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THE APPROACHES TO STRATEGIC MANAGEMENT OF DEFENSE RESOURCES: THE US EXPERIENCE

The article argues that for effective management of defense resources, it is necessary to coordinate strategic priorities with the general system of defense resource management and public finances. Attention is focused on the fact that in the USA several levels of such coordination are distinguished: the initial, level of direct regulation and control, the level of structural regulation and efficiency assessment. It is revealed that the process of reforming public finance management in the USA faces a number of problems, in particular, coordination of goals, responsible parties, adjustment of the public finance management process itself and, if necessary, its alignment. Therefore, it is the defense strategy and action planning that allows achieving the desired results. The article examines that it is strategic resource management that makes it possible to form a plan to achieve goals, ensure comparison of goals and desired results, assess all priorities and risks and also establish responsibility. Regarding defense planning, it is noted that it is important to bridge the gap between resources and planners who develop a joint strategy for the future capabilities of the armed forces and state financial authorities, which should allow translating this plan into reality. Enhanced coordination of relationships and different views on resource provision processes is possible through decentralization, i.e. the transfer of some powers (authorities) to lower organizational levels, in particular by fiscal and administrative methods. The main areas of improvement of strategic resource provision are identified, among which the following can be distinguished: development of better models for: assessment and management of risks, design of necessary capabilities / results to support them, assessment of necessary input resources and their cost and measurement of the effectiveness of results. In addition, attention is

focused on what needs to be continued or improved: search for the most effective ways (cost of input resources used to produce a finished ship) to provide capabilities, monitoring of productivity, flexibility of «solutions», connection of data and systems to provide information.

Keywords: management of defense resources, strategic priorities, public finance resources.

INTRODUCTION

The international system frames the forces and trends in the global environment; it also frames the workspace of national security policy and strategy makers. As they work through the formulation process, with an understanding for the interests and objectives of any actors in a given situation, those involved in the business of policy and strategy making must be able to account for the associated state and nonstate actors present in the international system. In addition, it has become particularly important that they be able to assess the competing values associated with the global actors, both state and nonstate, especially in relation to the Global War on Terror. Also, given the criticality of being able to call upon other nation states and international or multinational organizations for support, the strategist or policymaker must know which alliances and coalitions are stakeholders in the issue in question. The international system also affords the strategy or policymaker numerous opportunities for advantage. If a nation-state can come to the assistance of another nation-state or region in time of need like a natural disaster or failing economy, the opportunity exists to demonstrate concern and ultimately gain some level of influence with the entity in need. The same may be true when cooperating with other states as they transition toward democratic forms of government or market economies, or when accepting an international regime like an arms control treaty. In all cases, these are opportunities to gain acceptance and influence through and with other actors in the international system.

RESEARCH RESULTS

For effective management of defense resources, it is first necessary to align strategic priorities with public finance management [4]. In the USA, several levels of such coordination are distinguished: initial, regulation and control, structured discipline and efficiency and Effectiveness (aspirational). Let's consider each of them in more detail.

Level 0: Opaque, Unreliable, Unaccountable characterized by:

- no transparency to decision making;
- limited accountability for public funds;
- no or limited audit of expenditures;
- plans and budgets are of poor quality;
- budget is informal and unreliable.

Level 1: Regulation and Control is being evaluated:

- focus is on regulation and control of expenditures;
- disciplined and reliable expenditure information due to increased accountability and transparency;
- little attention to the quality of expenditures;
- budget is formal and reliable but lacks strategic focus.

Level 2: Structured Discipline based on:

- focus on improving links between strategic plans and public expenditures;

- mixture of ex-ante and ex-post controls on use of public resources;
- introduction of multi-year focus and separation of operating and capital budgets;
- internal controls, audit and monitoring mechanisms in place but centralized;
- budget is formal, reliable, multi-year and strategic plans influence the allocation of some resources.

Level 3: Efficiency and Effectiveness (aspirational) characterized by:

- focus on improving performance of spending units;
- budget users accountable for impact on outcomes through contracting with central ministries;
- multi-year budgets reflecting strategic plans are classified by program;
- accounting and reporting on modified accrual basis with strong focus on transparency;
- budget is formal, reliable, multi-year and strategic in focus with performance information influencing the future allocation of resources.

It is worth noting that the process of reforming public financial management in the United States is not as complicated as it seems. However, it faces a number of problems such as goal alignment, role alignment, alignment and different, perspectives on processes and terms, system or process alignment [2]. Defense strategy and planning: to guide action that will help achieve desired outcomes. In addition, it enables: provide plans to achieve goals, provide cascading and measurable goals (desired outcomes), create a method for knowing priorities and making risk/tradeoff decisions, create an accountability framework.

Regarding the US Public Financial Management System (PFMS), it makes it possible to control the distribution of all resources in particular:

1. Support all financial operations.
2. Collect accurate, timely, complete, reliable and consistent information on public financial events.
3. Provide adequate management reporting.

4. Support government-wide and agency policy decisions.

5. Produce auditable financial statements [3].

Let's take a closer look at Role Alignment. One of the great difficulties in defense planning and resources is bridging the divide between planners who develop a joint strategy for the current and future capabilities of the armed forces and the budgeters who must translate this plan into actual inputs purchased [1]. Alignment and different perspectives on resourcing processes and terms are shown on Fig. 1.

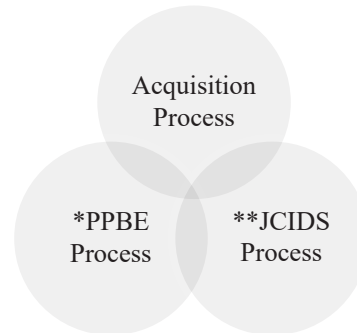


Fig. 1. Alignment and different perspectives on resourcing processes and terms

* PPBE – Planing, Programming, Budgeting and Execution;
 ** JCIDS – Joint Capabilities Integretion and Development System

Extended interconnection alignment and different perspectives on resourcing processes and terms are shown on Fig. 2.

Expanded coordination of relationships and different views on resource provision processes is possible through decentralization, i.e. devolution of some authorities (powers) to lower organizational levels:

- Fiscal: more fiscal decision-making authority and economic resources.

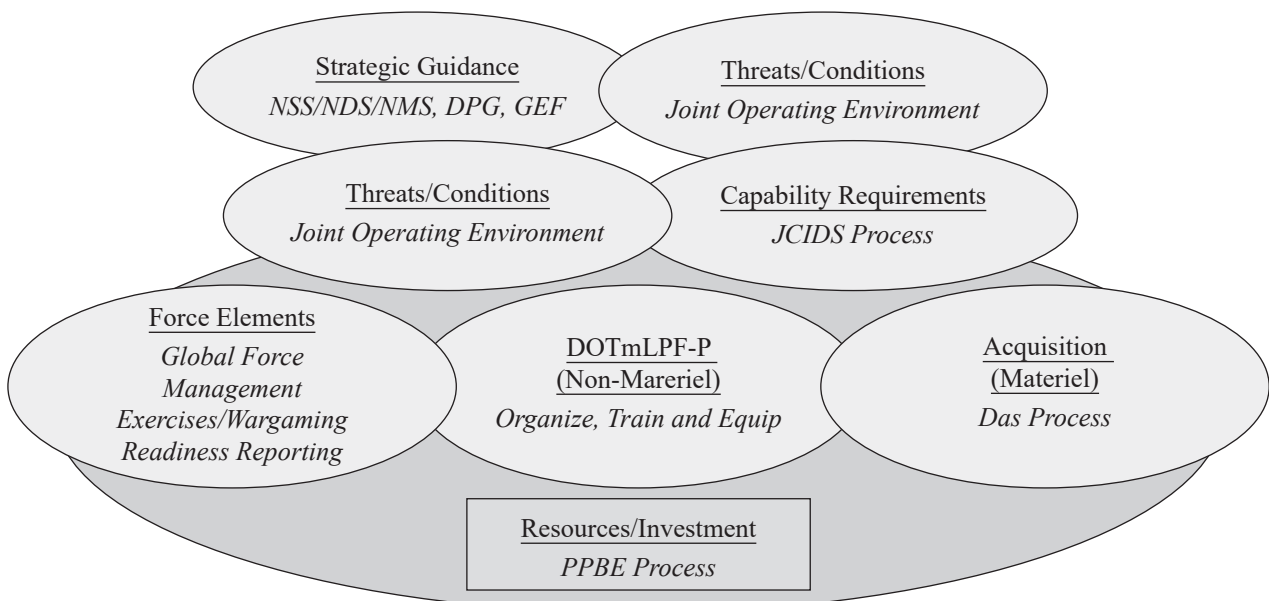


Fig. 2. Extended interconnection alignment and different perspectives on resourcing processes and terms

- Administrative: more administrative decision-making authority [5].

Effects of centralized or decentralized decision authority will show in the Table 1.

Table 1. Effects of centralized or decentralized decision authority

Centralization	Decentralization
Decisions made at senior level, which has authority to direct major change	Decisions often made by personnel closest to situation
Decisions consistent with strategic objectives	Engages personnel and promotes initiatives
Can reduce duplication of activities and risk of making wrong decisions at lower levels	May enable more flexible response to rapid environmental change
May be more consistent in terms of dealing with all stakeholders	Promotes better accountability
Discourages initiative among personnel	Puts organization at risk for bad decision making and favoritism

In the early development of PPBS, one of several (arguably) critical opportunities may have been missed:

- The Office of the Secretary of Defense (OSD) did not change the existing budgetary system, which allowed the military departments largely to retain their budgetary independence.
- The military departments had to adopt similar processes and structures to feed into new OSD processes, but they were able to protect their respective identities, preferred weapons systems and relevance.

Alignment is achieved through: planning, management and control of the resource system in government, namely:

1. Planning, programming and budgeting (PPB, PPBS, PPBES, PPBEAS, etc.).
2. Program budgeting.
3. Management by objectives (MBO).
4. Zero-based budgeting (ZBB).
5. Target-based budgeting.
6. Management information systems.
7. Performance measurement, reporting and monitoring.
8. Balanced Scorecard.
9. Quality circles (extended to Baldrige, etc.).
10. Performance-based budgeting.
11. Output budgeting.
12. Total quality management/leadership (TQM/TQL).
13. Program analysis (prior to program approval).
14. Program evaluation (after program approval).
15. Forward year projection of expenditures and revenues.
16. Results-based leadership (results-based budgets, outcome-based budgets).
17. Values-based leadership.
18. Capabilities-based planning (not a resources management system) [6].

For public sector organizations, there is often a drive to adapt tools, techniques, processes, systems, etc., from the private sector in a quest to meet strategic goals and improve efficiency without first asking whether they will

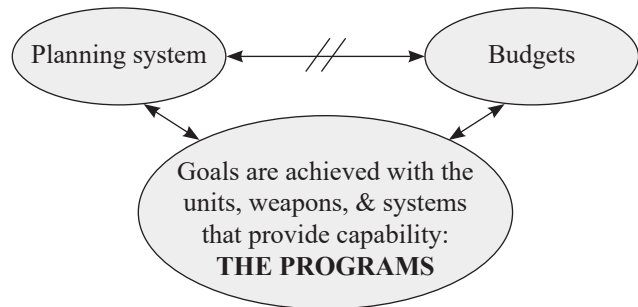
help the organization achieve its strategic goals or manage resources better.

The main recommendations are:

- Supports resource allocation activities and processes to best achieve strategy.
- Documents and justifies programs to our governments for appropriating.

Linking Planning to Budgets are shown on Fig. 3.

Analysis and decision-making will always depend on a concrete appreciation for the way capabilities are instantiated by programs (Fig. 4).



Linking Planning to Budgets
Threats ↔ Strategies ↔ Forces ↔ Budget
Fig. 3. Alignment and different perspectives on resourcing processes and terms

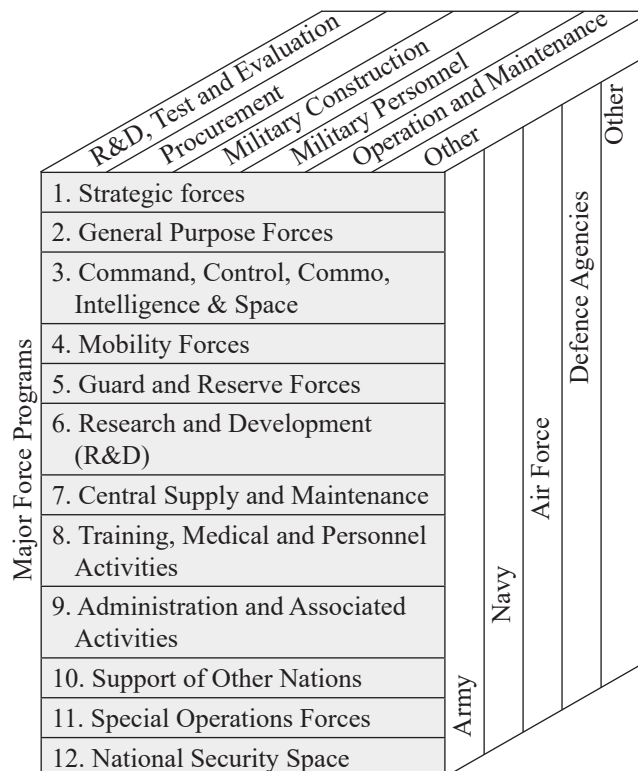


Fig. 4. FYDP Structure

Five Elements of a PPB-Type System:

1. A program structure – a classification of the courses of action open to an organization for attaining its objectives.
2. An approved program document that includes precise, quantitative data on needs, resource inputs and program outputs extending a number of years into the future.

3. A decisionmaking process that establishes the functions, rules and timetables for the actions required by the system.

4. An analysis process for measuring effectiveness and for weighing alternatives.

5. An information system that supplies the data required to implement the system.

PPB-type system includes such kinds of issues:

1. Added bureaucracy.
2. Organizational «mistakes» or issues.
3. Allocating «fairly».
4. Inertia.
5. Politics.

CONCLUSION

There is a growing view that American foreign policy has tended to be more assertively unilateral in recent years. America's refusal to join the international ban on antipersonnel land mines, its rejections of the Kyoto treaty on global warming, an inspection and verification protocol for the Biological Weapons Convention and its withdrawal from the International Criminal Court and the Anti-Ballistic Missile Treaty are offered as evidence of a policy of avoiding international commitments that might constrain America's freedom of action. Critics argue that the United States pursues its own international agenda without regard for the interests, views or concerns of the rest of the world. The response is that the United States is acting, as all states should and must, in its own self-interests. The main areas of improvement strategic resourcing are develop better models to: assess and manage risks, project needed capabilities/outputs to support them, estimate inputs needed and their costs and measure effectiveness of the outputs. Also need continue or improve: finding most efficient ways (cost of inputs used to produce the output of a ready ship) to provide capability, monitoring performance, flexibility in «solutions», connect data and systems to provide information.

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ПІДХОДИ ДО СТРАТЕГІЧНОГО УПРАВЛІННЯ ОБОРОННИМИ РЕСУРСАМИ: ДОСВІД США

У статті обґрунтовано, що для ефективного здійснення управління оборонними ресурсами потрібно узгоджувати стратегічні пріоритети із загальною системою управління оборонними ресурсами та державними фінансами. Акцентовано увагу на тому, що в США виокремлюють декілька рівнів такого узгодження: початковий, рівень безпосереднього регулювання і контролю, рівень структурного регулювання та оцінки ефективності. Виявлено, що процес реформування управління державними фінансами в США стикається з низкою проблем, зокрема узгодження цілей, відповідальних виконавців, налагодження самого процесу управління державними фінансами та у разі необхідності його вирівнювання. Тому саме стратегія оборони та планування дій дозволяє досягти бажаних результатів. В статті досліджено, що саме стратегічне управління ресурсами дає можливість сформулювати план досягнення цілей, забезпечити порівняння цілей та бажаних результатів, оцінити всі пріоритети та ризики, а також закріпити відповідальність. Щодо оборонного планування зазначено, що важливо подолати розрив між ресурсами, що виділяються, проєктувальниками, які розробляють спільну стратегію для майбутніх можливостей збройних сил та державними фінансовими органами, які повинні дозволити перевести цей план в реальність. Розширене узгодження взаємозв'язків і різні погляди на процеси ресурсного забезпечення можливі шляхом проведення децентралізації, тобто передачі деяких повноважень на нижчі організаційні рівні з використанням фіскальних та адміністративних інструментів. Виокремлено основні напрями вдосконалення стратегічного ресурсного забезпечення, серед яких можна виділити: розробку кращих моделей для оцінки та управління ризиками, проєктування необхідних можливостей / результатів для їх підтримки, оцінки необхідних вхідних ресурсів та їх вартості та вимірювання ефективності результатів.

Ключові слова: управління оборонними ресурсами, стратегічні пріоритети, оборонне планування, державні фінансові ресурси.

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