United States General Accounting Office

GAO

Report to the Congress

August 1990

MANAGEMENT OF VA

Implementing Strategic Management Process Would Improve Service to Veterans

GAO/HRD-90-109

GAO

United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-240509

August 31, 1990

To the President of the Senate and the
Speaker of the House of Representatives

This report on management of the Department of Veterans' Affairs (VA) is one of a series of GAO management reviews of major departments and agencies. The basic principles of strategic management described in this report are applicable to any federal department or agency. The process enhances an organization's capacity to be responsive to a dynamic environment, proactively manage change, and avoid crisis management. The Secretary initiated a Department-wide strategic management process for VA in April 1990. Successful implementation of the process will require the sustained commitment of the current and future Secretaries of VA, the Congress, the Office of Management and Budget, and the veterans' service organizations.

The report presents the results of our review of strategic management at VA. It summarizes and expands on our October 12, 1989, briefing to the Committees on Veterans' Affairs of the Senate and the House of Representatives, and is a segment of an ongoing general management review of VA. As part of that review, we issued a report to the Secretary about VA's information resources management.[1] In addition, we are reviewing VA's financial management activities and plan to review other management issues.

A strategic management process focuses the Secretary's attention on identifying and resolving key issues—the most critical questions that affect an agency's future direction, services, and basic values.[2] Through this process, the Secretary can set a clear direction and move the Department toward achieving it.

Our objectives were to (1) identify lessons learned from past VA Department-wide strategic management processes and (2) develop a flexible, secretarial-level strategic management process that could be adapted to VA. We analyzed documentation on VA's Department-wide strategic management processes since 1981, and we talked with former administrators, VA managers, and representatives of veterans' service organizations about those efforts. We also reviewed literature on public

[1] Information Resources: Management Commitment Needed to Meet Information Challenges (GAO/IMTEC-90-27, Apr. 19, 1990).

[2] These issues are sometimes referred to as strategic issues.

and private sector strategic management. The results of our review are summarized below and detailed in appendix I.

Background

VA is responsible for providing care and services to America's eligible veterans. It currently employs over 219,000 people on a full-time basis, has an annual budget of about $30 billion, and operates three major components—the Veterans Health Services and Research Administration, Veterans Benefits Administration, and National Cemetery System. VA's mission involves delivering a wide range of services—medical, housing, insurance, education, income, and burial. Its mission also entails using its facilities to educate and train a large portion of the nation's medical practitioners, through affiliations with medical schools, and supporting research that benefits veterans' health care and quality of life. In addition, VA is responsible for providing medical services in a war or national emergency.

VA Faces Major Management Challenges Today and in the Future

Today VA faces significant management challenges in effectively fulfilling its mission. Some of VA's aging medical facilities have not kept pace with changes in patient treatment patterns. Further, weaknesses in certain information and quality assurance management systems have hindered VA's ability to manage programs and have contributed to delays in service to veterans.

Dramatic changes in the veteran population compound these challenges. This population is aging swiftly, and VA will need to make system adjustments to meet the medical and income needs of an older population. Projections show the total number of veterans dropping from 27 million in 1990 to 13 million by 2040. This implies the need for well-conceived, long-range, nationwide plans to ensure that VA can effectively adapt to these population trends. By early in the next decade, most veterans will not have fought in a war, indicating the need to reassess programs and services established primarily for wartime or combat veterans.

To address these challenges, VA must work with groups affected by and interested in VA's programs. These groups, such as the Congress, veterans' service organizations, and medical schools affiliated with VA hospitals, represent veterans and communities dependent upon VA facilities for services and jobs.

VA Needs a Strategic Management Process

A strategic management process could enable VA to manage change proactively and to avoid crisis management. The result would be more effective and higher quality services to veterans. Starting in 1981, VA attempted to implement a strategic management process, but design and implementation flaws led to the demise of these efforts. Without a strategic direction, VA management and interested external groups will not be able to judge the merits of proposed VA management actions to change services or programs.

A Secretary-led process should consider VA's unique operational, cultural, and environmental circumstances. It also should focus on gaining support from internal managers and key external groups for changes in services by involving them in the process. Most importantly, strong, sustained, and visible secretarial leadership of and commitment to a strategic management process are essential to its success. A future process should consider the following lessons learned from past efforts to implement strategic management in VA.

Involve Key Line Managers

Key line managers from headquarters and field offices should participate in formulating a strategic direction for VA. Their participation would enhance the likelihood of congruence between VA's future direction and line managers' actions. Past efforts did not involve key line managers from the field in a meaningful dialogue on key issues facing veterans. Without an opportunity to participate in discussions of these issues, these managers did not support the efforts.

Ensure That Strategic Direction Shapes the Budget

The purpose of a strategic management process is to establish a direction for VA based on the priority needs of the veteran. Planned management actions to achieve VA's direction should shape its budget. However, VA managers said that in the past, the Administrator's staff did not present strategic management as a way to develop a clear future direction. Instead, they used the strategic management process as a budgetary tool to cut costs and implemented it in an "abrasive" manner, ultimately resulting in active opposition by line and staff managers.

Focus on Key Issues

The process should elevate only the key issues to the Secretary's attention. Line managers and top VA officials criticized past Administrator-level attempts to implement strategic management for creating a "meaningless paperwork exercise." These past efforts required detailed plans that covered too many component objectives and did not focus on the

key issues that would have benefitted from the Administrator's involvement.

Balance Component Aims With Departmental Direction

A strategic management process should foster a shared understanding of the Department's future direction among the three components, enhancing consistency between their day-to-day actions and the Department's aims. A unified strategic direction for the whole Department, based on veterans' priority needs, provides the needed common focus—a shared vision of the future. In the past, however, the level of autonomy attained by VA's components, coupled with a lack of clarity regarding VA's direction, has sometimes inhibited development of a Department-wide, coordinated approach to address key issues, thus hindering delivery of services to veterans.

Seek Participation of Key External Groups

Early in the strategic management process, the Secretary should bring in external groups that influence VA's policies and operations, such as the Congress, the veterans' service organizations, and the Office of Management and Budget (OMB). We recognize the difficulty in bringing together historically disparate interests, but their early and active participation should lead to some common ground of understanding and convergence of interests that could permit VA to advance in new directions. Without the support of these key external groups, VA's past attempts to plan strategically were not successful.

To fill this void in planning and to protect the level of veterans' services against OMB's attempts to lower VA's budget, the Congress, supported by the veterans' service organizations, has become heavily involved in details of VA's management, limiting the Secretary's ability to change the structure or delivery of VA services to meet the challenges facing the Department. These limitations restrict the Secretary's ability to adapt VA to its rapidly changing environment, thereby enlarging the void in planning and inviting further congressional involvement in detailed management of VA. A successful strategic management process should allow the Congress to reverse this trend.

Progress by the Secretary of Veterans Affairs

Throughout our review we worked with the Office of the Secretary to develop a Secretary-led strategic management process that provided for (1) establishing a clear, Department-wide direction for VA's future actions, (2) identifying strategic issues consistent with this future direction, (3) identifying alternate approaches to address these issues and

selecting the most appropriate approaches, (4) allocating resources and assigning accountability to implement action plans, and (5) monitoring plan implementation. The process also provided for the participation of key internal managers and external groups, such as the Congress, veterans' service organizations, and OMB.

The Secretary is the linchpin of the strategic management process. The Secretary should show strong, sustained support for the process to encourage its acceptance into VA's organizational culture. We are not making a recommendation because the Secretary established, on April 27, 1990, a new integrated approach—the Secretary's Strategic Management Process—to plan for the future and manage the work of VA (see app. II). Given the Department's past problems with strategic management and the need to effectively deal with competing interests, the Secretary will need to closely monitor implementation of the new process to ensure that it is properly carried out.

The Office of the Secretary agreed with our report's concepts and noted that the detailed approach for implementing a strategic management process was very helpful to the Department.

We are sending copies of this report to the Secretary of VA, the Chairmen and Ranking Minority Members of the Committees on Veterans' Affairs of the United States Senate and House of Representatives, other interested congressional committees and subcommittees, and individual members. We also will make copies available to others who request them.

This report was prepared under the direction of Linda G. Morra, Director, Intergovernmental and Management Issues, who may be reached on (202) 275-1655. Other major contributors to this report are listed in appendix III.

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Abbreviations

GAO	General Accounting Office
IMS	Integrated Management System
IRM	information resources management
OMB	Office of Management and Budget
SMP	Strategic Management Process
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration

Management of VA: Implementing Strategic Management Process Would Improve Service to Veterans

Background

The Department of Veterans Affairs (VA)[1] became a cabinet-level department on March 15, 1989. The new Department, with its diverse and complex mission, represents a dynamic and difficult management challenge. VA operates the largest health care system and the fifth largest individual life insurance program in the United States. It employs the second largest work force in the federal government.

The Secretary, as head of VA, is responsible for providing care and services to America's eligible veterans. This mission involves delivering a wide range of services—medical, housing, insurance, education, income, and burial. VA affiliates with medical schools and uses its facilities for the education and training of a large portion of the nation's medical practitioners. It supports research that benefits veteran health care and quality of life. In addition, VA is responsible for providing medical services in a war or other national emergency.

VA currently employs over 219,000 people on a full-time basis and has an annual budget of about $30 billion. Table I.1 shows the Department's three major operating components and describes their mission, the number of persons they employ, and their budget and operating structure.

Table I.1: Description of VA Components (Fiscal Year 1989)

	Mission	Employees	Budget	Structure
Veterans Health Service and Research Administration	To develop and operate a national health care delivery system for eligible veterans; carry out a program of medical care research; and furnish health services to members of the Armed Forces during a war or national emergency.	200,063 FTE[a]	$11.2 billion	172 medical centers, 339 outpatient clinics,[b] 122 nursing home-care units, 28 domiciliaries, 196 veteran centers.
Veterans Benefits Administration	To provide financial and other assistance to veterans and their dependents and survivors. The major benefits include compensation and pension, survivors' benefits, burial benefits, education and rehabilitation assistance, home loan benefits, and insurance coverage.	12,714 FTE[a]	$16.9 billion	58 regional offices (at least one in every state, D.C., Puerto Rico, and the Philippines), including two insurance centers.
National Cemetery System	To operate national cemeteries, provide headstones and markers, and administer grants to aid development of state veterans' cemeteries.	1,199 FTE[a]	$47 million	113 national cemeteries.

[a]Full-time-equivalent employees.

[b]Includes community and outreach clinics.

[1]Formerly known as the Veterans Administration and headed by an administrator.

Strategic Management Process

A strategic management process helps focus the attention of a department head on identifying and resolving key issues. Through this process, he or she can set a clear department-wide direction and move the department toward achieving its goals.

Key, or strategic, issues are the most critical questions that affect a department's future direction, its services, and its basic values. Frequently these issues involve more than one component or function. For example, one strategic issue would be how a department needs to adjust to serve a dramatically changing population. Another would be how to remedy persistent systemic weaknesses in service quality. A strategic management process, however, does not encompass all the issues a department faces on a daily basis. Instead, it focuses squarely on the issues that are the most appropriate for the department head to address.

A strategic management process will enhance the department's ability to address the following fundamental questions:

- Where is the department going? (Direction.)
- How will it get there? (Strategies.)
- What is its blueprint for action? (Budget.)
- How will it know if it is achieving its direction? (Accountability.)

Systematically addressing these questions can help the department head proactively manage change and avoid crisis management.

Objectives, Scope, and Methodology

We began a general management review of VA in May 1989. This review is one of a series of GAO reviews of major departments and agencies aimed at improving general management. We worked with the Secretary of VA in initiating this review and mutually agreed to begin it by evaluating VA's past strategic management efforts. Our objectives were to (1) identify lessons learned from past VA Department-wide strategic management processes and (2) develop a flexible secretarial-level strategic management process that could be adapted to VA.

This report summarizes and expands on our October 12, 1989, briefing to the Committees on Veterans' Affairs of the Senate and the House of Representatives, and is a segment of an ongoing general management review of VA. The report is the second in a series about management

practices at VA. Our first report assessed the effectiveness of VA's information resources management (IRM) in supporting its mission.[2] We are reviewing VA's financial management practices and plan to review other management issues.

To accomplish our objectives, we interviewed over 70 current and former VA officials from the Office of the Administrator and the three components, representing both VA headquarters and field perspectives. These interviews included discussions with two former administrators and their top executives. We also interviewed representatives of five veterans' service organizations. We asked for their views on both positive and negative aspects of Department-wide strategic management efforts since 1981. We also solicited their suggestions regarding a flexible strategic management process for VA. We did not review each component's planning process, such as the Veterans Health Services and Research Administration's Medical District Initiated Planning Process.

We analyzed VA documentation of past Department-wide strategic management processes. We also reviewed previous GAO and VA Office of the Inspector General reports and literature on the topic from both the public and private sector. Through this combination of documentation and literature review, coupled with managers' insights, we identified lessons learned from past strategic management efforts and developed a strategic management process that could be adapted to VA's unique culture and environment.

We conducted our review between May 1989 and March 1990 in accordance with generally accepted government auditing standards. A bibliography of relevant documents appears at the end of this report.

VA Needs a Strategic Management Process to Address Its Challenges

VA can address major challenges that it faces today and in the future through a disciplined, Secretary-led strategic management process. This process, relying on input from external groups concerned with VA's mission, would enable the Secretary to establish a long-term direction for VA. VA managers and external groups would be able to evaluate against this established direction the relative merits of proposed management actions to change VA's services. As a result, conflicts between VA and external groups would most likely occur less often than they have in the past and veterans' interests would be better served.

[2]Information Resources: Management Commitment Needed to Meet Information Challenges (GAO/IMTEC-90-27, Apr. 19, 1990).

VA's Challenges Today

VA's managers today face a wide range of challenges to fulfill its mission—aging buildings, mix of services, and shortfalls in management systems. In recent testimony, the Secretary spoke of the "strain [to the VA medical] . . . system and many of its component parts . . . when we are not properly structured to fulfill our missions."

Evidence of this strain is found in what the Secretary describes as VA's aging medical facilities, built on average over 40 years ago. Many of these facilities date from before World War II, or the early post-World War II era, with some built in the late 1800s. About 40 percent of VA's medical facilities will require major improvements in the next 5 years.

Some of VA's facilities and its mix of services have not always kept pace with new modes of medical care delivery. Its medical services, established when inpatient hospital stays were longer and before technological advances in treatment and changes in practice patterns, have not always kept up with changes in medicine. New treatment patterns, like ambulatory surgery, have lessened the emphasis on traditional inpatient, hospital-based acute care in favor of a spectrum of medical services extending from outpatient to extended care. This means that hospital stays are becoming shorter, resulting in lowered hospital occupancy rates, while demand for ambulatory or outpatient care is increasing.

VA's benefits structure also shows evidence of strain. The Veterans Benefits Administration's (VBA) network of 58 regional offices was organized before today's state-of-the-art technology made possible more efficient claims processing. Less than 50 percent of VBA's regional offices are fully automated. VBA is struggling with aging and inadequate systems that are not integrated and are expensive to maintain. For example, because of inefficient processes that include exchanging paper records among VA's components and with the Department of Defense, as well as other critical factors, a veteran now has to wait about 5 months for VA to process a claim for disability compensation.

Further strain ensues when management systems do not provide key information for managers at headquarters to determine whether field facilities are providing quality services to veterans. This has occurred because VA has neither (1) determined what information was needed to assess service quality and established reporting requirements that would provide the needed information nor (2) followed through to assure that field facilities were complying with established information-

reporting requirements. For example, in our Transition Series we reported that:[3]

- Medical centers were not reporting, through appropriate quality assurance systems, most of the more serious patient injuries at the centers. In addition, managers at headquarters were not using the information they had to detect underreporting. Also, one-third of the medical centers with surgical residents were not submitting the required reports on their supervision. As a result, headquarters managers did not know that supervision at many medical centers was inadequate.
- Managers at headquarters did not act appropriately to improve field facilities' services despite having information suggesting the need for action. Several cardiac surgery centers reported mortality rates above VA's standard. However, VA managers did not take steps to determine why these centers were not performing at an acceptable level.
- The House Committee on Government Operations, reporting on VA's system for measuring performance of its 58 regional benefits facilities, found that managers did not have adequate information to monitor the facilities' processing of veterans' benefits claims.

Today, the Secretary and his managers face enormous management challenges. But coping with today's challenges without reference to the tremendous future changes in the veteran population would be short-sighted, as VA recognizes.

VA's Future Challenges

VA projects that the nation's veteran population will undergo significant changes in number, location, and composition over the coming decades. These dramatic changes, coupled with the strains that VA's system is experiencing, suggest that VA must adjust its structure and delivery of services. Accordingly, VA will face difficult decisions as it assesses the types of services, where they will be needed, and the means of delivering them effectively to the veteran population.

In short, VA must think strategically to cope with the challenges of tomorrow. Its environment requires VA to take a long-term view and grapple with complex, cross-cutting strategic issues. VA has projected that significant changes will occur in the veteran population and has identified issues raised by these changes (see table I.2).

[3] Veterans Affairs Issues (GAO/OCG-89-14TR, Nov. 1988).

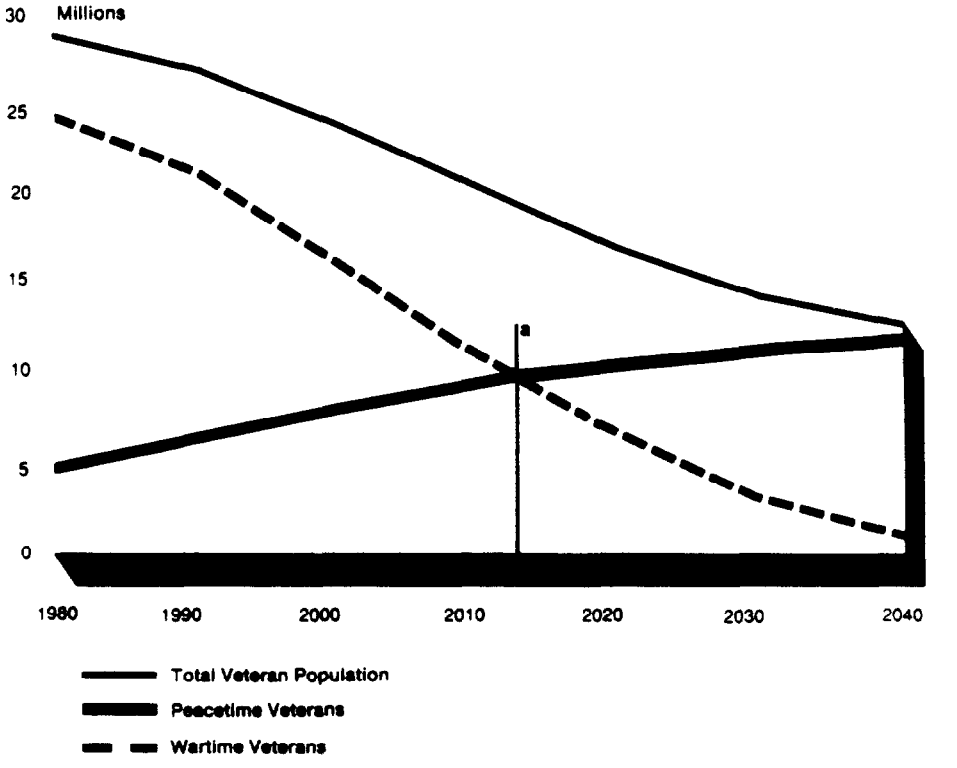
Table I.2: Projected Demographic Changes and Related VA Strategic Issues

	Changes	Strategic Issue
Total veteran population	Decreasing from 27.2 million in 1989 to 24.1 million by 2000.	How can VA assure that it is efficiently and effectively delivering services given a declining population? (Added by GAO.)
	Declining to 13 million by the year 2040.	
Veteran population age 65 and older	Increasing from 6.9 million in 1989 to a peak of 9.0 million in 1999.	How should VA adjust its health care delivery system to meet the needs of an increasingly older veteran population?
	Declining to 4.5 million in the year 2040.	What is the optimum balance of acute care and long-term care for an aging population?
Location of veteran population	Nearly one-half of all veterans in the U.S. currently live in eight states.	Is there a need for new health care facilities?
	High rates of migration from the Northeast and Midwest to the South and Southwest for the next decade.	What impact does veteran migration have on the demand for hospital care?
Composition of veteran population	Number of Vietnam-era veterans will surpass World War II veterans in 1993.	What changes will be needed in VA programs once Vietnam-era veterans comprise the majority of wartime veterans?
	Post-Vietnam-era veterans will grow by over 1 million every 5 years becoming the largest sector of the veteran population by 2010.	How will legislation that may only provide benefits to wartime or combat veterans affect future construction and fiscal obligations?
	Wartime veterans will become a minority of veterans by the year 2013.	

Source: Department of Veterans Affairs, 1989.

VA's projections show, for example, that the total veteran population will decline to roughly one-half of its current size by the year 2040. Moreover, as the World War II population decreases, VA expects a slow but steady decline in the number of veterans receiving veterans' compensation. VA, in addition, expects a decline in the number of veterans participating in VA's insurance program and receiving veterans' pensions. Barring major wars, VA expects the number of wartime veterans to become a minority of all veterans by the year 2013 (see fig. I.1).

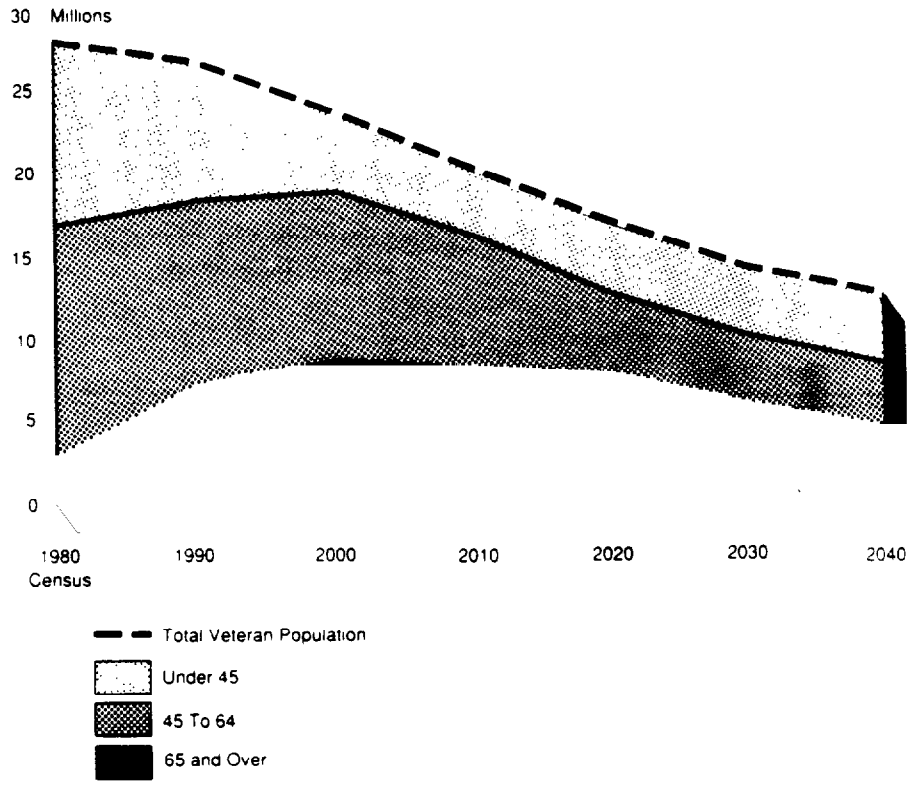
Figure I.1: Total Wartime and Peacetime Veterans



Source: Department of Veterans Affairs, 1989.

While the total veteran population declines, VA expects the older veteran population to grow dramatically during the next 10 years, with older veterans forming an increasingly larger percentage of the total veteran population for the next 25 years (see fig. I.2). By the year 2010, one out of every three VA hospital patients will be at least 75 years of age, and two out of three will be over 65. In March 1990 congressional testimony, the Secretary stated that "This age shift, if translated to utilization at current rates, could bring dramatic change to the patient mix we will see in VA health care in the future." He added that "The health needs of persons in these older age cohorts . . . could require major adjustments to the system to meet their needs," since an older person requires more extended care services and typically has several nonmedical needs in areas such as housing and income maintenance. The Secretary further believes that VA "needs to explore a number of avenues to meet the challenge of caring for eligible veterans . . .."

Figure I.2: The Aging Veteran Population



Source: Department of Veterans Affairs, 1989.

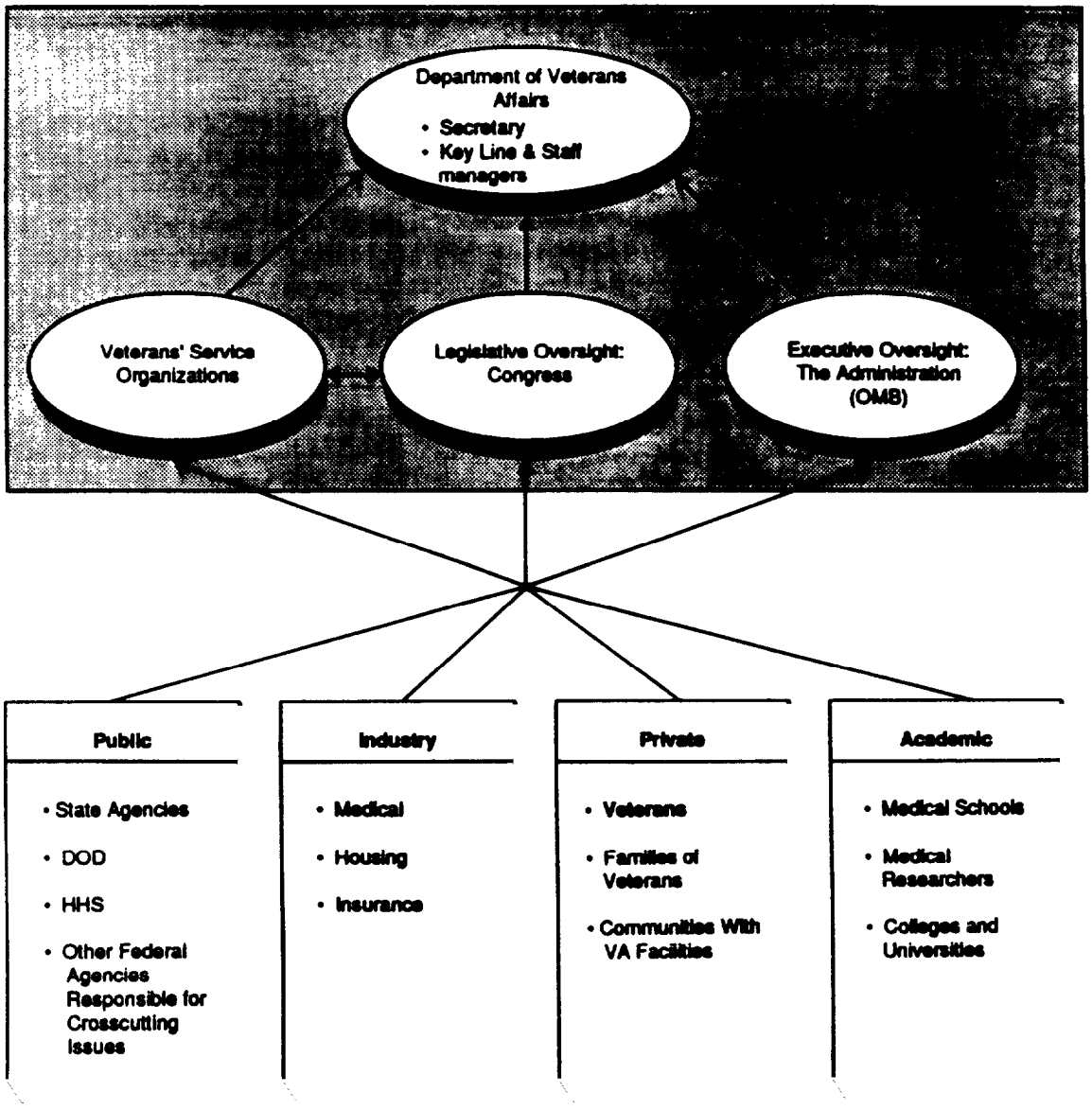
Adjusting the VA system to these and other demographic changes, while resolving today's management challenges, implies that VA must address strategic issues involving changes in its structure and delivery of services. For example, an older population may require converting beds from acute to extended care, developing new services while deemphasizing others, and reassigning work load and programs among facilities, predicts VA. As another example, the accelerating decline in the veteran population challenges VA to deliver services effectively and efficiently. This could mean weighing options of providing services through nonpermanent arrangements, such as sharing and contracting for them.

Groups Concerned With VA's Mission

In addressing these challenges, VA must address the legitimate and sometimes competing concerns of a wide range of groups that have an interest in or are affected by VA services and resources. These groups

can significantly influence VA's management actions as it adjusts to environmental changes. Figure I.3 shows some of these groups, such as VA's main constituents—the veterans; communities that depend on local VA facilities for income; medical schools that depend on VA for its patient work load to help train medical professionals; the Department of Defense, which depends on VA facilities as a backup in time of war; and VA employees. Figure I.3 also shows the relationship between these groups and their representatives, such as the Congress, congressionally chartered veterans' service organizations, and the Office of Management and Budget (OMB).

Figure I.3: Groups Concerned With VA's Mission



Note: Groups concerned with VA's mission are generally any individual, group, or organization that can place a claim on VA's attention, resources, or output, or is affected by that output. The Administration, the Congress, veterans' service organizations, and the Secretary and key VA line and staff managers, highlighted in the shaded area above, are themselves concerned with VA's mission. These entities also represent other concerned groups.

The listing of groups concerned with VA's mission is for discussion only and is not intended to be all inclusive.

These and other concerned groups have objectives that sometimes conflict with one another, as illustrated in the following examples: (1) a change in the mix of services of a VA medical facility and (2) a potential shift of emphasis from acute- to extended-care services to meet the needs of aging veterans.

Change in Mix of Services of VA Medical Facility

In the past, VA has attempted to change the mix of services at a medical facility on a piecemeal, isolated basis. However, it is difficult to effectively evaluate the appropriateness of these decisions without a broad direction for VA that provides a rational context for such decisions. Lacking this context—one that would help external groups weigh the merits of a proposed change—some groups have not supported such changes and have enlisted veterans' service organizations and the Congress to stop VA from making them.

To illustrate, the objectives of rural communities that depend heavily on VA for jobs, and veterans in these communities who seek access to VA services, have sometimes been at odds with VA's attempts to achieve a more effective, efficient mix of services. When a hospital's patient work load drops substantially, it may become inefficient to continue operating that facility with the previous range of services. For this reason, VA has attempted to change the mix of services of some medical facilities.

However, changing the mix of services of a VA facility has sometimes conflicted with the objectives of the local community. Particularly in small rural communities where VA facilities often play an important role in the local economy. The facility may be one of the largest employers in the community. A proposed change to the facility's service mix, such as changing a facility from an acute-care hospital to an outpatient clinic, may mean that VA will employ fewer individuals, thereby adversely affecting community income. Further, veterans perceive that the change may also affect their access to acute-care services, causing them to travel greater distances to another VA hospital to obtain care. Sometimes, veterans may not fully understand available alternatives in case of a medical emergency. For example, VA could pay for needed emergency care locally, and transfer the patient to a nearby VA facility when stabilized.

Because of these concerns, local communities have sometimes sought the support of their congressional representatives and veterans' service organizations to oppose such changes in services. Lacking a broad perspective of a VA-wide strategic direction, VA, the Congress, the service organizations, and the local community together have difficulty

weighing the merits of the change relative to these interests and the concerns of the local community and local veteran groups.

Balancing Acute and Extended Care

When adjusting the structure and delivery of its services, VA must consider its role in providing facilities and patient work loads for training a large portion of the nation's medical practitioners. To illustrate, if VA decided to shift its emphasis from traditional hospital-based acute-care toward extended-care services to adjust VA's system to an older veteran population, several, sometimes conflicting, objectives would have to be considered:

1. Shifting resources from acute toward extended care could potentially jeopardize VA's medical school affiliations, thereby impeding fulfillment of VA's mission to train and educate medical practitioners. Through their affiliations with VA medical facilities, medical schools depend on VA for a patient work load needing a wide range of acute-care procedures, such as internal medicine and surgery, to perform their teaching mission effectively. A resource shift away from acute care toward an emphasis on diseases and injuries of older veterans will limit VA's acute-care capabilities and restrict the range of acute-care services provided at VA facilities. This could in turn limit the number of acute-care procedures performed and, therefore, the number of medical students trained.

2. Emphasis on extended care also could hinder VA's recruitment of medical professionals because performing a wide range of acute-care procedures is important to many practitioners. These activities draw students and research grants and contribute to a practitioner's professional stature.

Challenges Point to a Need for Strategic Management

Addressing the major challenges facing VA today and in the future will be difficult. The legitimate conflicts among concerned groups' objectives require informed, rational decisions. Strategic management gives VA a workable mechanism to involve these groups, consider their interests, and acknowledge the tension among them when establishing VA's future direction. With such a process, the Secretary will be able to articulate VA's long-term future and establish a management agenda of priorities for VA managers. A strategic management process will provide for better informed decision-making, based on a recognized, Department-wide direction. VA managers can better justify decisions by linking their proposed management actions to VA's strategic direction. In this way, the needs of the veteran can drive VA's activities.

The Secretary can play a lead role in articulating a future VA—an action that can outlive his or her tenure. Institutionalizing a strategic management process would give future secretaries a mechanism for identifying and addressing strategic issues and setting a management agenda for VA.

Past VA Strategic Management Efforts

Former administrators and VA managers have recognized the importance of an effective strategic management process. VA attempted to put into place elements of a Department-wide process starting in 1981, but discontinued these efforts in 1988. Until April 1990 the Secretary did not have a process for dealing with key issues facing VA. As a result, VA was operating without a clear and focused direction that could enhance consistency between the Department's direction and line manager decisions.

In 1981, VA initiated an Integrated Management System (IMS) to provide "a total strategic review of VA requirements and resources for the future." It was intended to link Department-wide strategic planning with component planning and budget formulation and budget execution. A former top VA official called IMS the first Department-wide attempt to plan at VA.

IMS, however, did not fulfill expectations. Instead of a Department-wide direction guiding VA's operations, the budget continued to drive the Department's activities. Planners did not have the resources or the mandate to develop a comprehensive, long-term direction for VA. They focused on the budget formulation and execution phases of IMS, emphasizing rigorous analysis of the components' short-term program operating plans and budget requests. As implemented, "IMS was not strategic planning. Instead, it was a way to analyze the budget in a more structured, programmatic manner," said a top official.

In 1986, VA officials recognized the need to replace the short-term, budget-focused thinking of IMS with long-term strategic planning. They attempted to improve IMS by incorporating a Department-wide, long-term strategic planning element. The enhanced system was called the Strategic Management Process (SMP). To help the Administrator develop VA's long-term direction, VA held Department-wide strategic planning conferences in 1987 and 1988. The Administrator sought to shape VA's direction beyond the year 2000 using input received from the 1987 strategic planning conference. This conference provided the first opportunity for the three VA component heads to discuss strategic issues facing VA. These issues were "likely to impact the shape of the VA in the

future," said the Associate Deputy Administrator for Management. Following the 1987 conference, components were to develop strategic plans based on guidance issued. The purpose of the 1988 conference was to discuss these preliminary component strategic plans.

The conferences, however, made no lasting impact on the Department. The Administrator's guidance issued following the 1987 conference did not provide a clear direction regarding the major issues facing VA. Former and current top VA officials characterized the guidance as "watered down" and "superficial." The Veterans Health Services and Research Administration did not prepare its component-level strategic plan called for during the 1987 conference. The Administrator chose not to issue any guidance following the 1988 conference. VA discontinued SMP in 1988.

Lessons Learned From Past Strategic Management Efforts

The success of a strategic management process depends upon the leadership and sustained commitment of the Secretary. In addition, a future strategic management process should consider lessons learned from past efforts to implement strategic management.

Essential Ingredient

- Secretary's Leadership and Sustained Commitment

Lessons Learned

- Involve key line managers, including those in the field
- Ensure that strategic direction shapes the budget
- Focus on key issues
- Balance component aims with departmental direction
- Seek participation of key external groups

These lessons are based on conditions that led to the demise of the past Department-wide efforts. Line and staff managers withheld their commitment from IMS and SMP because of flaws in the design and implementation of these two processes. These efforts did not elicit the widespread participation of line and staff managers and were administratively burdensome. Managers also perceived IMS as a budget-cutting tool instead of a means to develop and execute a future direction for VA.

Managers also described conditions relating to VA's internal and external environment as barriers to previous efforts to establish a Department-wide strategic direction for VA. The level of autonomy attained by the components and external influences on VA fragmented VA's direction and weakened the Administrator's ability to carry out management actions. As a result, these conditions hindered the commitment of managers to a shared direction.

Without widespread internal and external support, VA could neither carry out successful strategic management actions nor articulate a strategic direction for the Department during the past decade. IMS and SMP lost credibility, and the pressure of day-to-day events took precedence over efforts that would lead to deliberate articulation of a future direction. Without a clear direction, neither VA managers nor external groups could judge the merits of VA's proposed changes to its network of facilities and services.

We discuss the lessons learned from past strategic management efforts below.

Involve Key Line Managers

For future secretarial strategic management efforts to succeed, key line managers should participate in formulating a strategic direction. In fact, VA managers emphasized that a future process would most likely fail without the involvement of key line managers. Their participation would enhance the likelihood of congruence between VA's direction and line managers' actions.

Past efforts did not involve key line managers from the field in a meaningful discussion of critical questions facing veterans. Without an opportunity to discuss these issues, key managers did not support the effort. To illustrate, SMP did not involve key line managers sufficiently in its 1987 strategic planning conference, a critical step in the SMP process. Some staff and line officials did participate in preconference work groups to identify broad policy issues facing VA. However, key line managers from the field, such as some Veterans Health Services and Research Administration regional directors and medical center directors, either were unaware of the conference that was to shape VA's future direction or considered it peripheral to their day-to-day activities. Yet these line managers play a pivotal role in delivering services to the veteran and would be principal players in carrying out management actions needed to achieve VA's long-term direction.

Ensure That Strategic Direction Shapes the Budget

The purpose of a strategic management process is to establish a future direction for VA based on the priority needs of veterans. Effective planning should provide guidance to managers throughout VA for making decisions that are consistent with the Department's direction. Proposed management actions designed to achieve this future direction should shape VA's budget.

However, planners at the Administrator's level did not present IMS as a way to develop a clear direction oriented toward serving veterans' priority needs. Instead, many VA managers told us that the Office of the Administrator used IMS as a budgetary tool focused on cutting costs and implemented it in an "adversarial," "abrasive," and "heavy-handed" manner. According to a top line manager, IMS "was seen as an agenda for accomplishing the terminal objectives of the administration . . . to limit VA . . . dollars." The Office of the Administrator attempted to control the budget, said this manager, by dictating lower budgets than the components felt were warranted by veterans' needs. Accordingly, the budget, rather than a strategy based on priorities, guided management actions. This manner of executing IMS caused resentment among VA managers, who believed that the budget-cutting focus threatened the quality of VA's services.

As internal opposition to IMS grew, VA managers reportedly turned to the Congress to circumvent the Administrator's attempts at planning. The Congress passed legislation that first cut the planning staff and later prevented it from taking part in budgetary activities. The latter action effectively removed the mechanism that could have linked planning to the budget. This action handicapped the planning staff and further damaged the credibility of IMS. The Congress ultimately passed legislation that eliminated the planning staff.

Focus on Key Issues

For a secretarial-level strategic management process to be practical, only key issues should be elevated for the Secretary's attention. The process should complement, not replace, the components' planning and management systems and should require little additional paperwork.

Line managers and top VA officials criticized VA's past administrator-level attempts at strategic management for being complex, requiring written details about multiple component objectives, and emphasizing the paperwork process instead of the content of the plans. The voluminous annual operating plans and detailed quarterly reviews, key elements of past strategic management efforts, were "meaningless

paperwork" and "pie-in-the-sky academic exercises" to line and staff managers. The excessive number of objectives in the annual operating plans was too prescriptive and diffused organizational focus. The annual operating plan documentation was reportedly so voluminous that top executives in the Office of the Administrator lacked time to review it. Operating plans were often in error and lacked accountability for plan accomplishment.

Balance Component Aims With Departmental Direction

A strategic management process should foster a shared understanding of VA's future direction among the three components, enhancing consistency between their day-to-day actions and the Department's aims. A unified strategic direction for the whole Department, based on the priority needs of veterans, provides the needed common focus—a clear, shared vision of the future. In the past, however, the level of autonomy attained by VA's components, coupled with a lack of clarity regarding VA's direction, has sometimes inhibited development of a Department-wide, coordinated approach to address strategic issues, hindering delivery of services to veterans.

A certain level of component autonomy is desirable. Autonomy can promote creativity and initiative, allow faster and better decisions, and generate commitment derived from a sense of ownership. However, excessive autonomy without reference to a common, VA-wide direction can contribute to viewing problems narrowly, independent of the critical Department-wide implications of an issue. It can inhibit a sense of unity and identification with VA as a whole. Conceivably, component actions could be at cross purposes with one another if they lack a shared focus. This could prevent VA from responding effectively to major changes in the environment.

To illustrate, we recently found that the autonomy of VA's components is an impediment to developing an efficient and effective VA information resource management (IRM) program.[4] We reported that the central IRM office and its counterparts in the individual components do not work easily or cohesively together, with individual components caring "only about their programs . . . ." and not seeing "the department as a whole." Although each component is striving to improve veterans' services

[4] Information Resources: Management Commitment Needed to Meet Information Challenges (GAO/IMTEC-90-27, Apr. 19, 1990).

through automation, their combined efforts have not effectively supported VA as a whole. Instead, IRM initiatives in VA have led to loose collections of independent systems that frequently focused narrowly on a component's needs instead of the Department's larger mission and goals.

VA's systems are not integrated, they contain redundant information, and much of the information requires manual processing, which is labor-intensive, time-consuming, and error prone, partly because of the level of component autonomy. For example, each VA program relies on a separate automated or manual system, but maintains some of the same basic data, such as the veteran's name, address, social security number, and length of service. Maintaining such duplicative data is expensive and can lead to errors that delay service. Discrepancies among independent systems concerning a veteran's social security number, for instance, may take months to correct, possibly delaying benefit payments. Additionally, the lack of automation contributed to a backlog of almost 340,000 adjudication claims cases pending in 1989.

Our report on the management of VA's information resources concluded that, although significant information weaknesses have hindered VA's ability to effectively manage programs and have contributed to service delays, lasting improvements will require that the components and the central office work together to create a climate of trust, open communication, and mutual support. We agreed with the Secretary when he directed that IRM planning should support overall Department plans and that communication and coordination among all VA components are essential and must be enhanced.[5]

The tension between centralized control versus greater autonomy of components will always exist in any large organization. Both have their advantages and their disadvantages. But VA, lacking until recently a clear Department-wide direction, has tilted toward greater component autonomy. VA now needs to strike a balance between these two forces by establishing a strategic direction for the organization as a whole. This will give component managers a common basis for making day-to-day decisions, thereby enabling VA to be more responsive to its changing environment.

[5]On October 6, 1989, the Secretary signed a memorandum establishing the framework for a strategic IRM planning, programming, and budgeting process for VA.

Seek Participation of Key External Groups

Early in the strategic management process, the Secretary should bring in the external groups that influence VA's policies and operations, such as the Congress, the veterans' service organizations, and OMB. In this regard, VA should attempt to obtain, to the extent possible, consensus from these key groups on its actions to address the major challenges it faces. It will be a difficult task to bring together historically disparate interests, but their early and active participation should lead to some common ground of understanding and convergence of interest that would permit VA to advance in new directions. Without the support of these key external groups, VA's past attempts to plan strategically were not successful.

To fill this void in planning, and to protect the level of veterans' services against OMB's attempts to lower VA's budget, the Congress, supported by the veterans' service organizations, has become heavily involved in VA's management. The Congress has done so by imposing certain legislative mandates. Characterized as congressional micromanagement, such legislative branch involvement has sometimes hampered the Secretary's ability to carry out management decisions. For example, some mandates require VA to notify the Congress before taking certain actions regarding (1) any 10-percent reduction in full-time-equivalent employees in a VA facility of 25 or more employees, (2) any employee grade reduction, or (3) any transfer of an interest in real property above $50,000. VA has proposed several management actions that were subject to these notification requirements. The proposed actions were not carried out by VA because of congressional concerns. The National Academy of Public Administration characterizes such legislative mandates as the "most important external impediments to timely decision-making and executive action by the VA."

These and other legislative mandates can limit the Secretary's ability to change the structure or delivery of VA services to meet the challenges facing the Department. As a result, these mandates restrict the Secretary's ability to adapt VA to its rapidly changing environment, thereby enlarging the void in planning and inviting further congressional involvement in detailed management of VA.

The strategic management process, however, should encourage the active participation of interested groups to discuss key issues regarding VA's direction. Through their involvement, these groups balance conflicting interests in the face of the need to change. Once committed to a direction for VA, the Congress, veterans' service organizations, and OMB should then support the Secretary as he executes the strategy.

Proposed Strategic Management Process

VA managers, congressional staff, and leaders of veterans' service organizations agree that the Secretary needs an ongoing strategic management process. Such a process will focus the Secretary's attention on identifying and resolving key issues to address VA's critical challenges both today and in the future. This process should promote sound decision-making within VA. It should enable VA to (1) develop a Department-wide direction, (2) select effective management strategies to achieve this direction, and (3) assign accountability and monitor implementation progress.

In developing a process consistent with VA's needs and environment, we examined previous strategic management efforts at VA and interviewed current and former VA staff and line managers. We also considered previous GAO general management studies that addressed this area, and we reviewed relevant management literature. From this, we identified essential elements of a strategic management process appropriate for VA. These elements make up the process framework. VA needs to develop the details of how the process should be implemented and adapt it as appropriate.

As shown in past VA strategic management efforts, key internal and external groups' support of the process and its outcomes is critical to its success. The Secretary can build the commitment of these groups by involving them in the process. It is not likely that the Secretary can satisfy all parties on every decision, but they may be more inclined to "buy into" plans if they have been able to express their concerns and have participated in the planning discussions. In this way, they can better understand the context of VA's actions and the reasons for taking them.

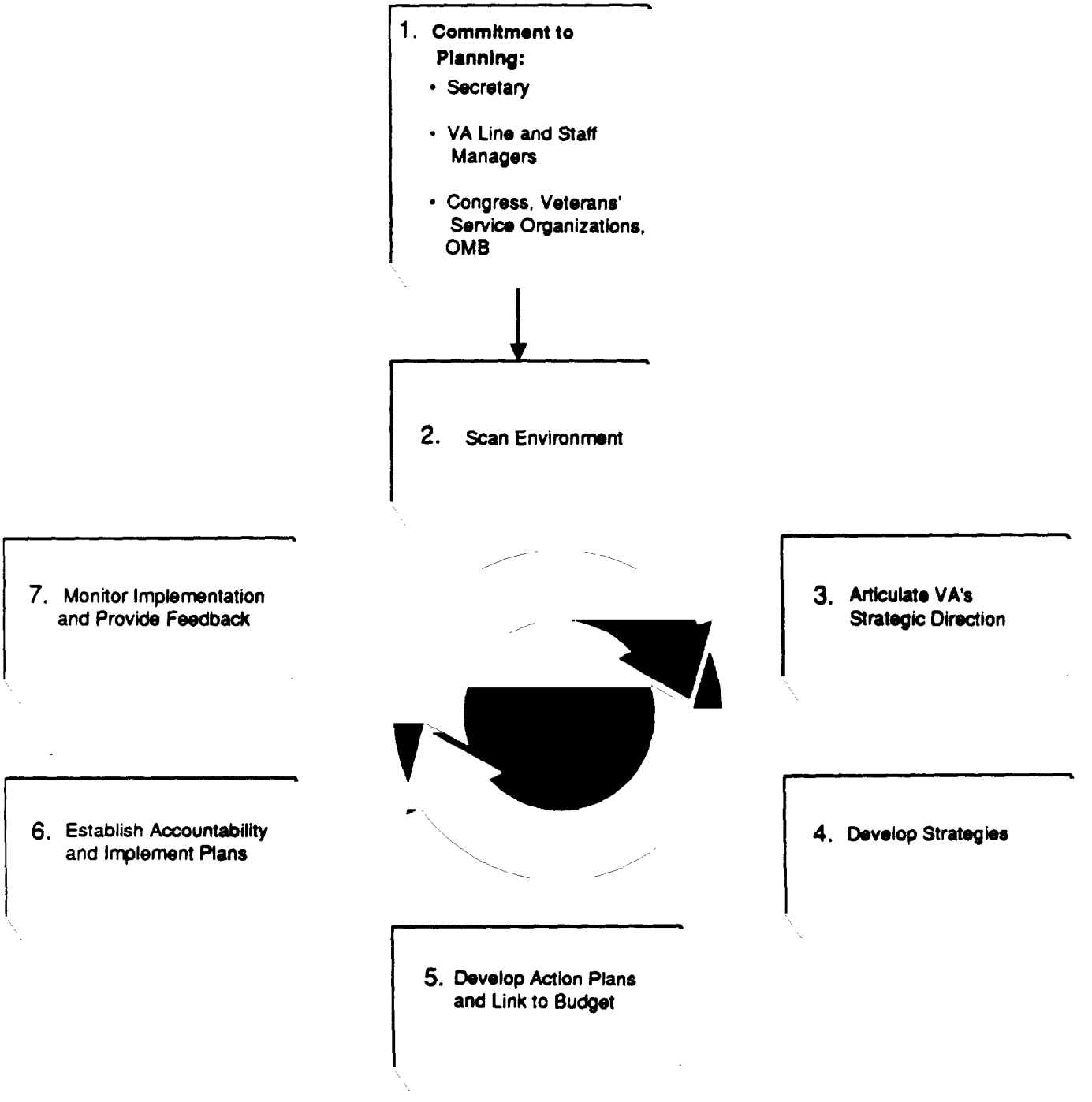
Successful attainment of a desired future direction in large part depends upon effective internal management systems, such as VA's financial management, human resources management, and information resources management systems. Therefore, collaboration of staff managers, such as the Assistant Secretaries responsible for these systems, with their component counterparts in the strategic management process is essential. For example, coordination between the Assistant Secretary for Information Resources with counterpart component information resources managers is vital in identifying information needed by VA managers to support VA's direction.

The Secretary is the linchpin of the strategic management process. He is the leader in obtaining the support of the key groups and is responsible for articulating VA's strategic direction and making decisions vital to

each element of the planning process. The Secretary should show strong, sustained support for the process to encourage its acceptance into VA's organizational culture.

The proposed strategic management process has seven elements (see fig. I.4). Elements 1 through 5 comprise the strategic planning aspects of the process, while elements 6 and 7 comprise the management functions. Although figure I.4 depicts a sequential process, it is iterative—successful problem solving may require that some elements be revisited.

Figure I.4: Proposed Strategic Management Process



Strategic Planning Elements

Element 1: Commitment to Planning

Purpose

- Obtain the support of key groups for the strategic management process.

Participants

- Secretary; key VA line (including field) and staff managers; and representatives of external groups concerned with VA's mission, including the Congress, veterans' service organizations, and OMB.

Tasks

- Agree on ground rules for conducting the strategic management process.

  Management Considerations: A critical lesson learned from previous strategic management attempts at VA is that the support of key groups in and outside VA is necessary. To begin building this support, the process should first obtain agreement among these key groups on the ground rules for the process. This initial agreement could cover critical aspects of the process, such as (1) its purpose; (2) who should participate; (3) how it will be conducted; (4) the roles and functions of key players, such as the Secretary, the planning staff, and other VA staff and line managers; (5) other participants; (6) schedule of accomplishments; and (7) commitment of necessary resources.

Element 2: Scan Environment

Purpose

- Obtain data to identify and analyze a range of possible strategic issues and support decision-making throughout the process.

Participants

- Secretary and VA line (including field) and staff managers, with assistance from VA planning staff.

Tasks

- Assess VA's internal and external environment.
- Identify a range of possible strategic issues and their implications.

Management Considerations: Environmental scanning involves monitoring VA's external and internal environments to identify a range of possible strategic issues facing VA. External scanning identifies and assesses external conditions that may affect VA in the future, including such economic, demographic, socioeconomic, and technological trends as

- the projected aging, changing composition, and geographic redistribution of the veteran population;
- the decline in the total number of veterans;
- possible implementation of some form of state or national health insurance and its potential as an optional source for financing veterans' health care;
- predicted shortages of certain professionals, such as nurses; and
- innovations in medical care delivery and information processing and communication technologies.

External scanning also includes identifying the mandates placed on VA. Mandates include such externally imposed responsibilities as assisting in educating and training health care personnel for the nation and carrying out a program of medical research. VA also has the mandate to provide veterans with compensation, pension, education, home loan, and burial benefits.

Internal scanning identifies VA's organizational strengths and weaknesses—the attributes or deficiencies that may help or hinder attainment of its strategic direction. Internal scanning could help identify underlying weaknesses in VA's major management systems that ultimately may hamper service delivery to veterans. Internal scanning would involve assessing information received from VA's performance monitoring system and other VA management information systems and reports, as well as from such sources as GAO, VA's Office of the Inspector General, and independent consultants. For example, persistent problems with monitoring and evaluation of program performance, such as continuing deficiencies in physician credentialing and privileging, could indicate the need to remedy underlying, systemic weaknesses in VA's performance monitoring system.

Participants can identify a wide range of possible strategic issues facing VA and assess their implications by evaluating the relationships between VA's mandates and the data obtained from the internal and external

scanning. Potential strategic issues facing VA could include the following: What is the optimum balance of acute and long-term care for an aging veteran population? What impact does veteran migration have on the demand for hospital care? Is VA's performance monitoring system adequate as an early warning system to identify serious weaknesses in service quality?

Extending participation in the data gathering beyond the Assistant Secretary's planning staff can improve the quality of the data and increase acceptance of the data's validity. To this end, these planners should augment their staff with experienced specialists from VA's components' planning staffs, perhaps on a detail or rotational basis. Further, participants should seek input from key external groups during the ongoing environmental scanning process. Such interaction could include, for example, sharing relevant information and data sources, as well as discussing data collection methodologies and implications of the data.

Element 3: Articulate VA's Strategic Direction

Purpose

- Envision in broad terms VA's future direction.

Participants

- Secretary; key line (including field) and staff managers; and representatives of external groups concerned with VA's mission, including the Congress, veterans' service organizations, and OMB.

Tasks

- Establish a clear direction for VA's future actions.
- Select the strategic issues that the process will address.

Management Considerations: Lessons learned from past efforts emphasize the need for a clear, Department-wide future direction that would provide a common focus to coordinate the actions of components. From the data gathered and evaluated during the environmental scanning process, the Secretary, with representatives of key external groups, should clarify and interpret VA's mission—or purpose—and values. Agreement on the Department's purpose can help describe, in broad terms, VA's direction—a best, or ideal, picture of VA in the future. For example, the Secretary recently envisioned a VA that would operate as

"one unified Department, not as three separate agencies" and be the "best managed service delivery organization in the Federal government."[6] With respect to health care, he envisioned a VA that will provide a complete continuum of care, including preventive, acute, rehabilitative, chronic, and hospice care.

Consciously articulating a direction enables the Secretary and representatives of external groups to set broad guidelines for later planning decisions. The future direction should be the most enduring aspect of VA's strategic management process through subsequent VA administrations, because it establishes broad planning parameters and reflects VA's core purpose and values.

The future direction provides the context for evaluating and selecting the strategic issues that must be addressed if VA is to achieve its desired future. Although many possible strategic issues would be identified during the environmental scan, participants should select only the few key issues that are most critical to VA's basic values, services, and ability to achieve its desired future. The issues selected should be those that significantly influence the way VA functions—issues most appropriate for the Secretary to address. Focusing on key issues is consistent with lessons learned from past VA strategic management efforts, in which planners attempted unsuccessfully to address too many objectives, resulting in a cumbersome, paperwork-intensive process.

It is also consistent with examples of other government planning efforts. Former Department of Labor Secretary William E. Brock focused the Secretary's Management System on areas where he believed the Department could make the most significant contribution. The Department of Labor's eight operating component heads then took responsibility for defining about 35 areas that became the Department's top priorities for the next 1 to 3 years. Secretary Brock placed particular emphasis on supporting goals that cut across more than one component, seeking collaboration for more effective use of resources.

[6]See appendix II.

Element 4: Develop Strategies

Purpose

- Select the best approaches to address each strategic issue and achieve the strategic direction.

Participants

- Key VA line (including field) and staff managers. Key external groups participate as appropriate.

Tasks

- Identify alternate strategies to address each strategic issue.
- Identify barriers to and consequences of implementing alternatives.
- Select the alternative with the greatest potential for success and support by external groups.

Management Considerations: This is a multipart process of identifying, evaluating, and selecting strategies that will best address each strategic issue consistent with VA's strategic direction. The number and identities of participants involved could change, depending on the issue under consideration. For example, when evaluating strategies for providing long-term care, planners could consult with representatives of private care providers, state agencies, or other federal programs. Meaningful participation of key external groups in strategy selection should enhance the support of these concerned groups for decisions made in the planning process.

To illustrate, providing veterans with a complete continuum of medical care raises the strategic issue of how to balance acute and long-term care to meet the needs of aging veterans. One alternate strategy related to this issue could involve establishing centers of excellence for certain acute-care procedures. For some acute-care services, such as cardiac surgery, a minimum work load is necessary to maintain proficiency. When the work load declines below minimum levels in certain facilities, it may become ineffective to provide the acute-care services in those facilities. Thus, VA could consider a strategy of consolidating the work load of several nearby facilities into centers of excellence for these services in certain geographic areas. This strategy could envision supplementing the centers of excellence with private care providers for cases of emergency or hardship in those areas more distant from the center.

An alternate strategy, at the opposite end of the spectrum, could envision contracting for all such acute-care procedures. Analysis of a wide spectrum of strategies would consider the impact on, for example, veterans' access to needed services, VA's medical school affiliations, and communities with VA facilities.

Element 5: Develop Action Plans and Link to Budget

Purpose

- Develop action plans and obtain resources needed to implement selected strategies.

Participants

- Primarily component managers.

Tasks

- Develop detailed action plans based on selected strategies.
- Ensure that action plans shape budget submissions.

Management Considerations: Component managers must translate selected strategies into specific short- and longer-term action plans that will move VA in the desired direction. Action plans should:

- List in specific, measurable terms the outcome desired, so that it will be possible to determine whether the outcome has been achieved.
- Provide a time frame to attain the desired outcome, so that results can be measured at a specific point.
- Offer the expectation that, with the proper use of resources and staff, the desired outcome can be accomplished.
- Relate directly to a strategic issue, consistent with VA's strategic direction.

Action planning should be the responsibility of line managers, not staff planners. They are the ones who must carry out the plans. Their involvement and commitment are necessary if VA is to change in response to its environment.

As shown by lessons from past strategic management efforts, VA's strategic direction, reflecting the priority needs of veterans, should shape its budget. Without this vital linkage to the budget, action plans will

become nothing more than "wish lists," losing credibility and thereby losing the support of those necessary to make the process a success.

Management Elements

Element 6: Establish Accountability and Implement Plans

Purpose

- Assure implementation of action plans.

Participants

- VA managers and staff.

Tasks

- Assign responsibility for implementing action plans.
- Make action plans a reality by incorporating them into operations.
- Link individual reward system to plan implementation.

Management Considerations: After the Secretary and his staff review the components' action plans for consistency with VA's strategic direction, specific units and individuals would have responsibility for implementing the plans. VA managers voiced frustration with the lack of accountability in past planning efforts, indicating that the planning efforts were nothing more than paperwork drills.

Personnel performance systems should link action plans with the personnel reward system, thus stimulating individual commitment to Department-wide initiatives. For example, a former VA manager suggested that, to underscore the importance of managing strategic change, VA could link performance awards, bonuses, appraisals, and Senior Executive Service contracts to the implementation of action plans.

Element 7: Monitor Implementation and Provide Feedback

Purpose

- Evaluate progress in implementing action plans.
- Ensure that relevant information flows between the components and the Office of the Secretary.

Participants

- Secretary and VA managers.

Tasks

- Monitor progress toward implementing action plans.
- Periodically report progress and problems to the Secretary.
- Assess adequacy of action plans and take necessary corrective measures.
- Fine-tune strategic management process as required.

Management Considerations: The final two elements in the strategic process, assigning accountability and monitoring performance, represent the management dimension of the process and are essential elements in managing strategic change. They signify the importance of continued top management involvement throughout the process to attain the desired outcome. Monitoring the implementation of action plans is necessary to assess any obstacles to plan implementation and take corrective actions. In addition, monitoring could reveal the need to revise part of the strategic management process.

Effective review and monitoring do not require extensive controls. The experiences at both VA and other agencies suggest that when monitoring becomes complex and involves excessive paperwork, strong opposition results. The Secretary's Management System at the Department of Labor features monitoring that is effective in assessing progress and providing feedback, yet is flexible and not burdensome. This system keeps reporting paperwork to a minimum, building on existing departmental management systems.

Progress by the Secretary of Veterans Affairs

Throughout our review we worked with the Office of the Secretary to develop a Secretary-led strategic management process that provided for (1) identifying strategic issues through a collaborative process, (2) developing a Department-wide strategic direction based on analysis of these issues, (3) identifying alternate approaches to address these issues and selecting the most appropriate approach, (4) allocating resources and assigning accountability to implement management actions, and (5) monitoring implementation of the actions. The process also provided for the participation of key internal managers and external groups, such as the Congress, veterans' service organizations, and OMB.

On April 27, 1990, the Secretary established a new integrated approach—the Secretary's Strategic Management Process—to plan for the future and manage the work of VA. The approach provides for a structured, yet dynamic process for (1) the Secretary to determine and articulate the strategic direction for VA for the next 5 to 10 years, (2) VA managers to develop and implement policies and programs to support the Secretary's strategic direction, and (3) the Secretary to monitor the progress made in accomplishing these objectives. Also, the strategic plans will be linked to the budget formulation and execution processes. The Secretary will base the strategic direction partially on discussions with external groups. This approach demonstrates positive progress toward development of an effective strategic management process (see app. II). The Secretary will need to monitor closely implementation of the new process to ensure that it is properly carried out.

The Secretary established a VA Commission on the Future Structure of Veterans Health Care in April 1990. He indicated that VA's system of health care facilities had not been subjected to a broad, thorough review in 25 years. The Commission's primary duties are to examine VA's current system configuration and quality of facilities and services and, in consideration of probable future medical care needs of eligible veterans who are expected to use the system, determine whether changes in mission and programs (at individual facilities) may be necessary. The Commission will consist of a group of experts with backgrounds in such fields as medical care, health science, health policy and economics, education and research, and veterans' issues. The Commission's work will fit well with the aims of the Secretary's new strategic management process as VA addresses the challenges of today and tomorrow.

Secretary of Veterans Affairs' Memorandum Establishing a Strategic Management Process

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

April 27, 1990

ADMINISTRATION HEADS, ASSISTANT SECRETARIES, DEPUTY ASSISTANT SECRETARIES, OTHER KEY VACO OFFICIALS AND FIELD FACILITY DIRECTORS

Strategic Direction

Over the next 5 to 10 years the demographics of the veteran population will continue to change dramatically. In addition, we anticipate changes in health care delivery and benefits administration. These changes, coupled with tight budgets, a changing workforce, and advances in technology, are just a few of the trends we must take into account as we plan for the future. While these trends may be predictable, the way we respond to them is up to us. And we will respond.

This is our vision for VA in the years ahead — a strategic direction as to what VA should look like and what we should achieve in the long run.

All of the Department's efforts will be geared to providing the most compassionate, high quality services to veterans and their families. We must lead the Federal government in implementing Total Quality Management and quality assurance programs. We must emphasize the provision of the most effective kinds of treatment and services to our veterans. We shall use medical, information and other technologies to promote the best care possible.

Our Department must be the most responsive and best managed service delivery organization in the Federal government. We shall seek to tailor services to meet the needs of our veterans, rather than requiring veterans to adapt to the ways of the Department. We must simplify and streamline the ways in which we do business.

We shall operate as one unified Department, not as three separate agencies. Our policy direction will be centralized. Our policy implementation will be decentralized. We shall monitor our progress and hold ourselves accountable for achieving stated objectives.

The one essential ingredient to success in these efforts is a dedicated, professional, well trained workforce. We shall continue our efforts to recruit and retain top notch individuals for challenging careers in VA. Job satisfaction for fellow employees is essential for providing high quality services to our veterans. To that end, the opportunity for professional development, from entry level to top management, will be a high priority.

With respect to VA's health care system, we shall emphasize meeting the health care needs of our elderly veterans. We will more precisely define the patient populations we will serve. We will implement eligibility simplification.

We will modernize our health care system to ensure that eligible veterans receive the appropriate types and levels of care needed. We will provide continuity of care. The complete continuum of care envisioned will include preventive, acute, rehabilitative, chronic and hospice care.

Page 2

We will use a mix of primary, secondary and tertiary care services. Care will be provided in both institutional and noninstitutional settings. When in the best interests of our veterans, we will shift from inpatient to outpatient care, community-based, home-based and nursing home care services.

With respect to VA's benefits system, accurate and timely delivery of benefits to veterans are the criteria by which we shall judge our work. We will enhance benefits delivery through an aggressive ADP and telecommunications modernization program aimed at speeding the process of placing necessary information in the hands of our employees to better provide services to veterans. Furthermore, we shall redesign claims processing procedures to take full advantage of state-of-the-art technology.

As the veteran population ages and as population movements occur, the numbers and locations of regional offices likely will require adjustment. We will pursue a program of regionalization of those services that truly do not require face-to-face contact with beneficiaries. The economies achieved will be used to improve availability of those services in which direct contact is needed. We shall collocate regional offices and medical centers wherever doing so will help provide better services to veterans.

We also will recognize the changing benefits needs of the veteran population. The current array of benefits largely grew out of the needs of our veterans returning home after World War II. These benefits may not be the most suitable for the 21st century. We will undertake a thorough examination of the package of VA benefits. We shall develop legislation to eliminate inequities and inconsistencies in benefits provided to future beneficiaries.

With respect to the National Cemetery System, we will make the benefit of burial in a national cemetery a realistic consideration for veterans. Our objective is that by the turn of the century, three out of four veterans will live no further than 75 miles from an open national cemetery. We will expand public awareness of veterans' eligibility for burial in a national cemetery and will improve the services provided by the National Cemetery System.

With respect to the VA's role in the Federal government, we shall lead, not follow, in our delivery of health care, benefits and burial programs. In addition, VA will be a more active participant in coordinating efforts and sharing resources with other public and private-sector health, benefits and burial programs.

This vision will guide us through the Strategic Management Process, a new integrated approach to plan for the future and manage the work of the Department. This Process provides a structured, yet dynamic framework for carrying out the strategic direction of the Department. Attached is a memorandum from Deputy Secretary Anthony J. Principi which describes the Strategic Management Process.

The future represents a challenge for all of us. I look forward to working with you in meeting these challenges.

Edward J. Derwinski

Enclosures

RPC: 6003

Office of the Secretary
Department of Veterans Affairs
Washington, D.C. 20420

DATE: April 27, 1990

MEMORANDUM NO. 00-90-2

STRATEGIC MANAGEMENT PROCESS

1. This memorandum establishes the Secretary's Strategic Management Process, a new integrated approach to plan for the future and manage the work of the Department of Veterans Affairs. This approach provides a structured, yet dynamic process for (a) the Secretary to determine and articulate the strategic direction for the Department for the next five to ten years; (b) VA managers to develop and implement policies and programs to support the Secretary's strategic direction; and (c) the Secretary to monitor the progress made in accomplishing these objectives.

2. The Strategic Management Process is essentially a four step process. First, the Secretary determines the strategic direction of the Department. Second, objectives are developed to support this direction and integrated into one cohesive Department strategic plan. Third, the strategic plan is linked directly to the budget formulation and execution processes. And, fourth, a monitoring system is developed and used to measure our progress and hold us accountable for achieving our objectives.

3. The primary roles of the Department's top managers in the Strategic Management Process are defined as follows:

The Secretary

a. The Secretary makes strategic planning assumptions and determines the strategic direction of the Department. The strategic direction is based on his assessment of the strengths and weaknesses of the Department and his consideration of the views and recommendations of VA Field and Central Office managers. The Secretary also bases his strategic direction on discussions with external organizations and on other factors directly or indirectly related to providing services to veterans. The strategic direction paints a general picture of what the VA should look like in the future.

b. The Secretary's strategic direction is the guidance for the formulation of all objectives and initiatives included in the Department's strategic plan and budget request. The Secretary approves the strategic plan and the Department's budget submission.

c. The Secretary monitors the implementation of the Department's strategic plan. He receives periodic reports on specific objectives, mid-year reviews of primary objectives, and end-of-year reviews of all objectives.

MEMORANDUM NO. 00-90-2 April 27, 1990

Secretary's Policy Council

The Secretary's Policy Council, consisting of the Deputy Secretary, Administration Heads, Assistant Secretaries and General Counsel, serves as the primary body within the Department to provide policy assistance to the Secretary throughout the Strategic Management Process. The Deputy Secretary chairs the Policy Council.

Administration Heads

a. Administration Heads provide views and recommendations to the Secretary for use in developing his strategic direction. Field involvement is essential.

b. Administration Heads develop and maintain planning processes which are used to formulate specific, measurable objectives and initiatives and milestone dates for achieving them. Such objectives and initiatives must be consistent with the Secretary's strategic direction. Field participation is expected.

c. Administration Heads work with the Assistant Secretary for Finance and Planning to develop the Department's strategic plan and budget request. They work together to monitor the implementation of the strategic plan and the execution of the budget.

Assistant Secretaries and Staff Office Directors

a. Assistant Secretaries and Staff Office Directors provide views and recommendations to the Secretary for use in developing his strategic direction. Field involvement is essential.

b. Assistant Secretaries and Staff Office Directors develop and maintain planning processes which are used to formulate specific, measurable objectives and initiatives and milestone dates for achieving them. Such objectives and initiatives must be consistent with the Secretary's strategic direction and support the Administration Heads' objectives. Field participation is expected.

c. Assistant Secretaries and Staff Office Directors work with the Assistant Secretary for Finance and Planning to develop the Department's strategic plan and budget request. They work together to monitor the implementation of the strategic plan and the execution of the budget.

Assistant Secretary for Finance and Planning

a. The Assistant Secretary for Finance and Planning facilitates the development of the Department's strategic plan. The Assistant Secretary integrates all Administration, Assistant Secretary and Staff Office objectives and initiatives into a Department strategic plan. The Assistant Secretary forwards the strategic plan to the Secretary's Policy Council for review and recommendations, then to the Secretary for approval. The Secretary resolves any unresolved matters.

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Assistant Secretary for Finance and Planning, continued

b. The Assistant Secretary for Finance and Planning facilitates the development of the Department's budget request. The Assistant Secretary ensures that the budget request is based on the Department strategic plan. The Assistant Secretary integrates all Administration, Assistant Secretary and Staff Office budget requests into one Department budget request and revises the strategic plan accordingly. The revised strategic plan and budget request are forwarded to the Secretary's Policy Council for review and recommendations, then to the Secretary for approval. The Secretary resolves any unresolved matters.

c. The Assistant Secretary for Finance and Planning develops a system to monitor the implementation of Departmental objectives. The monitoring system is not paper-intensive or onerous. The Assistant Secretary coordinates the progress reviews provided to the Secretary.

4. The Strategic Management Process will be used for fiscal year 1992 and beyond. However, only for the first year, FY 1992, the process will be somewhat modified. The Assistant Secretary for Finance and Planning will provide you with a modified timetable for FY 1992.

5. Attachment A illustrates the Strategic Management Process as fully implemented. It provides an overview of the roles and responsibilities of the Department's managers and the general time frame for each phase of the Process. Attachment B provides additional information about the major steps of the Process. Attachment C provides guidance for the formulation of objectives.

6. In summary, I believe we have before us a challenging opportunity. An opportunity to plan and manage strategically to help us provide the highest quality services to veterans and their families. The Secretary and I are committed to making the Strategic Management Process work and look forward to working with you on this Process.

7. RESCISSION: This memorandum will remain in effect until superceded or rescinded.

ANTHONY J. PRINCIPI
Deputy Secretary

Attachments

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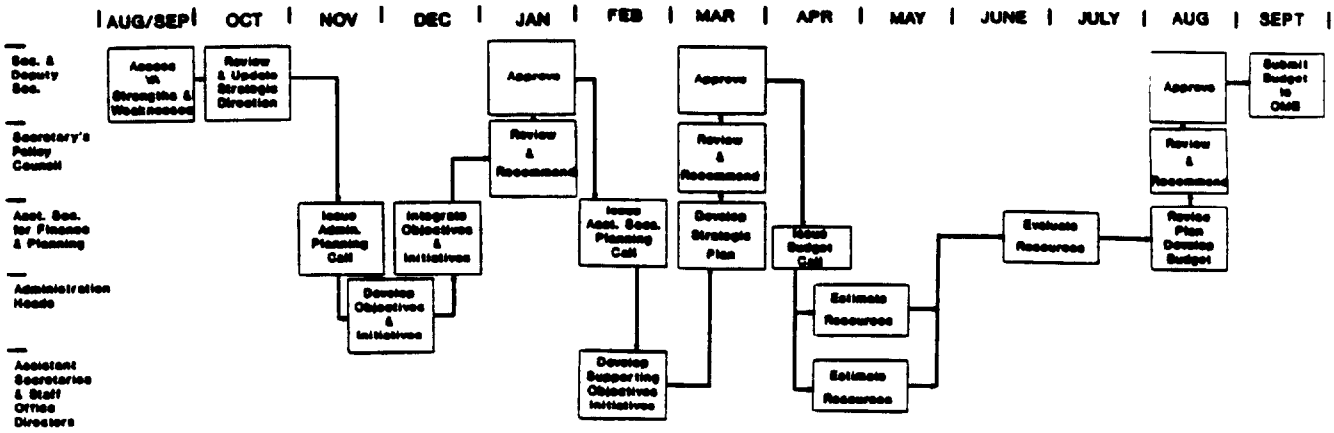
Attachment A

STRATEGIC MANAGEMENT PROCESS*
OVERVIEW OF ROLES AND RESPONSIBILITIES



* This chart reflects the strategic management process as fully implemented. For the first year, FY 1992, the process will be somewhat modified.

Attachment B

STRATEGIC MANAGEMENT PROCESS*

DEVELOPMENT OF STRATEGIC PLAN & BUDGET

AUG	SEP	OCT	NOV	DEC	JAN
Assess VA Strengths & Weaknesses/ Obtain Field & Central Office Views/ Discuss with External Groups		Review & Update Secretary's Strategic Direction	Issue Administrations' Planning Call Develop Administrations' Objectives & Initiatives		Approve Admins' Objectives & Initiatives

FEB	MAR	APR	MAY	JUN	JUL
Issue Asst. Secretaries' Planning Call & Develop Asst. Secs.' Objectives & Initiatives	Develop Strategic Plan	Issue Budget Call Estimate Resources to Support the Strategic Plan		Evaluate & Integrate Resources to Support the Strategic Plan	

AUG	SEP	OCT - DEC	JAN	OCT
Revise Strategic Plan/ Develop Proposed Budget/ Approve Plan & Budget	Submit Budget to OMB	OMB/Presidential Review & Approval	President Submits Approval to Congress	Congress Approves Budget

EXECUTION AND MONITORING+

OCT	APR	OCT
Budget Execution	Mid-year Reviews of Primary Objectives	End-of-year Review of all Objectives

* This chart reflects the strategic management process as fully implemented. For the first year, FY 1992, the process will be somewhat modified.

+ Periodic updates on specific objectives, as needed.

Attachment C

SECRETARY'S GUIDANCE — FORMULATION OF OBJECTIVES

The Secretary's guidance for developing the objectives for the Department's strategic plan is as follows, with supplemental information to be provided by the Assistant Secretary for Finance and Planning:

- o Objectives will be clear, concise, concrete and measurable.
- o Objectives will be for FY 1992 and beyond.
- o Objectives will be program-specific and will describe the change envisioned and the time frame for achieving that change.
- o A baseline will be provided for each objective. Fiscal year 1990 will serve as the reference point for determining the baseline.
- o A distinction will be made between primary and other objectives due to the scope and complexity of the VA's mission and the large number of objectives.
- o Objectives requiring new, additional or modified legislative authority may be included.
- o Objectives which are bold and innovative are encouraged.

Examples:

VHS&RA
—Provide Hospital-Based Home Care (HBHC) Services in all VA medical centers by FY 1993. (Baseline: 71 HBHC programs, FY 1990)

VBA
—Improve, by FY 1992, the percentage of cases in which VA and the veteran complete an alternative to home loan foreclosure to 4 percent for field stations where the duration of foreclosure plus any redemption period is 120 days or less, and 6 percent for field stations where the redemption period is greater than 120 days. (Baseline: 2.8 percent, FY 1990)

NCS
—Program funds and develop plans to construct cemeteries by 1995 in the five areas currently undergoing an Environmental Impact Study (EIS) (Dallas, Seattle, Chicago, Cleveland, and Albany). (Baseline: 65 national cemeteries which are open to new interments, FY 1990).

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