of materiel and financial IT-systems decreases significantly
- New and common technical architecture into logistics and finance
- New possibilities in development

- Some of the legacy systems will stay operational
- FDF's basic principles on IT will be respected (e.g. IT-security)
- Basic IT-infrastructure doesn't change



Some characteristics of MACFIN

MACFIN

- is an IT-based improvement programme
- covers the whole FDF
 - all services, all units
 - 3500 users (till 2004)
- introduces an ERP-software (mySAP.com) into FDF
- introduces processes on all levels of organisation
- replaces about 20 old IT-systems
- costs 25 m€ + own work
- is executed with Accenture and Siemens Business Services



Tasks of MACFIN (1)

1. **To Assure** Modern and Economical IT-support to FDF's Resource Management (Finance and Materiel).
2. **To Improve** Decision Making, Processes and Activities by Harmonising Processes and Procedures Throughout FDF and Improving the Quality and Access to Information.
3. **To Make** Electronic Data Exchange and Information Sharing **Possible** with Other Organisations outside of FDF.

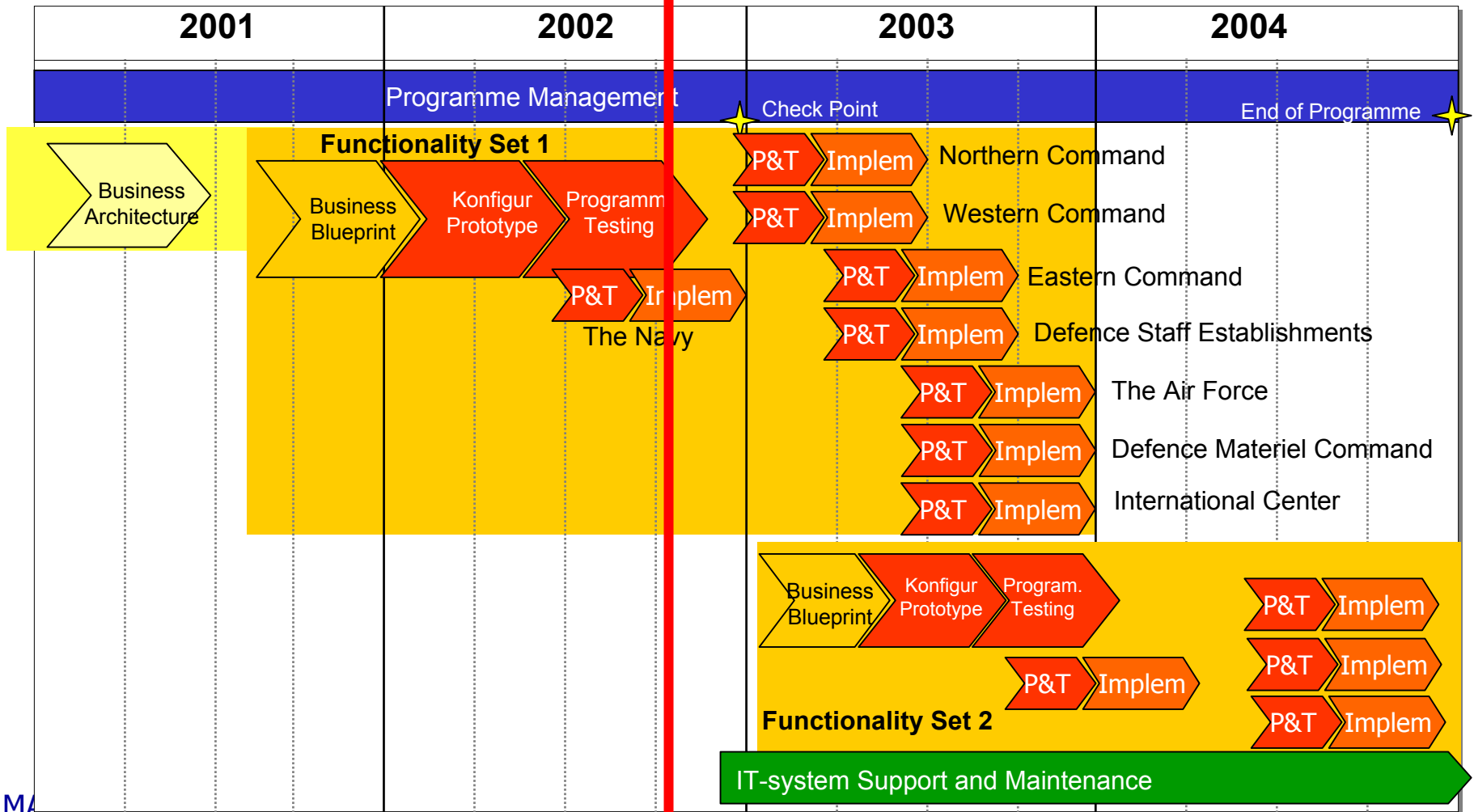


Tasks of MACFIN (2)

4. **To Acquire** an Integrated Software Package (COTS), which will Meet the FDF's Requirements on Resource Management, Act as a Backbone to all FDF's Logistical and Financial IT-systems and Reduce their Present Number.
5. **To Implement** the New IT-system in Phases and Replace Present IT-systems.
6. The New IT-system is to be Implemented into some parts of FDF till the **end of Year 2002**.
Decision to Roll-out the System is made after Initial Implementation and the Roll-out is to be done till the **end of Year 2004**

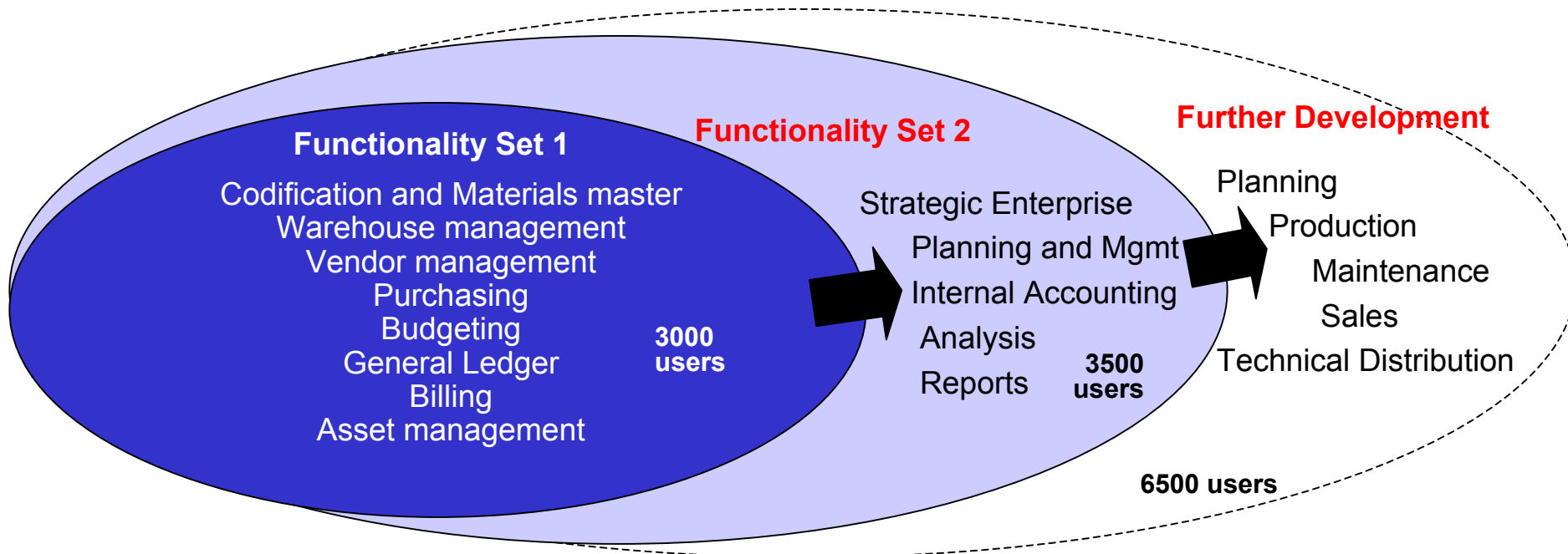


Programme Schedule





Functionality Sets



- Functionality Set 1: Basic material management and financial processes
- Functionality Set 2: Advanced financial and analytical processes
- Further Development = option



MACFIN – PROGRAMME

Preparing Organisation for an ERP-system

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Programme Manager

LtCol Jukka Ponsi



Questions to be answered

- How can you combine different needs and views of a large organisation?
- How can you unify and integrate processes through services and units?

Theme: Integration



Confusing concepts and terminology

- Operations Model
 - our own notion
- Business Architecture
 - from consultants with lot of commercial definitions
- Business Blueprint
 - notion used by SAP to describe functional user requirements and SAP software solution plan
 - our Business BP has app. 1200 pages (+ Technical BP and Security BP)
- Process Modelling



Fear in MACFIN-project

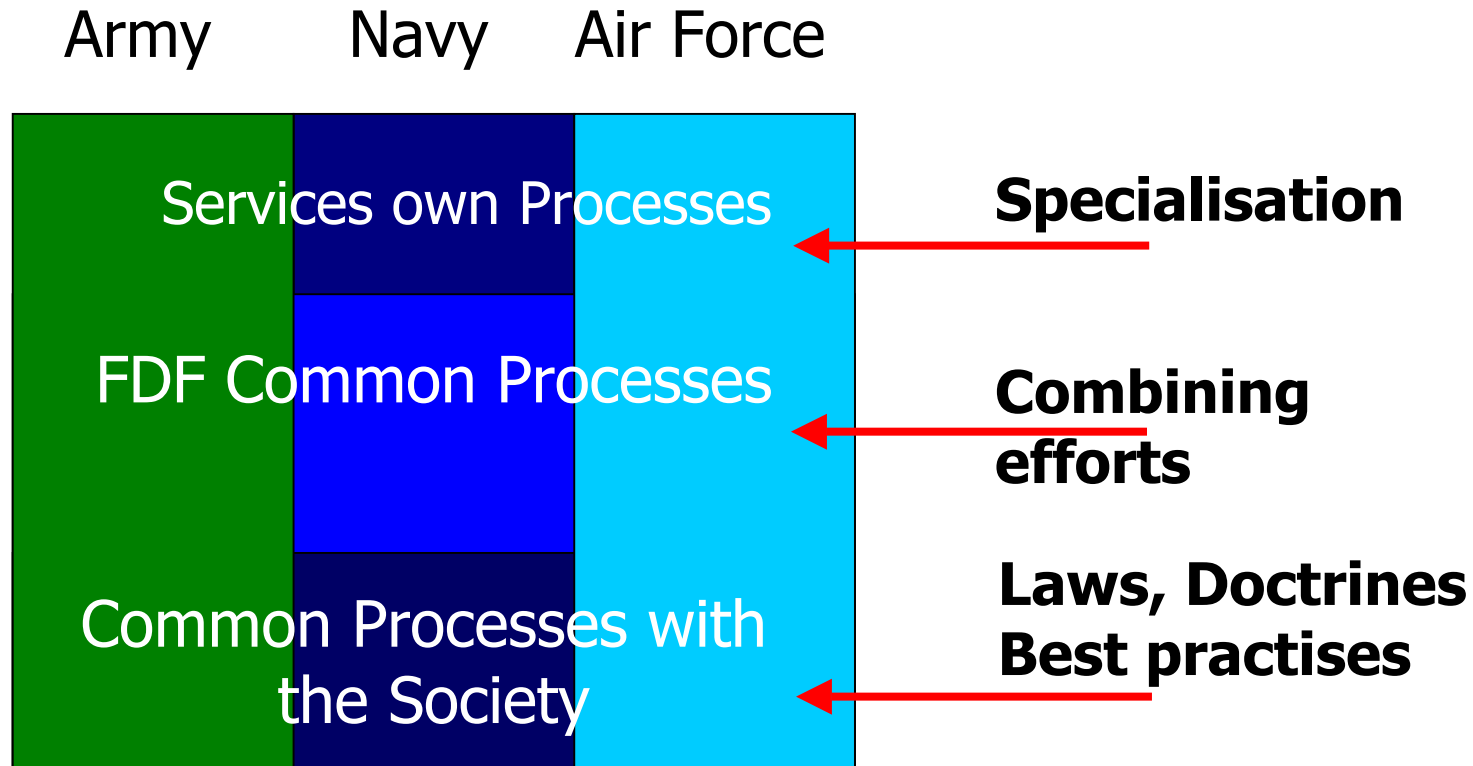
Pvkom

PE

**The chosen ERP-system
will mould the
procecces and
structures in the same
cast**



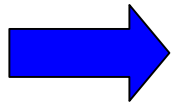
The Basic Idea of Defining the Operations Model



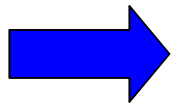


What has been done ?

Preparation phase 1996 - 1999

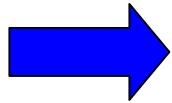


- Description of Present State in a Process Format
- Preliminary Resource Planning



- Goals and the New Operations Model (Process Model)
- Programme Concept (A-B model) and Programme Plan

Programme 2000 - 2001



- Acquiring the A-vendor. Contract awarded to Accenture
- Developing Business Architecture
- Acquiring the B-vendor and Total Solution. Contract awarded to Siemens Business Services. mySAP.com selected



Experiences in Process Modelling

- Present State 1997
 - One day training to process modelling
 - Own work
 - Model was “ugly” and never used again
- New Operations Model 1998
 - More training to FDF’s people to processes modelling
 - Facilitated and guided by Andersen Consulting (Accenture)
 - First common process model in logistics and finance
 - Was used as a base model when re-organising Defence Staff according to processes
- Business Architecture
 - Full-scale, unit independent process model
 - Was used in RFQ and later on in SAP Business Blueprints
 - Will be updated

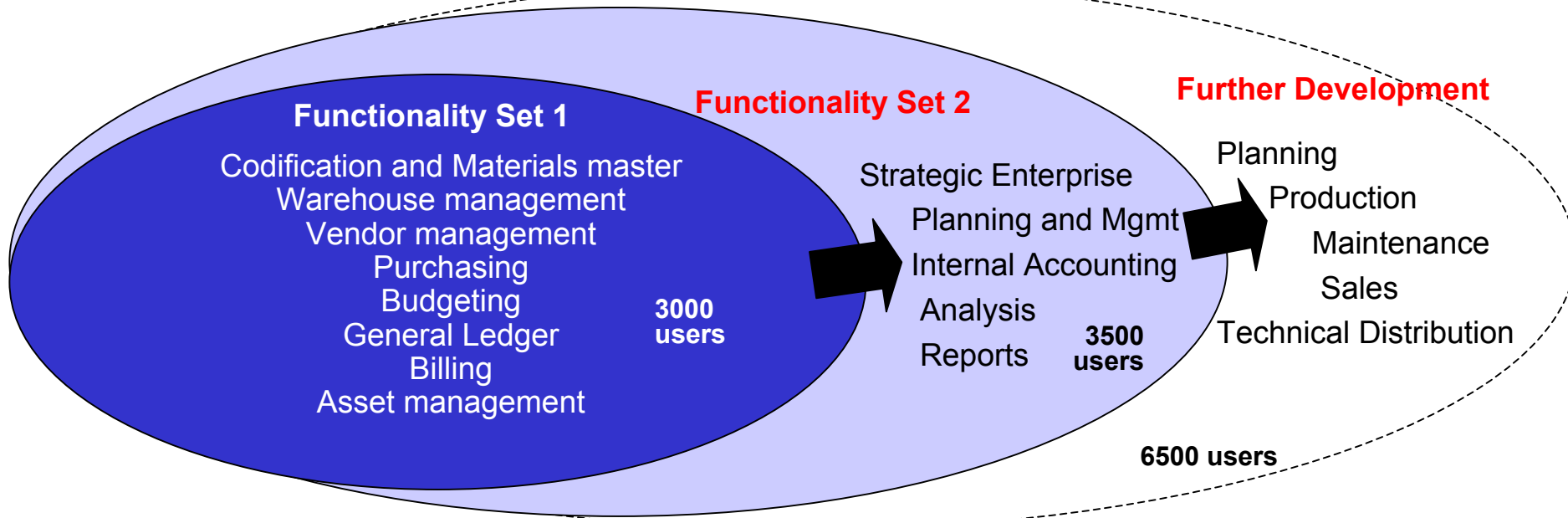


Questions / Discussions during modelling

- What is a
 - process, workflow, task,
 - operations model?
- What should you standardise
 - processes (to which extend) or
 - data / information?
- What is the granularity of your model to be able to buy an ERP?



Focusing to Common issues



- Functionality Set 1: **Basic** material management and financial processes
- Functionality Set 2: Advanced financial and analytical processes
- Further Development = **More difficult issues left out** (e.g. maintenance)

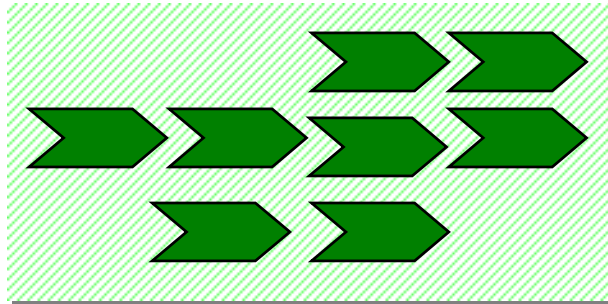


General Problem in Managing Process Models

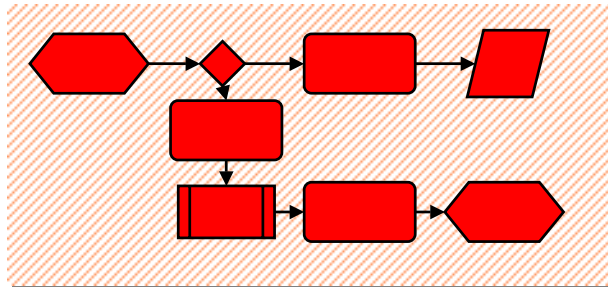


Three Levels of Models

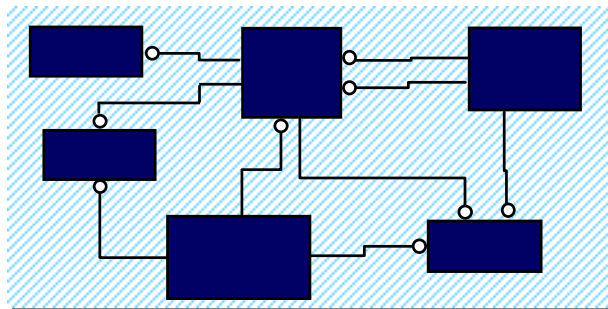
Customers
Business Model



IT-systems
Internal Model(s)
[Reference Model]

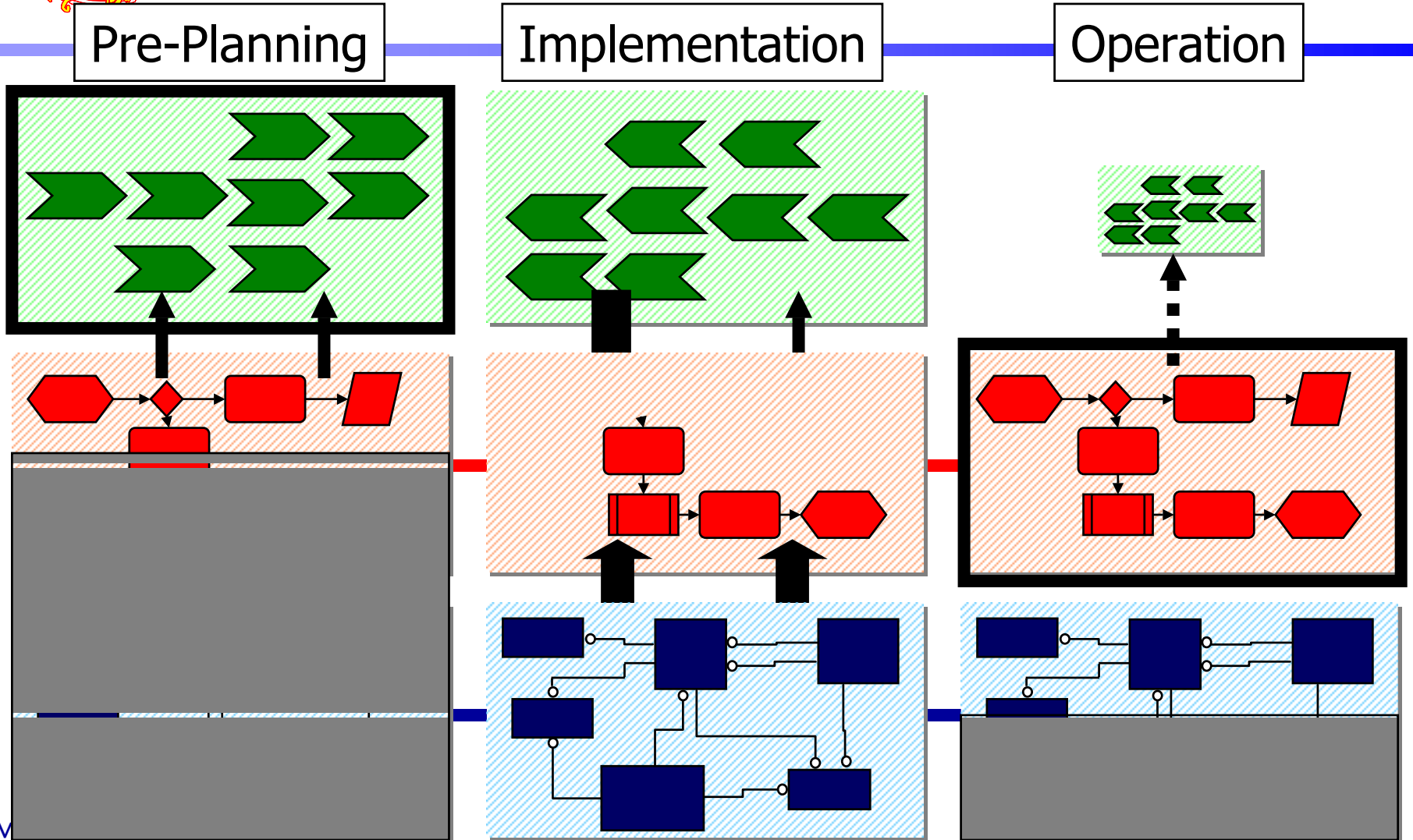


Data Model



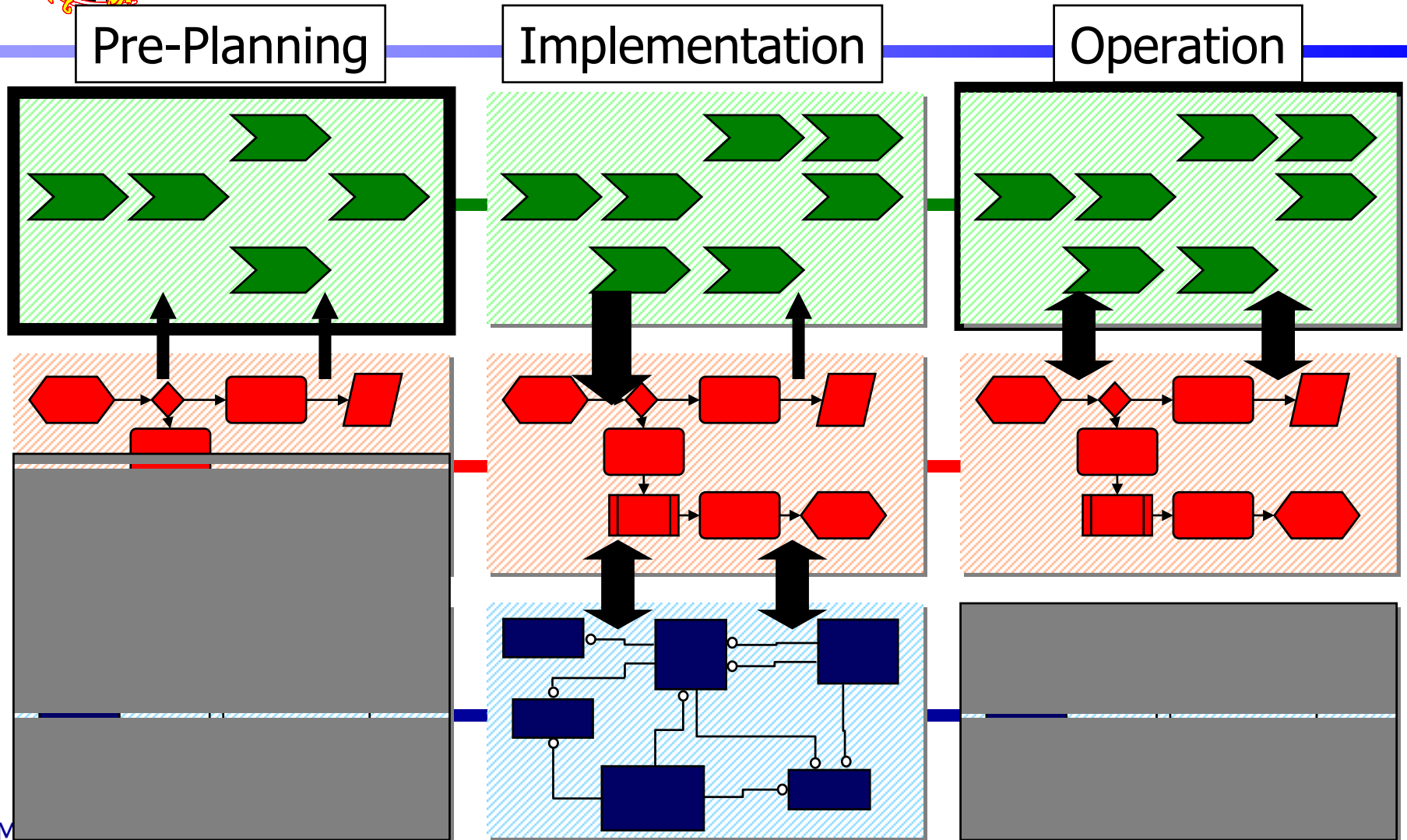


Normal Case





Optimal Case





How did we succeed?

- FDF has one high level process model in logistics and finance embedded into FDF's general process model
 - Some parts of the model are compatible (when translated) with industry models
 - ISO 10303 AP239 PLCS AAM ideology implemented
 - Model enables units to customise model to their own purposes
- FDF has one integrated IT-system with common workflow support to organisation



Why did we succeed?

- Interactive process modelling
 - Discussions, discussions, discussions ...
 - Common language and understanding
 - Big modelling groups
 - Iterations
- Consumed a lot of time
 - Time to understand and learn
- Clear outlining to common issues when implementing process model



MACFIN – PROGRAMME

Organising a Development Programme

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Programme Manager

LtCol Jukka Ponsi



Questions to be answered

- MACFIN –programme has (at the moment) six individual projects, 350 people working with it (including 50 consultants).
- How are responsibilities, tasks and communications organised and carried out between the line organisation and project organisation?
- How do we work to achieve the same goal?

Theme: Integration



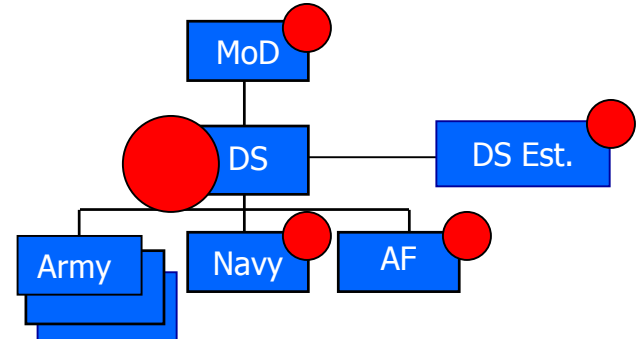
The Start

- MACFIN-programme was set by Chief of Defence Staff (2nd up in FDF's hierarchy)
- Ownership of programme was appointed to Chief of Logistics
 - responsibility of programme was appointed to Logistics Division and Information Management Branch
- The Board was nominated
- Chief of Logistics decides programme organisation
- Programme shall report according to normal year reporting



The Board

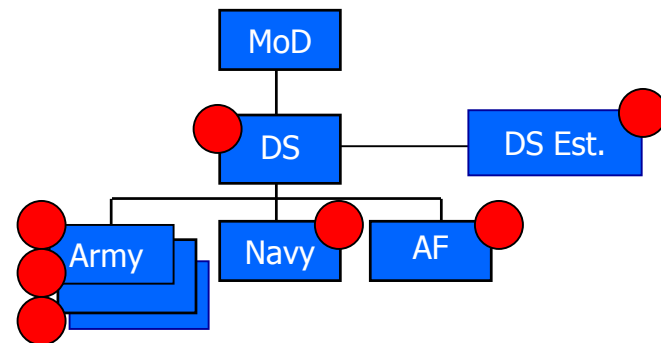
- The Board is taking care of
 - FDF level goals and benefits
 - programme resources (personnel)
- The Board consists of
 - Chief of Logistics, chairman
 - Chief of Planning Division (DS)
 - Chief of CIS Division (DS)
 - Chief of War Materiel (DS)
 - Chief of Staff of the Navy HQ
 - Chief of Staff of the Air Force HQ
 - Chief of Staff of the Defence Materiel Command
 - Representative of MOD
 - Programme Manager, secretary





Steering Group

- Steering Groups have been used to accept project work
- When the board members are from senior management level of FDF, steering group members are from senior specialist level
- Present Steering Group
 - Deputy Chief of Logistics Division, chairman
 - Chief of Logistics of the Navy, the Air Force, Army Commands
 - Chief of IS Divisions of the CIS Centre and Defence Materiel Command





Programme Management

- Programme Manager was appointed in autumn 1996
- 1996 – 1999 there has been couple of persons helping PM
- Since 2000 there has been a Programme Office to support PM
- From 60 – 80% of the work of PM has been outside of the programme
 - acquiring resources (both money and personnel)
 - communication with the line organisation
 - organisational change management
- Concept of two project/programme managers (FDF)
 - one taking care of the line organisation – looking outside
 - one taking care of the project organisation – looking inside



Project Management

- When there is vendor involved, there are always two project managers (customer – vendor)
 - Vendor (SBS): Methods, what-to-do, how-to-do, when-to-do, organise
 - to ask questions and process the answers
 - Customer (FDF): Process knowledge, decisions, lead
 - to answer the questions

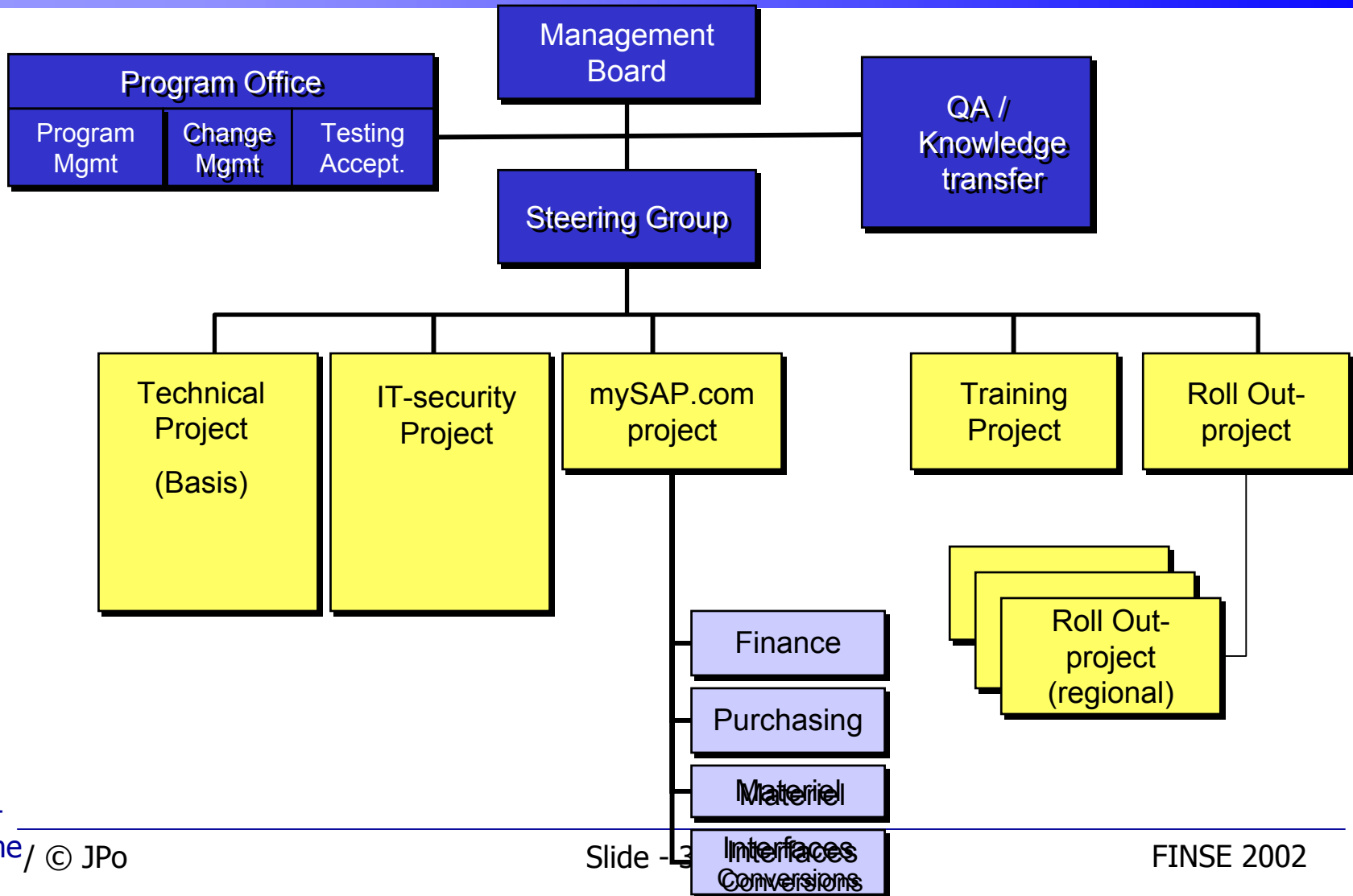


Working Groups

- Working Groups
 - Consists on domain experts
 - Number of people in a WG from 5 to 20
- Number of people (Total/FDF/Consultants)
 - Beg 2000: 10/10/0
 - End 2000: 115/105/10
 - End 2001: 250/220/30
 - End 2002: 350/300/50
 - Full time (2002) 40/10/30
 - More than 50% workload (FDF) ~50



Programme Organisation (End of 2001)





Relation to Formal Organisation

- Formal Organisation is responsible for
 - defining process goals
 - making decisions
 - implementing changes
- Programme Organisation supports formal organisation by
 - defining processes and preparing process goals
 - introducing alternatives
 - providing change management support

A temporary organisation doesn't have/take the power from the formal organisation



How do you work with two organisations?

- Answer: Internal networking
- All decision makers are involved into the programme organisation personally or by a representative
 - they will get all the information needed to make decision
 - they will have an opportunity to discuss issues with others
- More work for the programme, but better commitment from user organisations



Communication

- Backbone: Shared working environment based on Lotus Notes
 - All project mgmt issues: plans, schedules, agendas, minutes, calendar, rules and regulations
 - All deliverables: plans, requirements, blueprints, documentation, working papers
 - Delivery mgmt: Defects, change requests, solutions, testing, acceptance, quality control documents
- Access: FDF project personnel, consultants, FDF interest groups



Tools and Methods used in Programme

- BSC
 - to measure the success and achieving goals of the programme
 - modified version for public organisations
 - monitoring twice a year – zero level known
- Reporting
 - weekly progress reports from all projects and the whole programme (written format)
 - progress against programme level milestones and project milestones (written format and diagrams)
 - resource usage (sheets and diagrams)
 - roll-out readiness (diagrams)
- Customer surveys
 - to support change management
 - at least twice a year



How did we succeed?

- Common goal accepted
- Information available widely
- Changes are beginning to happen
- To improve:
 - Organisation is large and complex.
 - How to streamline?
 - More fulltime domain experts
 - Programmes HR mgmt requires a lot of work



Why did we succeed?

- Shared information
 - starting from the document version 0.1
 - wide enough access to information
- Networking with
 - formal organisation
 - other development projects
- Open, personal communication
 - a lot of presentations in various meetings
 - FDF-wide road shows



MACFIN – PROGRAMME

Management of Suppliers

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Questions to be answered

- MACFIN has two main contractors, one big product vendor and numerous other suppliers or subcontractors.
- Who is doing what and when?

Theme: Integration

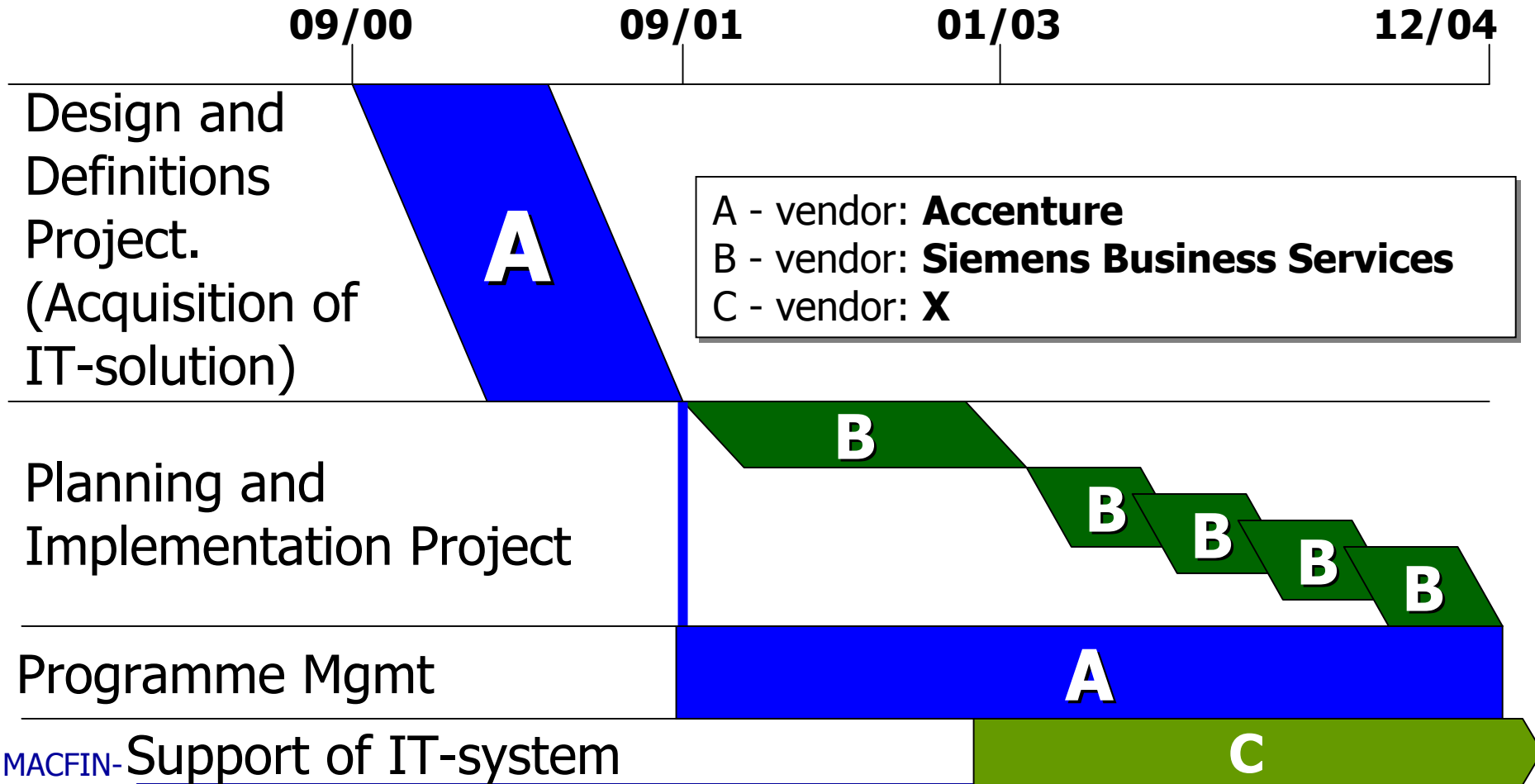


Problems to go ahead (1999)

- MACFIN is big in FDF's scale and it is risky
- How to buy (define) it?
- How to manage budget?
- Solutions:
 - We have to use consultancy
 - We have to slice it into manageable pieces
- Guidelines:
 - Long term relations with consultancy company
 - Clear responsibilities (Prime Contractor)



Responsibilities of Vendors (Design - Build - Operate -model)



A - vendor: **Accenture**
B - vendor: **Siemens Business Services**
C - vendor: **X**



What were we buying from A-vendor?

- Defining of MACFIN-system
 - Business architecture
 - IT-architecture
 - Requirement for an ERP-solution
 - Support to procurement phase
- Commitment to support Programme manager through the whole programme



What were we buying from B-vendor?

- Hardware and hardware related software
- Enterprise Resource Planning / Management software (COTS)
- Any other software needed
- Databases
- Necessary planning
- Configuration and prototype
- Necessary programming and testing
- Implementation and roll-out
- Project management



Public Procurement

- FDF has to perform procurements according to legislation
- EU procurement
 - Strict rules about timescales and procedures
 - EU wide RFQ's
 - Exception: With a permission of MoD, procurements purely to military purposes are allowed to do without EU procedures. They are performed according to Finnish national regulations
- Four of the biggest contracts were approved by the Minister of Defence



Managing Contracts

- October 2002: Totally 14 contracts
- Contracts signed by Logistics Division
 - CIS-centre provided commercial / legal support
 - all bills are paid by Logistics Division
 - comparing deliverables, bills and agreements
- Actually Programme Manager is responsible for managing all contracts



Managing Deliverables

- Programme Office is controlling delivery of main contracts
 - schedules
 - progress
 - testing
 - acceptance
- Programme Manager is controlling delivery of other contracts or has delegated it further
- Bottom line: Customer is integrating delivery as a total



How did we succeed?

- Prime contractor - **NO**
- Clear responsibilities
 - Bigger issues (80%) – **YES**
 - Smaller issues (20%) – **NO**
- Amount of administrative work:
 - Too big – but could be even worse

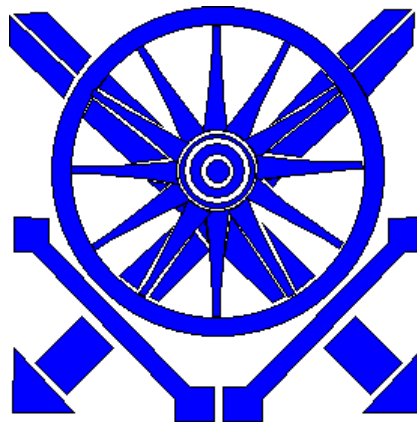


Why did we not succeed?

- Strict and small budget
 - FDF could not give an open cheque to any vendor to take care of all challenges and being a real Prime Contractor
 - All issues were not clear enough when signing basic agreements
 - Some framework agreements were in place in FDF, cheaper and easier to use
- Culture (or internal matters) in FDF

Questions?

Logistical Information



Information Logistics



**Defence Staff
Logistics Division**

