Chapter 6
Building a Conceptual Framework for Defense Acquisition Management Based on Service Dominant Logic Theory

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ABSTRACT

Defense acquisition is an under-researched topic of high economic, political and practical relevance, as defense acquisition typically faces recurring problems of time and cost overruns as well as performance shortfalls over the life-cycle of major weapon systems. These challenges are analyzed using the case of the German Bundeswehr. An abductive research process is applied and findings are merged with Service-Dominant-Logic (SDL) theory. The findings are used to develop a service-based understanding of defense acquisition management, what might support the further empirical analysis of influence factors and constructs. While a product-centric focus on defense acquisition fades out important relations and interdependencies between industry and the military/defense acquisition, the developed nine premises may provide a more integrative view on the military-industrial co-creation of superior military capabilities.

INTRODUCTION

Although many national armed forces, at least in Europe, have recently reduced their sizes in personnel and equipment, their military tasks have increased, with a wide range of possible mission scenarios. Military tasks include wars against terrorism, fights against piracy, peace enforcement operations, or military observer missions what has significant effects on the procurement and supply function of each

national armed force. (Essig et al., 2012). The challenge to do more with less leads to the imperative to seek strategies for increasing efficiency and effectiveness.

One major trend to safeguard armed forces capabilities in view of the special situation of limited budgets and decreasing manpower (personnel /troops) is to outsource tasks to defense industry. According to Burgess and Moore (2012) this development has seen a transition in the armed forces supply function away from defense procurement to defense acquisition.

'Defense Acquisition' (DA) is the core object of analysis in this chapter. DA is understood as the task to conceptualize, initiate, design, develop, test, contract, produce, deploy, support with logistics, modify, and dispose of weapons and other systems, supplies, or services (including construction) to satisfy the needs of the armed forces, intended for use in, or in support of, military missions (Hagan, 2009). In that comprehensive understanding, DA is an important lever for the capabilities of armed forces, as it is not only responsible for the procurement of products and services required, but also for research and development, logistics, maintenance, repair and overhaul and many other facets linked to the operation of technical systems within the armed forces.

Obviously, DA is facing the challenge to manage the procurement and use of cost-intense and techni-cally highly complex and dynamic technical systems together with a wide range of and to some extend volatile after-sales services – across military organizational borders and together with industrial contractors (Glas et al., 2013). It is not surprising, that the keen expectations towards DA call for a new management approach. This is why this chapter aims to develop a new conceptual understanding of DA management.

This is urgently necessary, as the DA management topic is highly relevant. From an economic point of view, the sheer financial means which are in the responsibility of DA are striking. In Germany, the budgets for procurement, research, development and operations (including e.g. petrol, ammunition, spares as well as maintenance, repair, overhaul services) sum up to EUR 18.5 billion (~55% of the total defense budget of 2015). In the United States of America almost two-thirds of the total defense budget is used for DA (Gansler & Lucyshyn, 2005).

Besides and in addition to the sheer economic relevance, DA is highly relevant for the military. The dynamic security environment of today is the cause that most armed forces entered a challenging trans-formation period, preparing its capabilities for the whole spectrum of conflict while on the same time parts of its forces are deployed in military operations, e.g. in Afghanistan, Kosovo, Somalia, Syria, or elsewhere. As a result, DA in many nations is struggling to meet competing requirements and reconcile the spending between traditional and new programs, while fleet heterogeneity and fleet size poses numer-ous logistics support challenges to keep the material ready and available. An enhanced DA management directly contributes to armed forces capabilities to meet the security and defense challenges of today.

Third, defense acquisition is highly relevant for the defense industry and changes the way of military-industrial cooperation. Stressing the transition from procurement to acquisition, industry's role was limited under procurement to the provision of equipment, upgrades, and equipment-focused support services within transactional relationships, and industry's share of the budget focused on the equipment program. Under acquisition, industry's role extended also into non-equipment areas, with products and services previously supplied separately now being grouped into larger integrated packages, including the mentioned areas of logistics, maintenance etc. (Burgess & Moore, 2012). Overall, DA management is changing the buyer-supplier relationship in defense.

Altogether, creating a more efficient defense acquisition system is a top priority and high-quality research in the area of DA is necessary to catalyze positive and lasting changes to improve performance, reduce acquisition cycle times, and reduce the costs of acquisitions in more rapid changing external and

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