

Managing the largest Defence Contract

Lockheed Martin Aeronautics & JSF Partners manage project risk with Active Risk Manager

Strategic Thought Limited has recently delivered on an important contract from Lockheed Martin Aeronautics for the supply and support of Active Risk Manager (ARM), a web-based software solution to help standardise the risk management process across the Joint Strike Fighter (JSF) project and all sub-suppliers.

Initially describing itself as an e-engineering company, Strategic Thought is now being re-branded, offering solutions and systems integration. Although it already has contracts with the UK Ministry of Defence (MoD) and some notable defence contractors, this contract win on the US\$235 billion F-35 programme is likely to open up more defence markets to Strategic Thought, which has head quarters in Wimbledon, London – world famous for tennis.

In tennis terms, the Lockheed Martin Aeronautics contract was like a major singles victory for the UK company. “It was an enormous win for us and a significant milestone in reaching our company global goals”. “Organisations have spent considerable time and money trying to develop their own internal enterprise-wide risk management systems, as opposed to tools, to support the hundreds and thousands of users rather than the three, four or five very technical users. Largely these development projects have failed to deliver because of the architecture and design complexity and the cost of supporting these scalable systems. Eventually, senior management were saying “we have spent too much, let’s stop our internal development and find a commercial off-the-shelf (COTS) solution that is configurable enough to support our business processes, and will be the market leader”. Embracing the entire company in the culture and having multiple risks rolling up through the layers of management is one of the key objectives of senior management. This enables the programme leader, VP of the programme, or CEO, to only see the top 10 critical risks affecting the endeavor and impacting the business. The only one that’s available is Active Risk Manager – as far as we are aware”.

Strategic Thought has been involved with Boeing in the bid/tender stage of JSF, and at a conference met

Lockheed Martin’ risk manager, who felt that ARM offered the initial bedrock and potential for what Lockheed Martin has envisaged. “They helped us to define some more significant functionality into the system, the benefits of which span far beyond the defence industry”. “By doing that they ensured they were delivered the functionality they really wanted when they wanted it.”

The key drivers for large defence projects are:

- To include all the key suppliers in the project of which there are about 33 in the JSF project;
- To hold one system centrally to allow everyone, globally, to feed in information either directly or from local servers; and
- To have an integrated quantitative and qualitative risk system, so that management of impacts of risks throughout the process is maximised; for example, through the design phase, through the executable phase and then ultimately through the sustainability phase – a key selling point when bidding for the JSF programme.

The office of the Under Secretary of the US Navy has had access to the ARM system to ensure that the impact of risk is being monitored. Risk figured very prominently in the early Department of Defense JSF (now F-35) planning. “Typical impacts that aerospace companies measure and track are technical performance, heat, weight, fuel consumption... these are the types of risk they [Lockheed Martin] are driving their sub-suppliers to manage.”

Strategic Thought was founded in 1987 by Nick Denning, now chairman and chief technology officer. From the starting point of 20, staff numbers have increased to 60, largely because of the 1999 major expansion into risk-management systems. Apart from a new office in the US, Strategic Thought also has a base in Sydney, Australia.

Active Risk Manager

To help companies to identify, assess and proactively mitigate and track risks associated with multiple projects and operational endeavors, across an organisation or within consortium projects, Strategic Thought created Active Risk Manager (ARM). It has been developed over the last four years as the first web-based, fully integrated enterprise risk management software solution.

The goal of ARM, according to the company's own background information, is to communicate risk proactively throughout organisations and projects with the flexibility of providing the right information to the right people at the right time, securely. "The key difference that separates us from others in the market is our ability to achieve communication for thousands, not tens, of end-users."

ARM is being used by defence and aerospace, government, telecommunications, construction, transport and other market sectors. It is currently used by 20 customers worldwide, with 4000 seats sold. The market potential of the existing client base is 70,000 seats, and the company's worldwide estimates are backed up by the opinions of the major consultancy groups with whom Strategic Thought works.

ARM is the first such system designed to track operational, project, corporate governance and HS & E risks/issues across an organization. In particular, ARM has been designed to:

- Provide an enterprise approach to support the continuous monitoring process of various categories of risk across an organisation;
- Provide a profile mechanism for company boards and senior management to understand the global or operational risk exposure, including inherent risks, through a co-coordinated and automated risk roll-up process;
- Provide an alert mechanism and configurable scoring criterias based on the current defined level of risk exposure and the risk pain thresholds that have been set against individual or multiple operations or departments within an organization or consortium project.
- Assess the effectiveness of implementing controls and actions, in terms of achieving the planned levels of residual risk;

- Allow risk threat and opportunity data to be linked to the agreed corporate/project requirements, providing decision makers with levels of confidence as to whether the corporate or project objectives are going to be met;
- Provide a comprehensive audit trail and knowledge-based facility which can be used in 'learning experience' exercises and future benchmarking processes; and
- Ensure a secure, scalable and reliable approach to handling risk information across the enterprise.

The cost of ARM, claims the company, can be justified purely by its secure central repository of all knowledge around threats to, and opportunities for, the business. This enables effective decision making to be made on the basis of risk appetite and the level of competition in the market place. "On ARM, we are not just a vendor of an application. It can be integrated with existing business and project systems (SAP, Primavera, MS Project, Artemis) and other applications. We didn't want it to be a stand-alone risk management tool, but rather a system integrated into the endeavor through other project-planning tools. On the requirement management side we link into Telelogic DOORS and MS Visio for the business modeling. Although these integrations are complex in what they achieve, Strategic Thought's other business line, Solutions and Integration Services, offers the extensive skill set required".

"One of the abiding principles of ARM is that there is only one version of it – and everyone gets the same version. It means that it has to be highly configurable, with the ability to 'turn on and off' functionality, and the underlying architecture has to be flexible. The way we manage that is by having an n-tier component base so we can adapt with the changing needs of our clients as well as with changing technology infrastructures."

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