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**INTRODUCING THE BALANCED SCORECARD IN CANADA'S AIR FORCE
"A STUDY OF CRITICAL CAPABILITIES BASED ON
THE NORWEGIAN EXPERIENCE"**

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Abstract

The Balanced Scorecard was developed in the 1990s to solve measurement problems facing corporations all over the world. In recent years also public sector agencies have adapted the Balanced Scorecard as a means to implement strategy, to accomplish necessary change and to measure performance in selected areas. Several military organisations have had success with the Balanced Scorecard, among them the Royal Norwegian Air Force (RNoAF).

Canada's Air Force is now at the beginning of a major transformation to secure its position as a relevant contributor to Canada's security in the future. As a part of this transformation the Air Force intend to implement the Balanced Scorecard, and look to the RNoAF to learn from their experience with this strategy tool.

This paper has looked into why the RNoAF has succeeded in their effort to become a strategy-focused organisation. Based on this research three Critical Capabilities for a successful implementation of the Balanced Scorecard has been defined. These are executive leadership involvement, a competent project team and effective communication of the strategy. The paper argues that Canada's Air Force must possess these Critical Capabilities in order to successfully implement the Balanced Scorecard throughout the entire organisation.

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Introduction

The Public sector in modern Western World countries are responsible for several of the most important tasks in society; healthcare, education, environment, social justice and security, to mention a few. In many of these countries the public sector has come under increased pressure to downsize and to develop more transparent and accountable management systems as a means to a more efficient and business like public sector.¹ This evolution has taken place against a backdrop characterised by increasing emphasis put on knowledge and information as vital assets to achieve organisational objectives. For the defence sector this is particularly true. The Revolution in Military Affairs, with its enhanced complexity in military technology and weaponry, has led to a large influx of educated personnel into the armed forces.² The combination of these issues has created a need to consider more thoroughly both financial holdings and non-financial assets, such as human resources, to monitor the effectiveness of the organisation's strategy in a balanced fashion.

One monitoring tool that has become increasingly popular in the private and public sector organisations is the Balanced Scorecard. This tool and instrument for focused change has been used with great success in the Royal Norwegian Air Force

¹ Arbeids og Administrasjonsdepartementet, *Modernizing the Public Sector of Norway – Making it More Efficient and User-oriented*, Statement to Parliament (Oslo: 24 January 2002), and TBS Management Countability Framework, available from http://www.tbs-sct.gc.ca/maf-crg/maf-crg_e.asp#Introduction, Internet; accessed 25 March 2005

² Eyal Ben-Ari and Boas Shamir, "Challenges of Military Leadership in Changing Armies", (*Journal of Political and Military Sociology*, Vol. 28 No. 1, 2000) 49

(RNoAF) and is currently introduced in Canada's Air Force as an instrument to transform the organisation into a modern aerospace force for the 21th century.³

Thesis Statement

This issue was first initiated by the Director Air Comptrollership and Business at the Chief of Air Staff in Ottawa as a suggested topic for the Canadian Forces College Research Symposium in August 2004.⁴ It was clear that experience and strategies used by the RNoAF were of interest to the Director. The successful implementation of the Balanced Scorecard in the RNoAF has been the subject of many research papers from various universities and colleges in Norway. Some of these papers, as well as a study done by Statskonsult, the Norwegian state-owned limited company dealing with public management development, are used as sources for this paper. By using these papers and documents from the RNoAF, as well as my own experience as a squadron commander and head of a local Balanced Scorecard implementation team, a set of success factors that were important to the RNoAF have been defined. These success factors are: executive leadership involvement, a competent project team and effective communication of the strategy. These are all vital factors to recognise for any organisation that is considering using the Balanced Scorecard. Thus, this paper will argue that those three factors are critical to a successful implementation of the Balanced Scorecard in Canada's Air Force.

³ Department of National Defence, *The Aerospace Capability Framework*, (Director General Air Force Development, Ottawa, 2003), 91 and Department of National Defence, *Strategic Vectors – The Air Force Transformation Vision*, (Ottawa: Director General Air Force Development, 2004), 2

⁴ Handout given to students at Command and Staff Course 31 for the Research Symposium, 23 August 2004, 30

Limitations and clarifications

When discussing the implementation of the Balanced Scorecard in Canada's Air Force and the three Critical Capabilities, it is necessary to limit the scope of this paper. This is particularly the case when focusing on executive involvement in the process. This level of the Canadian Forces (CF) has been the subject of several studies. One such study is the Advisory Committee on Administrative Efficiency that delivered its report to the Minister of National Defence in August 2003. This report states that:

None of the sources used for this paper have proven that situation has changed during the last year and a half. This paper has no ambition to correct this. Hence, the following discussion on the Critical Capabilities for implementing the Balanced Scorecard will not take into consideration the alleged shortcomings of the NDHQ, and consequently the top Air Force leadership in conducting strategic level change.

According to the Oxford English Dictionary, change means to make or become different. This is a simple and clear meaning of the word. Transformation, on the other hand, is defined as marked change in nature, form or appearance.⁷ The past few years transformation has grown into one of the biggest military buzzword of the day, and numerous of scholars and practitioners have tried to defined this phenomenon. The CF has in the magazine *Bravo Defence* defined transformation “as a fundamental shift in how that organization does business, and is driven by change in technology, society, budgetary funding, and threat environment.”⁸ However, in this paper, the terms “change” and “transformation” will be used interchangeably do describe a condition where armed forces are approaching new circumstances by developing new capabilities, exploring new concepts of operation and organisational structures for the purpose of enhancing their future relevancy.

⁷ *The Pocket Oxford English Dictionary*, (Suffolk: Oxford University Press, Ninth Edition, 2001)

⁸ *Bravo Defence*, Canadian Forces Magazine, (Ottawa: Department of National Defence, Fall 2004/Vol.4), 7

Road Map and the Critical Capability Model

As a baseline for understanding the Balanced Scorecard this paper will start with describing the theory behind the Balanced Scorecard in rough terms. This constitutes the first part this paper. The second part is as a historical section, where a brief description of the two air forces is provided. The background of the Balanced Scorecard used in both organisations and a delineation of the Balanced Scorecard process in the RNoAF will also be discussed. The third and last part of the paper will discuss the three critical factors or, to put it in a more military language; the three critical capabilities that Canada's Air Force must possess in order to succeed in its efforts to implement a fully operational Balanced Scorecard. The discussion will be supported by relevant theory and examples from the Balanced Scorecard process in the RNoAF.

To better depict how the three capabilities are tied to the Balanced Scorecard, a model based on the connection between Carl Von Clausewitz's definition of the Centre of Gravity (COG), and the critical capabilities that enables the COG to function as such, will be used.⁹ Clausewitz defined the COG as "the hub of all power and movement, on which everything depends".¹⁰ However, for the purpose of this paper the COG will be redefined as "hub of all power on which transformation and strategy execution depend".

Furthermore, the concept of the COG will be replaced by The Balanced Scorecard which

⁹ Warfare Studies Institute, *Joint Air Estimate Planning Handbook*, (Alabama: College of Aerospace Doctrine, Research and Education, Maxwell AFB, 2003), 33

¹⁰ Carl von Clausewitz, *On War*, ed. and trans. Michael Howard and Peter Paret (New Jersey: Princeton University Press, 1989), 595

is supported by the critical capabilities: executive involvement, a competent project team and effective strategy communication, as shown in figure 1:

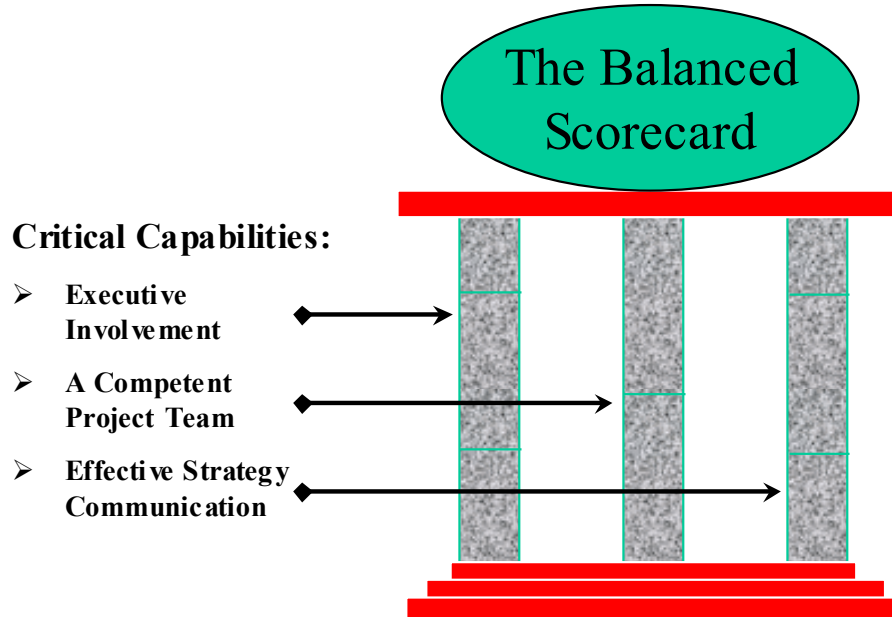


Figure 1 – The Balanced Scorecard Supported by the Three Critical Capabilities

If one or more of the critical capabilities fails or are degraded, the top leadership's ability to use the Balanced Scorecard as an effective transformational tool will cease.

Consequently, a successful implementation of the Balanced Scorecard will not happen.

Part I – Theory

The Balanced Scorecard

The Balanced Scorecard was developed in the USA by Robert Kaplan and David Norton in 1992, following a research study on new methods of performance measurement.¹¹ Due to some of the many vague aspects of measurement systems, they tried to come up with a panacea for what companies ought to do in order to measure a sound mix of tangible and intangible objectives. The intention was to complement financial measurements with customer perspective, internal business processes and employee learning and growth.¹² Over the next four years a number of organisations adopted the Balanced Scorecard and achieved good results. Kaplan and Norton summarized their concept in the book, *The Balanced Scorecard* in 1996. Since that time, the Balanced Scorecard has gained wide recognition, and has proven so effective that the Harvard Business Review recently hailed it as one of the 75 most influential ideas of the twentieth century.¹³

¹¹ Paul R. Niven, *Balanced Scorecard Step-by-Step for Government and Nonprofit Agencies*, (New Jersey: John Wiley & Sons, Inc, 2003), 14.

¹² Statskonsult, *Innføring av Balansert målstyring i Luftforsvaret* (Implementation of Balanced Scorecard in the Royal Norwegian Air Force), Report on the Implementation of the Balanced Scorecard in RNoAF made by the Norwegian state-owned company that deals with public management development, (Oslo: January 2005), Attachment, 1

¹³ Paul R. Niven, 14.

The Balanced Scorecard has developed from just being a measurement framework to a strategical management system. This system emphasises the importance of connecting measurement systems to the strategy of the organisation, and the clarification of cause-and-effect relationships. The way that the Balanced Scorecard emerges today can best be described as a carefully selected set of quantifiable measures derived from an organisation's strategy.¹⁴

Based on a study of 275 portfolio managers Kaplan and Norton claimed that the ability to execute the strategy is the most important part of the strategy work, not the quality of the strategy itself.¹⁵ These managers cited strategy implementation as the most critical factor in shaping management and corporate valuations. The Balanced Scorecard is both a method and a tool for strategy implementation. The basic idea is simple; it is the execution of the strategy that creates change and improvement in an organisation.¹⁶ The execution must be coordinated and focused in the same direction, in a way that enables the entire organisation to work together towards common objectives. The Balanced Scorecard is therefore a method and a system to tie together strategy and execution as shown in figure 2.

¹⁴ *Ibid.*, 14.

¹⁵ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, (Boston: Harvard Business School Publishing Corporation, 2001), 1

¹⁶ Leon Aurdal *et al.*, "Effektivitetsforbedring i offentlig sektor" (Efficiency in the Public Sector), (Master degree paper, Norwegian School of Economics and Business Administration, 2004), 231

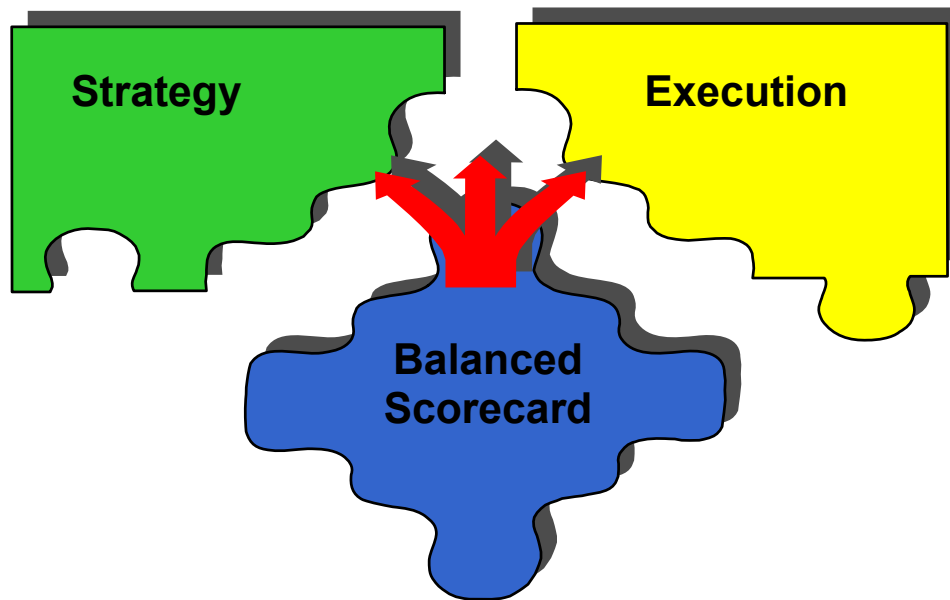


Figure 2 – How The Balanced Scorecard is Focusing on the Gap Between Strategy Plans and Execution
Source: Leon Aurdal et al, 231

The Principles of a Strategy-Focused Organisation

In *The Strategy-Focused Organization* (2001) Kaplan and Norton introduce five principles that characterise the strategy-focused organisation. These principles are:¹⁷

- **Mobilising Change through Executive Leadership:** History has repeatedly shown, that the single most important condition for success is the commitment and active involvement of the executive team. If those at the top are not energetic leaders of the process, transformation will not occur, strategy will not be implemented, and the opportunity for breakthrough performance will be missed.

¹⁷ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 9-17

- **Translate the Strategy to Operational Terms:** One can not communicate a strategy which is not described, and one cannot expect to implement a strategy if one can not describe and explain it. Consequently, the strategy must be concretised in such a way that it becomes a common and understandable point of reference for everyone in the organisation. Operational terms add meaning and direction to the members of the organisation, and influence how the different functions are being carried out. Flight hours, turnaround-time, the amount and quality of exercises, readiness for deployment and employee satisfaction are all examples of a concretised strategy.
- **Align the Organisation to the Strategy:** Synergy is the whole purpose of organisations. For organisational performance to become more than the sum of its parts, individual strategies must be linked and integrated. Every organisational level must clarify their contribution to fulfil the strategy. Therefore, executives must introduce strategic themes and priorities instead of formal reporting structures, which enable a consistent message and consistent set of priorities to be used across the entire organisation.
- **Make Strategy Everyone's Everyday Job:** To propel the transformation with sufficient force, everyone in the organisation must do their share. The Strategy-focused organisations require that all employees understand the strategy and conduct their day-to-day activities in a way that contributes to the success of the strategy. A strategy must hence communicate and motivate. There is little chance of executing a strategy which nobody knows of.
- **Make Strategy a Continual Process:** Today's modern organisations experience rapid changes in their external and internal conditions. A strategy should therefore not be

implemented without a plan for frequent adjustments and updates. A continual strategy process is important to capture new challenges as soon as they appear so that the organisation can adjust accordingly. Plans and procedures for learning and adapting the strategy to changing circumstances must be put in place in order to meet the requirements that shifting winds and currents constitute.

To summarise Kaplan and Norton characteristics on the strategy focused organisation, it is possible to state that formulating a vision, the communication of the vision and the strategy that develops from that vision, motivation, as well as active and deliberate influence on fundamental processes in the organisation, and thereby also its culture, are fundamental tenets of such an organisation.

Operationalising the Strategy

To formalise and operationalise the strategy, Kaplan and Norton have developed a framework based on some core terms and basic cause and effect relationships.¹⁸ This is probably their most important contribution to improve change management. The Balanced Scorecard is often associated with processes where several of these core terms occur, even though they have very little in common with Kaplan and Norton's thoughts about strategy and strategy implementation. The following description will contain a short explanation of the most essential core terms used in the Balanced Scorecard framework.

These are:

- Strategy maps

¹⁸ *Ibid.*, 79

- Strategic objectives
- Strategic initiatives.
- Key performance indicators
- Targets

The description is based on how Kaplan and Norton explain them in *The Strategy-Focused Organisation*.¹⁹

The Balanced Scorecard *Strategy map* is a visualisation of an organisation's strategy, and is a generic architecture for describing the strategy. It clearly shows cause-and-effect logic that connects the desired outcomes from the strategy with the drivers that will lead to the strategic outcomes, and form the strategy's hypotheses.²⁰ The intention is to quickly communicate complicated relations and important information to the reader by the use of arrows and target bobbles.

For private enterprises, the four strategic themes in the strategy map are as follows: The financial perspective, the customer perspective, the internal perspective and the learning and growth perspective. The owners focus on the companies return. Satisfied customers require that the business is competitive through good internal processes, and to achieve such processes the employees must experience learning and growth. A comprehensive strategy requires objectives in all four perspectives, and by placing the

¹⁹ *Ibid.*, Chapter 3

²⁰ *Ibid.*, 69.

different perspectives on top of each other, like Lego bricks, the strategy map is developed as shown in figure 3.

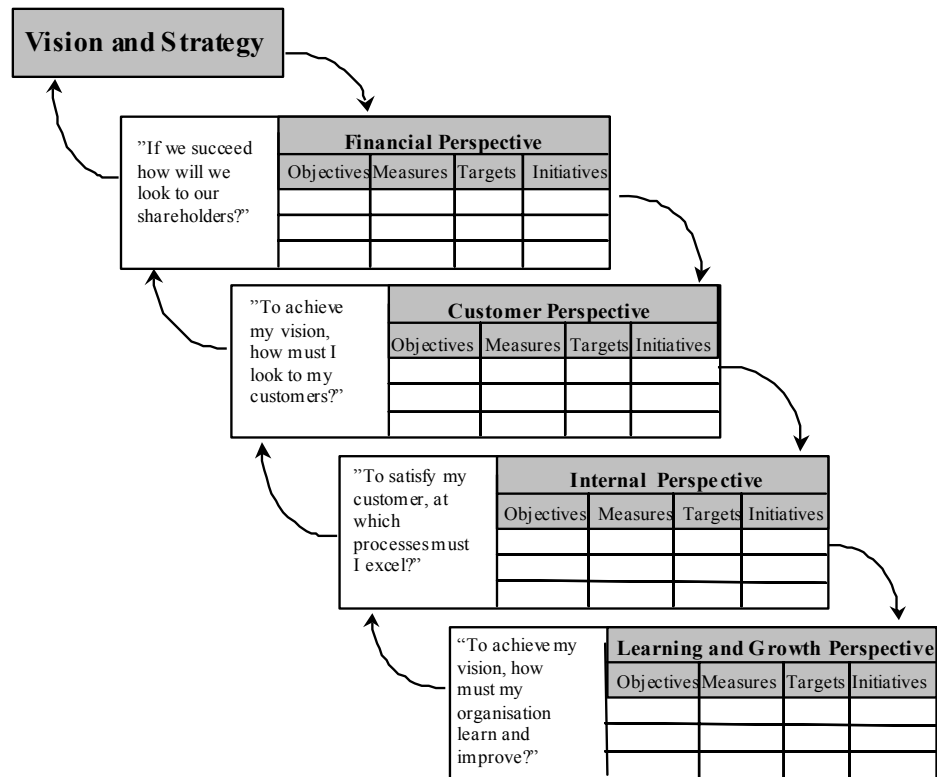


Figure: 3 – Defining the Cause-and-Effect Relationships of the Strategy
Source: Kaplan and Norton, *The Strategy Focused Organization*, 77

Within each perspective one or more *strategic objectives* are defined. These act as focus areas for the enterprise. The Balanced Scorecard method makes this system distinctly different from other strategy systems. It forces the user to direct attention to the cause-and-effect relationships between the different objectives, and a balanced focus on the application of each perspective. Furthermore, the Balanced Scorecard defines a system of concepts for continuous observation of the strategy. The main idea is that both

the directives and instructions from the executives, and feedback to them are being given along two pillars.²¹ The first pillar consists of directives and instructions, which are referred to as *strategic initiatives*. These are aimed at activities, projects and steps to accomplish certain strategic objectives. Hence, the execution of the strategy is managed through the execution of initiatives.²² The other pillar is the *key performance indicators*, which involve performance and achievements based on predefined performance criteria or *targets*. Targets represent the desired result of a performance measure. They are powerful communication tools that inform the organisation of the expected level of performance required to achieve success.²³ Focusing on these performance indicators and initiating steps to handle discrepancies is an important part of the strategy work.

²¹ Leon Aurdal *et al*, *Effektivitetsforbedring i offentlig sektor (Efficiency in the Public Sector)*, 235.

²² Robert S Kaplan & David P. Norton, *Strategy Maps*, (Boston: Harvard Business School Publishing Corporation, 2004), 52

²³ Paul R Niven, 216

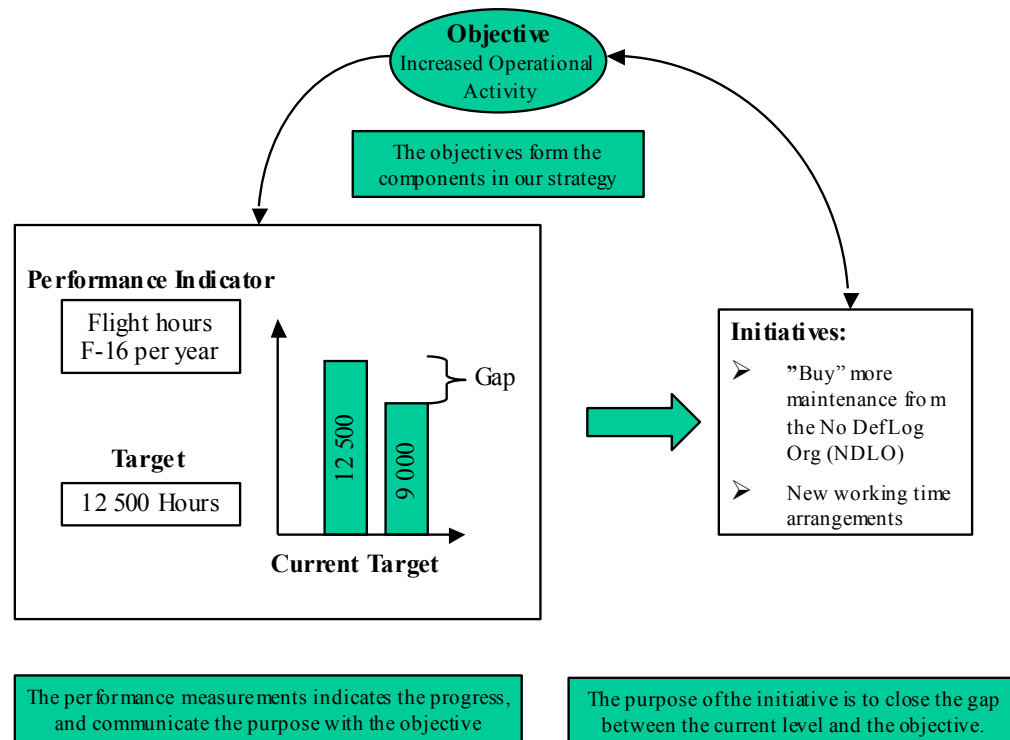


Figure 4 - The Connection Between Strategic Objectives, Performance Measurements, Targets and Initiatives

Source: Statskonsult, 25

Figure 4 gives an example that shows the connection between strategic objectives, performance measurements, targets and initiatives. The objective indicates the direction and where the organisation is going, while the performance measurement informs about what is measured and the drive towards the objective. The initiatives are the activities that have to be executed in order to reach the objective. The target expresses the exact level of the desired ambition.

Public organisations differ from private sector enterprises in many aspects. The financial perspective is not the overall objective for public organisations, but rather to fulfil political objectives where the financial aspects are means to accomplish these

objectives. The customer perspective is also different and more complicated. In private sector transactions, the customers both pay for the service and receive the service. But for public sector organisations, politically allocated subsidies are the payment for the service, while citizens receive the service. To the characteristics for the public sector, Kaplan and Norton suggest that government agencies consider placing the overarching objective at the top of their scorecard that represents their long-term objective: for instance the development of an expeditionary network-enabled, results-focused Aerospace Force.²⁴ Then the objectives within the scorecard can be oriented towards improving such a high-level objective.²⁵ The Internal perspective supports the financial and consumer perspectives with the processes and activities that are taking place in the organisation to fulfil the mission in accordance with its “donors” requirements. Furthermore, the learning and growth perspective concerns how the combination of people, technology and organisation climate works jointly to accomplish the vision. Objectives in the four perspectives are hence linked together in a chain of cause-and-effect relationships. Figure 5 illustrates how a modified Balanced Scorecard framework can be developed for public sector agencies.

²⁴ Canadian Forces, *Air Force Vision*, available from http://www.airforce.forces.gc.ca/vision/strategic_e.esp, Internet; accessed 3 February 2005.

²⁵ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 135

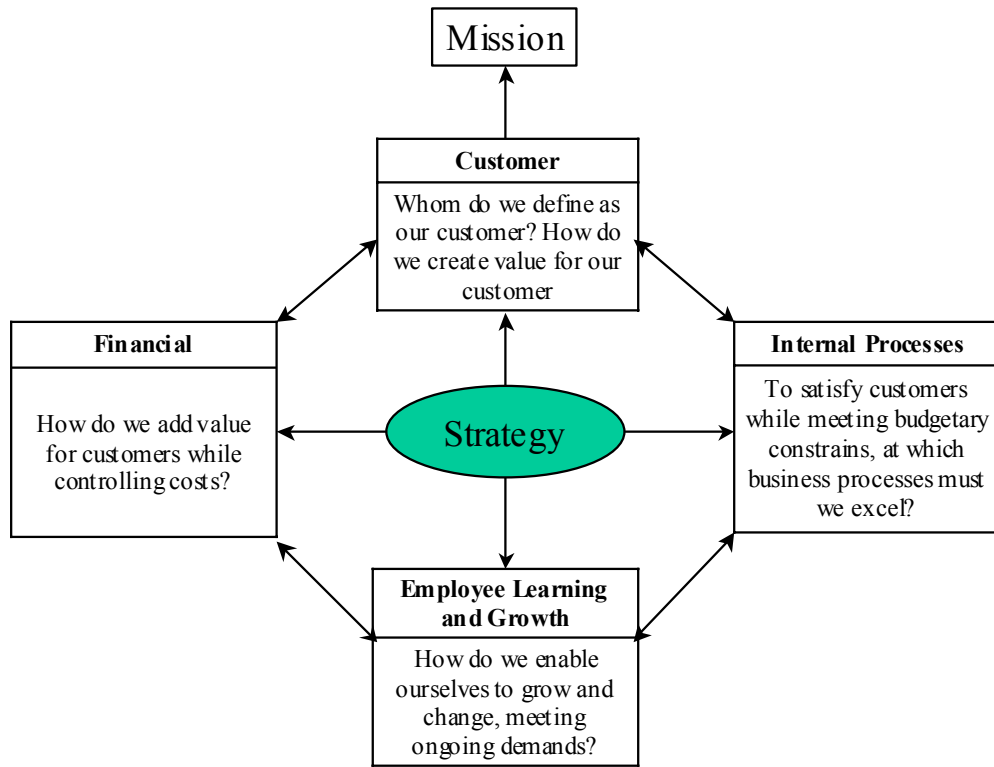


Figure 5 – Balanced Scorecard for the Public and Non-profit Sectors
 Source: Niven, *Balanced Scorecard – Step-by-step for Government and Non-profit Agencies*, 32.

Part II – The Two Air Forces

Canada's Air Force

The official name of Canada's air force is Air Command, a name given to the service in mid-seventies²⁶ after a period of radical changes that first led to the unification of the CF in 1968, and then to segregation into different environments in 1975.²⁷ Throughout the years, the structure of Air Command has evolved, and in 1997 all its operational elements were combined into one formation called 1 Canadian Air Division. At the same time the responsibility for the strategic direction of the Air Force was given to the new Chief of Air Staff (CAS) at National Defence Headquarters in Ottawa.²⁸ The CAS has the rank of Lieutenant-General and acts as Commander of Air Command as well as adviser to the Chief of Defence Staff (CDS). The operational and tactical control of air force assets, approximately 350 Aircraft and 13 Wings located throughout Canada, rest with the Commander of 1 Canadian Air Division in Winnipeg. The Air Board Executives Committee constitutes the executive team. The CAS chairs their monthly meetings and the team members include Commander 1 Canadian Air Division, Assistant Chief of Air

²⁶ Department of National Defence, "Air Force Organisations", available from http://www.airforce.forces.gc.ca/organization_e.asp, Internet; accessed 25 March 2005

²⁷ K.R Pennie, *The Impact of Unification on the Air Force, The Evolution of Air Power in Canada* 1, ed. William March and Robert Thompson, 105-112. Ottawa: Department of National Defence, 1997

²⁸ Department of National Defence, "1 Canadian Air Division", available from http://www.airforce.forces.gc.ca/organization2_e.asp, Internet; accessed 25 March 2005

Staff, several directors, and a handful of observers, all in all 17 people.²⁹ Another expanded executive forum is the Air Board, which normally meets twice per year. The Air Board provides an arena for Air Force senior leadership consultation, decision-making and promulgation of direction concerning issues associated with future planning horizons of the CF.³⁰

The annual operating budget for the Air Force is about \$2 billion. The force consists of 14 500 military personnel, 2 500 civilians and 2 600 reservists.³¹ The main goal of the Air Force is to provide the Government of Canada with an effective instrument of national power.³² *Strategic Vectors*, the Air Force's long term strategy document, articulate the Air Force vision as: "to transform the Air Force from a primarily static, platform-based organization into an expeditionary, network-enabled, capability-based and results-focused Aerospace Force that will effectively contribute to security at home and abroad well into the 21st Century".³³

²⁹ Department of National Defence, "Air Board Executive Committee", available from: http://airforce.mil.ca/dascoord/subjects/abec/abec_e.htm, DWAN, accessed 31 March 2005

³⁰ Department of National Defence, "Air Board", available from: http://airforce.mil.ca/dascoord/subjects/airboard/airboard_e.htm, DWAN, accessed 31 March 2005

³¹ Department of National Defence, "General information about the Air Force", available from http://www.airforce.forces.gc.ca/today5_e.asp, Internet; accessed 25 March 2005

³² Department of National Defence, "Air Force Vision", available from http://www.airforce.forces.gc.ca/vision/intro_e.asp, Internet; accessed 17 March 2005

³³ Department of National Defence, *Strategic Vectors – The Air Force Transformation Vision*, (Director General Air Force Development, Ottawa, 2004), 2

Reasons behind a performance management system in Canada's Air Force

The requirements to make the public sector more efficient and results focused described in the introduction, resulted in the Management Accountability Framework developed by the Treasury Board of Canada in 2000.³⁴ The Management Accountability Framework is intended to translate the vision of modern public service management into a set of management expectations. It brings together the principal elements of the Canadian Government's management improvement initiatives, and provides a means to understand and connect them. An important part of the Management Accountability Framework is its focus on management results rather than required capabilities. In addition it provides a basis of engagement with departments, and suggests ways for departments to move forward and to measure progress.³⁵

Performance measurement frameworks within DND have been in place for over 30 years, and have now evolved into a framework that currently includes the Balanced Scorecard as a tool to manage performance. While the Defence Plans in the earlier years did not make direct references to the Balanced Scorecard methodology, many its elements were being introduced, such as objectives, performance indicators, performance standards and perspectives.³⁶

³⁴ Treasury Board of Canada, "Management Accountability Framework", available from http://www.tbs-sct.gc.ca/maf-crg/maf-crg_e.asp#Introduction, Internet; accessed 25 March 2005

³⁵ *Ibid.*

³⁶ Bryon Milliere, E-mail dated 21 February 2005

In “Strategy 2020” from 1999, the Deputy Minister of National Defence and the CDS list five principal domains that the CF must invest to reinforce its competence in. One of these domains is Management Practices, which is supported by objective # 8 in the strategy that states: “Adopt a comprehensive approach to planning, management and comptrollership, focused on operational requirements, that prepares us to respond rapidly and effectively to change.”³⁷ Furthermore, as one of the five-year targets derived from this objective, the CF will “Design and implement an integrated defence management system linking strategy to outputs”.³⁸ Even though “Strategy 2020” is nearly five years old it continues to play a key role in guiding planning and strategic resource allocation for the CF.³⁹

As a result of Objective # 8 in Strategy 2020 and of the Treasury Board’s Management Accountability Framework the Integrated Defence Management Framework (IDMF) was developed. The purpose of the IDMF was to satisfy the need for explicit and well-understood management principles, a clear understanding of the linkage between Defence management components and the need for consistent relevant and accessible information for decision-making.⁴⁰ The IDMF later changed name to Defence Planning

³⁷ Department of National Defence, *Shaping the Future of the Canadian Forces: A Strategy for 2020*, (1999), 11

³⁸ *Ibid.*

³⁹ Department of National Defence, Modern Management in Defence, “Executive Summary of Final Report”, available from http://www.vcds.forces.gc.ca/dgsc/pubs/exc/modern/00native/exec_sum_final_report_20jul04_e.pdf, Internet; accessed 25 March 2005

⁴⁰ Department of National Defence, Integrated Defence Management System, Power Point brief, available from http://www.vcds.forces.gc.ca/dgsp/pubs/tools/idmf/briefings/IDMFChng1May01_e/sld001.htm, Internet; accessed 25 March 2005

and Management (DP&M). According to Director General Strategic Change the DP&M has enabled the CF to “modernise decision making and planning through the following results: effectively and efficiently supporting the balancing of resource constraints with military capabilities, enhancing long, mid-term and short-term strategic planning, managing the sustaining and change agendas, monitoring performance and risk management, and enhancing reporting to Parliament.”⁴¹

Except from the *Strategic Vectors* the Air Force also has another important strategic planning document called *The Aerospace Capability Framework* (ACF). This document contains implementation details for the Air Force strategy over “the near and mid-term.”⁴² In chapter 8, “Planned Transformation” it is stated that “The Air Force has recently undertaken efforts to design and implement Air Force Performance Management (AFPM) as a modern planning, reporting and communication tool”⁴³ and that “The foundation for the AFPM is the Air Force strategy map and balanced scorecard framework”⁴⁴ The further description of the strategy map and balanced scorecard framework indicates a clear ambition to implement the Balanced Scorecard as a “powerful tool to assist the Air Force achieve yearly and long-range goals and engender a more cohesive and focused organization.”⁴⁵ Although none of the sources used for this

⁴¹ Department of National Defence, Modern Management in Defence, “Executive Summary of Final Report”

⁴² Department of National Defence, *The Aerospace Capability Framework*, 2

⁴³ *Ibid.*, 91

⁴⁴ *Ibid.*

⁴⁵ *Ibid.*, 92

paper clearly state that the introduction of the Balanced Scorecard is the Air Force answer to the Treasury Board's Management Accountability Framework, it is reasonable to assume that so is the case. Two years after the ACF came out the Balanced Scorecard has been used inconsistently throughout the organisation, and it appears that no wholehearted effort to make use its potential for the entire Air Force has taken place.

The Royal Norwegian Air Force

The RNoAF was formed in Great Britain in 1944 by the amalgamation of the air arms of the Norwegian Army and Navy. Since the end of the Second World War the RNoAF main task has been to guard Norwegian sovereignty and to protect Norwegian land and sea based resources. After the end of the Cold War the RNoAF as undergone several major organisational changes and developed several new capabilities. This has happened during a period where its deployments to different conflict areas around the World have increased dramatically, as the Norwegian Defence has gone from a static force with homeland defence as its overriding task, to become more and more expeditionary both in missions and capabilities. To day the RNoAF consist of some 2 100 officers and civilians, 1 100 conscripts. In addition about 1 600 Air Force officers are serving with the Norwegian Defence Logistic Organisation (NDLO). Its numerical size after mobilisation is 17 500 personnel.⁴⁶ For the fiscal year for 2003 the RNoAF budget

⁴⁶ Forsvarsnett, "Royal Norwegian Air Force History", available from <http://www.mil.no/luft/start/omlf/historikk/>, Internet; accessed 29 March 2005

was approximately \$ 1 140 mil Cnd.⁴⁷ The Norwegian Air Force has seven wings, two Control and Reporting Centres (CRC) and two training and education centres in addition to an Air Warfare Centre as depicted below:

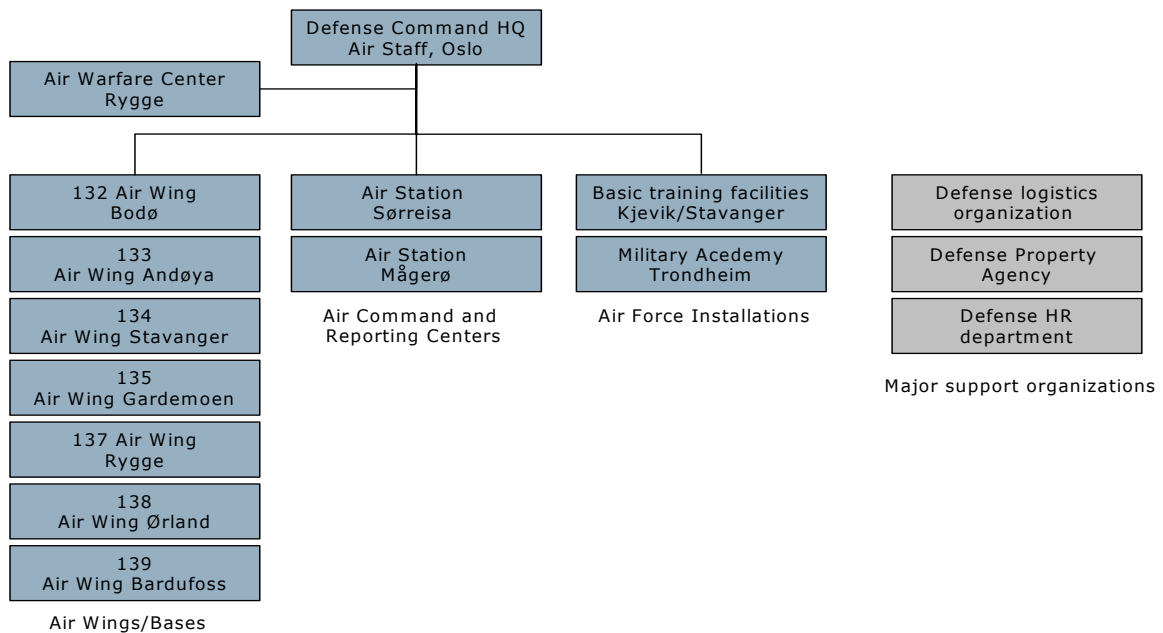


Figure 6 – The RNoAF Organisation
Source: Norwegian Defence Intranet 2003

Furthermore, it operates 130 aircraft, among them 57 F-16 fighters as well as six medium SAM (Norwegian advanced surface to air missile (NASAM)) batteries.⁴⁸ The RNoAF executive team consist of the Chief of Air Staff (Major-General), the Deputy Chief of Air Staff (Brigadier-General), 3 inspectors (Brigadier-General) and the Directors of Plans &

⁴⁷ The RNoAF's application to the Balance Scorecard Hall of Fame, *From the Cold War to an Era of Globalization – the Story of an Air Force in Transformation, Balanced Scorecard in the Royal Norwegian Air Force*, Power Point brief (Oslo: RNoAF, 2004)

⁴⁸ Forsvarsnett, "About the Air Force", available from <http://www.mil.no/luft/start/omlf/>, Internet; accessed 29 March 2005

Policy and of Management and Implementation (Colonels). In addition, the senior air officer, usually a Brigadier-General, in NDLO and the Commander Air Operations (CAO) (Major-General) are attending monthly strategy meetings. The Commanding officers at the wing and station level report directly to the executive team, making the RNoAF into a fairly flat organisation with just two levels. Operational command and control is being executed through the National Joint Headquarter and the CAO. The Chief of Air Staff's main responsibility is therefore to provide the CAO with combat ready forces.

The Need for Transformation

In 2000 the RNoAF had many challenges to meet. One year earlier Norway had participated in Operation Allied Force, the NATO air war over Kosovo, with six F-16s. The media very well covered the participation. Unfortunately, the media attention was not directed to the heroic effort of the pilots, but on the Rules of Engagements (ROEs) and the technology of the aircraft, which restricted the RNoAF to daylight air defence mission. In addition, the service was heading towards a budget deficit, operational activity was low, and so was the morale. After failing two NATO-evaluations during 2000 the RNoAF's credibility was at a very low level.⁴⁹

When the new Chief of Air Staff took over in September 2000 his most immediate task was to restore the credibility of the RNoAF, as well as to handle the most

⁴⁹ Leon Aurdal *et al*, 227.

comprehensive public transformation and downsizing program ever passed by the Parliament. For the RNoAF this meant moving fighter and helicopter squadrons, out-phasing of weapon systems, the abolishment of one air station, two radar stations, one training school centre and the establishment of a new air warfare centre.⁵⁰ Furthermore, all remaining bases were reorganized under the motto “More airpower – less office space”. This involved reduction in administrative support functions and moving resources towards the operational part of the organisation.

To be able to accomplish the requirements defined at the political level, and to transform the RNoAF into a credible and more relevant contributor to NATO, the Air Force Executives decided to implement the Balanced Scorecard in January 2001. The aim for the upcoming transformation was to develop an agile, well-trained and relevant force based on an operational concept of modularity, mobility, quick reaction and flexibility.⁵¹ A few months later the Chief of Defence decided that Balanced Scorecard should be introduced as a strategic management system throughout the Norwegian armed forces, and that the Air Force should form the pilot project for the implementation.

Today the RNoAF is an Air Force capable of flying highly modern Mid-life Updated (MLU) M3 F-16 aircraft, capable of executing air to ground, air to air and air to surface operations day and night. During Exercise Maple Flag in 2004 the RNoAF and

⁵⁰ Luftforsvarsstaben, *Generalinspektøren for Luftforsvarets gjennomføringsdirektiv for omstillingen i Forsvaret frem til 2006*, (General Inspector of the Air Force’s Implementation Directive for the Restructure of the Armed Forces up to 2006), (Oslo: 20 August 2001), paragraph 4

⁵¹ The RNoAF’s application to the Balance Scorecard Hall of Fame, Power Point brief

the United States Air Force (USAF) were the only air forces that flew with Pantera pods, a new generation of target illumination equipment.⁵² Since 2002 it has been mission capable on every NATO evaluation. In addition, between 2001 and 2004 the number of flight hours for the F-16 fleet increased by 30 percent, in the same period the training and exercise budget was increased with almost 300 percent, and the number of people in the Air Staff was decreased by more than 50 percent. All this has happened without any increase in the overall Air Force budget.⁵³

The Balanced Scorecard implementation process in the RNoAF

The strategy development based on the Balanced Scorecard started in February 2001. The development process could be described as command driven, due to the fact that the Chief of Air Staff and his executives fully supported the effort and were highly motivated for the task.⁵⁴

A project team, named “The Balanced Scorecard project team” was established as experts on the Balanced Scorecard method (its procedures, techniques and terms) and as central change agents. The team’s main task was to implement Balanced Scorecard and to facilitate the transformation process through the formation of a new vision and strategy for the Air Force.⁵⁵ This team was head hunted by the Deputy Chief of Air Staff, and

⁵² Dag Christiansen, “Norske F-16 og Hercules Øvet Luftkamp over Canadas Ødemark” (Norwegian F-16 and Hercules Exercised Air Combat over Canada’s Wilderness), *Lufiled*, Royal Norwegian Air Force Magasin, (Luftforvaret, Oslo 3/2004,) 67

⁵³ The RNoAF’s application to the Balance Scorecard Hall of Fame, Power Point brief

⁵⁴ Leon Aurdal *et al*, 239.

⁵⁵ The RNoAF’s application to the Balance Scorecard Hall of Fame, Power Point brief

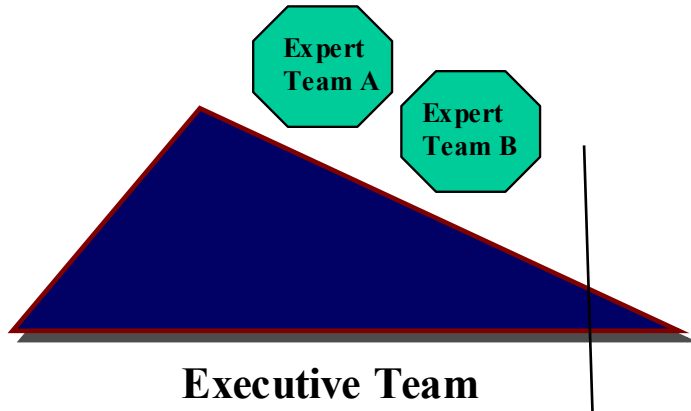
consisted of three to five officers “who had the necessary drive, knowledge and stamina”.⁵⁶ The officers in BSC project team played a vital role. Their main task was to assist the Executive Team in this process, by coordinating and facilitating the strategy development process, and to act as change agents within the Executive Team, towards air stations and relevant subject matter experts and environments. The Balanced Scorecard project team depended on their credibility and integrity at all levels in the organisation. Both trade and social skills were therefore emphasized in the composition of the team. In addition, several expert teams were established to provide expertise in military matters, management, economy, project management etc. Their contribution was critical to the quality of the discussions and the actual scorecard that was developed.⁵⁷

The Chief of Air Staff put the Executive Team together with emphasis on complementary characteristics, like personality and competence. To form a dynamic team the Executive Team had to include both “pushers” and “executers”. The Executive Team developed the final strategy and made important strategic decisions based on the work done by the BSC project team and the experts. It was important to the Chief of Air Staff that the development phase was organised in a way that emphasised an informal and non-hierarchic working methods. Even though the BSC project team managed the development process, the Executive Team made all the important decisions.⁵⁸

⁵⁶ Statement by the Deputy Chief of Air Staff. The RNoAF’s application to the Balance Scorecard Hall of Fame, Power Point brief

⁵⁷ Gun Bente Johansen *et al*, “Balansert målstyring i Luftforsvaret”, (Balanced Scorecard in the Royal Norwegian Air Force), (MBA-paper in economics and management, Norwegian School of Economics and Business Administration, 2004) 20

⁵⁸ Statskonsult, 16



external consultants had with implementation processes, helped ensure that the developing and implementation phases correlated with Balanced Scorecard theory.⁶⁰

The core of the development process was the interaction among workshops in the Executive Team, which lasted one or two days, and the work in smaller groups in between the workshops. They became the main arena for interaction between the Executive Team, Balanced Scorecard project team and the specialists. The purpose of these workshops was to present new facts, deductions and ideas that needed to be discussed and decided upon by the Executive Team. As alluded to in the theory chapter, an important part of working with strategy is the involvement by the executive leadership. Therefore, a dominant feature of the workshops was the focus on participation and involvement, using specially designed facilitation techniques in order to enhance the different participators contribution to the strategy. In the first year of the development phase a total of seven workshops were carried out, while the number of workshops during the rest of the project was reduced to 3 or 4 per year.⁶¹ “The process has helped us create a common understanding of the Air Force strategy and how to implement it. We believe the process is the best teambuilding we’ve ever had”.⁶² Judging by this statement from a unanimous Executive Team, the process of developing the first scorecard at the executive level was highly important in building a shared strategy and a common understanding of the challenges that the organisation was facing. A statement from the Chief of Air Staff

⁶⁰ Gun Bente Johansen *et al*, 20

⁶¹ Leon Aurdal *et al*, 241

⁶² The RNoAF’s application to the Balance Scorecard Hall of Fame, Power Point brief)

emphasizes that impression: “I am now confident that I can get the entire organization mobilised and motivated for change.”⁶³

Cascading the Balanced Scorecard throughout the RNoAF and thereby meeting Kaplan and Norton’s second principle for a strategy focused organisation; aligning the organisation to create synergies, meant implementation at both levels in the organisation. This cascading started in the fall of 2002, and involved nine air wings and air stations and two Air Force training facilities. The local processes were in essence similar to the process used by the Air Staff. Again, the interaction between the local executive leadership, local project teams and any additional expert groups was the cornerstone in developing local strategy maps and initiatives. The central Balanced Scorecard project team played a vital role as internal consultants supporting the local level with their expertise in the Balanced Scorecard method and their unique overview of the whole Balanced Scorecard process in the Air Force. In addition, they performed another important function, namely, the role as the Air Force executive’s observers on the local progress and the local willingness to change their contribution in accordance with the strategy of the Air Staff.

The main difference between the two levels is the degree of freedom when developing the strategy. At the Air Force staff level the guidance for the strategy was limited political direction and broad supervision by the Chief of Defence. However, at the local level the Air Force strategy map gave a clear direction of where the different air

⁶³ *Ibid.*

wings, air stations and training schools should aim during the development of their own strategy. To state it in simple terms: the Air Force map told “what” to do, while the different units’ maps told “how” to do it.⁶⁴

The Five Principles of a Strategy-focused Organisation and the RNoAF

In the theory chapter, the five principles of a strategy-focused organisation are elaborated on. The following description on how the RNoAF kept to these principles in their implementation and operational use of the Balanced Scorecard is based on the two previous footnoted research papers on the subject, a study from Statskonsult and my own experience with the described process. Based on this description some criteria for success in the Norwegian process will be defined.

Mobilizing Change Through Executive Leadership is the last of Kaplan and Norton’s five principles, but it is characterised as the single most important condition for success when implementing the Balanced Scorecard.⁶⁵ Instead of being the fifth principle it was used as the first. Both the above-mentioned sources indicate that the executive leadership have strengthened their commitment towards the necessary change, as well as challenged their attitudes and views on what it takes to achieve the desired transformation due to the fact that they all have been involved in the development of strategy map, performance indicators and initiatives. The sense of ownership towards the strategy can therefore be defined as high. The effort the Executive Team has put into this is

⁶⁴ Leon Aurdal *et al*, 241

⁶⁵ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 15

emphasised by this statement from the Chief of Air Staff : “I’ve never spent more time with any Executive Team than during our current BSC process. We are now getting significant and excellent results. I am very proud of what we have accomplished so far and I have great expectations for the years to come.”⁶⁶

Translate the Strategy to Operational Terms. The RNoAF strategy map for 2003 had approximately 50 performance indicators, but a number of the strategic objectives have new performance indicators linked to them.⁶⁷ Some of the strategic objectives are hence measured by qualitative assessments and no concrete data. Nevertheless, for the Air Force strategy, some of elements are very

to do something about the strategic initiative so that the gap between the current situation and the desired condition is minimized or closed. The complexity of the Balanced Scorecard method did cause confusion in some areas. However, based on the research that has been done on this subject and my own experience, it is reasonable to assume that Balanced Scorecard has led to a higher awareness about the need for essential transformation among Air Force leaders at all levels.⁶⁹

Align the organisation to the Strategy is vital in order to link and integrate the rest of the organisation to the strategy, and thereby achieve the needed synergy to fulfill the strategy. Every unit at the local level have their own strategy map and a scorecard that contributes to the Air Force strategy. The Executive Team has approved the maps and scorecard in a special strategy alignment meeting. In addition, the RNoAF has used Balanced Scorecard to develop a strategy dialog between the two different Air Force levels. On the basis of the strategic maps, together with production requirements, each unit has a dialogue on issues like areas of priority, level of ambition and allocated resources. The aim of this dialogue is to make a formal agreement between the Air Force Staff and the local chiefs about local challenges and what to do. This formal agreement is linked to the overall strategy. Such a deliberate connection between local and central strategy was very limited before the Balanced Scorecard was implemented, and has led to a formalised and structured process. The feedback from the local levels on this progress

⁶⁹ Leon Aurdal *et al*, 255 and Gun Bente Johansen *et al*, 28

has been good, which in turn supports the opinion that Balanced Scorecard has contributed to align and link the RNoAF as an organisation to its strategy.⁷⁰

Make Strategy Everyone's Everyday Job is another one of Kaplan and Norton's principles for a Strategy-focused organisation. It means "employees understand the strategy and conduct their day-to-day business in a way that contributes to the success of that strategy."⁷¹ Communication of the strategy has been one of the priorities in the RNoAF. This has been done by all available means such as the Air Force magazine "*Luftled*", the Norwegian Defence intranet, different strategy brochures and by briefs held by the members of the Executive leadership when they were visiting different Air Force units.

The cascading of Balanced Scorecard throughout the Air Force has contributed to a more common focus on a balanced strategy and goals supported by precise and concrete standards. Workshops, which have involved key employees in the local strategy development and implementation process, have proven to be highly effective in inculcating strategy as part of everyone's job.⁷² However, according to Aurdal et al, there are indications that parts of the Balanced Scorecard format does not communicate very well. It can easily become too complex and theoretical for employees who are not directly

⁷⁰ Leon Aurdal *et al*, 256

⁷¹ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 12

⁷² The RNoAF's application to the Balance Scorecard Hall of Fame, Power Point brief

involved in the strategy work. Uncertainty and a general scepticism have occurred among these employees, which in turn led to resistance against the method and towards part of the strategy. But such resistance is viewed as important to the transformation by virtue of the creativity and learning it creates. This in turn increases both change agents' and leaders' awareness about what they must do to achieve their goals.⁷³

Make strategy a Continual Process. The structure of executive meetings has changed several times since the implementation of Balanced Scorecard. The Executive Team now examines the strategy map once a month, where objectives, measurements and initiatives are subjects for attention and discussion. These issues are judged on the bases of traffic lights (green, yellow and red) that are linked to results and progress. The assessments and measurements behind the light are done electronically on the Intranet, and are consequently available for the entire organisation. In addition two or three executive workshops are held annually, where the focus is on the development and update of the strategy. This process is with some exceptions similar at both levels, and clearly shows that the strategy process in the RNoAF has improved with the implementation of Balanced Scorecard. Nevertheless, due to the fact that it has proven to be difficult to get the Executive Team to dedicate as much time to revise the strategy as they did initially; there are indications that the enthusiasm and motivation could be hard to sustain over a long period of time.⁷⁴

⁷³ Major Stig Ingar Evje, Head of the RNoAF BSC project team, e-mail dated 31 January 2005.

⁷⁴ Leon Aurdal *et al*, 257

According to Balanced Scorecard theory, the way the strategy work is conducted in respect to the five principles will prove whether or not an organisation can be defined as a strategy-focused organisation. To promote organisations that live by those principles and have gained distinction for their implementation of Balanced Scorecard as well as significantly improved their performance, Kaplan and Norton have created the Balanced Scorecard Hall of Fame. When the RNoAF was awarded with the membership in the Balanced Scorecard Hall of Fame in 2003, as the first Norwegian organisation ever and the only European public sector institution that year,⁷⁵ the following reason was given:

The Royal Norwegian Air Force used the Balanced Scorecard to drive a major change program in 2001. Now a lean and strategy-focused force, RNoAF has garnered financial improvements that include a 50% increase in training and exercise without an increase in budget. The Royal Norwegian Air Force has received excellent marks in all capacities on 2002 NATO evaluations. Its pilots are reaping the benefits of increased flight hours on F-16 combat aircraft an important internal measure. RNoAF now boasts the mobile, modular units it had aimed for.⁷⁶

Based on the award the RNoAF to a certain degree meets the defined characteristics for a strategy focus organisation. Since 2003 the RNoAF has implemented Balanced Scorecard throughout the organisation, hence the strategic focus of the entire Air Force has increased.

What were the success criteria?

In order to collect the experience and gain the learning from the implementation process in the RNoAF, Statskonsult did an in-depth study of the transformation process.

⁷⁵ Statskonsult, 34

⁷⁶ Balanced Scorecard Collaborative, News release, June 2003

The study focused particularly on the management of the implementation, and suggested the following success criteria:

- First, the anchoring and involvement by the Executive Team are considered to be the most prominent factor in the successful implementation of the Balanced Scorecard.
- Secondly, a highly competent project team, capable of facilitating well-prepared workshops and guiding the Executive Team and local project teams in the development and implementation of strategy maps and initiatives.⁷⁷

Another dominant factor that has proven to be essential in order create a strategy-focused organisation is efficient communication of the strategy throughout the organisation in all stages of the implementation process. This factor has been fundamental to align the organisation with the strategy and to make strategy every ones everyday work.

⁷⁷ Statskonsult, 42

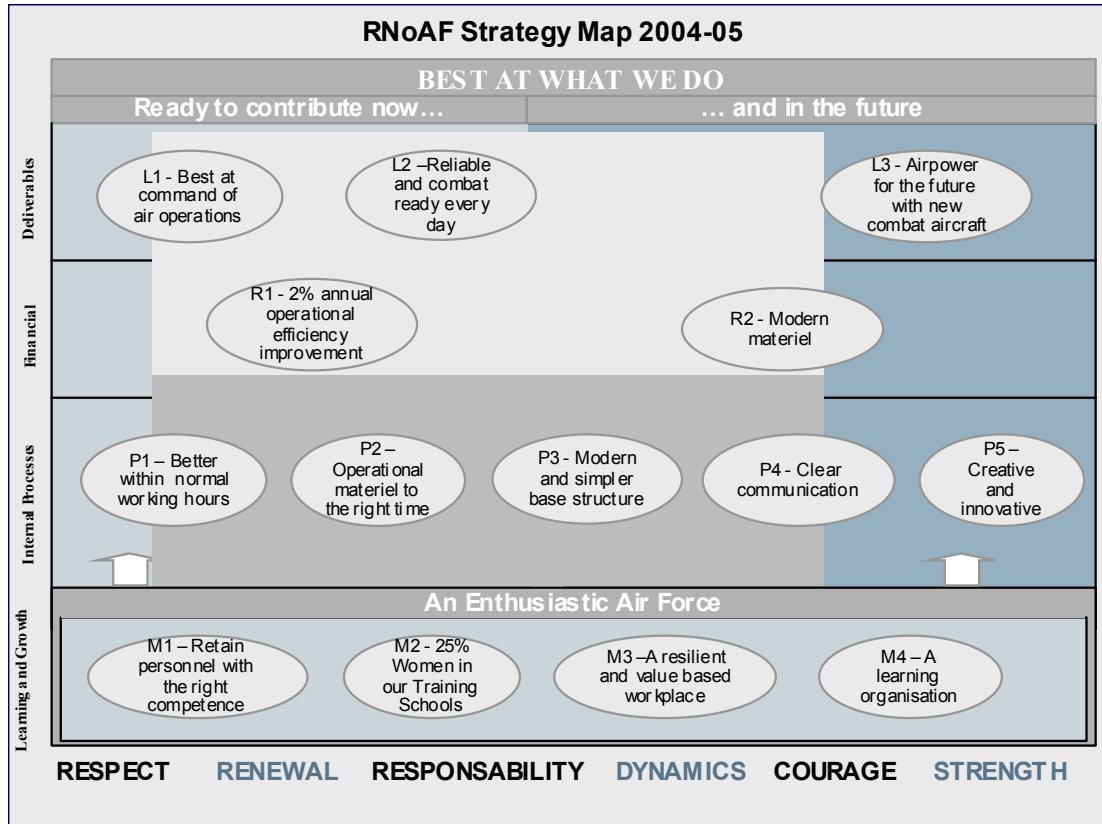


Figure 8 - The Current RNoAF Strategy Map for 2004/2005
 Source: Power Point Presentation from the RNoAF – Organisation, Capabilities and Operational Concept (Oslo: Luftforsvarstaben, 2005)

Part III – The Critical Capabilities

The Importance of Why

Before introducing the Balanced Scorecard or any other strategy management system, the reason why such a vehicle for transformation is needed must be clearly understood by those leading the organisation. Since the Director of General Strategic Change already has initiated that the Balanced Scorecard shall be implemented throughout the CF,⁷⁸ the appropriate question the CAS should be asking himself and his executives before starting any strategy development is: “Why the Balanced Scorecard in the Air Force, and what be achieved through its use?” In order to realize benefits from the Balanced Scorecard, the rationale behind the development and implementation of this specific transformational tool must be determined.⁷⁹ For the Canadian Air Force, the reasons for such action could be: the need to implement the new CDS’s vision, the allocation of more investments in new network centric capabilities, an increase in the amount of flight time for the fighter fleet, and thereby, improve the operability for the CF 18s, just to mention a few. The point is not to come up with suggestions of why, but to emphasise the necessity to be very clear why the introduction of the Balanced Scorecard is important to the Air Force. The probability of daunting stretches during the process, when people wonder why this is being done and what benefits it will lead to will most likely occur. A well-articulated and widely understood rationale is therefore necessary,

⁷⁸ Department of National Defence, “The Balanced Scorecard in DND”, available from: http://www.vcds.forces.gc.ca/dgsc/pubs/innovation/spring04/art03a_e.asp, Internet; accessed 18 April 2005

⁷⁹ Paul R. Niven, 48.

not just because the whole organisation deserves to know, but for the simple reason that both the executives and a possible project team will have a common fundamental understanding of the desired effect of the Balanced Scorecard.

Critical Capability # 1 - Executive leadership involvement

The criteria for success in the case of the RNoAF are previously listed. The most important factor was the involvement and commitment by the Executive Group of the Chief of Air Staff. The introduction of Balanced Scorecard represented a shift for many organisations in the way important variables are measured, the way its leaders manage, the way they execute their leadership, and the way they demonstrate accountability. These issues represent a radical transformation, and 100 percent executive support is needed. The emphasis on the Executive leadership's role in managing and leading change is stressed by Kaplan and Norton who state: "...the single most important condition for success is the ownership and active involvement of the executive team."⁸⁰ In addition they argue that "If those at the top are not energetic leaders of the process, change will not take place, strategy will not be implemented, and the opportunity for breakthrough performance will be missed."⁸¹ Because of this they have included the ability to mobilise change through executive leadership as one of the five principles of a Strategy-focused organisation. According to an American management survey from 1994, the key to successful change is first and foremost leadership. 92 percent of the respondents in the

⁸⁰ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 15

⁸¹ *Ibid.*, 16

survey mentioned leadership as one of the most important elements of change.⁸² In *Leading Change*, John P Kotter proposed an eight-stage process for change.⁸³ The first three stages emphasize the need for the executive leadership to create a sense of urgency, to create a guiding coalition with enough power to lead the change, and the development of a vision and strategy to help direct the change effort. These stages are discussed below in a Balanced Scorecard setting.

Creating a Sense of Urgency

The sense of urgency can come from recent underperformance in important tasks or missions. The RNoAF failures on NATO evaluations in 2000 are one example of what can create urgency for change. Others are conditions brought about by reduced funding or changes in security conditions and technology, which could make armed forces irrelevant or obsolete unless priority remedial action are taken.

The need for change has been well known throughout the CF for several years. Establishing the necessary sense of urgency for the transformation of the CF is well underway by the new CDS, General Rick Hillier, and his vision “Effective, Relevant, and Responsive”.⁸⁴ The question that arises is how much urgency is enough? Kotter suggest that 75 percent of the overall management must support the change and virtually the

⁸² Roger Gill, “Change management – or change leadership”?, (*Journal of Change Management*, Vol 3, Henry Steward Publications, 2003), 309

⁸³ John P. Kotter, *Leading Change* (Boston: Harvard Business School Press, 1996), 21

⁸⁴ Department of National Defence, Power Point presentation of Gen R. Hillier’s new vision for the CF, presented by the Commandant of CFC, Brig-Gen J.P.Y.D. Gosselin in January 2005

entire top executives need to believe that considerable change is absolutely essential,⁸⁵ and Niven claims that 100 percent executive sponsorship is needed.⁸⁶ After spending 9 months at the Canadian Forces Colleges, that involved much time discussing aerospace capabilities and force restructuring and attending numerous briefs from senior CF officers, I am sure that the sense of urgency for change is well established throughout the Canadian Air Force, especially if the students attending the Command and Staff Course are representative of the middle management of the CF. Creating a sense of urgency in the Air Force should therefore not present any problem for the environmental executives. The challenge is to establish an effective executive team that is strong enough to create a shared vision, and develop and implement a strategy that supports the transformation needed. This leads to the next important stage: the necessity for a strong executive team, or a guiding coalition.

Creating a guiding coalition

The introduction of Balanced Scorecard will probably be one of the first steppingstones in the transformation that is needed for the Air Force to support General Hillier's vision. The large-scale change that lies ahead will not happen without a powerful guiding force. Furthermore, with a fragmented executive team, the chance of success is rather limited, even if the individual members are highly competent individuals.⁸⁷ The majority of executive teams consist of functional specialists, each with profound

⁸⁵ John P. Kotter, *Leading Change*, 48

⁸⁶ Paul R. Niven, 59

⁸⁷ John P. Kotter, *The Heart of Change*, 41

specialist knowledge.⁸⁸ One of the challenges when building a strong guiding coalition is to transform the individual functional specialists into a cross-functional, problem-solving team where the team members represent complementary qualities and perform supplementary roles.

When considering how to build strong guiding coalitions or effective executive teams it can be useful to divide their role into team performance and team development.⁸⁹ The first referring to the leadership tasks, the latter to the function of relational maintenance. Team performance includes getting the job done, solving problems, adapting to change, making decisions and plans, as well as achieving goals. Maintenance of team relations includes creating a positive climate, solving interpersonal problem, developing trust and team cohesion. Both functions are closely related to each other. If the relationship within team is well maintained and mature, the members will be able to work effectively together. Likewise, if the team is productive and successful, it will be easier to uphold a positive climate and good relations. Therefore, teams who have strong internal relationships will to accomplish far more than teams in which the members do have difficulties in working closely together.⁹⁰ We usually refer to the desirable condition as good teamwork. “Teamwork on a guiding coalition can be created in many different ways. But regardless of the process used, one component is necessary: trust. When trust is

⁸⁸ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 345

⁸⁹ Peter G. Northouse, *Leadership*, (Thousand Oaks, California: Sage Publications, Inc, 2001), 163

⁹⁰ *Ibid.*,

present, you will usually be able to create teamwork, when it is missing, you won't.”⁹¹ Consequently a strong and effective guiding coalition will consist of members with high degree of trust. One prerequisite for trust is involvement.⁹² In a Balanced Scorecard context this means involvement in the developing objectives, involvement in discussions concerning structure and performance indicators, and involvement in sharing responsibilities for the execution of the strategy. This kind of involvement will enhance the team's legitimacy and heighten the team members' individual credibilities both inside the team and throughout the organisation.⁹³

When the new RNoAF Chief of Air Staff came into office he was very concerned about getting the right composition of his executive group, especially his deputy. While his predecessor had one small executive team that met on a weekly basis, and one larger group that met together every month, Major General Archer amalgamated those two groups in order to create a more efficient team with distinct “we-feeling”. Although this was before the Balanced Scorecard process started, it later proved to be important for the development of the new strategy.⁹⁴

⁹¹ John P. Kotter, *Leading Change*, 61

⁹² David A. Klein, *The Strategic Management of Intellectual Capital*, (Boston: Butterworth-Heinemann, 1998), 153

⁹³ *Ibid.*

⁹⁴ Brigadier-General Espen Amundsen, Deputy Chief of the RNoAF Air Staff during a telephone interview with author 17 March 2005.

The workshops and the time used by the Norwegian executives when developing the strategy map have previously been described. By using a combination of intellectual tasks, the development of the strategy itself, and more bonding activities aimed at enhancing the relations among the team members and the project team, these workshops proved to be good arenas for the team building of the executives. The outcome of this process was: a shared vision and strategy in which the entire team was committed to, a well developed sense of trust between each member, enhanced ability of conflict resolution, improved capability to gain results and achieve objectives, and more innovative thinking.⁹⁵ These effects proved to be of great importance when implementing and executing the strategy later on.⁹⁶ Due to relatively similar cultures and leadership styles between the Norwegian Defence and CF, it is reasonable to assume that these examples to a large extent are transferable to Canada's Air Force. A focus on creating a strong executive team - the guiding coalition - with emphasis on building trust and a common understanding, can also be used to encourage the anchoring of the Balanced Scorecard process among the executives in the Air Force.

Develop the vision and strategy to help direct the change effort

Developing a vision and a strategy, represent core activities in the Balanced Scorecard process. "Effective, Relevant, and Responsive" is the CDS's vision. It represents his, and hopefully the rest of the top leadership's picture of the future, of what

⁹⁵ Statskonsult, 42

⁹⁶ Brigadier-General Espen Amundsen, Deputy Chief of the RNoAF Air Staff during a telephone interview with author 17 March 2005.

the CF ultimately intends to become. Therefore, it also helps CF members to understand why and how they should support the organisation. In addition, it sets the organisation in motion from the present stagnation towards the dynamics of the new strategy.⁹⁷ An issue that the Air Force should consider is whether the CF vision can be adopted by the Air Force. The Air Force vision as it is now stated on the Air Force web pages is long, and not very easy to understand.⁹⁸ The CF vision is short, and easy to comprehend and it includes most of the values and the direction inherent in the current Air Force vision.

Again, the main point with this discussion is not to argue for a change of the Air Force vision, but to stress the importance of confirming the vision before commencing the strategy development. This confirmation is important because the vision provides the executives, the project team and others involved in the strategy work a short and clear guidance of what the strategy is trying to achieve. In addition, working with vision statements tends to create positive and constructive tension between “what is” and “what could be”. This tension motives for further work with what it takes to achieve the vision, namely the strategy.⁹⁹ Finally, a good vision appeals to more than people’s cognitive and analytic capacity, it also appeals to emotions. “Emotionally charged ideas change behaviour or reinforce changed behaviour”,¹⁰⁰ and creates enthusiasm, and enthusiasm among the executives when it comes to introducing the Balanced Scorecard is absolutely

⁹⁷ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 32

⁹⁸ Department of National Defence, “Air Force Vision”, available from http://www.airforce.forces.gc.ca/vision/intro_e.asp, Internet; accessed 17 March 2005

⁹⁹ Paul R. Niven, 122

¹⁰⁰ John P Kotter, *The Heart of Change*, 11

vital. This is supported by the following statement from the Deputy Chief of Staff when asked if he could define some success factors for the implementation of the Balanced Scorecard in the RNoAF “One of the most prominent success factors was the Chief of Air Staff’s commitment and enthusiasm for the Balanced Scorecard process.”¹⁰¹

A good vision alone does not ensure success. Another key component to build a comprehensive picture is the strategy map. The strategy displayed in a strategy map is the crux of the Balanced Scorecard. Developing a strategy map and implementing the strategy requires the commitment of time and attention from the whole executive team.¹⁰² Kaplan and Norton refer to a Fortune magazine cover story dated in 1999, and the mistaken belief among executives that the right vision and the right strategy were all that were needed to succeed.¹⁰³ In the majority of cases, as much as 70 percent, the organisations failed because too little emphasis was put on the implementation and execution of the strategy. To gain necessary commitment and ownership, both to the strategy and its implementation requires that the senior leadership team be actively involved in formulating the scorecard objectives, measures and targets.¹⁰⁴ It is not sufficient that some capable staff officer together with one or two members of the executive work out a strategy map proposal, and then brief the rest of the executives on

¹⁰¹ Brigadier-General Espen Amundsen, Deputy Chief of the RNoAF Air Staff during a telephone interview with author 17 March 2005.

¹⁰² Paul R. Niven, 122

¹⁰³ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 1

¹⁰⁴ *Ibid.*, 363.

the proposed strategy, who make some changes to the proposal before they all vote for it. Studies of organisations with such an approach to strategy development indicate that no worthwhile changes take place, decisions are still being made the same way and the leadership and management of the organisation still focus on influencing the same variables as always.¹⁰⁵

The strategy must be built from extensive discussions where the the whole executive leadership participates in a common effort to describe the strategy, and develop shared understanding and ownership of all its parts. There are several reasons for this approach: First, without a thorough description of the strategy, executives cannot easily communicate it among themselves or to their subordinates. Secondly, without a shared understanding of the strategy, executives cannot create the necessary alignment around it. Thirdly, without alignment the top leadership cannot implement their new strategy and the whole process risks becoming a failure.¹⁰⁶ Finally, without sufficient ownership to the strategy, individuals may perceive other issues in the executive team as more important than the strategy, and a coordinated focused transformation will probably not occur.

The Norwegian, communication consultant, lecturer and author Ingebrigt Steen Jensen, aptly describes the situation in this statement: “As co-workers we can only be wholeheartedly and independently committed to what we have participated in creating. The vision, the values, the promises and the objectives then turn from something I *am*

¹⁰⁵ *Ibid.*.

¹⁰⁶ Robert S Kaplan & David P. Norton, *Strategy Maps*, 6

responsible for, to something I *take* responsibility for.”¹⁰⁷ Jensen’s statement is very much in line with my own experience when developing the strategy at the wing level, as well as with the experience of the Deputy Chief of Air Staff. He found the ownership and commitment to the strategy of the individual team members vital to their ability to generate a strong action-focused executive team, which in turn formed a strong driving force in the implementation of the strategy.¹⁰⁸

Sub conclusion – Critical Capability # 1

Why the Balanced Scorecard is needed in Canada’s Air Force and what effects it will have, must clearly be articulated by the top leadership. This is important because the rest of the organisation must know why so many resources are being allocated to this process, and because the executives must develop a common understanding of the desired effects of the Balanced Scorecard. Furthermore, the executive team must be 100 percent involved in the process by creating a sense of leadership so that the need for change is obvious to every member. In addition a robust guiding coalition that can lead the transformation must be formed with strong relations built on involvement and mutual trust. Finally, a vision confirmation must take place so that the whole executive team, as well as the project team, know what they want the organisation to become in the future,

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participation of all executives in a way that generates ownership and commitment. If this does not occur, a successful implementation and execution of the strategy will probably not happen.

Critical Capability # 2 - The need for a project team

Howard Rohm, the Vice-President of the Scorecard Institute, has introduced a six-stage framework to build an organisation's Balanced Scorecard.¹⁰⁹ The first stage is similar to the phase just described, where the reason for using Balanced Scorecard is defined, and where the executives assess the organisation's values, core beliefs, its short term and long term goals and an understanding of what satisfies the stakeholders. Another important step at this stage is to consider what is needed to drive through the development and the subsequent implementation of the Balanced Scorecard. The efforts to facilitate the successful development of a strategy map, performance measurements and strategic initiatives are substantial, and will involve a lot of time-consuming work. An executive group cannot do this alone, nor can one trusted person. Executive leaders simply do not have the time to get involved in all the detailed work associated with an implementation of this kind. Even one extremely talented person does not have enough time, skills, connections, and leadership capacity to lead the necessary change alone in such a big organisation as an air force. This paper, therefore, suggests that a Balanced Scorecard project team must be formed at a very early stage of the process. As mentioned previously, a competent project team, capable of facilitating well prepared workshops,

¹⁰⁹ Howard Rohm, "A Balancing Act", available from <http://www.balancedscorecard.org/files/perform.pdf>, Internet; accessed 31 March 2005

to guide the executive team and local project teams in the development and implementation of strategy maps and initiatives, was one of the distinct success factors when the RNoAF introduced their Balanced Scorecard. The importance of getting this team right was so vital that the Deputy Chief of Air Staff was personally involved in the selection of the individuals for the team.

The qualities of the project team

John P Kotter provides a list of qualities that he believes are important for a project team.¹¹⁰ These qualities range from such personal characteristics as leaderships skills, motivation, credibility, to professional aspects like extensive knowledge about external and internal conditions that have impact on the upcoming transformation. Niven argues that the Balanced Scorecard project team must represent a collective know-how and experience of people from across the organisation.¹¹¹ Due to the challenges such a large group has when it comes to reaching consensus on important aspects he also states that the number of people in the team must not exceed 10. In this regard, Niven mentions that “The key in choosing the appropriate number of people for your team lies in representing all the areas of your organization that you expect to be using the Scorecard”.¹¹² For such a diverse and complex organisation as Canada’s Air Force, this kind of representation may prove to be difficult; at least it was for the RNoAF. To compensate for the lack of such extensive representation, an expert panel was established

¹¹⁰ John P Kotter, *The Heart of Change*, 46

¹¹¹ Paul R. Niven, 64

¹¹² Paul R. Niven, 64

to work out complicated issues together with the Executive group and the project team. This expert panel was critical to the quality of both the discussions that took place during the workshops and to the actual results that were produced.¹¹³ This allowed the project team to concentrate on the method (procedures, process, techniques and terms) in a way that was in accordance with the Balanced Scorecard theory.

Having worked closely with the Norwegian project team for a period of 6 to 7 months, I found that the most important qualities of the team members were their profound understanding of the entire Air Force organisation, their insight into the Balanced Scorecard method, their understanding of the necessity for the transformation, and their ability to state their opinions clearly even if their counterparts outranked them by several levels. This created a potent team where each individual had a considerable amount of credibility and integrity and was genuinely committed to the cause. The trust inherent in such personal qualities is absolutely vital for a successful process. Only teams with the right composition and the necessary trust can be effective in the complex and rapidly moving context the Air Force operates in.¹¹⁴ These characteristics are supported by both Kotter and Niven. The latter also emphasising the need for both visionaries (people who see what the organisation can be) and actionaries (people who will ensure that the goals and tasks of the project are realistic and are feasible).¹¹⁵ The described

¹¹³ Statskonsult, 16

¹¹⁴ John P. Kotter, *Leading Change*, 55

¹¹⁵ Paul R. Niven, 65.

qualities are attributes that members of the Air Force executives must look for when selecting the project team for Canada's Air Force.

A project team must have a leader or what Niven calls a Balanced Scorecard champion.¹¹⁶ His or her role is to be the point of contact both for the executives and the external partners, such as the representatives from the Army, the Navy and the DCDS. Furthermore, the team leader must guide the development and implementation process, and make certain that the sequencing of events is logical and practical, as well as being the one with a special responsibility for the development of a well functioning team.

The roles of the project team

Building competence to effectively build a strategy map, implement the Balanced Scorecard and manage the strategy is crucial to achieve the aim of a strategy tool of this format. Hence the ultimate role of the project team is to be experts on the Balanced Scorecard method. Some of the qualities that such a team must possess have already been mentioned. Included in these qualities is a sound approach to the method they must be experts on. Too much emphasis on an academic instead of a more practical approach might create resistance rather than collect supporters for the change. During the development and implementation process, the Norwegian project team had to face several challenges; professionally, interpersonally and methodically.¹¹⁷ Introducing Balanced

¹¹⁶ Paul R. Niven, 66.

¹¹⁷ Statskonsult, 19

Scorecard is a maturation process, where learning and continuous improvement are important considerations. This process of coming to maturity takes time. Therefore, allocating necessary time to gain adequate competence is vital.

The project team's contact point within the executive team is of great importance. So important, that in the case of the RNoAF, the team reported directly to the Deputy Chief of Air Staff, who performed the role that Niven calls the executive sponsor.¹¹⁸ "Working closely with the BSC project team was vital to a successful implementation of the Balanced Scorecard in the Air Force." says Brigadier-General Espen Amundsen.¹¹⁹ A direct link to a significant decision maker among the executives is vital because it forms the baseline of the credibility of the project team, both towards the executives themselves, and towards the rest of the organisation. In addition, it enables the communication between the two most important participants in this early stage of the transformation to be fast, direct and unhindered. It makes the project team strong, and in a fast moving environment where the amount for information is enormous and different groups compete to influence the top leadership, a weak team always fails.¹²⁰ The project team leader most constantly communicate with the executive leadership; building support, trying to detect any resistance, establishing a clear notion of what the executive members are concerned about and providing feedback to the rest of the team.¹²¹ Bringing the project team leader

¹¹⁸ Paul R. Niven, 69.

¹¹⁹ Statement by the RNoAF Deputy Chief of Air Staff, Brigadier-General Espen Amundsen. The RNoAF's application to the Balance Scorecard Hall of Fame, Power point brief

¹²⁰ John P. Kotter, *Leading Change*, 55

¹²¹ Paul R. Niven, 67

or any other member of the project team in as permanent bystanders and discussion partners at meetings in the executive team should therefore be considered. The Executive Team of the RNoAF chose to have one or more of the project team present at the monthly strategy meetings. Their role was to be the executives “guilty conscience”, focusing on the interaction among the executive members and on the decision-making process. The intention was always to learn how to better lead the strategy process. “I always ended these meeting by asking the project team how the meeting had worked out.” said the Deputy Chief of Staff.¹²² There is, however, a risk that some members will feel that they are under surveillance by the project team, but the impact of such a notion will depend on the amount of trust between the executive members, an issue which has already been mentioned.

On of the most important roles for the Balanced Scorecard project team is to be strong and persistent advocates for the Balanced Scorecard.¹²³ There will be times when other issues demand the attention of the executives. This may happen because short terms issues sometimes need the attention of the executives, but also because some leaders are more comfortable in handling non-strategic issues, and therefore focus on those instead of the Balanced Scorecard. If this situation occurs the role of the project team is to coach the executive team so that they rapidly regain their strategical focus. When the process reaches the implementation phase and cascading the Balanced Scorecard to the entire

¹²² Brigadier-General Espen Amundsen, Deputy Chief of the RNoAF Air Staff during a telephone interview with author 17 March 2005.

¹²³ Paul R. Niven, 66

organisation has begun, this is a role that also has to be executed towards the executive teams and local project teams at the wing level.

Even though the CF has been experimenting to a greater or lesser degree with Balanced Scorecard for several years, it may prove difficult to find people within the organisation with sufficient knowledge about the method, so that a successful start is guaranteed. If Canada's Air Force decides to use external consultants or use the experience of other Canadian departments or private sector enterprises that are using the Balanced Scorecard, the role of the project team is to be the point of contact for these external partners. It is also to provide advice to the executive leadership on which consulting firms to use, and to systemise benchmarked data from other institutions so that the learning profit for the Air Force is maximised. In the report from Statskonsult, the benefit of having networks to organisations that already had implemented the Balanced Scorecard was strongly emphasised.¹²⁴

The identification of the resources needed for a successful implementation of Balanced Scorecard is also one of the suggested responsibilities of the project team. The implementation of a strategy tool for transformation like the Balanced Scorecard will cost time and money; time to make strategy maps on the different levels of the organisation, time to decide on what and how to measure, as well as time to develop strategic initiatives. It will cost money if it is decided to engage external consultants to help the

¹²⁴ Statskonsult, 18

Executive group and the project team during certain stages of the project. It will most likely cost money if team building sessions and workshops are arranged outside military establishments, and it will surely cost money if a decision is made to launch a communication campaign to promote Balanced Scorecard to the rest of the organisation. A detailed plan and a budget for these events must be developed by the project team and presented to the executive team for approval.

“To me Balanced Scorecard is first and foremost about communication!”¹²⁵ This strong statement from Major General Tomas Colin Archer, The RNoAF Chief of Air Staff, is a significant indicator of an area that must be prioritized when implementing Balanced Scorecard. Therefore, it constitutes a very important issue, and the project team must be prepared to commit considerable resources to ensure the success of a communication plan. This can be done in several ways: the communication strategy for the Balanced Scorecard implementation can be developed and executed by the project team, it can be outsourced to professionals outside the Department of National Defence (DND), or it can be a joint effort where the Canadian Forces Public Affairs is used for the purpose of communicating the Balanced Scorecard throughout the Air Force. The latter is similar to what took place in during the implementation process in the RNoAF, where the Air Force’s own public information officer was in charge of the Balanced Scorecard communication plan. Due to the importance of this subject it is defined as a critical capability, and will therefore be discussed specifically in the following.

¹²⁵ Leon Aurdal *et al*, 259

The use of external consultants

For the RNoAF it was of great importance to provide both the Executive group and the project team with the necessary knowledge base and skill set to manage the process properly. Consultants from Balanced Scorecard Collaborative were hired to support the process. The overriding principle was that external consultants would only be used in subject matters where adequate knowledge could not be found within the Air Force. Another principle was that the competence of the consultants should be transferable to the project team.¹²⁶ This way of using consultants in line with what Edgar Schein calls Process Consulting, where the essential function of the consultant is to pass on skill of how to diagnose and fix organisational problems so that the client is able to continue on his own to improve the organisation.¹²⁷ This principle enabled the RNoAF to rely less and less on external help, and to build a project team that in the end was characterised by the external consultants as the most competent and challenging project team they had ever worked with.¹²⁸

These principles form simple and sound guidelines when the executives and the project team are assessing whether to involve external consultants or not. As previously stated, there is probably sufficient competence within the CF to form a good project team

¹²⁶ Statskonsult, 20

¹²⁷ Edgar H Schein, *Process Consultation*, (Addison-Wesley Publishing Company, Massachusetts, 1988), 11

¹²⁸ Statskonsult, 21

with the required knowledge base. However, there are some reasons to hire external consultants, at least in the start up phase.¹²⁹ First, introducing the Balanced Scorecard in a convincing way is something an experienced consultant has done many times. Secondly, for some reason an outside voice carries more weight and credibility than an internal one. This is particularly true in a strictly hierarchical organisation like the military than in many others, where rank levels tend to be consciously and unconsciously connected to the qualification of a person. Finally, an experienced consultant has often worked with many different organisations and has experience with many different executive groups. He or she will therefore most likely possess knowledge and experience that will be immeasurably important in the building of the Air Force's own competence in change management, leadership and the Balanced Scorecard.

Sub conclusion – Critical Capability # 2

The effort to facilitate a successful development of a strategy map, performance measurements and strategic initiatives are substantial, and will create a lot of time-consuming work. The executive team or one person alone cannot undertake this effort. Therefore a project team must be established as early in the process as possible. Except from the executives themselves, their work will represent the most significant driving force for change in the whole process. The project team will be involved in a wide set of roles and must be strong and persistent advocates for the Balanced Scorecard. Hence it must be composed of people with range of qualifications. There are, however, good reasons why the Air Force should consider using external consultants. However,

¹²⁹ Paul R. Niven, 63

resources spent on external help must be used wisely, and one must make sure that these expedients come back in the form of enhanced competence for the project team.

Critical Capability # 3 - Communicating the Strategy

One of the characteristics of a strategy-focused organisation is its ability to align the whole organisation with the strategy and to make strategy everyone's every day job.¹³⁰ The importance of these aspects has been mentioned both in the theory chapter and in the description on how the RNoAF implemented the Balanced Scorecard. As a concept, the Balanced Scorecard process works best when used to communicate vision and strategy, not to control the actions of subordinates.¹³¹ Many users of the Balanced Scorecard find that the biggest challenge they face in implementing change and new strategies is getting alignment throughout the organisation, to and make strategy everyone's job.¹³² That is why communication is so important to the Balanced Scorecard process.

In *Leading Change* Kotter has identified eight errors common to the organisational change effort. One of them is undercommunication of the vision and the measures to support it.¹³³ He has categorised the undercommunication into three different

¹³⁰ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 9

¹³¹ *Ibid.*, 352

¹³² *Ibid.*

¹³³ John P. Kotter, *Leading Change*, 9

patterns. First, a good vision is insufficiently supported by too little communication in general, and the target group are not able to understand the message. In the second pattern, the executive leadership communicates the message reasonably well, but the middle management is virtually silent. In the third pattern, much more effort goes into communication, using different means, but some important and visible individuals are acting in an antithetical way towards the vision, which degrades the message among the main body of employees. Moreover, introducing the Balanced Scorecard into an organisation that has never experienced anything it before is a real paradigm shift. In most cases it represents a major cultural adjustment. Therefore, to align the organisation with its strategy and to make its members see their role in contributing to it, a well developed and executed communication plan becomes paramount.

The overarching objective of the communication plan should be to communicate the unique situation of the CF in general and the Air Force in particular, and how the strategy supports its vision. “It’s all about creating a common understanding of where we are heading.” says the Commander of Air Operations, the equivalent to Commander 1 Canadian Air Division, Major-General Arnvid Løvbukten.¹³⁴ His statement gives an accurate description of the aim of the communication plan, and is supported by Kaplan and Norton’s objectives for what they call a communication program. These objectives are:¹³⁵

¹³⁴ Statement by the Commander for Air Operations, Major General Arnvid Løvbukten. The RNoAF’s application to the Balance Scorecard Hall of Fame, Power point brief

¹³⁵ Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 217

1. Develop an understanding of the strategy throughout the organisation
2. Develop buy-in to support the organisation's strategy
3. Educate the organisation about the Balanced Scorecard measurement and management systems for implementing the strategy
4. Provide feedback, via the Balanced Scorecard, about the strategy.

One essential question that probably will arise is whether or not to communicate the Balanced Scorecard as a method or to communicate the strategy that has evolved from the method. In an attempt to answer this question it is important to clearly define the target audience for the communication plan. Is it the senior leadership, the middle management, operators, support personnel, civilian workers or all personnel in general? It is probably the last-mentioned group. It is not that the other groups are important, surely they are, and this kind of information does not exclude anyone. Leaders on different levels have access to information that their subordinates do not have, and many of them handle issues that are strategy related, and thereby increase their understanding of the strategy and its consequences. In addition leaders could be targeted with information specifically aimed at them, which will be discussed below. However, one must bear in mind that it is the achievements of the front line personnel that make the difference, and they are the ones that tend to be farthest away from the strategy makers, and thereby represent the greatest challenge to reach.

So how does one communicate the strategy to the common member? Kotter says that it requires one basic insight and puts it this way: "Good communication is not just

data transfer. You need to show people something that addresses their anxieties, that accepts their anger, that is credible in a very gut-level sense, and that evokes faith in the vision.”¹³⁶ He also says that the communication must be clear and simple.¹³⁷ This means that it must be free from all jargon and technobabble, because it just gets in the way, creating confusion, suspicion and alienation. In the description of the process in the RNoAF, it is mentioned that there are indications that parts of the Balanced Scorecard format is not communicating very well. It can easily become too complex and theoretic for members who are not directly involved in the strategy work.

During the development of the Norwegian communication plan, there was a thorough discussion between the information officer in charge of internal and external communications and the project team on whether to promote the strategy or the Balanced Scorecard.¹³⁸ The information officer argued that very few people needed to know all the technicalities and the different terms connected with the Balanced Scorecard and that communication should be centred on the strategy. The project team, on the other hand, being specialists on the method, wanted to focus more on the terminology and the Balanced Scorecard process. As a result of this discussion the first information brochures that were distributed in 2002 contained terminology from the Balanced Scorecard, such as strategy map, strategic initiatives and performance indicators. The message in them was

¹³⁶ John P. Kotter, *The Heart of Change*, 84

¹³⁷ *Ibid.*, 89

¹³⁸ The information about the differences in opinion between the information officer and the project group, was given by the former information officer, Major Svein Holtan, during a telephone interview with the author 6 Mars 2005.

not in accordance with Kotter's recommendations to keep the message short and simple. That may be one of the reasons that the message became complex and too theoretic.

In all likelihood, there are only five categories of personnel that need to know the Balanced Scorecard method: the executives, the project team and the specialists brought in to support the executives. Then there are the local executive groups and their project teams. The rest of the organisation does not need this terminology. What they must be told is why the vision and the strategy are important, what consequences they will have and how these consequences most likely will affect them. In addition they must be told how they contribute to the strategy. This must be done over and over again, supported by metaphors, pictures and told by leaders who are aware how important it is that their behaviour is consistent with the vision and the strategy, in other words, their ability to "walk the talk".¹³⁹ In the second brochure that was made to promote the strategy of the RNoAF from 2004 to 2009, no such terminology was used. Instead every strategic objective was described, together with a short explanation of what the Air Force had done to achieve the different objectives. Pictures of the owners of the different objectives and of smiling people doing their front line work dominated the layout of the brochure.

The above example of the brochures indicates that the best solution is that professional communicators, whether they are external or internal communication consultants, should develop and execute the communication plan. They apparently know

¹³⁹ John P. Kotter, *Leading Change*, 90

how to make complicated issues sound “simple and heartfelt”,¹⁴⁰ and not a method-focused project team. In the beginning of the process, the role of the project team is to make the conditions favourable for a good relationship between the communication consultants, the executive group and the project team themselves. When the cascading process to the wing level is well under way, the project team will most likely gather vital information on how the Balanced Scorecard is perceived. This information can be used to confirm or adjust the remaining part of the communication plan.

Deciding whether to use internal communication resources or to outsource this challenge will presumably become an issue early in the process. When deciding on this question one must keep in mind the complexity of an organisation like the Air Force with its culture and sub cultures, with its diverse trades and with its significant output: Aerospace power. To understand such an organisation to the extent that is necessary to develop and execute an effective communication program takes a long time. Therefore, external communication consultants must be used wisely; otherwise the result can be a costly affair with limited effect. Using professionals to develop and execute the communication plan has other advantages as well. First, due to the fact that the consultants will ask questions on several issues, both the project team and the executives will have to think thoroughly about how the strategy communicates and what message to communicate. Experience from the RNoAF showed that these were questions on issues fundamental to the strategy and its communication that resulted in discussions among the

¹⁴⁰ John P. Kotter, *The Heart of Change*, 101

executives and the project team that otherwise would not have taken place.¹⁴¹ These discussions made all participants more aware of the strategy and the desired consequences of it, and strengthened the foundation of the communication program among the executives. Secondly, when involving internal communication consultants or Public Affairs personnel, it increases the amount of people that are working with the strategy, and thereby more people that develop ownership to it.

Means of communication

When designing the communication program it is natural to discuss the means that will be used to achieve the desired effect. It is all about finding what works best for the Air Force, given cultural preferences, demographics and so on.¹⁴² To day, many organisations have at their disposal technological means such as intranet and e-mail, videoconferencing and the ability to easily produce relatively inexpensive information material. These means enables the top leadership to reach out in the organisation in a way that their predecessors 10 to 15 years ago could not even dream about. The boundaries on how new technology can contribute to the communication effort are only limited by creativity. Nonetheless, one must never forget that although these means are excellent information carriers, the heartfelt messages comes from real human beings that meet other human beings face to face.¹⁴³ There is probably nothing that beats a truly committed

¹⁴¹ Major Svein Holtan, Information officer at the RNoAF Air Staff from 2001 to 2004, during a telephone interview with the author 6 Mars 2005.

¹⁴² Paul R. Niven, 96

¹⁴³ John P. Kotter, *The Heart of Change*, 95

and passionate CAS or one of his close associates, who speaks directly to his subordinates at air bases around the country about the Air Force vision, its strategy and the results of that strategy.

From 2001 the RNoAF used many different means to get the message through. First of all a general communication strategy was developed in 2002. This strategy was intentionally not a part of the Balanced Scorecard process, but was linked more and more to it as time went by. The strategy is stating the vision, the goals with the communication strategy, the different target audiences, the means of communication etc. The Air Force magazine - *Luftled* - has several times focused on the strategy, the change that the strategy implies and the results of it. The latter point has been important to focus on, because it proves to the readers that the transformation process has led to something positive which adds credibility to the strategy. Information brochures have been distributed, an Air Force calendar was issued for 2003, focusing on strategic objective for every month. Christmas gifts have been given to all personnel with an attached letter from the Chief of Air Staff in which he wrote about the previous year's achievements and thanked his subordinates for their effort, all linked to the strategy. The intranet was also used extensively to promote the strategy and an information video was produced to further enhance the message.

Focusing on specific groups with specifically targeted information was also a part of the communication plan. The Norwegian Chief of Air Staff's annual conference for squadron commanders is an example of such targeted communication, where he wanted

the reach leaders in the organisation who every day were faced with the challenges to make the strategy into reality. In addition, the conference was an ideal arena for the Air Force executives to get close to unfiltered feedback from leaders that had personal experience with the consequences of the strategy. A second example of such targeted communication was the regular meetings that the Chief of Air Staff had with all Wing Commanders, Base Commanders and general officers in the Air Force. These meetings take place every fourth month and give the Air Force leadership an excellent opportunity to focus on strategy related issues with a message specifically made for that audience. Many more methods than the ones mentioned this paper can be used. Kotter, Niven and Kaplan and Norton mention several of them.¹⁴⁴

Communicating short-term wins

A transformation effort like the development and implementation of Balanced Scorecard in Canada's Air Force will take considerable amount of time, perhaps several years. This is why it is so important to create short-term wins and success stories and to make them visible for the whole organisation. Short-term wins are indispensable and serve at least four important purposes:¹⁴⁵

- They provide feedback to leaders and change agents about the validity of their visions and strategies.

¹⁴⁴ John P. Kotter, *The Heart of Change*, 83 – 100, Paul R. Niven, 98, Robert S Kaplan & David P. Norton, *The Strategy Focused Organization*, 219

¹⁴⁵ John P. Kotter, *The Heart of Change*, 127

- They give those working hard to achieve a vision a pat on the back, an emotional uplift.
- They build faith and credibility in the change effort, attracting those who are not yet actively involved.
- They disarm cynics and those who oppose the change effort.

A communication plan that also take into consideration these short-term wins will most likely lead to a growing sense of optimism, enthusiasm and of belief in the transformation. “There are so many hidden success stories out there that we must promote.” states the Deputy Chief of the RNoAF Air Staff.¹⁴⁶ One example of communicating success stories and “win situations” is the annual report that has been produced by the RNoAF, once again with pictures of people performing their everyday tasks. The purpose is to show what concrete actions have taken place as a consequence of the strategy, to present a balanced view, not necessarily just the positive effects, and combine this with facts and numbers as well. The desired effect of these reports is to emphasise that transformation is beneficial, and that the achievements have taken place due to effort of the people in the pictures, and thereby create optimism and enhance the credibility of the strategy. Communicating short-term wins should therefore be a part of the communication plan.

The Balanced Scorecard has proven to be a powerful communication tool, signalling to everyone in the organisation the key landmarks along the way towards the

¹⁴⁶ Brigadier-General Espen Amundsen, Deputy Chief of the RNoAF Air Staff during a telephone interview with author 17 March 2005.

vision. Nevertheless, there is one challenge that the people working on a communication plan for the strategy implementation should be aware of. That is the fact that there are important matters that do not have to be changed because the way these matters are carried out is perfectly sound. It is vital to the organisation that these matters are still carried as before. It could be a mission support officer preparing for the daily flight program, a maintenance controller or, as was the case in the RNoAF, the whole Air Force Academy. Matters like these would probably not be mentioned directly in a strategy map, but they are still important. The challenge therefore is to include these people in such a way that they still feel they are contributing to the new strategy. This paper will not introduce any solution to this issue, but simply mention it as a word of caution.

Sub conclusion – Critical Capabilities # 3

To be able to align the organisation and to make strategy everyone's everyday job, a well-developed communication plan is necessary. Examples from the RNoAF indicate that the emphasis for the plan should be on communicating the strategy, and to a limited extent the Balanced Scorecard method. This is due to the importance of keeping the message short, simple and free from jargon that may create confusion, suspicion and alienation. Furthermore, professionals, preferably from within the organisation, should develop the communication plan. The reason for this is to get a balanced message out which reaches everyone, including those with missions that are not directly mentioned in the strategy, using all available means, and to involve more people in the strategy process. Short-term wins and success stories should highlight what is happening, so that all

personnel understand that transformation in accordance with the strategy is taking place. This will almost certainly create optimism and enhance the credibility of the strategy.

Conclusion

This paper has focused on the three Critical Capabilities that Canada's Air Force must possess in order to successfully implement the Balanced Scorecard. These Critical Capabilities, executive leadership involvement, a competent project team and effective communication of the strategy, are each defined as such due to their combined importance in the process of developing a strategy that supports the Air Force's vision and to implement that strategy throughout the organisation. Executive leadership involvement is critical because the process of developing and cascading a strategy tool like the Balanced Scorecard represent a major shift in how leadership and management are executed in Canada's Air Force. This shift demands close participation of all executives in a way that generates a high degree of ownership and commitment for the strategy and the transformation it represents. A competent project team is the second Critical Capability. It is critical because the work associated with a sound Balanced Scorecard process is extensive, and involves a variety of knowledge and skills. In addition, except from the executives themselves, the project team will represent the most significant driving force in the whole process. The last Critical Capability is effective communication of the strategy. The Balanced Scorecard is in it self a powerful communication tool, but to align the organisation, make strategy everyone's everyday job, and accentuate the credibility of the strategy, it is necessary to create an effective communication plan where the strategy itself is the focal point.

To prove the importance of the three Critical Capabilities, the experience and procedures used by the RNoAF, as well as adequate empirically based theory has formed the basis of the discussion. In other words, arguments used in the discussion are supported by the experience of numerous strategy and transformation processes. Nevertheless, there are some questions that fall outside the scope of this discussion, that need further reflection. Those who know the Air Force well and are involved and committed to the Balanced Scorecard process must do these reflections. First, how can the Air Force strategy fully complement and support the CDS' new transformation initiatives? This must be considered very closely because both the Air Force's vision and strategy must fully promote the totality of the CF transformation.

Secondly, how does the prevailing structure of the executive management of the Air Force either promote or obstruct the cultivation of the three Critical Capabilities discussed in this paper? This is an aspect that must be thoroughly examined. It could be that this structure is capable of change, and that the Balanced Scorecard will be implemented as a part of an extensive transformation of the NDHQ. Most likely, one must consider how best to nurture the three Critical Capabilities within today's executive regime. These are vital questions that must be reflected on for the purpose of maximising the executive leadership's ability to implement strategic change, and thereby lay the ground for a successful introduction of the Balanced Scorecard.

Thirdly, the local executive teams at the wing level will be very important in setting the conditions for an all-out implementation of the Balanced Scorecard. What do they need to be able to drive their part of the transformation through to success and to extend the three Critical Capabilities to their level? Without their commitment, no transformation will happen. Therefore, the Air Force executives and the project team must allocate sufficient time to think about this question.

Fourthly, Canada's Air Force is a larger and more layered organisation than the RNoAF. One of the questions that may arise is to what extent all units at the different layers should have their own strategy map. One approach is to build a hierarchy of strategy maps that mirrors the Air Force. Another approach is to create two levels of strategy maps. The first level for 1 Canadian Air Division, the new Air Warfare Centre and other units that have direct line responsibilities to the CAS, and amalgamate those in one strategy map for the entire Air Force. The second level is the wing level, where all the different wings have their map showing what they should be doing to support the level above. However, the main point with such a discussion should be to reach a conclusion that meets the Air Force's need for an appropriate performance measurement system that promotes the right strategic focus and the right kind of accountability at the right level.

If the executives in Canada's Air Force wholeheartedly want a to "transform the Air Force from a primarily static, platform-based organization into an expeditionary,

network-enabled, capability-based and results-focused Aerospace Force”,¹⁴⁷ the Balanced Scorecard should be implemented throughout the Air Force as one of the means to accomplish that vision. It is no panacea, but if the three Critical Capabilities discussed in this paper are properly contemplated, introducing the Balanced Scorecard will most likely create an Air Force with a more visible executive leadership, that represent a strategy with a considerable amount of credibility because members of the Air Force will see and feel the transformation that is taking place. In addition, leaders at most levels will know what is required because their objectives are clearly stated and their performance measured. This will increase the result-focus and strategy orientation, and will lead to an air force that is more strategy-focused than it appears today.

¹⁴⁷ Department of National Defence, *Strategic Vectors – The Air Force Transformation Vision*, 2

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