company must change. To compete with other manufacturers, the company initiated a strong acquisition program whereby smaller firms were bought out and brought into the organization. The company believed that an intensive acquisition program would solidify future growth and development. Furthermore, due to their reputation for possessing a superior technical product and strong marketing department, the acquisition of other companies would allow them to diversify into other fields, especially within the area of government contracts. However, the company did acknowledge one shortcoming that possibly could hurt their efforts—it had never fully adopted, nor implemented, any form of project management.

In July of 1996, the company was awarded a major defense contract after four years of research and development and intensive competition from a major defense organization. The company once again relied on their superior technological capabilities, combined with strong marketing efforts, to obtain the contract. According to Chris Banks, the current marketing manager at Acorn Industries, the successful proposal for the government contract was submitted solely through the efforts of the marketing division. Acorn's successful marketing strategy relied on three factors when submitting a proposal:

1. Know exactly what the funder wants.
2. Know exactly what the market will bear.
3. Know exactly what the competition is doing and where they are going.

The contract awarded in July 1996 led to subsequent government contracts and, in fact, eight more were awarded amounting to $80 million each. These contracts were to last anywhere from seven to ten years, taking the company into early 2009 before expiration would occur. Due to their extensive growth, especially with the area of government contracts as they pertained to weapon systems, the company was forced in 1997 to change general managers. The company brought in an individual who had an extensive background in program management and who previously had been heavily involved in research and development.

Problems Facing the General Manager

The problems facing the new general manager were numerous. Prior to his arrival, the company was virtually a decentralized manufacturing organization. Each division within the company was somewhat autonomous, and the functional managers operated under a Key Management Incentive Program (KMIP). The prior general manager had left it up to each division manager to do what was required. Performance had been measured against attainment of goals. If the annual objective was met under the KMIP program, each division manager could expect to receive a year-end bonus. These bonuses were computed on a percentage of the manager's base pay, and were directly correlated to the ability to exceed the annual objective. Accordingly, future planning within each division was somewhat stagnant, and most managers did not concern themselves with any aspect of organizational growth other than what was required by the annual objective.

Because the company had previously dealt with a single product line and interacted solely with commercial contractors, little, if any, production planning had occurred. Interactions between research and development and the production engineering departments were virtually nonexistent. Research and Development was either way behind or way ahead of the other departments at any particular time. Due to the effects of the KMIP program, this aspect was likely to continue.

Change within the Organizational Structure

To compound the aforementioned problems, the general manager faced the unique task of changing corporate philosophy. Previously, corporate management was concerned with a single product with a short-term production cycle. Now, however, the corporation was faced with long-term governmental contracts, long cycles, and diversified products. Add to this the fact that the company was almost devoid of any individuals who had operated under any aspect of program management, and the tasks appeared insurmountable.

The prime motivating factor for the new general manager during the period from 1997 to 1999 was to retain profitability and maximize return on investment. In order to do this, the general manager decided to maintain the company's commercial product line, operating it at full capacity. This decision was made because the company was based in solid financial management and the commercial product line had been extremely profitable. According to the general manager, Ken Hawks,

> *The concept of keeping both commercial and government contracts separate was a necessity. The commercial product line was highly competitive and maintained a good market share. If the adventure into weaponry failed, the company could always fall back on the commercial products. At any rate, the company at this time could not solely rely on the success of government contracts, which were due to expire.*

In 1996, Acorn reorganized its organizational structure and created a program management office under the direct auspices of the general manager (see Exhibit I).

Expansion and Growth

In late 1996, Acorn initiated a major expansion and reorganization within its various divisions. In fact, during the period between 1996 and 1997, the government contracts resulted in the acquiring of three new companies and possibly the acquisition of a fourth. As before, the expertise of the marketing department was heavily relied upon. Growth objectives for each division were set by corporate headquarters with the advice and feedback of the division managers. Up to 1996, Acorn's divisions had not had a program director. The program management functions for all divisions were performed by one program manager whose expertise was entirely within the commercial field. This particular program manager was concerned only