USAWC STRATEGY RESEARCH PROJECT

Revolution in Business Affairs: Strategic Business Alliances in Army Transformation

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ABSTRACT

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TITLE: Revolution in Business Affairs: Strategic Business Alliances in Army Transformation

FORMAT: Strategy Research Project

DATE: 09 April 2002 PAGES: 31 CLASSIFICATION: Unclassified

The United States Army is beginning a Transformation journey to maintain its technological edge over any potential adversary in the 21st Century. The goal is to become lighter, more lethal, more survivable, easier to deploy and lower costs. In order to transform quickly and effectively, the Army may utilize commercial business practices to acquire transformation equipment, goods and services. There is a continuing effort to bring about a Revolution in Business Affairs, thereby operating more like a business within the Department of Defense. What commercial business practices could assist the Army in its Transformation? Can Strategic Business Alliances between the government and contractors help forge a winning team to aid in the Transformation effort?

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On September 11, 2001, the United States was changed forever as a result of a terrorist attack. The attack was an asymmetric action against a surprised and somewhat unprepared country. The United States Army was already slowly progressing down the Transformation pathway to continue to be relevant in an asymmetric world. The Army's goal is to become more lethal and lighter in an effort to project power quickly in a crisis. The Army will attain this through transformation from our current force, to the Interim Brigade Combat Team (IBCT), to ultimately the Objective Force.

The Army and its acquisition community are hurrying to field the equipment for the IBCT and ultimately the Objective force, but are slowed by acquisition regulations. These regulations were designed to create a black and white acquisition world, where contractors developing combat systems had to be kept at arms length, and where development and fielding of major systems are accomplished in over a dozen years at best. An integral part of the acquisition process has been the use of Strategic Business Alliances.

This strategic research project will examine the potential use of Strategic Business Alliances between the U.S. Army and major contractors, along with how they are created and why they're important. Additionally, it will address the current applications of Alliances in the commercial sector as well as the military acquisition community, including how they might assist the Army in Transformation.

WHAT IS A STRATEGIC BUSINESS ALLIANCE?

The term is best defined by linking the three independent word definitions together. 'Strategic' refers to a careful plan or the art of deploying plans toward a goal. 'Business' is the dealings, specific pursuit or occupation someone is involved in and 'Alliance' is a union, relationship or conformity towards a common cause.[1]

> Commercial industry has habitually called them Strategic Business Alliances while the government has only accepted and used this terminology in the last few years. Previously the government called them Strategic Supplier Alliances. The change was done to bring the government in sync with business and to denote that alliances will be more focused on key processes between the two parties.[2] A Strategic Business Alliance agreement can either be a formal or an informal business relationship. They are an agreement to create a synergy between the two independent organizations focused on delivering innovations and solutions by building on the strengths of both organizations through a shared commitment.[3] "A good strategic alliance agreement can outline what is expected, and determine what success 'looks like' and how to measure whether it is achieved."[4]

Many organizations are entering into business alliances to overcome inherent risks associated with new product development and to better manage the innovation process. They enter into alliance to quicken the pace of innovation, spread out risks, overcome budgetary constraints or gain access to resources or technology.[5]

Alliances come in all sizes and shapes. They range from the formality of a signed agreement forming a joint venture to the informality of a loose collaboration such as a gentleman's handshake. One factor that favors the employment of alliances is the complexity of today's systems. New technologies are creating links among companies to create lower risk and larger volume sales. Cooperation is the key in that such alliances allow companies to exploit new opportunities much faster than if the gaining company tried to acquire the skills itself. [6]

Commercial companies are emerging, especially through the internet, that espouse the positive aspects of entering into an alliance with another company and will research companies for compatibility with your firm. One such web site lists the top ten reasons to form a strategic business alliance. Five of the reasons have direct applications to government operations and how an alliance would improve the government service or product. [7]

REVOLUTION IN BUSINESS AFFAIRS (RBA) FOR THE GOVERNMENT?

The phrase Strategic Business Alliance did not make its' debut overnight. It evolved from the 1997 Quadrennial Defense Review (QDR). The QDR was a requirement contained in the National Defense Authorization Act of 1996 (Public Law 104-201). Section 923 of this legislation states that the requirement as follows:

> The Secretary of Defense, in consultation with the Chairman of the Joint Chiefs of Staff, shall complete in 1997 a review of the defense program of the United State intended to satisfy the requirements for a Quadrennial Defense Review as identified in the recommendations of the Commissions on Roles and Missions of the Armed Forces. The review shall include a comprehensive examination of the defense strategy, force structure, force modernization plans, infrastructure, budget plan, and other elements of the defense program and policies with a view toward determining and expressing the defense strategy of the United States and establishing a revised defense program through the year 2005.[8]

The Secretary of Defense, William S. Cohen challenged the Department of Defense after the QDR was published with the following remarks:

> Over the past decade, the American commercial sector has reorganized, restructured, and adopted revolutionary new business practices in order to insure its competitive edge in the rapidly changing global marketplace. It has worked. Now the Department must adopt and adapt the lessons of the private sector if

our Armed Forces are to maintain their competitive edge in the rapidly changing global arena.[9]

Then Deputy Secretary of Defense for Acquisition, Logistics and Technology(DSD(ALT)), Mr. John Hamre, further defined how the Under Secretary of Defense for Acquisition, Logistics and Technology (USD(ALT), Dr. Jacques Gansler) intended to modernize the military:

> One main element of the QDR is to prepare now for an uncertain future through a focused modernization effort, development of new operational concepts and organizations to fully exploit new technologies, and efforts to hedge against threats that are unlikely but which would have disproportionate security implications. To meet these demands of the strategy, we need a transformation of our forces—-'a Revolution in Military Affairs'. The extent and pace of the transformation of our forces will depend critically on the availability of resources to invest in necessary research, development, testing, experimentation and procurement. In the regard, the Secretary envisions the Revolution in Military Affairs interlocking with a Revolution in Business Affairs.[10]

As a result, the RBA provided the impetus to examine how the DOD does business with the commercial sector and how it supports the service member, who is defending the country. The RBA was categorized into four areas, representing its key principles: incentives for contractors and suppliers, accountability of program managers and government employees, focusing on performance for the customer, and development of core competencies. Ultimately the mission statement for the RBA could be summarized as: "an accountable government and contractor workforce with the incentives, skills, tools and flexibility to achieve cost-effectively the performance necessary to support the warfighter."[11]

The goal of the RBA is to streamline DOD operations, making them more efficient. This will allow those savings to be shifted to make up for deficits in the procurement budget for modernization and supporting the military's full spectrum domination challenge.[12]

The Army continues to support the RBA initiative today. The 2001 QDR did not specifically address the Revolution in Business Affairs, although the initiative is alive and well. Currently the savings from efficiencies gained will be invested in transforming our military and selectively re-capitalizing our legacy systems through replacement, selected upgrade, and life extensions.[13]

The 2001 QDR lists three basic tenets to describe the changes DOD must implement to transform the military. The most important of them involves revising acquisition and logistics policies and procedures to emphasize training and the timeliness of fielding modern, fully capable systems.[14] This will require a partnership between the government and contractors, along with new initiatives and risk-taking on the part of the government. The then Chairman of the Joint Chiefs of Staff, General Henry H. Shelton, summed up the two requirements needed to truly transform the Armed Forces of the United States to meet future challenges in his statement in the 2001 QDR.

> If truly dramatic improvement in future joint operational effectiveness is to be achieved: however, more is required. First, a DOD-wide transformation strategy, a joint vision, and a joint transformation roadmap are essential to guide, integrate, and synchronize the efforts of the Services. Second, we need DOD-wide reform of key institutional planning, programming, budgeting and acquisition processes. These two requirements are interdependent; no real progress will be made in one without the other.[15]

One of the key contributors to attaining the second of General Shelton's key requirements is for the Army and DOD to embrace the use of commercial business practices in procuring systems and spare parts. One such commercial business practice is the use of Strategic Business Alliances.

COMMERCIAL INDUSTRY VERSUS STRATEGIC BUSINESS ALLIANCES

The use of strategic business alliances came in vogue between commercial companies, not as a nice thing to have, but as a method of surviving in today's economy and business world. One of the biggest problems facing corporate executives today is how can they manage change and day-to-day operations amid rampant uncertainties in the economy. As a result, companies are making alliances with competitors, suppliers, and other partners to reduce risk and obtain or share key technology. This has move to alliances has skyrocketed over the last ten years. Most business dealings are black and white, but the business alliance is a gray area where both businesses share information and goals and can represent a way to combine the best aspects of U.S. style capitalism (centering on all-out competition, with the cooperative mentality of the keiretsu in Japan. The average large company in the United States has more than 30 alliances in contrast to none a decade ago. Alliances are very dominant in high technology industries and have assisted in facilitating innovation when going it alone would have taken much longer or not been as successful.[16]

One business alliance that affects each of us is the alliance between the United States Postal Service (USPS) and the Federal Express Corporation (FedEx). Under the terms of their non-exclusive alliance agreement signed in March 2001, the USPS will buy space on FedEx aircraft to transport mail (approximately $6.3 billion over seven years) while FedEx will be able to place FedEx self-service drop boxes on USPS property (worth up to $232 million over seven years). This alliance benefits everyone as the USPS can rely on the FedEx planes because they are one of the largest airlines in the world with over 650 planes, thereby not requiring the USPS to purchase space through a myriad of airlines or rely on its costly fleet. FedEx gains too through maximizing the haul capacity of its aircraft, getting paid for it, while obtaining rights to place a FedEx drop-box at any US Post Office. The agreement also benefits the consumer through greater flexibility, choice, and convenience. As the Postmaster General of the United States, William Henderson stated, "These agreements will leverage two great networks-the extensive reliability of FedEx planes and the coast-to-coast retail presence of the Postal Service."[17] Of particular interest is that this strategic business alliance occurred between a commercial corporation (FedEx) and a pseudo-government agency (USPS), benefiting all concerned, to include the consumer.[18]

Strategic alliances strictly between commercial companies are more prevalent. For example the business alliance between Unisys Corporation and Computer Associates International, Inc.(CA) which has improved the business base and prospects for both corporations. Unisys is a provider of hardware, software, and services, while CA is an industry leader in providing businesses infrastructure management. Their alliance enables them to provide a turnkey operation and solutions for any customer with electronic business or information management concerns. They promote and sell each others products and insure compatibility. Their agreement covers the global market, encompassing over 100 countries and has increased each others competitiveness.[19]

Another business alliance in the information management field is the relationship between Compaq Computer Corporation and Tivoli Systems, Inc. Compaq is a Fortune Global 100 company and is the largest supplier of computing systems in the world. Tivoli is known for its software and information management technology. Through this alliance, both companies will market sell and train on each others products. It will provide a seamless support system coupled with name-brand, proven systems. The integration of both companies products will decrease risk for the customer and accelerate deployment and return on investment. All of this will be accomplished for customers without the organic expertise to implement a business wide electronic business or information management infrastructure.[20]

Strategic business alliances occur in any business field. In August 2000, the Shell Oil Corporation formed an alliance with the China National Offshore Oil Corporation (CNOOC), China's third largest oil and natural gas company. The alliance allows Shell to purchase shares of the Chinese oil company, at a special rate, when it goes public with an Initial Public Offering (IPO). In return, Shell will provide as much as $400 million as investment in CNOOC, who wants the alliance in an effort to raise cash.[21]

Alliances not only help productivity, but assist in creating one-stop shopping for customers. Take for example the alliance signed between Radio Shack Inc. and Blockbuster, a subsidiary of Viacom Inc. The agreement allows Radio shack to set up “mini-stores” in any of Blockbuster’s 5000 stores, providing it access to Blockbuster’s three million customers per day. The strategy is that Radio Shack mini-stores will use space potentially left vacant as the public transitions to DVDs instead of the larger VCR tapes. As tape users transition to the higher quality DVDs, Blockbuster will profit from fees charged to Radio Shack for store space that might note be fully utilized. Both companies will cross-market and promote each other, providing additional benefits to the agreement.[22]

In March 2001, the Regal Plastics Company, a small minority owned business, entered into a strategic alliance with the largest automotive supplier in the world, Delphi Automotive Systems. In the past, Regal did piece/part business with Ford and Chrysler while Delphi supported General Motors (GM). The alliance was unprecedented in the automotive industry as each company maintains its own identity, but opens markets and lowers risk to each. Since each company was a qualified supplier and original equipment manufacturer (OEM) to their automotive manufacturer, they can now expand their business. With Regal’s alliance link to Delphi, they will increase their business an estimated 20% per year, during the next three to five years, by providing small components to Delphi who can now assemble and market entire systems, such as entire interior cockpit systems to manufacturers. Additionally, they can market to all manufacturers because the two alliance partners complement each other and qualify to provide OEM components systems to any of the three U.S. manufacturers. Both companies increase market share, decrease risk, and open doors for one another. [23]

Not all alliances are made in heaven or stand the test of time. One such instance is the alliance that existed between Ford Motor Company and Bridgestone/Firestone Inc. This business alliance originated in the early 1900’s, and was between Henry Ford and Harvey Firestone. Firestone manufactured tires for almost all Ford vehicles for nearly 100 years. In fact the business alliance led to very personal ties between the Ford and Firestone families as the current Ford Chairman’s mother was a Firestone. Bridgestone/Firestone Inc. is now controlled by a Japanese multinational corporation. The alliance had been very profitable for both corporations, but the trust and business relationship unraveled when safety concerns about Firestone Wilderness tires on Ford Explorer vehicles started to hit the media in early 2001. Ultimately Ford and Firestone blamed each other for the extremely poor safety record of Wilderness tires on Explorer vehicles and ended their business alliance. Both corporations believed each other to be a large liability as litigation from product liability lawsuits began to increase.[24]

We may be only seeing the tip of the iceberg as the strategic business alliance snowball starts to pick up momentum in the commercial marketplace.

> Business alliances among not-so-obvious allies are skyrocketing. According to Booz Allen & Hamilton Inc., the 1000 largest U.S. companies earned less than 2% of their total revenue from alliances in 1980. By 1996, that percentage had hit 19%, and by next year (2002), it is slated to reach 35%. According to the press releases that announce such partnerships, the reasons for them are many and convincing: cost reduction in the supply chain, access to new markets, and the opportunity to bask in the glow of another company's reputation. In the age of co-opetition, even longtime foes are teaming up.[25]

THE GOVERNMENT'S INVOLVEMENT WITH STRATEGIC BUSINESS ALLIANCES

In an effort to spurn acquisition reform after the 1997 QDR and speed up the Revolution in Business Affairs, the Department of Defense invoked a series of Defense Reform Initiatives (DRIs). These initiatives were designed to reengineer and improve the overall acquisition process. One of the initiatives was Civil Military Integration (CMI).

> The aim of CMI is to enhance our access to world-class suppliers by applying best commercial practices, while removing barriers at all stages of the acquisition process (that) prevent the Department from accessing commercial technology and products.[26]

To achieve the objective of Civil Military Integration, the DOD:

> must access commercial technology and adopt business practices characteristic of world-class suppliers. But with current budget restrictions we (DOD) must also reduce the total cost of acquiring and operating the systems we purchase. It's critical, then, to maintain a competitive environment and an acquisition process that is attractive to potential industrial partners.[27]

CMI eliminates the distinction between doing business with the government and the commercial sector.

It was civil-military integration that kick-started the revolution in business affairs. Strategic business alliances became in-vogue and a tool for the acquisition and program management community. Although the acquisition community was skeptical, some acquisition personnel thought out-of-the-box and utilized the strategic business alliance. Examples of the U.S. Government utilizing business alliances with commercial industry or within the government began to surface with promising results.

In the spring of 1999, a Strategic Alliance was signed between two U.S. Navy Program Executive Offices (PEOs), the PEO for Aircraft Carriers and the PEO for DD-21, the replacement for the Arleigh Burke-class of guided missile destroyers. The PEOs were facing a myriad of challenges mainly dealing with scarce resources. They shared ideas and recognized they were bidding and leveraging their programs based on the same or similar suppliers. Since both had limited resources and were fighting to keep costs down, they entered into a Strategic Alliance that cuts across both programs and leverages scarce resources for both programs. This formal agreement (a Memorandum of Understanding) articulated programs purposes, scope, schedule, and focus areas. The relationship is viewed by senior Navy and DOD acquisition professionals as a new high-water mark in system acquisition in the Navy. The Alliance is expected to benefit both programs not only in mutual cooperation, but through schedule and cost savings.[28]

The Army is using an unusual business alliance to boost recruiting. It is sponsoring a Top Fuel dragster on the National Hot Rod Association Racing Circuit. The Army made the dragsters driver, Tony Schumacher an 'honorary' Sergeant. Some schools will not allow Army recruiters in their buildings, but in return for sponsorship, Tony Schumacher invites high school classes out to the track to discuss safety and watch practice runs while he is on the road during racing circuit season. He speaks of racing and driving safety, along with the opportunities in joining the Army, one of his sponsors. This combined with the "Army of One" campaign, is assisting the Army to attain its recruiting goals. Student's react positively to the message being sent out and the alliance is benefiting both the Army, and Tony Schumacher.[29]

In November of 1998, Motorola Corporation launched the Iridium mobile telephone system. These mobile telephones are linked to a series of satellites, that offer instantaneous global communications. Motorola had invested a large amount of money in the system, but needed a minimum of 300,000 subscribers to become profitable. In 1999, Motorola declared bankruptcy and sold the system to a new company called Iridium Satellite Corporation. DOD has always had communication concerns during a deployment of forces because the military and other government agencies are all competing for communication assets and available resources become scarce. The Iridium Satellite Corp. got the DOD interested in their service and both parties agreed in December, 2000, on a service contract that is truly a strategic business alliance. Under the agreement, the DOD pays Iridium Satellite $3 million a month for unlimited use of 20,000 individual subscriptions and $6 million annually for the operation of a support downlink site in Hawaii. Bottom line is that this superb example of Civil-Military Integration and saved the Iridium system from being terminated. The agreement benefits both parties, and allows the DOD to make global phone calls, from and to anywhere in the world. The system provides secure communication, operates at Ultra High Frequency (UHF), is extremely hard to trace and is perfect for use by the military or the State Department.[30]

Defense Contract Management Agency (DCMA) initiated a program to encourage strategic business alliances in 1999. The Agency's business consists of administering contracts let by government (mostly DOD) agencies. Due to DCMAs mission, they have a unique definition to coincide with their business base. To DCMA, a strategic business alliance "is an agreement outside the scope of a contractual document that seeks to leverage areas of common strategic importance to suppliers, customers, and DCMA through a Management Council." Management Councils consist of upper management from both the company and the government who meet a minimum of twice a year to discuss issues or problems that hamper business from their perspective. They work hand-in-glove with any possible business alliance, as alliances should result in some form of change to the way business is being conducted between the two parties.[31]

DCMA highlights four strategic business alliances with corporate partners. The first alliance is with Honeywell Inc. The alliance agreement is focused on twenty-five selected corporate locations where Honeywell and DCMA are implementing a Quality Assurance Rapid Improvement Team to focus on quality improvements in the production process to lower costs. The second alliance is with the Goodyear Tire and Rubber Company. It covers the production of ground tires and focuses on utilizing commercial contracting practices to improve the overall procurement, delivery and payment. Goodyear has proposed new ordering and payment process that will be utilized on future procurements. Goodyear is also investigating accepting the use of the government credit card. In concert with the government, internal policies have been established to tires are timely and properly accepted by the government so prompt payment can be made. The third alliance is with Rockwell-Collins Inc. and is focused on acquisition streamlining through the use of performance-based contracts and commercial business practices. Raytheon Company has the fourth alliance. The main thrust of this alliance is to provide an overarching agreement concerning the standardized use of Earned Value Management on cost-type contracts. It also covers the use of a corporate-wide Environmental and Safety Stewardship Agreement along with the foundation for potential contractor logistics support on the Navy Phalanx weapon system. Each of these alliances is beneficial to both parties by either lowering costs or minimizing risk. The basis for all of the alliances is process improvement through conversion to more commercial oriented methods.[32]

WHAT ARE THE FACTS ABOUT ALLIANCES AND ACQUISITION REFORM

Whether it is utilizing a performance specification, a commercial warranty, past performance or some other type of acquisition reform, just how beneficial are their use? Most procurement individuals only want to use a proven concept. With the contracting officers reputation, large amounts of money, or the success of the program or acquisition hanging in the balance, most people do not want to take large risks. No contracting officer wants to save costs in the acquisition of a system only to have the life cycle costs to be negatively impacted to the tune of twice or three times the original savings.

Research was completed under the auspices of the Lean Aerospace Initiative (LAI) at the Massachusetts Institute of Technology. From 37 defense acquisition programs, 23 were chosen to be the program sample and included programs from all the military Services. Included in the 23 programs researched were seven aircraft programs, five ship programs, four munitions programs, and seven major system acquisition programs. Government program representatives were interviewed from each program, along with a study of program data. The results were mixed, but predominately positive. Overall, commercial practices were found to benefit cost, schedule, and quality. Graphed below are the eight commercial practices or reform initiatives that have been used on the representatives program (frequency).

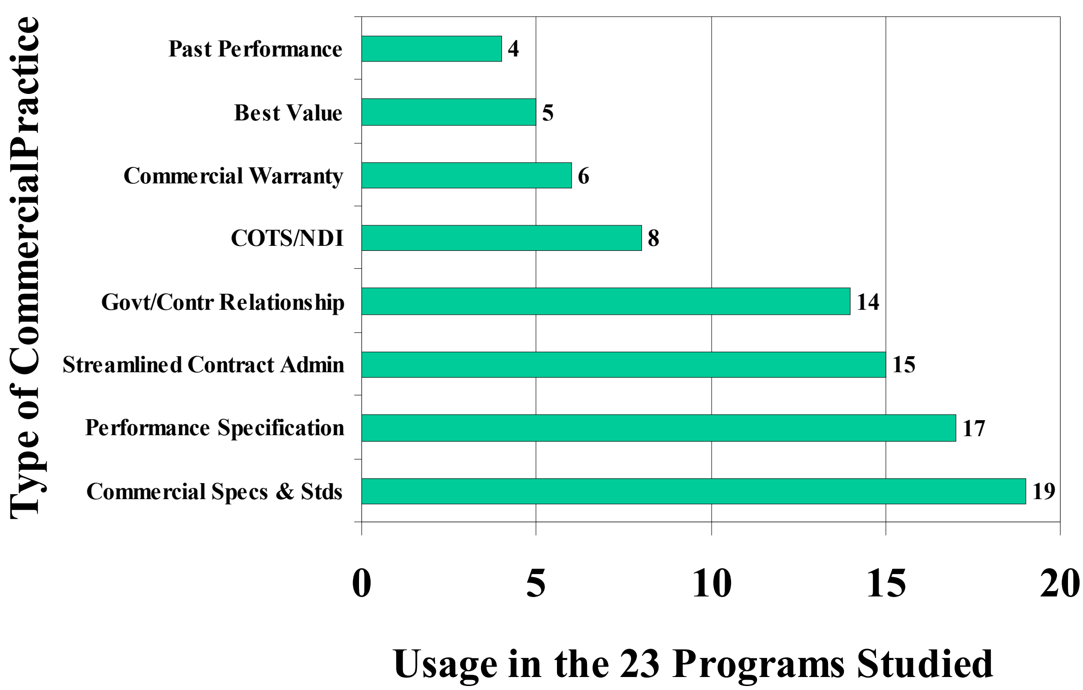

FIGURE 1 USE OF SPECIFIC COMMERCIAL PRACTICES[33]

Interestingly, the fourth commercial practice listed is that of Government/Contractor Cooperation and Relationship. This denotes a cooperative, mutually beneficial relationship between the contractor and the government. This was characterized by the reduction of government oversight, the establishment of long-term partnerships (business alliances) and the inclusion of contractor or industry in specific program Integrated Product Teams (IPTs). Fourteen of the 23 program representatives considered a close relationship between the contractor and the government (business alliances) as an important commercial practice. This is significant because it shows that cooperative relationships, such as the use of business alliances, is catching on in the acquisition community as a viable commercial business practice[34]

The second part of the study focused on the benefits resulting from the use of the eight commercial practices used in the first study. The two results tracked were schedule reductions and cost reductions.

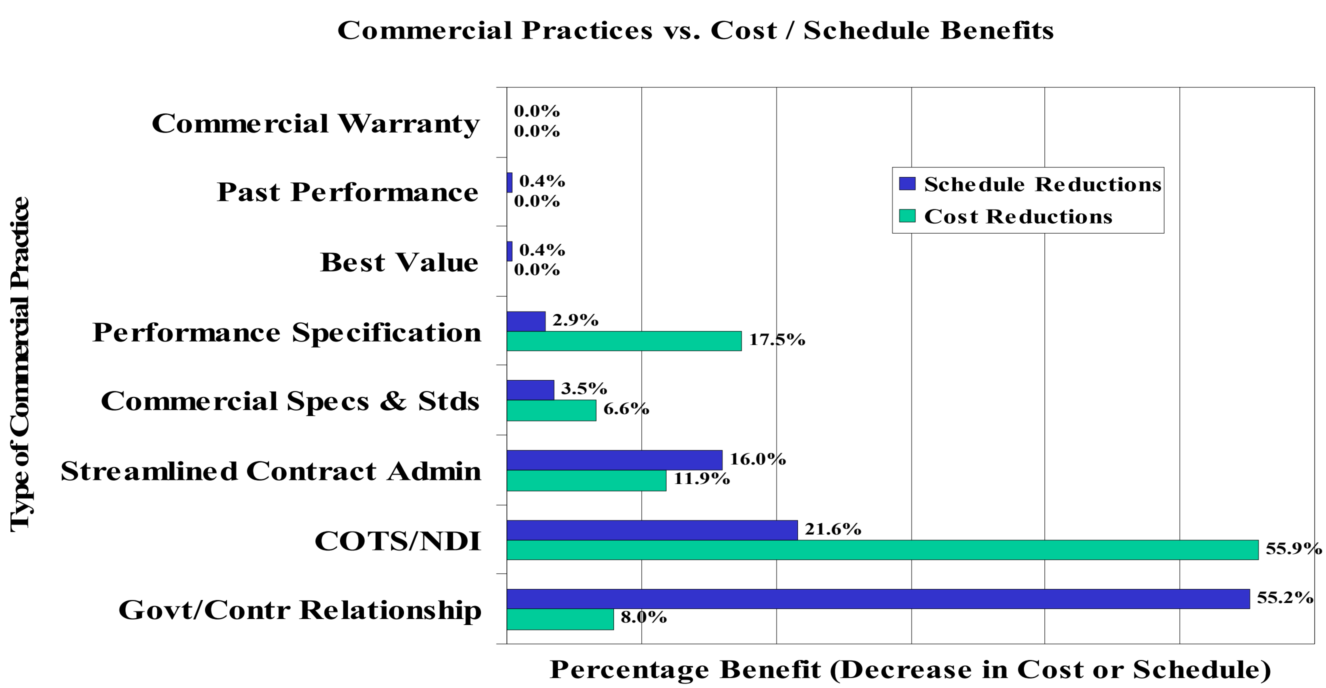

FIGURE 2 COMMERCIAL PRACTICES VERSUS COST/SCHEDULE BENEFITS[35]

Without question, the practice of government/contractor cooperation and relationship (business alliances) was the leader in cost reductions (55.2%) and finished fourth in schedule reductions (8.0%) overall in the defense acquisition programs studied. Although the data shows that the use of business alliances or government/contractor cooperation and relationship is very beneficial to a program in both cost and schedule reduction, acquisition personnel were still apprehensive about using utilizing some commercial practices. The study found that:

> the most common obstacle to implementing commercial practices was the inherent difficulty with cultural acceptance and bureaucratic delays. For many programs, the innovative commercial practice spirit was not shared by their supporting organizations or their chains of command. As a result, these program representatives spent much of their time explaining or defending their commercial practice strategies in order to procure the services or authorizations required to proceed.[36]

Although transitioning to the use of commercial business practices is slow, there are benefits to be gained from their use. Any defense acquisition program would be positively affected by a decrease in cost or schedule through the use of increased cooperation between the government and contractor. One such method is via a strategic business alliance. Time and the marketing of positive stories and data from utilizing these practices in acquisition will calm apprehension or fear on behalf of acquisition personnel and their supporting organization.

DEPARTMENT OF JUSTICE KEEPING A WATCHFUL EYE

Although Strategic Business Alliances have been on the increase and the commercial sector believes them to be vital in today's economy, the close relationship forged between two companies or parties makes some sectors of the government very leery. The Department of Justice watches these partnership alliances, especially between commercial companies, for any evidence of collusion, price fixing, or any move to inhibit competition. Business alliances have the potential to be so powerful through cooperation and the sharing of technology, the Justice Department is watching them like a hawk. They believe that if not appropriately monitored, business alliances will impede competition and result in negative effects on the U.S. economy. Mr. Joel Kline, Assistant Attorney General from the Antitrust Division of the U.S. Department of Justice, testified before the Senate Antitrust, Business Rights and Competition Subcommittee on the Judiciary in March, 2000. His comments were as follows:

> Our economy is in the midst of dramatic changes, with increased globalization and rapid technological innovation, and deregulation creating an environment in which many firms are choosing to merge or undertake other types of strategic business alliances. While most of these arrangements foster efficiency to the benefit of consumers and businesses alike, some can result in market power that decreases competition. That is why we must look at these arrangements carefully, so that we can take appropriate steps to protect American consumers and businesses from those that threaten competition.[37]

As the use of business alliances grow, so too will the oversight and scrutiny of these partnerships from the Department of Justice. Although they are enforcing the Sherman Anti-Trust Act, the time for review of this law may not be far off. The Department of Justice would welcome the law being brought up to date with present day business practices, especially with businesses being so global in nature. This would relieve concern that some overseas businesses have an advantage over U.S. based corporations because they can skirt some aspects of the Sherman Anti-Trust Act. The United States no longer has the world markets cornered, but must compete against global competitors, who utilize business alliances. As for defense contracting, it is almost assured the government will never abandon the Competition in Contracting Act, which mandates competition in all types of government purchases, with few exceptions. The Sherman Anti-Trust Act has no effect on strategic business alliances formed between the government and contractors in defense acquisition. The Department of Justice is continuing to monitor this area for any potential negative future implications to competition due to the use of government/contractor alliances.[38]

WHAT DOES ARMY TRANSFORMATION ENTAIL?

Transformation is an ambitious mission for the Army in this era of stagnant or dwindling defense budgets. In October, 1999, the Secretary of the Army and the Chief of Staff of the Army made a pivotal announcement at the Association of the United States Army Conference in Washington D.C. It was there that these leaders announced a massive undertaking, that being to radically transform the Army into a lighter, survivable, transportable and lethal force. This force can respond to a wide variety of missions around the world. The transformed army would be known as the Objective Force. However there was more to this change than building a new weapons platform. To transform the Army, leadership would have to manage three key forces that are depicted below, what has become known as the "pitch-fork" drawing.

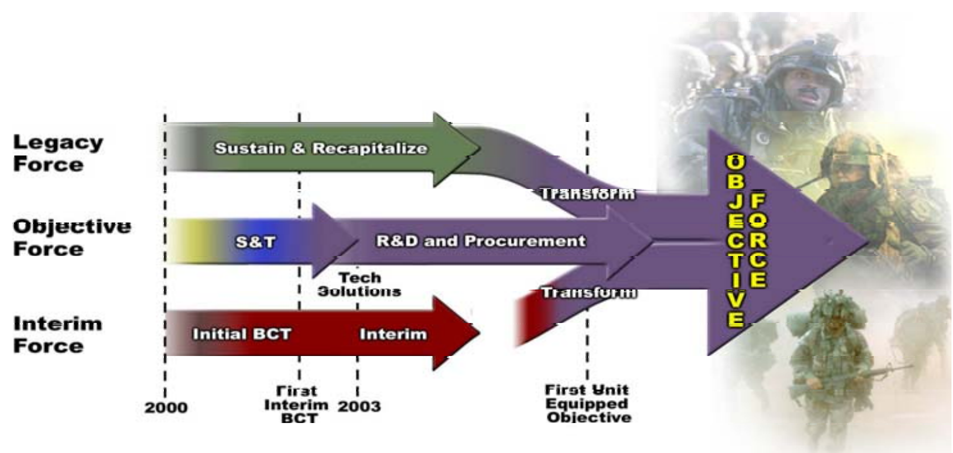

FIGURE 3 ARMY TRANSFORMATION TRIAD / PROCESS [39]

The chart shows the path for Transformation. As the Army Transforms, it must remain relevant, maintaining its edge against potential adversaries around the globe. To accomplish this, the Army will embark on three separate paths to accomplish the Transformation. The top path is that of maintaining the Legacy Force. It will require some recapitalization of the force, but will revolve around the weapon systems we have in our inventory today, otherwise known as the heavy force. This will continue to be the Army's main warfighting capability for the near future.[40]

The lower path on the chart denotes the Interim Force. This is the force needed to keep ahead of our adversaries. It consists of a new, lighter, wheeled, combat vehicle. The vehicle will have a significantly more lethal combat punch than our current light forces, but not be comparable to our current heavy forces. The Interim Force will also act as a training and doctrine developer for the Objective Force.[41]

The third prong of the transformation pitch-fork and the culmination of our efforts will be the Objective Force. This will be a state-of-the-art, lethal, future combat system. The Objective force will be more than just a new vehicle. It will be new equipment, tactics, and doctrine that will be fully capable of accomplishing a broad spectrum of missions. The Objective force is to be a futuristic and dominating force. Currently there is no deployment or operational date. It is based on advanced technology, some of which is not yet fully developed. The Army will rely on the Legacy and Interim Forces for a generation of soldiers. Personnel entering the Army today will likely be operating the Legacy and Interim Forces until they retire.[42] This is one of the challenges of the Army's plan for it will have to maintain or upgrade its Legacy Force in addition to procuring the Interim Force, to maintain its overmatch capability during the transformation. The Army will face additional challenges related to the Transformation, such as funding, shortened equipment development timeframes, and the need to update current acquisition plans to reflect priorities. The General Accounting Office Report, that addressed Army Transformation challenges, from May 2001, stated the solution to meeting these potential obstacles.[43]

> A key to meeting these challenges will be the Army's ability to manage transformation acquisition efforts as successful commercial firms do. Commercial firms (1) ensure they have the right knowledge at the right decision points for making trade-offs, especially with respect to the readiness of technology, the maturity of system designs, the realism of cost and schedule estimates, and the availability of funding; (2) keep requirements flexible prior to the start of a program so that its requirements match resources and available technology; and (3) to provide top down guidance to ensure that decisions focus on achieving the overall program goals.[44]

As a matter of record, the Army has not been able to develop high technology systems within eight years as is planned for the Objective Force, (Future Combat Systems). Normal acquisition cycle time for all systems is approximately 10 to 15 years to develop and produce the system. The current Army plan is for transformation to occur within 8 years. This is a very aggressive schedule, as it assumes science and technology will carry a heavy burden toward transformation.[45]

HOPE FOR ARMY TRANSFORMATION?

Acquisitions in support of Army Transformation have already begun. The Army has decided to purchase the Light Armored Vehicle III (LAV) from a joint venture of General Motors of Canada and General Dynamics, Inc. The contract is for 2,131 vehicles in various configurations at a cost of approximately $ 2.3 million a vehicle. The Army has a very ambitious schedule to field the Interim Brigade Combat Vehicle (ICV) as quickly as it wants and to stay on course maintaining its Transformation plan timeline. Delays have already been encountered due primarily to a contract award protest filed by an unsuccessful offeror. The protest delayed initial (ICV) production and ultimately delayed fielding of the vehicle by approximately one year.[46]

The ICV is the major purchase so far, however, other smaller, support acquisitions will be made. There is hope for getting the vehicle deliveries and Army Transformation back on track, minimizing the past delay and precluding any future problems. That hope may reside in the formation of a strategic business alliance between the manufacturer of the Interim Combat Vehicle and the United States Army.

CONCLUSION

This research paper has presented evidence showing the use of Strategic Business Alliances in the commercial and government sector. The roots of the government alliance drive can be traced back to the 1997 QDR and the Department of Defense' quest for acquisition reform and Civil-Military Integration. Although the government, especially the acquisition community, reacts slowly to change, the use of commercial practices and specifically strategic business alliances presents a win-win situation. The challenge before the Army is not how many acquisition initiatives it can utilize, but rather to accept risk prudently throughout the Transformation, utilizing those commercial practices and initiatives that will benefit the government, the contractor, and the taxpayer. Army Transformation is suited for a 'teaming' approach. This paper has presented evidence that there are small risks, but large potential payoffs in strategically using business alliances in system and defense acquisition. Whether it is in the form of cost reductions, delivery schedule acceleration, or mutual agreement on some other government/contractor action, there are always benefits gained from mutual respect and open dialogue. The risk is minimal as this should be the normal course of business between the government and contractors. The explosion of alliance use in the commercial sector should be convincing evidence that benefits outweigh risks. Even the General Accounting Office believes that commercial practices, business reform or acquisition initiatives will only benefit the Transformation process. Strategic Business Alliances is a reform initiatives that will be a benefit to Army Transformation and assist us in making the transformation a success for the Nation.[47]

RECOMMENDATION

Utilizing the Revolution in Business Affairs and Civil Military Integration as background, the Army should base all acquisitions in support of Army Transformation around the use of commercial practices. The key practice to utilize is the Strategic Business Alliance. Army Transformation is a key program for the future of the Army and the Department of Defense. It would be prudent to have an open and cooperative relationship between the government and the contractor. One of the best methods to achieve this is through the use of an alliance. Army Transformation will be accomplished over the long term and is the perfect way to highlight success for the government and the contractor through the utilization of a Strategic Alliance. The Army and the contractor have nothing to lose. It is highly recommended the Army utilize Strategic Business Alliances when acquiring all systems or spares for Army Transformation. Not using alliances should be the exception rather that the rule as there are no contract sunk costs involved with this concept. Utilization of alliances during Army Transformation will also bolster the transformation of defense acquisition policy through a wider use of commercial practices, both in understanding and delivery/cost benefits.

WORD COUNT = 6248

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