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A Framework for Strategic Management

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INTRODUCTION

This paper is dedicated to my Pentagon colleagues in the acquisition community who are working tirelessly at restructuring the Air Force to meet the realities of a new world order and rapidly declining budgets. While I enjoyed academic life, they were knocked about by events they didn't fully understand. Often they were backed into corners with few options and no time to think. As I moved from course to course, they moved from one budget crisis to another struggling to put out financial fires. Well, my studies lead me to believe there's a way we can make Pentagon duty more pleasant--and help keep our Air Force the world's best. It is called strategic management and is the subject of this paper.

Last year the Secretary of the Air Force asked his Acquisition Executive to provide investment strategy advice as part of the deliberative process used to produce the Air Force's Program Objective Memorandum (POM) and Budget Estimate Submission (BES). The request was part of a sweeping reform of Air Force's corporate board structure. The request also meshes with Department of Defense acquisition policy directing each service to submit long-range investment plans every other year. (DoDD 5000.1 1-1 and 2-8) The acquisition staff (I was a member) welcomed the opportunity to improve their contribution to shaping the future. However, we soon bumped into reality. Just how does one go about deciding what advice to give?

Management literature abounds with advice on how to do strategic thinking. Much of the writing specifically addresses the needs of profit-making endeavors. However, there are fundamental concepts that may be applied to government operations. John Bryson in his book Strategic Planning for Public and Nonprofit Organizations does an excellent job pulling together the best of these ideas into a cogent strategic management process for government executives. This paper relies heavily on his thoughts. Other reference text books I used are Jack Koteen's Strategic Management in Public and Nonprofit Organizations, George Steiner's Strategic Planning, Peter Lorange's The Task of Implementing Strategic Planning, and Elliot Jaques' Requisite Organization: The CEO's Guide to Creative Structure and Leadership. Finally, for some the best short pieces on strategic management concepts, I recommend J. William Pfeiffer's anthology, Strategic Planning: Selected Readings.

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Rather than moving directly to these authors' ideas, I'll first provide a brief recap of the acquisition process and structure; the revised Air Force approach to supporting the Planning, Programming, Budgeting System (PPBS); and major issues facing the Acquisition Executive. I address these topics up front to give the general reader a better concept of the complexity of an Acquisition Executive's job and the importance of strategic thinking in today's environment. Next I will discuss some philosophical thoughts on strategic management and potential benefits. Then we'll get to the how to do it section. I'll conclude with recommendations for getting a strategic management process started and assessing progress.

THE ACQUISITION PROCESS

The purpose of the acquisition process is to provide systems and materiel to meet user needs. Actually, the process is an overlay of three decision-making systems: requirements generation, acquisition management, and resources allocation. Acquisition Executives must effectively integrate these three processes to be successful. The DoD Directive on Defense Acquisition (USD(A) DoDD 5000.1) and its companion instruction on Defense Acquisition Policies and Procedures (USD(A) DoDI 5000.2) describe these three systems in detail. The following paragraphs give a brief summary of each system.

Requirements Generation

The requirements generation process provides decision makers with information on whether to change the way we employ current weapons, upgrade an existing system, or launch a new program to meet an evolving threat. The process centers on the user, who documents requirements in a mission need statement. For new major programs, the Joint Chiefs of Staff Requirements Oversight Council validates the mission need and assigns a priority. The Defense Acquisition Board, chaired by the Under Secretary of Defense for Acquisition, reviews the JCS-validated mission need statement. If the Under Secretary decides to proceed, the decision is called Milestone 0 and concept studies are authorized. Milestone 0 marks the formal transition into the acquisition management process. (DoDD 5000.1, 2-2 to 2-5)

Acquisition Management

The acquisition management process uses event-driven milestones to assess progress in developing a system. After the preliminary concept exploration work approved by Milestone 0 is completed, Milestone I authorizes demonstration of the concept. If this phase is successful, Milestone II authorizes the detailed engineering and manufacturing work necessary to produce the system. If the program completes this phase successfully, Milestone III authorizes production. The primary objective of the

milestone process is risk management. Before approving continued expenditures, the milestone decision authority (who this is depends on financial risk) assesses the program's current execution status, compliance with criteria to move to the next phase, and the risks that lie ahead. Each decision, either to proceed or stop, has direct impact on the third aspect of the overall acquisition process, the allocation of resources. (DoDD 5000.2, 2-1 to 2-5)

Resource Allocation

Today's Planning, Programming and Budgeting System (PPBS) is a derivative of the process instituted by Secretary of Defense McNamara in 1961. It's purpose is to provide a rational way to allocate finite resources among competing defense needs. (Enthoven, 2 to 6)

The planning phase produces Defense Planning Guidance which establishes broad objectives and provides a top-level allocation of resources. Key elements in preparing this guidance are the long-range investment plans submitted by each DoD component. (Zakheim, 59-69)

The programming phase translates Defense Planning Guidance into a six-year forecast, built up program by program. Each service's Program Objective Memorandum (POM) documents its forecast. Following reviews by the Defense Resources Planning Board, the Deputy Secretary of Defense issues Program Decision Memoranda that instruct the services on what aspects of their POMs are approved for inclusion in the next defense budget. (White, Programming, 71-87)

The final phase of the process is the preparation of Budget Estimate Submissions (BESs) that translate approved program funding requirements into the appropriation categories used by Congress. During this phase, the DoD Comptroller conducts budget review hearings on specific programs to revalidate budget estimates. Based upon these hearings and appeals, the Deputy Secretary issues Program Budget Decisions on the final content for the next President's Budget. (White, Budgeting, 89-104)

THE ACQUISITION STRUCTURE

The Air Force implements the acquisition process using an organizational structure that distributes management and support functions. (Jaquish, 6)

Management

DoD policy requires each service to appoint an Acquisition Executive who is responsible for all acquisition programs and functions. In the Air Force, the Assistant Secretary for

Acquisition fulfills this role. To assist the Acquisition Executive in managing the largest programs, general officers or Senior Executive Service civilians are appointed as Program Executive Officers (PEOs). These people report directly to the Acquisition Executive. Each is assigned oversight of one or more major programs. Program managers report directly to their PEO. This approach provides a streamlined chain of command. Currently, there are six PEOs covering 35 programs. The Acquisition Executive also has four deputy assistant secretaries to assist with functional support tasks such as contracting policy, PPBS support and congressional liaison. There are also five directors responsible for integrating acquisition activities within broad mission areas such as space and tactical forces.

Support

The Air force will establish Air Force Materiel Command (AFMC) in July 1992. This new organization consolidates all Air Force acquisition and logistics product centers (formerly system divisions and logistics centers) under one major command headquarters. AFMC will also conduct the Air Force science and technology program, support the requirements generation process, and run Air Force test centers. AFMC product centers located throughout the United States will provide direct support (people and infrastructure) for acquisition programs assigned to PEOs. A general officer commands each product center and reports to the AFMC Commander for all support functions. Oversight responsibilities for less than major programs not assigned to PEOs are assigned to product center commanders. When fulfilling this role, a product center commander becomes a Designated Acquisition Commander (DAC) and reports directly to the Acquisition Executive.

RESTRUCTURING THE AIR FORCE RESOURCE ALLOCATION PROCESS

In January 1991, Secretary Rice directed a complete overhaul of the Air Force resource allocation process. The existing multi-layered corporate board structure was not responsive to the sweeping changes underway. The new process stems from the Secretary's vision for the future, called Global Reach-Global Power, which focuses on four broad mission areas: (1) nuclear deterrence, (2) versatile combat forces, (3) global mobility, and (4) controlling the high ground through space and C3I systems. (Department of the Air Force, Global Reach-Global Power)

Fifteen narrowly scoped panels and two review boards were replaced with one team for each Global Reach-Global Power area plus a Materiel team (for general logistics support and basic research and development) and a Personnel team. All resources for a mission area are allocated to the team. Each team is a matrix of operations and functional representatives. The team chiefs use a six-step process to develop, analyze and present alternatives directly to the Secretary and Chief of Staff. The

six steps are employed iteratively for every Program Objective Memorandum and Budget Estimate Submission cycle until an acceptable solution is achieved. (Eberhart)

Initial reports are favorable. The new approach is more efficient, improves accountability and directly engages senior leadership. The process is, however, primarily geared to satisfying short-range fiscal constraints and is extrapolative in nature. Consequently, the new process doesn't do much to help alleviate a chronic weapon system acquisition problem--funding instability. An unpublished analysis of Air Force budgets spanning thirty years reveals Air Force investment accounts are about three times more sensitive to change than non-investment accounts. (Rolando, 4) Historically, annual procurement quantities for weapon systems have been adjusted to buffer changes in overall funding. The situation is not unique to the military. A recent survey of six major companies found that managers, in the absence of other controls, adopt short-term goals in response to changing environments--even if long-term objectives are in the companies' best interest. (Banks, 250-257) This is why it is crucial for the Acquisition Executive to provide long-range investment strategy advice as the resource allocation teams develop solutions to budgetary constraints.

MAJOR ISSUES FACING THE ACQUISITION EXECUTIVE

The dramatic challenges facing the defense industrial base further highlight the urgency of sound strategic thinking to guide near term decisions. The Reagan era defense build-up followed by the collapse of the Soviet Union, a burgeoning national debt, and pressing domestic needs have resulted in a precipitous decline in defense budgets. Three recent reports addressing the impact of these changes on the industrial base are Redesigning Defense by the Congressional Office of Technology Assessment, Lifeline Adrift by the Aerospace Education Foundation, and The US Defense Industry by Ernst and Young. The common core issues presented in these reports are summarized in the following paragraphs.

There is a massive shakeout of the defense industry underway due to reduced defense procurement, excessive over-capacity and reduced profits. A few data points quickly put the problem in perspective. In 1990 the Air Force procured 200 fighter and attack aircraft, in 1994 the number will be zero. In the same time frame the number of defense suppliers is forecast to decline to somewhere between 20,000 and 34,000 companies. In 1982, there were 138,000 suppliers. (Correll, 2 and 6) The Chairman of General Dynamics, in a speech at the 1991 Defense Week Conference, described the impact on human resources. During 1990 and 1991 the defense industry laid off 200,000 employees including engineers, managers, and skilled shop floor technicians. (Anders, 4) The industry teams that built the systems used so successfully in

Desert Storm are being disbanded--rapidly.

Given this situation, it is not surprising that reliance on off-shore suppliers for weapon system components is increasing. This raises a serious question. Could the U.S. military become captive to a foreign source for a critical technology or component? There is growing concern that the answer is "yes." The risk is greatest in the electronics industry, and in particular in the manufacture of semiconductors. A 1991 SEMATECH report to Congress indicates that critical links in the U.S. industrial infrastructure needed to make semiconductors (e.g. machine tools, vacuum controls, and computer aided design tools) are "vanishing." (Correll, 42)

Unfortunately, at a time when the partnership between government and industry needs to be strong, there is a lack of trust. Procurement scandals, fraud, waste and abuse "hot-lines," excessive government emphasis on competition and inappropriate use of fixed priced contracts, program funding instability, proprietary data ownership claims, below average profitability, and low investor confidence form a dark cloud over the acquisition community.

Ironically, the importance of the defense industrial base in national military strategy is increasing. Our forces are being downsized to maintain a minimum level of nuclear deterrence, to provide only limited forward presence, and to respond quickly to regional crises. If a major new adversary appears, our global war fighting capability will be reconstituted. This assumed capability of our industrial base is intended to deter this new power from materializing. (Powell, 6-10) But what industrial base structure will be available to meet the challenge?

Although the current Administration opposes a formal industrial policy (Correll, 4), the Department of Defense is taking steps to help shape the future. Recently the Deputy Secretary of Defense and Under Secretary of Defense (Acquisition) issued a clear statement of technology thrust areas to field needed advanced systems over the next 15 years. (Atwood and Yockey) They have also announced a new acquisition business strategy based on technology demonstration and protoyping. (DoD, A New Approach to Defense Acquisition) Navigating a course through these divergent issues is a complex strategic management task.

PHILOSOPHICAL CONSIDERATIONS

There are two schools of thought on strategic management. The first is synoptic formalism. It covers a wide range of approaches with one common theme: there is one best way to implement strategic planning in an organization. The approaches usually involve formal, sequential processes with heavy reliance

on quantitative techniques and control systems. A typical example is the formal process described by Peter Lorange and Richard Vancil in their 1979 textbook, Strategic Planning Systems. These approaches produce results; but taken to extremes they become mechanistic. (Rabin, 3-30)

The incremental school rejects rational, comprehensive, formal procedures. Proponents of this school believe organizations and their environments are too complex and dynamic for centralized approaches. They stress decentralized decision making that adapts to the current environment. Strategies emerge from many small decisions. Two early scholars of this school are Lindblom and Baybrook, who described the political bargaining process for creating public policy. They called it "disjointed incrementalism." (Rabin, 37-51) Later writings shortened the process name to "muddling through." (Andrews, 60) Recent writings by Thomas Peters follow a similar theme. He believes strategy follows execution. If an organization focuses on customer satisfaction and strives to improve continuously, and if there is a deep belief in the worth of every employee, successful strategies will emerge. Peters downplays formal approaches with a quote from John Naisbitt, "Strategic planning turned out to be an orderly, rational way to efficiently ride over the cliff." (Peters, Strategy Follows Structure, 413-424)

While we cannot make future decisions today, the decisions we make today can help shape the future we want to see. Our national security requires senior defense executives to think about the long haul. Simply adapting to whatever comes along will leave us rudderless on rough seas. However, mechanical processes relying on extrapolative forecasts drive out innovative thinking. A brief look at Elliot Jaques' work on organization hierarchies and time spans will set the stage to outline the characteristics of an ideal strategic management process and how it fits into an organization.

Jaques' research indicates large corporate or government organizations function on three broad levels: strategic, integrative, and operational. Within each level there are several strata for jobs of increasing complexity. He calls his findings the Stratified Systems Theory. (Jaques, 19-30, 42)

Strategic

This the is domain of chief executive officers and executive vice presidents for business units. For the acquisition community this includes the Secretary and the Acquisition Executive. Jaques believes work at this level demands that individuals resolve complex problems that will take 10 to 25 years to complete. The work requires the incumbent to shift his thinking patterns from the finite nature of budgets and programs to the envisionment of the future. Jaques' physical analogy for this level is steam.

Integrative

Business unit presidents and factory general managers work at this level. Program executive officers and program manages for major programs also fall into this band. These people work problems with a two to ten year time span. The physical analogy is liquid water.

Operational

Workers, first line supervisors and unit managers are found at this level. These people have a work time span of one day to one year. Ice is the physical analogy.

By combining Jaques theories with the best ideas from the synoptic and incremental schools, I propose the following characteristics for effective strategic management.

Strategic management provides all employees with a compelling vision of future success to guide them in making decisions that help shape that future. It is an ongoing process that assesses both the external and internal environments to identify where change is needed. Customer values and needs are paramount. It is system oriented and interested in how things work together rather than in the function of separate components. (Christenson, 25-35) Simple processes and innovative thinking about qualitative shifts are emphasized over analysis and forecasting. It strives to improve decision making by identifying important issues and providing alternatives. It recognizes there are no cook-book solutions. Each organization must evolve a process that best fits its environment and has widespread commitment. There is, however, one absolute rule. The top executive must take the lead in envisioning the future. This cannot be delegated.

ROLE OF THE TOP EXECUTIVE

Although opinions vary on the nature of strategic management, the literature clearly indicates consensus on the importance of the top executive. Bryson, Steiner, Koteen, Jaques, and many writers in Pfeiffer's anthology all agree the top executive must establish a clear vision for the future and create a proper climate for strategic thinking. Industry executives agree. Steiner highlights the findings of a Fortune magazine survey of top executives in companies with over $2 billion in sales. Seven out of ten said strategic planning is their top responsibility over all other tasks. (Steiner, Evaluating Your Strategic Planning System, 38) In presenting his Stratified Systems Theory, Jaques argues that responsibility for strategic management cannot be delegated. Subordinates do not have the cognitive powers and time horizon to think out plans at the top executive's level of complexity. These capabilities come with

maturity and increased responsibility. (Jaques, 97) This fact adds an additional link to the relationship between the top executive and strategic management: planning for succession. A primary responsibility for top executives is making sure the organization survives after they depart. This is especially true for political appointees, such as Acquisition Executives, who serve for only a few years. Strategic management provides a framework for accomplishing this goal. (Jaques, 116 and Royce, 113)

A FRAMEWORK FOR STRATEGIC MANAGEMENT

After acknowledging his or her responsibility, what should a top government executive do next? John Bryson researched eight strategic planning models and approaches ranging from highly structured to loosely linked incremental decision making. The result is an eight step process that can be adapted to the needs of particular organizations. The steps follow a logical sequence, but it is not necessary to do them in order. The following paragraphs describe Bryson's general approach and provide some cross references to other authors.

Step One: Achieve Consensus on the Need. The first step is for the top executive to achieve agreement among key decision makers on the importance of strategic thinking and acting. Broad sponsorship is necessary for the process to gain legitimacy. A strategic management executive committee should be formed. Membership should be limited, but people from all organizational strata should participate as advisors. The top executive uses this group to introduce concepts, to describe what the process can do for the organization, to determine how it links with other management tasks, and to build commitment. The top executive must also set boundaries--what is off limits. This will help reduce start-up conflicts. A process champion is appointed to help the top executive move things forward. This person must be a credible leader within the organization. Information gathering teams are formed as required to assist the committee. The product of this step is an agreement on how the process will be implemented and a commitment by key decision makers to dedicate the time necessary to make the process work. A formal contract isn't needed, but at least a summary document should be prepared. (Bryson, 74-91)

The commitment to dedicate time is crucial. Steiner reports a major reason strategic management systems fail is top managers remain engrossed with day to day problems and don't allocate enough time to their strategic management duties. How much time is required? Steiner reports research showing, for highly complex organizations, top executives should spend a full third of their time on strategic management tasks. (Steiner, Strategic Planning, 62, 289)

Step Two: Clarify Mandates. Before a government organization can chart its future, the members must know exactly what external authorities want them to do and not to do. This may seem obvious, but often government organizations assume more restrictions than actually exist. This stifles innovation. A thorough review of mandates also often helps stimulate discussion about defining the organization's mission, which is step three. (Bryson, 93-94)

Step Three: Define the Mission. Bryson, Koteen, Steiner, and Pfeiffer all agree defining the mission is crucial. Bryson references Peter Drucker who says "Without a sense of purpose we are quite literally lost. Mission provides that sense of purpose." (Bryson, 95) Koteen believes mission statements form the point of departure for strategic planning. (Koteen, 118) Bryson agrees, but suggests that before preparing a mission statement it is necessary to perform a stakeholder analysis.

A stakeholder is any person or group that can lay claim to an organization's resources or output. For an Acquisition Executive, stakeholders include members of Congress, operational users, and OSD decision makers. The analysis proceeds in four steps. (Bryson, 99-104)

1 - Identify stakeholders. Stakeholders are the players who can determine the organization's fate.

2 - Determine performance criteria. What criteria do these various stakeholders use to evaluate the organization?

3 - Assess performance. How well are we doing in meeting these criteria? This is a judgement call, but it helps get people thinking about the mission from the customer's viewpoint.

4 - Priortize. Who are the most important stakeholders and are there areas where we are not meeting their needs?

After completing the stakeholder analysis, Bryson recommends building a mission statement by answering six questions.

1 - Who are we as an organization?
2 - What basic needs do we satisfy?
3 - What do we do to respond to these needs?
4 - How should we respond to our stakeholders?
5 - What are our philosophies and core values?
6 - What makes our organization unique?

Bryson suggests members of the strategic management executive committee prepare individual answers to these questions, which then serve as the starting point for negotiating the final product. When finished, the mission statement is disseminated throughout the organization and is used as an important decision

making support tool. (Bryson, 99-116)

Step Four: Assess the External Environment. Along with building a mission statement, there is universal agreement among writers about the need to survey the external environment for opportunities and threats. Theodore Levitt's classic article, Marketing Myopia, highlights the importance of this task. He describes how the railroad industry went from a symbol of American power to near total bankruptcy--even though demand for freight and passengers increased. Thinking there would always be a demand for their particular service, railroad executives failed to recognize the full impact of highways and aircraft on the transportation industry. Instead of becoming transportation executives, these men unfortunately remained just railroad executives. (Levitt, 121-150) The moral of this story is that external forces not under an organization's control can be dominant in determining an organization's destiny. These forces are usually grouped into four broad categories: political, economic, social, and technological. The acronym is PEST. Bryson suggests using brainstorming techniques to flush out ideas and areas for further study. (Bryson, 122-123)

Step Five: Assess the Internal Environment. After looking outward, the strategic management executive committee must look inward to ascertain organizational strengths and weaknesses that help or hinder accomplishing the mission. This step is more difficult than the external assessment. We are usually good at identifying strong points, but coming clean about what we don't do well is difficult--especially in organizational cultures that are intolerant of failure. Bryson breaks the job down into three tasks. (Bryson, 124-126)

1 - Determine resources put into achieving the mission. This is usually easy.

2 - Describe the strategies and processes used to employ these resources. This is a bit more difficult.

3 - Assess performance. How well are we doing producing output? This is difficult.

It is hard for service organizations to objectively measure their performance. The committee should not get hung up on this step. Remember the process is iterative and the steps need not be fully completed in strict numerical order. Establish preliminary findings and move on to step six.

Step Six: Identify Strategic Issues. Strategic issues are fundamental choices that profoundly alter an organization's destiny. Only a few issues should achieve this prominence. They can involve mission, clients, values, funding, structure, products and services. Very often strategic issues are at the

heart of a political decision. They must be carefully framed in writing. First, succinctly describe the problem. Next, explain why it is a strategic issue. Finally, spell out the consequences of not dealing with the issue. Bryson says framing issues is an art. The committee should expect considerable discussion and reworking of the language. (Bryson 139-140)

Once framed, the issues are evaluated on their relative importance. The committee members ask themselves the following types of questions. When will we confront the problem? How broad is the impact? Is it an opportunity or threat? What is the scope of action needed? Who will decide on what course we choose? How sensitive are the environmental aspects to change? As the committee work proceeds, the strategic issues will fall into one of three categories: (1) Issues that require no immediate action, (2) issues that can be handled as routine tasks, and (3) issues that require urgent attention. Bryscn warns that this step can become an emotional stumbling block. He urges keeping a light touch to keep innovation alive as the team moves to step seven. (Bryson, 157)

Step Seven: Formulate Strategies to Manage Issues. Strategies deal with specific issues, and are prepared to bridge gaps between an organization and its environment. They should be short and easily understood as guidance for decision making. A formal plan is not needed, but strategies should be written to provide a clear picture on how they will help the organization fulfill its mandates and mission. Strategy statements should include principal features, outcomes intended, timing, responsible persons, resources required, rule or statutory changes required, impacts on other organizations, and similar comments. Considering a broad range of alteratives helps stimulate innovation. Therefore the top executive and strategic management executive committee must maintain a forum that encourages open discussion of ideas, even radical ideas. (Bryson, 163-169, 175-182)

Bryson suggests asking five questions when building strategies: (Bryson 169-173)

1 - What are the practical alternatives?

2 - What barriers are there to realizing each alternative?

3 - What are the major proposals needed to implement each alternative or overcome a barrier?

4 - What must be done in the next year to implement these proposals?

5 - What must be done in the next six months and who is responsible?

Once these questions are answered, the alternatives are evaluated against agreed upon criteria. Specific criteria for evaluating alternatives include: (1) acceptability to the top executive and stakeholders, (2) user impact, (3) technical feasibility, (4) consistency with the mission statement, (5) resource requirements, (6) long-term impact, (7) timing for implementation, (8) effect on other organizations and activities, (9) flexibility, and (10) adaptability to environmental changes. As the process moves along, the committee must monitor the cumulative effect of alternatives on the organization and the environment. Once alternatives are selected to address particular strategic issues, they normally flow into the resource allocation process or other management functions for implementation. Promptly implementing strategies, even on an incremental basis, strengthens confidence and provides feedback on how well the process is tackling important issues. (Bryson, 175-182)

Step Eight: Establish a Vision of Success. The final step must pull everything together into a succinct description of the future if the organization is to achieve its full potential. Koteen says the ability to articulate this vision is the "hallmark of leadership success." (Koteen, 59) The vision emphasizes purposes, behavior, performance criteria, and decision rules. It becomes the framework for making decisions throughout the organization and helps members see the big picture. A good vision is a force multiplier: people spend less time debating on what to do and why and more time getting on with the tasks at hand. (Bryson, 184-192)

Both Bryson and Koteen agree a vision must be inspirational and compelling. It must focus on a better future, challenge people to excel, appeal to common values, create enthusiasm and emphasize unity. That is a tall order for a ten page document. Preparing a vision statement is far more demanding than preparing the mission statement, although a similar process will work. When completed, the vision statement will restate the mission, identify basic philosophies and core values, describe strategies, provide performance criteria, present guidelines for making decisions, and reaffirm ethical standards. The top executive should widely circulate the document within the organization and provide copies to stakeholders. Some organizations produce their vision statements as small booklets for distribution. (Bryson, 186-195 and Koteen, 60-61)

TOOLS OF THE TRADE

A variety of tools are available to assist in running the strategic management process. Here is a sampling encountered during my research:

Strengths, Weaknesses, Opportunities and Threats (SWOT) Matrix. To assist in identifying strategic issues, Bryson recommends creating a four quadrant matrix to display internal strengths and weaknesses, and external opportunities and threats. Findings from each area are displayed in one of the quadrants. Committee members look for patterns. Combinations of opportunities and strengths are especially desirable for growth. Combinations of threats and weaknesses probably demand immediate attention. (Bryson, 150)

Critical Success Factors. Joel Liedecker and Albert Bruno recommend searching out key variables, where things must go right for the organization to flourish, to use in evaluating strategies. The authors suggest that these critical success factors can be identified during environmental analyses, by comparing the organization to similar organizations, by asking experts, and by relying on the intuition of top executives. (Leidecker and Bruno, 271-292)

Vulnerability Analyses. This tools helps identify threats and then puts them into perspective. Under the supervision of a facilitator, an analysis team moves through several steps. First they review the basic underpinnings of the organization--people, technologies, funds, etc. Then the group brainstorms threats to these underpinnings, no matter how far fetched. Next they estimate the probability and consequences for each threat. Where possible, findings are consolidated. Then the groupings are displayed on a matrix with the vertical axis showing Impact (none to catastrophic) and the horizontal axis showing Probability (low to high). Three bands are created: A - most harmful with high probability, B - moderate impact and probability, and C - low impact and low probability. The inventors admit the process seems simple, but they claim it produces valuable insights. (Hurd and Monfort, 343-351)

Scenario Analysis. Robert Linneman and John Kennell suggest building three or four scenarios about the future. Each is distinct and plausible. Variables and assumptions are clearly stated. Strategies to achieve mission objectives are tested against the scenarios to assess their flexibility and effectiveness. (Linneman and Kennel, 355-374) Steiner also recommends a similar approach, calling it Futures Exploration. (Steiner, 235)

Analytical Hierarchy Process (AHP). AHP is a technique for selecting and ranking alternatives using simple criteria and pairwise relative comparisons. These comparisons can be made in verbal, graphic, or numerical modes. Individual judgements are synthesized to yield a rank ordering of alternatives. The process encourages sensitivity analyses. Expert Choice, a software program for personal computers, automates the process. (IRMC, Expert Choice, i and 7)

BARRIERS TO IMPLEMENTING STRATEGIC MANAGEMENT PROCESSES

Impediments to strategic management are well documented and predominantly focus on the behavioral aspects of how organizations function. For convenience, I've grouped typical problems into four categories.

Individuals. Research indicates people have limited abilities to handle complexity. (Bryson, 201 and Jaques, 10) Special care must be taken to avoid overloading them and suppressing creativity. There is also the problem of personal risk. Based upon a culture than stresses minimizing mistakes, government managers shun risk and hold back on innovative thinking. However, senior managers need time to ponder ideas and gain confidence that they will work. The motivation of each group pulls in opposite directions. The top executive must encourage open lines of communication and be willing to tolerate small mistakes as people experiment (Bryson, 203 and Aguilar, 137-138) Finally, people don't like crises--they prefer gradual change. Plans for change must be carefully thought out and skillfully announced to avoid backlashes. (Bryson, 202)

Groups. Norms impose strong pressures on people in groups to conform. Peter Drucker is especially wary of perpetuating myths. At the turn of the century everyone knew that to guarantee satisfaction would bring financial disaster. Everyone but Sears. (Linneman, 361) The strategic management process must create conflict--it is necessary to induce change. This makes good conflict resolution skills crucial in the strategic management process. Changing group membership over time is also important. As groups become more homogeneous they stop questioning practices and conceptions. New faces are needed from time to time to spark creativity and create a degree of tension. (Bryson, 203-204)

Organizations. Every organization has a culture and climate. Culture is the pattern of beliefs and expectations shared by people in an organization. It is often described in terms of how tasks are handled in relation to critical success factors. Are risks taken? Is the atmosphere confrontational? Are decisions delegated? Culture is a deep rooted understanding of what has made people successful in the past. Climate describes how well people's expectations are being met. The history of strategic management is littered with examples of top executives who failed at implementing change because they misread the climate or tried a strategy that fit poorly with the culture. (Schwartz and Davis, 73-100)

Process. The paradox is that even the best strategic management processes can drive out strategic thinking--exactly why the incremental school rejects formalized approaches. If the process becomes routine and repetitive innovation suffers. Bryson recommends regularly involving line managers in the

process to provide a source of fresh ideas and insights. (Bryson, 205) These people, who are exposed to the real problems of implementing strategies, also help keep the process in tune with climate and culture. They help overcome the filtering out of data as information flows up the chain of command.

STRATEGIC MANAGEMENT PITFALLS

Steiner is recognized as the leading authority on why strategic management processes fail. He's grouped his findings into ten major mistakes to avoid. (Steiner, Evaluating Your Strategic Planning System, 39-40)

1 - Failure to develop an organization-wide commitment, starting with the top executive.

2 - Failure to balance the intuitive skill and judgement of managers with formal processes.

3 - Failure to encourage managers to do effective strategic planning and to provide appropriate rewards.

4 - Failure to tailor the process to the unique characteristics of the organization.

5 - Failure of top management to spend sufficient time on the process, which discredits the process among subordinates.

6 - Failure to modify the system as conditions change.

7 - Failure to mesh the process with other management processes.

8 - Failure to keep the system simple and worth the effort.

9 - Failure to secure the right organizational climate.

10 - Failure to balance and link the various parts of the process.

RECOMMENDATIONS FOR IMPLEMENTING A STRATEGIC MANAGEMENT PROCESS

Start off with modest expectations and build on successes. Except for gaining an initial agreement to create a strategic management process, don't get hung up on any one step. Keep moving forward and come back to the step later. The process is iterative and does not have to be completed in a strictly sequential manner. Keep talking to each other--don't let conflict ground the endeavor. Anticipate a full year to get through the eight steps the first time, and 2 to 3 years for the process to take hold throughout the organization. Remember the goal is to improve strategic thinking and acting. The process is

only a means to help achieve this broader goal.

There is no substitute for leadership. The Acquisition Executive must sponsor the process or it will fail. There must also be a process champion to facilitate process activities. The Deputy Assistant Secretary for Policy and Program Integration, or the Deputy Assistant Secretary for Staff Support and Analysis are likely candidates.

Form a strategic management executive committee chaired by the Acquisition Executive. This committee's charter is to build a strategic vision for the future. It should include PEOs and mission area directors. The AFMC Deputy Chiefs of Staff for Science and Technology and Requirements also should be members. A few program managers must also be appointed to the group to help span organizational strata. This committee should plan on spawning similar groups at product centers and should invite designated acquisition commanders to participate at key junctures in the process.

Appoint a team of action officers to assist the executive committee. These people must be well versed in both internal and external environmental issues. The team leader should be the Chief of the Program Integration and Congressional Affairs Division (SAF/AQXR).

ASSESSING PROGRESS

After the first year, take time out to assess progress. Steiner recommends asking questions in several broad areas. (Steiner 301-303)

o What is the overall perceived value? Does the top executive believe the process is helping discharge his or her responsibilities? Do other managers think the process is useful? Is the process worth the effort?

o Does the process produce substantive answers and results? Has it helped foresee opportunities and threats? Has it identified strengths and weaknesses? Is it helping clarify priorities?

o Does the process yield valuable ancillary benefits? Is organizational performance improving? Are operations more unified? Is communication facilitated?

o Does the design match the culture? Does the top executive believe strategic management is a paramount responsibility? Does the process fit the reality of how decisions are made? Is the process champion effective? Are the right members on the executive committee?

o Are the processes effective? Does the top executive spend enough time on strategic management? Are other managers applying enough of their time to the process? Are the procedures acceptable and understood? Is the process too formal? Are new ideas welcomed? Are managers really facing up to weaknesses? Is performance in supporting the process being included in managers' ratings?

CONCLUSION

The concepts presented in this paper will enhance the ability of the Acquisition Executive's staff to think and act strategically. It will be easier to set priorities and decide on courses of action. People will gain a more secure feeling about the future and have a better basis for decision making. The ability to respond to a changing environment will improve. Most importantly, the value of the organization to stakeholders, including Congress, will rise, making it easier to achieve the organization's vision of success.

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