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THE QUEST FOR PERFORMANCE MEASUREMENT IN NATIONAL DEFENCE: IS THIS GRAIL NOW WITHIN REACH?

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THE QUEST FOR PERFORMANCE MEASUREMENT IN NATIONAL DEFENCE: IS THIS GRAIL NOW WITHIN REACH?

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The things that get measured are the things that get done.

Michael Labeouf, *The Greatest Management Principle in the World*

INTRODUCTION

There are a myriad of quotes similar to LaBeouf's above which exhort measuring in order to achieve performance, provide rewards or even instill knowledge. Yet performance measurement is not simply about measuring countless variables and outcomes to ensure something is or has been conducted. In its infancy, as a management theory in the early 1990s, it was meant to support the business community in coming to terms with the inherent discrepancy and failure in a reliance on pure financial metrics to determine the drivers of performance and the results of a for-profit entity. Overlapping with the Total Quality Management phase of the 1980s and 1990s, early theorems could not help but look at quality as a driver of performance. The evolution of this management tool, including the Balanced Scorecard, and its widespread adoption at the corporate level has led to a wide range of public sector entities also adopting this practice. This paper will look at this evolution of performance measurement, what it hopes to achieve and how it has been modified for public sector entities to suit their needs. In particular, the Government of Canada policy on Management, Resources and Results Structures will be examined in its evolution along with the drivers for this type of system. Finally, a specific emphasis on the progress made by the Department of National Defence in creating a viable performance measurement system will be reviewed to determine the progress made on this quest for creating a system that both responds to Treasury Board requirements and provides utility to departmental senior managers in driving performance. The Department is not yet where it needs to be and more remains to be done. The historical review of these performance measurement theories, including the balanced scorecard, is important in the study of such processes that are being adapted to public entities such as the Government of Canada and in particular, at National Defence. Although there are policies and frameworks in place to populate the performance measurement reports, without a clear and thorough understanding of their development, senior leaders will not be equipped to direct and take maximum benefit from a system that could potentially improve how results are delivered and communicated by the Department.

ORIGINS OF PERFORMANCE MEASUREMENT

As previously noted, performance measurement as a management theory came to fruition in the early 1990s with proponents such as Robert Eccles, David Norton and Robert Kaplan preaching their benefits to corporations that sought to improve their business decision making process and ensure they were based on the best metrics, not just purely on financial matters. However even then this was not a newly invented process and nor was the dissatisfaction of simply using financial reports to gauge performance. As Eccles noted in 1991, GE was measuring and reporting on non-financial matters as early as 1951 where they began measuring productivity and employee satisfaction, to mention just two of their measures.[1] However it was the dissatisfaction with the limitation of the financial metrics that appeared to drive this movement in the early

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[1] Robert G. Eccles, "The Performance Measurement Manifesto." *Harvard Business Review* 69, no. 1: 132, *Business Source Complete*, EBSCO*host* (accessed May 18, 2014).

1990s. Certainly the short-term view created by these purely financial goals in for-profit organizations, as they were striving to achieve quarterly revenue and profit numbers, was one of those dissatisfiers. In many cases, corporate entities would sacrifice long term investments to achieve these short term results. Executive teams supported these initiatives as they could report to shareholders, their key 'customer', that the team was achieving its goals. Scenarios such as these created the conditions where managers, whose compensation packages were based on purely financial results, could manipulate these figures to achieve these necessary results.[2] Nivens provides five key factors on the limitations and criticism in the reliance on financial measures.[3] His first reflects the changing nature of business over the past two decades where he notes that the activities which lead to value creation are in many cases intangible and as such the old financial metrics are no longer in line with current business realities. The second criticism, previously alluded to above, is that financial metrics are historical in nature and look backwards with no ability to determine future performance. This line of thought is carried through in his third critique which reflects Eccles criticism as well, which is that they sacrifice long term thinking. Niven's fourth area of criticism is that these financial reports will reinforce stove-piping in functional silos given how the data on a financial report was traditionally captured. His final critique is that the financial data is generally not relevant to many lower levels of the organization and therefore of no assistance in the decision making process that these lower level managers must pursue. However this reliance on financial data started to change with both an increase in global competition and as organizations recognized the value of measuring their own quality and expecting

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[2] *Ibid.*
[3] Paul R. Niven, *The Balanced Scorecard Step-by-Step* (New York: John Wiley & Sons, Inc., 2002), 6-7.

quality performance, with sound metrics, from their suppliers. This was in part due to their experience with the quality movement and a growing realization that other non-financial measures, including customer satisfaction, were now being seen as important to their future performance.[4]

Numerous authors and experts in managerial consulting then raced to determine what these non-financial metrics might look like and each worked to create a simplified but flexible system to implement at the corporate level. Once again, Eccles and Pyburn are referenced for their model on creating a comprehensive system to measure performance.[5] In their approach, the first step is to develop a business performance model. That is, the organization must determine the relationship between management action and results that impact on decision making. This model will include determining which financial and non-financial measures are important to the business. They note that once a model has been developed, the executive will then need to determine how these metrics will actually be measured, how often this needs to occur, the frequency and format of reporting the results along with modifications to personnel evaluation systems and compensation which will be reflective of the new performance measures. The final step in their system of performance measurement is for review and change to ensure that the measures reflect any changes in the business environment.[6] Kennerley and Neely provide a thorough review of the many other competing frameworks that were rapidly developed to support the performance measurement revolution. [7] They note that Keegan,

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[4] Robert G. Eccles and Philip J. Pyburn. "Creating a Comprehensive System to Measure Performance." *Management Accounting* 74, no. 4 (10, 1992): 43, http://search.proquest.com/docview/229747276?accountid=9867 (accessed May 18, 2014).
[5] *Ibid.*, 41-44.
[6] *Ibid.*, 45.
[7] Mike Kennerley, Andy Neely. "Performance measurement frameworks: A review," in *Business Performance Measurement*, ed. Andy Neely, 146-7 (Cambridge: Cambridge University Press, 2002).

Eiler and Jones proposed the performance measurement matrix in 1989. A simple four quadrant grid that looked at cost vs non-cost and internal vs external measures which would provide a balance against simply pure financial reporting. A second example was the SMART (Strategic Measurement and Reporting Technique) pyramid which was developed by Wang Laboratories. Similar to the matrix in looking at internal and external measures, it added the component of pushing these measures down into the entire organization. Their review provided several other theories of determining performance but then focused on the most prevalent of concepts, developed by Kaplan and Norton, the Balanced Scorecard which will be discussed in further detail later.

Important to the understanding of performance measurement, regardless of the myriad of previous competing theories and strategies, are the common and accepted components of such a process. Kennerley and Neely provide a generalized overview of what a performance measurement system ought to consist of including:

- *Individual measures that quantify the efficiency and effectiveness of actions;*
- *A set of measures that combine to assess the performance of an organization as a whole;*
- *A supporting infrastructure that enables data to be acquired, collated, sorted, analyzed, interpreted, and disseminated*.[8]

They expand on their review to provide a listing of characteristics that a system ought to include. These include the need for the measures to provide a balanced picture of the organization and generate an easily understandable overview of its performance. They also note that such a system must be comprehensive and multidimensional to reflect all key areas of the business. The authors also propose that any performance measurement system must be integrated both vertically and laterally throughout an organization. Their

[8] *Ibid.*, 145.

final thought is that “results are a function of determinates”, which reflects the cause and effect nature of key performance drivers and allows for planning and control of key systems.[9] Bititci et al conducted their own similar review of performance measurement systems in order to review a reference model known as the “Integrated Performance Measurement System”. They noted that performance measures are needed to achieve the following objectives:

- *To monitor and control;*
- *To drive improvement;*
- *To maximize the effectiveness of the improvement effort;*
- *To achieve alignment with organizational goals and objectives;*
- *To reward and discipline (to a lesser extent).*[10]

Their review also provides a far more prescriptive shopping list consisting of 17 separate characteristics relating to what a performance measurement system do. The purpose of their study was to determine if a single auditable model could be adapted across various business entities to achieve the objectives of performance measurement and they concluded that the model which they used did achieve this.[11]

As has been demonstrated, there has been a considerable amount of study on performance measurement, the development of numerous different systems to deploy this management technique and generally wide spread acceptance of the practice of measuring non-financial drivers of performance. However the clear industry favourite, as indicated by its widespread use in the 1990s and following decade, has been the Balanced Scorecard approach.[12]

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[9] *Ibid.*, 149-150.
[10] Umit Bititci, Allan Carrie, Trevor Turner. "Integrated Performance Measurement Systems: Structure and dynamics," in *Business Performance Measurement*, ed. Andy Neely, 176. (Cambridge: Cambridge University Press, 2002).
[11] *Ibid.*, 196.
[12] Kennerley and Neely, “Performance measurement frameworks…”, 148.

THE BALANCED SCORECARD

The Balanced Scorecard as developed by Kaplan and Norton (1992 and 1996) gained prominence by providing an approach that solved two key problems for senior executives; determining effective organizational performance measures and as a process to implement strategy.[13] It was able to do so by placing the vision and corporate strategy at the heart of the Scorecard model and surrounding it with four key measures that drive performance to include the customer, internal processes, financial and lastly, learning and growth.[14] It is interesting to note that even with strong negative sentiments towards financial measures, which in part drove the need to explore for non-financial metrics as noted earlier, the financial measures are still considered as important indicators. As Niven notes, the key to their use in the Balanced Scorecard approach is in the weighting placed on these lagging indicators, which is part of this 'balanced' approach.[15] The four factors selected in this approach provide an important guide for business implementation. As opposed to the myriad of other performance measurement systems, these four factors appear to have achieved the right mix. Research looking at firms that employed a balanced scorecard approach indicated that those which did performed better than those who did not.[16] However there has been a strong case of concerns made about the balanced scorecard and that it may not be the panacea for a management measurement system. Some of these concerns include the lack of a competitive dimension, insufficient

[13] Niven, *The Balanced Scorecard…*, 3.
[14] *Ibid.*,13.
[15] *Ibid.*, 7 and 11.
[16] Kennerley and Neely, "Performance measurement frameworks…", 145.

human resources perspective and quality measures along with an inability to reflect multiple dimensions of performance, such as the SMART pyramid.[17] Those limitations to the Scorecard, when recognized, could be mitigated through the inherent flexibility of the process and are off set by some of the key strengths in this management strategy.

The balanced scorecard can be a powerful tool when fully implemented. Not only as a measurement system but also as a strategic management system and a communications tool.[18] As a measurement system, the scorecard forces the executive team to examine its vision and strategy and turn these into objectives and selected measures within the four areas of financial, customer, internal processes and learning and growth. A look at these areas is important to gain an understanding of the approach in selecting measures. From the customer perspective, corporations may seek to strive for operational excellence such as providing lowest prices such as Walmart or product leadership such as with Apple and the Iphone or customer intimacy where the corporation seeks to establish a long term relationship with the customer by providing the best service possible.[19] From the perspective of internal processes, these are often derived from the results being sought for the customer perspective.[20] The refinement and creation of new processes within an organization will be critical in this measurement system. If there are no processes to track customer complaints, creating a goal to provide the best possible service may not be possible. Additionally the financial perspective, where results continue to matter as a measure of success, must be used to quantify past success of

[17] *Ibid.*, 148.
[18] Niven, *The Balanced Scorecard…*, 12.
[19] *Ibid.*, 16.
[20] *Ibid.*, 108.

important factors such as profitability and revenue growth.[21] The final area of study, the learning and growth domain has been noted as the most important factor in driving future success in all three of the previous areas. In Niven's words, learning and growth "…are the foundation on which this entire house of the Balanced Scorecard is built."[22] This is because it is here where programs will be instituted to bridge the gaps of getting from where the enterprise is currently to where it wants to go. This is where innovation, future technologies, improved information systems and human capital can be invested to create the conditions for these future successes in the other domains. If lower level managers need additional training or access to different types of reports and information, it is in this domain where these advances can be identified and then measured. Not only quantitatively, but also qualitatively, especially in terms of training where simply providing training to 100% of the middle managers is an important measure however even more important is developing a measure for the effectiveness of the training in reaching a defined target.

As a strategic management system, the Balanced Scorecard offers executive leaders the opportunity to align their actions with strategy.[23] It is able to achieve this only when the leadership is able to translate their vision and strategy into measurements "that serve to guide all employees' actions toward the achievement of the stated direction."[24] This can be achieved by driving the Balanced Scorecard into the organization, or cascading it. To achieve this, each successful level would create its own scorecard, aligned to the higher level corporate goals. Completing this phase would negate one of

[21] *Ibid.*, 17.
[22] *Ibid.*, 16.
[23] *Ibid.*, 17.
[24] *Ibid.*, 18.

the criticism of the Balanced Scorecard and would provide buy-in and relevance at each of these levels. This link between strategy and performance measures is very powerful in this model. When conducted correctly, an outside party should be able to determine the corporate strategy by reviewing the measures of the scorecard.[25] Although Niven gives additional weight to the scorecard as a possible communications tool, that function appears to rest more aptly within the confines of this process as part of the strategic management system and not necessarily a stand alone function.[26]

Clearly the Balanced Scorecard has been an effective tool for businesses to adopt this approach to gauge where they need to improve and how they are achieving their targets, including the financial results. Developing from a period where the wrong metrics were being measured and employed (purely financial) to a tremendous pendulum swing where entities wanted to measure everything, most institutions settled on a balanced framework, but this was not always assured and in some cases created a new measurement crisis.[27] Even still, from the first realization that performance measurements were important to drive future success, other entities outside of the for-profit business community also began to take note to determine if they too could reap benefits from this managerial system.

[25] Kennerley and Neely, "Performance measurement frameworks…", 148.
[26] Niven, *The Balanced Scorecard…*, 20.
[27] Andy Neely, Rob Austin. "Measuring Performance: The Operations Perspective," in *Business Performance Measurement*, ed. Andy Neely, 42 (Cambridge: Cambridge University Press, 2002).

As early as 1993 (and in some cases even earlier) with the signing into law of the Government Performance and Results Act (GPRA) by the President of the United States, public sector entities have sought to improve how they reported results. Previous results were reported simply by how much was spent in a particular area but there was shift to report on what was accomplished based on pre-set goals in order to measure progress, effectiveness and promote accountability.[28] This shift in a trend to promote accountability and value for money is common to both public and private sector entities where they are required "…to live within financial constraints and to deliver perceived value for to [there] stakeholders."[29] The Province of Alberta was another adopter in 1993 of performance measures with their first report containing 22 core metrics under 18 different goals which provided a mix of economic, financial and societal measures which gave an overall government performance evaluation.[30] As interest grew from governments to seize on the benefits of performance measurement, more study was conducted to determine how this could be achieved given the fundamental differences between for-profit enterprises and public service entities. Even Canada's Office of the Auditor General produced a report concerning the adoption of performance measures in government in 1999.[31] The OAG was quite realistic in their assessment of the limits of performance measurement. In their view, due to the vast complexities in determining the

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[28] Niven, *The Balanced Scorecard…*, 294.
[29] David Otley, "Measuring Performance: The Accounting Perspective," in *Business Performance Measurement*, ed. Andy Neely, 4 (Cambridge: Cambridge University Press, 2002).
[30] Ken Ogata, Rich Goodkey, "Redefining Government Performance," in *Business Performance Measurement*, ed. Andy Neely, 265. (Cambridge: Cambridge University Press, 2002).
[31] John Mayne, John, *Addressing Attribution Through Contribution Analysis: Using Performance Measures Sensibly* (Canada: Office of the Auditor General of Canada, June 1999), 2.

impacts of a particular programme, it would be difficult to create any sort of realistic measures to gauge such an impact. The recommendation was that more qualitative measurement tools were required for the public sector.[32] A more recent study on performance measurement in the public sector in England reflects very much the same situation faced in Canada in the late 2000s where at the Federal level there were many different approaches to performance measurement and as such required an alignment of frameworks.[33] Much like the myriad nature of different competing models for performance measurement in the private sector, the public sector faced a similar climate where "for decades…officials worldwide…argued that performance measurement is an objective tool capable of improving decision making and fostering fiscal prudence."[34] As such, governments were faced with the question of not whether they should implement such a regime but how to do so.

A number of competing theories have emerged on how to properly and effectively implement performance measurement in government. Niven devotes an entire section of his Balanced Scorecard publication and offers a constructive guide on adapting the Scorecard for public entities. The key deviation in Niven's approach for public sector entities is that in the model, with strategy and vision still taking centre stage and surrounded by the four dynamics or customer, internal processes, financial and learning and growth, is his contention that since these public entities are mission focused, that the mission must be added to the top of diagram. In doing so this model now is able to

[32] *Ibid.*, 5.
[33] Pietro Micheli, Andy Neely, "Performance Measurement in the Public Sector in England: Searching for the Golden Thread." *Public Administration Review* 70, no. 4 (Jul, 2010), 591.
[34] Marc Holzer, Kathryn Kloby. "Public Performance Measurement: An Assessment of the State-of-the-Art and Models for Citizen Participation." *International Journal of Productivity and Performance Management* 54, no. 7 (2005): 517, http://search.proquest.com/docview/218424440?accountid=9867 (accessed May 18, 2014).

capture the requirement that the efforts in all sectors must lead to mission success.[35] He defines mission as the reason why the organization exists. Further deviation from the standard balanced scorecard approach is seen in how each of the respective measurement areas of focus are looked at. He does this by simply posing questions such as for the customer base, who are they and how would a government entity create value for them?[36] If one considers Canada's Department of National Defence, who is the customer could elicit varied responses (Parliament, Government, Citizens of Canada, NORAD, NATO, UN), all of whom either call upon DND to provide a service or require feedback and reporting. He follows through with a similar line of questions for the other sectors which is where a department may need to start if embarking on this process. That is not to say that creating a balanced scorecard will be a straightforward endeavour. Niven fully acknowledges the many levels of challenges. One of these is how to determine costs for a program and his suggestion of using an activity based costing system.[37] His emphasis on concerns about costing is not without merit as governments seek to maximize value for dollars.

Another approach, again through a process of asking questions about what a measurement system should provide starts with very fundamental issues. To note only three of the six, they are:

- *"Is an agency doing its job?*
- *Does it keep within its proper bounds of authorized activity?*
- *Is it productive?"*[38]

[35] Niven, *The Balanced Scorecard…*, 297.
[36] *Ibid.*
[37] *Ibid.*, 299.
[38] Holzer and Kloby, "Public Performance Measurement…", 519.

As a different approach to the balanced scorecard, this process seeks to determine measures which are based three different metrics. The first being internal capacities (ie the processes that deliver service to external clients); secondly for the outputs that the entity delivers as measured in quantity and quality; and finally to outcomes that these services are expected to deliver. Further examples of different ways of implementing a performance measurement system include that employed in England where Treasury establishes Public Service Agreements with individual departments and these dictate specific targets and indicators that are being sought.[39] When a further review was conducted of existing performance measurement systems in government, Ogate and Goodkey noted a commonality that each had top level political support along with direction and legislation.[40] It is with this same top level direction that the Government of Canada has embarked on its multi-year campaign of performance measurement.

CANADA AND PERFORMANCE MEASUREMENT

Although much has been implemented in recent years concerning top level legislation and policy development regarding accountability and performance measurement at the federal level in Canada, this is not a new initiative. One of the earliest references to performance measurement initiatives being contemplated came in 1979 with a report that provided an overview how the implementation of such measures were

[39] Micheli and Neely, "Performance Measurement in the Public Sector…," 591.
[40] Ogata and Goodkey, "Redefining Government…," 269.

proceeding based on Treasury Board's Policy which was issued in 1976.[41] The stated aim could have been taken directly from any recent publication by the Treasury Board on performance measurement where they noted it was to "encourage managers to control their operations more effectively through a systematic application of representative and timely information on program performance."[42] Their paper reflects many of the challenges cited by others in contemporary literature such 'performance of their programs cannot be measured'.[43] As such, even though 35 years have passed since this paper was written, many of these challenges were well known when this latest round of accountability was adopted by the Canadian Government.

The Financial Administration Act is the legislation under which Treasury Board issued the Policy on Management, Resources and Results Structures (MRRS) which was introduced in 2005 and as of the most recent version in 2012, provides the structure for the "collection, management, and reporting of financial and non-financial information relative to …programs."[44] It comes with the aim to support improved allocation and reallocation decisions along with three focus areas consisting of managing for results, decision making for results and accountability for results. The heavy emphasis on results is clearly by design. It follows a performance measurement framework but it is not similar to a balanced scorecard except in a cursory manner. Given that the scorecard provides a heavy focus on strategy, this is present in the MRRS where it requires Deputy Heads to have clearly defined and measurable strategic outcomes as the first part of the

[41] Timothy E. Reid, Michael O. Adibe. 1979. "THE ROLE OF PERFORMANCE INFORMATION IN IMPROVING THE MANAGEMENT OF PUBLIC SECTOR PROGRAMS." *Annals Of Public & Co-Operative Economy* 50, no. 4: 1. *Business Source Complete*, EBSCO*host* (accessed May 18, 2014).
[42] *Ibid.*
[43] *Ibid.*, 17.
[44] Canada, Treasury Board Secretariat, "Policy on Management, Resources and Results." Last accessed 18 May 2014. http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18218&section=text

framework. Secondly these Deputy Heads must have Program Alignment Architectures (PAA) and finally a governance model for each program in their PAA. Where it becomes less clear concerning an equivalency with the scorecard is with respect to the measurable entities of finance, customer, internal processes and learning and growth. These do not necessarily appear in the PAA or the Performance Measurement Framework (PMF) systems. Treasury Board's Guide to Developing Performance Measurement Strategies provides Deputy Heads with the guidance needed to develop a performance measurement framework that will align within the entire government services program. It is this guide which provides the direction for identifying and selecting performance indicators.[45] It notes that they can be either quantitative or qualitative in nature and the appropriateness of the measures is essential for evaluating and monitoring a programs progress. This flexibility in devolving measures to various departments recognizes the vast differences from department to department and allows for these organizations to select measures as opposed to a cookie cutter design. That is not to say that the measurement frameworks of each department will be so distinct as to prevent amalgamation into one report.

The Government of Canada, through the Treasury Board, has implemented a number of policies to ensure commonality between departments to allow for integration into the Estimates process. Ensuring a common framework, such as created by MRRS and the PAA, are only two such steps of a multistep process to align all government spending with priorities to ensure the ability to track progress and hold managers accountable for these results. This alignment to create a commonality has helped to

[45] Canada, Treasury Board Secretariat, "Supporting Effective Evaluations: A guide to Developing Performance Measurement Strategies." Last accessed 18 May 2014, 14. http://www.tbs-sct.gc.ca/cee/dpms-esmr/dpms-esmr00-eng.asp

alleviate some of the concerns identified by Reid and Adibe in 1979.[46] Another measure that has been instituted is the requirement for a common standard on enterprise resource planning systems. The most recent such standard is from 2012 and issued through the Treasury Board Secretariat ensures a government wide system for the management of finance, materiel and human resources.[47] It will allow, over time, a greater ability to flow information laterally and vertically, to create efficiencies and allow for performance measurement metrics to become even more consistent across departments. As one of those departments, National Defence has been heavily engaged for at least the past three decades in seeking to build a performance measurement system in line with some of these changing standards and policy.

NATIONAL DEFENCE AND PERFORMANCE MEASUREMENT

Ivan Taylor's dissertation in 2011 concerning in part the evolution of a performance measurement system relied on reports from the Office of the Auditor General (OAG) in determining how DND was progressing in this long term process. His assessment is disheartening if past performance is to provide any indication on the Departments future progress in this area. Specifically noted are the OAGs comments from 2001 that even after 25 years the department had still not created a viable performance management system.[48] Even in the immediate aftermath of this report and

[46] Reid and Adibe. "THE ROLE OF PERFORMANCE INFORMATION…", 22.
[47] Canada, Treasury Board Secretariat, "Standard on Enterprise Resource Planning Systems." Last accessed 18 May 2014. http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=25687&section=text
[48] Ivan Taylor, "Cost Estimation and Performance Measurement in Canadian Defence: A Principal-Agent-Monitor Perspective." Order No. NR81550, Carleton University (Canada), 2011, 151. http://search.proquest.com/docview/917457503?accountid=9867 (accessed May 19, 2014).

into the mid 2000s, with ever more emphasis on attempting to create a more viable system, National Defence continued to invest in projects that it hoped would deliver this much sought after system. A contractor's bi-weekly report from 2002 on the DCDS Group Performance Measurement Project is illustrative of some of the Departments challenges in this area where the report notes "…project focus continues to be at the Level 0 BSC [Balanced Scorecard] and includes the direct involvement of the L1s…Progress within DCDS Group has been slowed to cater to this change."[49] The report concludes with the 'notable' that there remains only seven days left in the current project contract. The emphasis on a DND specific system continued in the mid 2000s while direction from Treasury Board and government continued to undergo refinements.

DDSM – 4 produced a draft guide on performance management in 2006 noting that Defence was moving in compliance with the 2005 TB policy on MRRS.[50] Along with work produced by Burt and McKnight in Stone's "Public Management of Defence in Canada", the draft DDSM-4 guide is one of the few references available to describe the performance measurement system in DND as being framed on the Balanced Scorecard. The scorecard which is produced in this document lists the modified sectors as consisting of Defence Outputs (Contribute to Gov, Allies, Intl Community; Conduct Ops; Relevant, Responsive and Effective Forces); Internal Processes; Program Resources; Defence Team; Modernize and Transform which they specifically note is an example only. They also note the importance of the Department's Strategy Map. Burt and McKnight elaborate on this area as well and demonstrate the sound link to a balanced scorecard approach

[49] DND DWAN Search Website, "Consulting Report," Nov 2002. Last accessed 18 May 2014. http://dmcs-prk mil.ca/dmcs/intranet/DMCS19695.HTM

[50] DND DWAN Search Website, DRAFT DDSM-4. "Strategic Performance Management and Integrated Risk Management," 2. Last accessed 18 May 2014. http://cfd mil.ca/websites/resources/DJFCPlus/Intranet/DJCP%206/C4IS...

where measured performance areas must be reflective of the organizations strategy.[51] In addition, their description of this process notes the importance that "each of these indicators and/or measures must have clearly established targets and performance thresholds."[52] By measuring the right indicators, the department will be able monitor progress and address any shortcomings where measures point to the creation of a gap or confirm that the direction taken has closed such gaps. Each of these descriptors from the mid-2000s indicate that defence had been on the road to a balanced scorecard approach and had adopted a modified version, similar to that described by Niven, where the mission of the entity is placed at the top of the model, as described in an earlier section of this paper. Further evidence of the use of a scorecard approach is that the strategy map incorporates at the top of the diagram the 'raison d'etre' for defence at that time "Defend Canada and Canadian Interests and Values while Contributing to International Peace and Security"[53]

In recent years and even throughout the mid-2000s, Defence had been under scrutiny for not fully complying with the adoption of a performance measurement system. The Chief of Review Services report on Modern Management in 2010 is just one such example where they noted that "full integration has not yet occurred, particularly in the area of performance management."[54] Further criticism from the evaluation is even more damning with specifics such as:

[51] Gregory Burt and Shawn McKnight, "Defence Strategy Management and the Defence Management System." In *the Public Management of Defence in Canada*, ed. Craig Stone. (Toronto: Breakout, 2009), 26.
[52] Burt and McKnight, "Defence Strategy Management…", 26.
[53] DND DWAN Search Website, DRAFT DDSM-4. "Strategic Performance Management…", 3.
[54] Canada, Department of National Defence, *Review of the Implementation of Modern Management within the Department of National Defence.* (Ottawa: Chief Review Services, 2010), iii.

To be most effective, senior managers within each organization must fully support the use of performance metrics; key stakeholders, including client groups, should have input in defining acceptable standards; and results should be widely communicated and visibly utilized in subsequent decision making.[55]

A second report from CRS, this time in 2012, continued to build on the need for the VCDS to further integrate performance metrics in the business planning process.[56] As such, and with additional emphasis from Treasury Board on a revised MRRS in 2012, DND has continued to refine performance measurement.[57] In particular, the key structure which provides the framework for the Department's performance reporting, the Program Alignment Architecture (PAA, previously known as the Program Activity Architecture) was completely re-calibrated along with the Defence Business Management processes.[58]

Some of the key questions being asked was whether the current management system was able to determine "How ready is Defence? Is it ready enough? Is it too ready?" and "Can we determine future impacts of current business decisions?"[59] Certainly important questions that need a system in place to provide accurate information for these decisions to be made. In concert with an overall process for DMB, one of the key frameworks for determining performance was re-done. The PAA is one of four components in the Performance Management piece of the Defence Planning and Management Framework (DP&M).[60] Of greater importance is that it is a required

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[55] *Ibid.*, iv.
[56] Canada, Department of National Defence, *Audit of Departmental Budget Management*, (Ottawa: Chief Review Services, 2012), iii.
[57] Canada, Treasury Board Secretariat, "Policy on Management, Resources…"
[58] DND, Brief to DMC. "Defence Business Management". 3 July 2013. Last accessed 18 May 2014. http://vcds.mil.ca/sites/intranet-eng.aspx?page=4430
[59] *Ibid.*, slide 3.
[60] VCDS DWAN Website, "Defence Program and Management", last accessed 18 May 2014. http://vcds.mil.ca/sites/intranet-eng.aspx?page=4160

component in the TBS policy on MRRS.[61] It was cited in the 2009-10 MAF report that Defence was re-working the PAA and in the recommendations for section 6, that DND should “continue to improve performance measurement practices.”[62]

The result of this new PAA is that it provides six programs that are aligned with two clear strategic outcomes. Five of these programs are relatively straightforward and clearly linked to the two strategic outcomes. The sixth program, Internal Services, is structured very much like the Scorecard metric of Internal Processes. Reshaping the PAA allows for a functional review of programs, not necessarily a review by each element, and should provide for a better picture on Defence’s overall performance. This can be seen in the second piece known as the Performance Measurement Framework (PMF) which has also been recalibrated for 2014.

The PMF provides significant data on each program and indicator within the program, including the data source and the benchmark to achieve. It is noteworthy that there are numerous instances within the PMF that note that it is the head of that program who provides a self-assessment on whether the target is being met or not. For example, for the Defence Capability Development and Research program, the data source to determine if the first part of this program is being met, is “L1 Self Assessment”.[63] This is not the only area where this type of metric is used. The appropriateness of using self-assessment would be useful in some cases, but it appears that performance metrics have not yet been fully developed to create more objective standards and allow for decision

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[61] VCDS DWAN Website, "Program Alignment Architecture", last accessed 18 May 2014. http://vcds.mil.ca/sites/intranet-eng.aspx?page=4160

[62] Canada, Treasury Board Secretariat, "Management Accountability Framework DND Report 2009." Last accessed 18 May 2014, Sect 6 Recommendations. http://www.tbs-sct.gc.ca/maf-crg/assessments-evaluations/2009/dnd/dnd-eng.asp

[63] DND, DDFP, "Performance Measurement Framework FY 2014-15, Final". Excel spreadsheet unpublished on VCDS site as of 18 May 2014.

making on such metrics. Further scrutiny of the PMF reveals other areas that could be improved based on subject matter expertise and asking questions to determine if these measurements are important to actually determine the performance in those key areas. An overall observations is that neither the PAA nor the PMF really address the question of who is the customer or customers for defence as one would expect if using a Balanced Scorecard approach. Given that defence will have a multitude of customers (government, Parliament, citizens of Canada, Treaty Allies), these too ought to be captured in a more appropriate manner in measuring performance along the lines of customer surveys or other appropriate measures. Another area of improvement for the PMF lies in the section of Internal Services which is not nearly as fully populated as the other five indicators.[64] Given that improvements in internal services ought to reflect positively on the other five measures, this should not be an area that faces neglect. Finally, it is not clear from the VCDS website or any of the publications on the PAA or PMF as to how these will be 'cascaded' through the organization. As part of a Scorecard approach, one would expect that this would be one the goals to ensure alignment throughout the institution and the creation of scorecards at lower levels which reflect the institutional priorities but are also relevant to those 'at the coal face'.

Clearly the Department has made tremendous progress and is following the TBS policy on MRRS. What may be lacking however is more reflection back on the nature of the model which is being employed to achieve performance measurement. As noted earlier in this paper, the Balanced Scorecard has been widely adopted and can be modified for public entities. DND might wish to review their framework to determine if it continues to provide the benefits of the Scorecard approach and meets the needs of the

[64] *Ibid.*, tab Internal Services.

Treasury Board. Such a review may indicate that further refinement is warranted and that perhaps the department, will continue on a never ending process of adjustments to this system.

CONCLUSION

This paper has reviewed performance measurement as a managerial tool in a historical context including the Balanced Scorecard. Adapting these approaches from the private sector into the public sector has been in progress at many different institutions as they strive to reap the same benefits from these systems as their colleagues in for profit entities. In Canada, this process has been ongoing since the late 1970s and appears to have gained momentum since the mid-2000s with various initiatives designed to increase accountability for delivering programs in an efficient manner and in line with government priorities. At National Defence, there has been much work done in at least the past decade on measuring performance and yet internal audits continue to note deficiencies in this area. Progress on a key structure, the Program Alignment Architecture, was just completed in 2014 along with the accompanying revisions to the Program Management Framework. A cursory review of the PMF revealed continuous use of self-assessments at high levels as the data source for a number of key indicators in determining whether progress was being achieved and the omission of 'customers' as part of the framework. However, it will only be through further CRS reports, MAF reports and other high level audits, where it might be determined if Defence, after a very long road towards performance measurement, is finally within reach of their grail.

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