

Development and Improvement of Management Control in a Military Unit

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Introduction

The demands of the climate in which military organizations live and relate to are influenced by the environment (internal and external) and the variables that compose it. Internal factors, such as management capability, communication, and coordination, have a direct relationship with external factors such as regional economy and the perception of its stakeholders (those with whom the military unit interacts with). These factors directly impact how commanders develop their management style when in charge of a military unit. The way in which the commander manages these relationships will determine the support that these relationships will provide with regards to strengths, weaknesses, opportunities, and/or threats within the management of the unit.

When there is a lack of efficiency and pro-activeness finding a balance in the relationship of these variables, it is probable that those in charge have distanced themselves from the opportunity to develop and exercise management control processes at their level of responsibility. This limits reflection and the ability of finding a fresh look to fulfill proposed objectives; and sometimes leads to efforts to sustain activities that, in most cases, are not directly linked to the unit's strategic focus (a concept that encompasses the main elements of the strategic structure of an organization such as mission, vision, values and value proposal).

The military units that we now lead are not alien to this environment. Moreover, they are agents that contribute constantly to the development of our countries, which is why the community demands from them professional, modern, efficient and transparent action. These challenges demand and encourage military organizations to optimize and implement management controls, which allows them to realize their short, medium, and long term objectives; without deviating from the main purpose of the institution's mission.

Background

The development and use of management control elements and/or tools brings challenges in the exercise of command and the organization as a whole. It exhorts the commander to maintain direction and control of the decisions taken on a daily basis in the institution's battle rhythm; while at the same time ensuring,

systematically, that each of its members know and understand the scope, meaning, and significance of the decisions taken. This ensures that the needs, questions, and demands generated within the context of a global economy can be resolved in a comprehensive manner. It is the intent of this article to propose the foundations and initial steps for the development and implementation of a management control model that will allow a simple way for commanders to control objectives and align the behavior of unit personnel.

What is management control?

For researchers Stephen Robbins and Mary Coulter,¹ management control is a comparison between planned actions and their results. It entails, logically, that after planning, structures need to be established to achieve desired outcomes, allocating resources, and guiding the efforts of the organization to accomplish it.

For researchers Robert Anthony and Vijay Govindarajan,² management control is the process by which managers influence other members of the organization to implement the organization's strategies. It involves a set of activities, which includes planning what the organization should do, coordinating the activities of different parts of the organization, communicating and evaluating the information, deciding the actions to be taken, and influencing human resources, so they all become basic elements for success.

This article defines management control as follows: Process through which the unit commander achieves, via the units' personnel aligned behavior and periodically generated information, an understanding of the behaviors and outcomes of areas considered essential to managing the strategic objectives of the unit on a day-to-day basis.

What is the Balanced Scorecard?

One of the models most used to develop and execute management control is the Balanced Scorecard developed by Robert Kaplan and David Norton,³ who present the scorecard as the translation of strategy through the measurement of activities, represented in a set of indicators, which are intended to periodically monitor the objectives of the organization.

For researcher Paul Niven,⁴ the scorecard is a board that reflects the important issues contained in a new vision, mission, and objectives (strategy); that is, it is a way of grouping a set of strategic objectives, differentiating them by their impact, so that the cause-effect relationship among them can be simply explained.

The definitions that the creators and researchers give to the balanced scoreboard make clear the scope and implication that this management control model

has in organizations. Specifically, where the commander, in this case, is invited to analyze, manage, and control the unit, emphasizing the efficient use of its budget, the development and training of its personnel, the organizational climate of the unit, its key relationships, its resources and capabilities, its main processes, and finally, identifying those organizations that receive the goods or services the unit is assigned to provide.

What strategic management tools can be useful to the commander?

To form the basic structure of a management control system, it is necessary for the commander to obtain a comprehensive vision of the organization and its environment, through the use of strategic management tools. These tools are described by Thomas Wheelen, J. Hunger, & I. Oliva⁵ as the process for the systematic evaluation of a business in order to define long-term objectives, identify goals and tasks, develop strategies, and locate the resources to achieve them; such as: Political, Economic, Social and Technological (PEST) analysis; and the analysis of resources and capabilities with the goal of obtaining internal and external situational awareness, which in the end will form the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis of the organization. This analysis will allow obtaining information in an orderly manner to begin structuring a management control system. Below is a brief description of these tools.

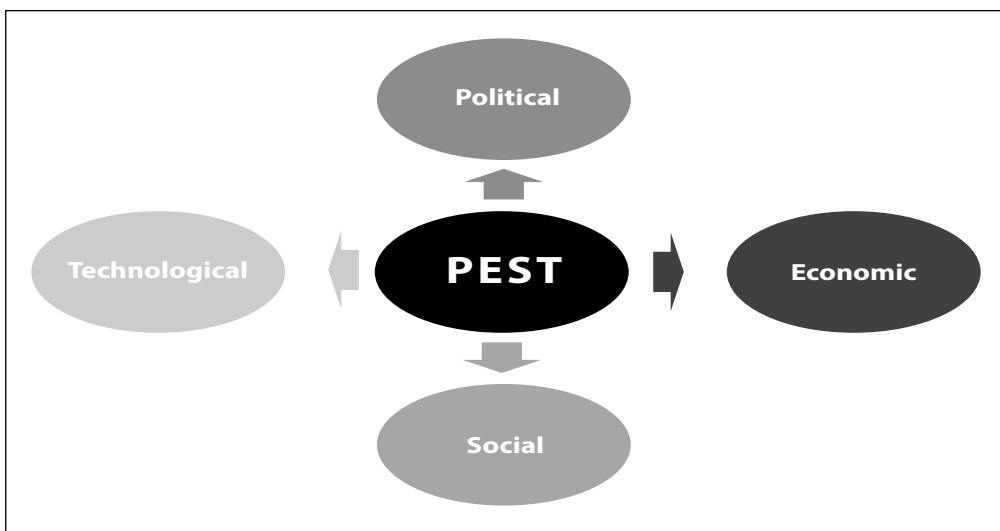


Figure 1: PEST Diagram

Source: Author

PEST Analysis

This analysis is supported by the study of external variables that influence the behavior of organizations and markets (see figure 1). The evaluation of these types of variables will allow the commander and staff to detect the opportunities and threats present in the environment, in order to turn them into useful decision making information.

PEST analysis provides a detailed outline of what changes the environment will cause and the ways in which the organization can adapt. In this way, developing and analyzing various scenarios will cover future potential strategies that the organization may need to carry out.

Based on the proposal by researchers Michael Hitt and Robert Hoskisson,⁶ the following are the external factors that affect an organization:

1. **Political Factors:** Are all those that can determine the activity of the organization. For example, different government policies, subsidies, fiscal policy of different countries, changes in trade agreements, etc.
2. **Economic Factors:** Economic cycles, government economic policies, interest rates, macroeconomic factors, and exchange rates or levels of inflation must be considered to define the economic objectives of the organization.
3. **Social Factors:** All those social variables that can influence the organization. Examples include changes that society can develop in perception of its armed forces, changes in the level of income, or changes in population levels, among others.
4. **Technological Factors:** An environment that promotes the innovation of information and telecommunications technologies, and investment and promotion of technology development that will allow the organization to integrate these variables into its strategy.

An important consideration for a commander should be the use of reliable and proven sources to obtain the information in each PEST variable. This is needed in order to properly analyze available information and its subsequent incorporation into the decision-making process, and thus increase the probability of achieving the objectives and goals set by the organization.

Analysis of resources and capabilities

According to Raúl Cardona,⁷ development of the strategy of an organization is based on the “analysis of the process of identification and valuation of resources and capabilities to establish and maintain competitive advantages,” through an internal analysis of the organization.

Under this theory, the resources available to the organization can be classified into tangible resources, such as physical (furniture, vehicles, infrastructure) and financial (money, collection rights, etc.); and intangible resources, such as organizational (brand, prestige, image) and human (knowledge, skills, motivation, experience, etc.).

Organizational capabilities are formed from resources and the way in which these relate in the organization. For Pablo Gómez,⁸ capabilities are competencies or collective abilities that allow the organization to carry out a concrete activity, as well as the organizational routines that allow for the differential development of activities. They are normally linked to human capital and rely on intangible assets.

SWOT analysis

It is essential for the development of a management control model to start with a snapshot of the unit. For this reason, it is necessary to have tools that allow for the logical ordering and analysis of the internal and external relationships of the unit's environment; in order to clearly evaluate decisions and best strategy to follow (see figure 2).

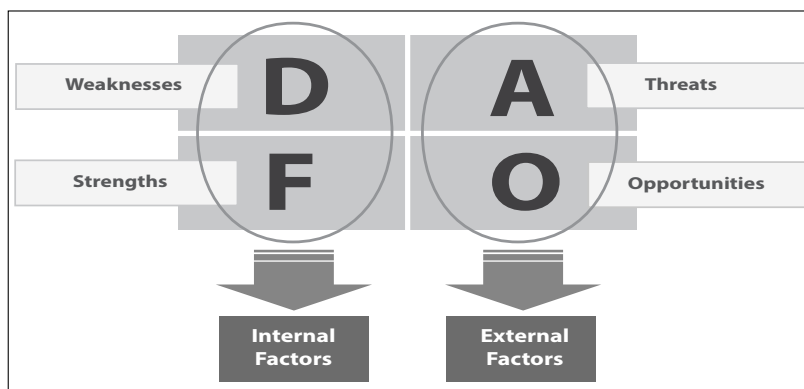


Figure 2: SWOT acronym and its relationship with the environment

Source: Bureau Veritas, (2012).

SWOT analysis is a tool used to analyze the relationship between external (opportunities and threats) and internal (strengths and weaknesses) situations in an organization at a given time. Once the PEST and resources and capabilities analyses are developed, these basic inputs can be used to understand the external framework in which an organization develops, thus being able to analyze and take advantage of the opportunities and threats that industry presents.

For researcher Antonio Borrello,⁹ the acronym SWOT can be defined as follows:

1. Strengths: Also called “strong points” are those characteristics of the organization that enable or foster the achievement of objectives.
2. Opportunities: Opportunities that arise in the organization’s environment that could foster the achievement of its objectives.
3. Threats: Situations that arise in the organization’s environment that could negatively affect achieving its objectives.
4. Weaknesses: Also called “weak points”, are those characteristics of the organization that are internal obstacles to achieving its objectives.

The benefit of SWOT analysis is the understanding of an organization’s actual status, as well as the risk and opportunities offered by the environment.

Balanced Scorecard

For Kaplan and Norton,¹⁰ the philosophy of management control is the translation of strategy into measurable activities. The aforementioned can be translated and represented in a set of indicators in order to periodically monitor the tasks that are carried out and thus be able to supervise properly, this tool is called the scorecard (see table 1).

The objective of the scorecard as a management control tool is to monitor the evolution of essential indicators and in this way measure the progress of the organization with respect to its established strategic goals. Structurally, the balanced scorecard is based on four perspectives, as established by its creators, Kaplan and Norton:¹¹ learning and growth, processes, customers, and financial. These perspectives are not fixed, thus creating the possibility of using this model in a military organization.

Perspective N°	Name
4	Financial
3	Customers
2	Processes
1	Learning and Growth

Table 1: Traditional perspectives of a balanced scorecard.

Source: Prepared by the author based on the Kaplan and Norton proposal (2008).

The balanced scorecard consists of the following elements:

1. Indicators: An indicator is data or a data set that serves to objectively measure the evolution of a process or initiative; thus, helping to assess the extent to which the proposed strategic objectives are being achieved. Indicators should be easy to understand and manipulate.

2. Goals: Correspond to the future vision of performance, which the organization intends to achieve, with the execution of its strategic objectives.¹²
3. Plans and/or Initiatives: Strategic plans and/or initiatives are represented by those groups of projects and programs of limited duration, designed to help the unit achieve the desired effect. These initiatives are not included in the daily activities of the organization. They are not selected in isolation, on the contrary, they are directly aligned with the accomplishment of strategic objectives.

Finally, the use of the balanced scorecard creates an impact to the organization. Therefore, since not everything can be measured, nor everything that can be measured can be measured all the time, the frequency with which each element is to be measured needs to be established (weekly, biweekly, monthly, quarterly, and so forth).

What elements of the unit's strategic structure should the commander consider?

There are elements of the organization's strategy that lend themselves for the commander to establish a management control system. This includes the declaration and/or revision of strategy (mission, vision, values and value proposal), which can be established as the basic and directional element of the management control system.

According to author Niven,¹³ the basic elements that should structure the strategic focus of an organization are:

1. The Mission: For researchers Antonio Kovacevic and Álvaro Reynoso,¹⁴ the mission can be defined as the purpose of the organization or also as the rationale for the existence of the company. This purpose must be broad and lasting.
2. The Vision: For these authors, vision is a statement of the future or dream of the company, which must be brief, simple and easily understood by all. This statement in turn can be used as a message to motivate employees and to transmit it to the market. Therefore, it must be measurable and verifiable, specific, and shared. The authors define three key elements that identify the appropriate definition and focus of a vision, to be considered as a true strategic direction for the organization, namely: When, what, and how. The "when" represents a sense of responsibility, commitment and achievement of the vision. The "what" identifies the essence of the strategy, to include the most important factors to achieve. Finally, the "how" includes the fundamental elements to achieve this vision.
3. The values: For researcher Antonio Frances,¹⁵ values are the strategic statements that raise the ethical-social framework within which the company

carries out its actions. “The values are part of the organizational culture and establishes the limits in which the behavior of the individuals belonging to it must be framed, both organizationally and personally.”

4. The value proposal is defined by researchers Kaplan and Norton¹⁶ as that element of the strategic focus that defines the company’s strategy for the client, describing the unique combination of product, price, service, relationship and image that a company offers to the target customer. The value proposal must communicate what the company expects to do better or differently than the competition. For its development, it must seek to answer the following questions: Why does the client choose me? Why is the customer mine? Why does the customer come back? Finally, the value proposal is that element of the strategic focus of the organization, which will serve as a guide for its main objectives (processes), so that the approach to the client is not lost.

Step by step process for the development and use of a management control model

The management control model must consider the interactions of its main elements and processes in order to generate information to facilitate decision making and improve management at different levels. The model must allow the commander to know how, when, and where the resources available for the achievement of the unit’s objectives have been used, in order for feedback processes to be implemented.

The proposed step-by-step process for the development and uses of a management control model for a military unit will consist of two basic elements: the characteristics of the model and the main stages and elements that must compose it.

Main characteristics that a management control model must have for a military organization

The main generic characteristics that a management control model must maintain for a military unit were developed based on what was proposed by Luis Muñiz:¹⁷

1. Comprehensive: This characteristic of management control should allow the military organization to identify and comprehensively encompass the main processes that support the fulfillment of the objectives of the unit, based on budget, resources, processes and customers. These are the main elements of the structure of a Balanced Scorecard (BSC), devel-

oped and presented in Harvard Business Review, by Kaplan and Norton in 1992. The BSC is currently the main model associated with management control in profit and nonprofit organizations, developed by Niven.

2. **Timely:** The management control system must allow the commander to control, in a timely manner, the degree of compliance with the organization's objectives and their evolution. This characteristic requires that the unit develop the capability to establish and document norms, processes, activities, tasks, programs, budgets, procedures, management plans, and standards of evaluation or comparison criteria, in order to evaluate or compare compliance.
3. **Efficient:** This characteristic of management control should stimulate the commander to maintain a permanent measurement of the capability presented by his assigned resources for the fulfillment of his mission for the purpose of evaluating the efficiency in achieving the objectives.
4. **Motivational:** This characteristic is used to keep staff motivated and integrated, with an eye towards achieving the objectives. It's use to develop and train staff, always considering the variables necessary for management control such as; motivation, training and incentives among others.

Stages and elements that should shape the management control system for a military organization



Figure 3: Proposed stages for the development of the management control system for a military unit

Source: Author

The stages and elements proposed below have been developed based on work of Muñiz¹⁸ and Niven, which form the management control system for a military organization (see figure 3).

Stage 1: Analysis and evaluation of the unit's situation in relation to its environment

At this stage the commander and staff must carry out a survey and analysis of the unit's current situation. In this way, it will be possible to assess the unit's management control processes, and what can be improved and must be changed.

Elements and tools to use: PEST analysis, analysis of resources and capabilities, and SWOT analysis. In order to carry out an evaluation and analysis of the unit's environment with valid information, the use of strategic management tools is suggested at this stage, such as the PEST analysis to gather information on the unit's external environment, and the analysis of resources and capabilities to process information on the internal situation of the unit. Both analyses provide information related to the unit's environmental situation in order to develop a management control system. Finally, at this stage, the development of a SWOT matrix is suggested to determine the strategies to follow, what should be changed and/or eliminated.

Stage 2: Analysis of the unit's strategic focus

At this stage, the strategic focus of the unit must be analyzed; it will be necessary to understand and analyze the vision, mission, value base, and value proposal of the unit (if some of these elements do not exist, they should be developed). This stage consists of the following elements:

1. Vision: The formal declaration of how the unit aims to be perceived within at least five years.
2. Mission: The fundamental purpose of the unit.
3. Value Base: The ethical-social framework within which the human resources of the unit will be developed.
4. Value Proposal: The unit's definition of the attributes for which the institution values the service it provides. For example, value proposal for the aviation school: Develop the training process, through multidisciplinary and comprehensive training teams, which permanently provides a high sense of honor, duty and excellence.

Finally, at this point, the product is an updated strategic focus.

Stage 3: Definition and alignment of strategic objectives

At this stage, the strategic objectives that the unit must meet to achieve its mission must be identified and/or developed. It is possible that the strategic objec-

tives of the unit are already defined in the planning or executive documents; therefore, if they exist, the analysis of the objectives is required (in terms of their level of alignment with the unit's strategic focus). If they are not defined, the unit must develop them, so that they serve as a basis for management control.

There are four perspectives that structure the scorecard recommended for a non-profit organization:

1. **Budget:** Considering that a military unit is a non-profit organization, its budget is a baseline.
2. **Learning and growth:** This perspective identifies the skills that the unit staff must have or develop in the short, medium and long term.
3. **Processes:** For this perspective, the unit must identify the main processes that sustain the goods or services it delivers. These processes must allow you to fulfill your mission.
4. **Customer:** In this perspective the unit must identify its "customers" (external and/or internal), their characteristics, and needs. The above is developed with the purpose of guiding the main processes, always keeping in mind the value proposal offered, so that customers are satisfied and remain loyal.

Strategic objectives must be managed and controlled by the commander. These objectives respond to the rationale of the unit and reflect its relationship and impact with its environment. The objectives should be ordered and placed on the scorecard with each perspective according to their orientation/expected achievement.

Stage 4: Parameters of measurement and plans

At this stage, the parameters of measurement and the goals for each indicator must be established. These parameters will be necessary to periodically control management via feedback to the unit's different internal organizations, using the following elements (see table 2):

1. **Strategic objective:** Corresponds to the unit's objectives as defined by the commander which must be aligned with each perspective, according to their orientation (example: Training personnel in weapons system XX, is an objective that must be listed in the "Learning and growth" perspective in table 2; Ensuring budget compliance must go in the "Budget" perspective in the same table).
2. **Indicator:** The quantitative expression of the behavior and performance of a process, its purpose is that with its use it accounts for the achieve-

ment of the objective (the title, the formula and the explanation must be presented).

3. Goal: Corresponds to the previously set reference parameter, with which the indicator information is compared (short, medium and long term; as the commander sees fit).
4. Responsible: The internal organization that will be responsible for the plan or initiative is determined.
5. Plan or initiative: actions that the organization should implement to turn the strategic objectives into action.

Perspective	Objective	Indicator Title	Indicator Formula	Indicator Explanation	Short Term Goal	Medium Term Goal	Long Term Goal	Responsible Area/Associated Plan
Client								
Processes								
Learning and growth								
Budget								

Table 2: Proposed structure for balanced scorecard.

Source: Author

The main stages and elements (see table 3), along with the four proposed features, make up the two elements that are proposed to structure a management control model for a military unit. In accordance with the above, a four-stage model provides the basic orientation for the development of a management control system for a military unit.

Stage	Elements	Result and/or stage product
Analysis and evaluation of the Unit's situation in relation to its environment.	PEST analysis (political, economic, social y technological) of the unit's external environment. Analysis of resources and capabilities to gather information on the internal situation of the Unit. SWOT Analysis	Unit's opportunities and threats in relation to the external environment. Unit's strength and weaknesses in relation to the internal environment.
Analysis of Unit's strategic focus	Vision Mission Value Base Value Proposal	Unit's strategic focus immediately aligned with the strategic focus of higher headquarters.
Definition of Strategic Objectives	Strategic Objectives Balanced Scorecard Perspectives	Unit's strategic objectives aligned with the baseline structure of a Balanced Scorecard
Measuring parameters and planning	Indicator Goal Plan or Initiative Responsible	Unit's balanced scorecard with its main elements of measurement

Table 3: Detail of the stages and elements of the proposed management control model.

Source: Author.

Conclusion

The improvement, development, and use of management control in a military unit provides a favorable opportunity to accomplish, in an aligned and comprehensive manner, the unit's objectives. At the same time, it demands, involvement at all levels of the organization, in order to meet and implement these objectives.

Also, for the successful and timely implementation of a management control model, it is proposed that the unit commander consider the following suggestions:

1. The unit commander must consider ensuring a good communication and training process, in order to mitigate risks and possible resistance.
2. The commander must consider the characteristics inherent of a military organization; such as discipline, commitment, identification, as they allow and pave the way for development and use of strategic initiatives.
3. The alignment of a military unit around management control must be accompanied by the search for a shared vision among the unit's different organizational levels.

Finally, a military unit that manages to implement a management control model will be able to face, in a timely and integrated manner, the demands of fulfilling its mission and/or those that arise outside it. □

Notes

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