

Canadian
Forces
College

Collège
des
Forces
Canadiennes



**THE BUSINESS OF OUR BUSINESS:
AN ANALYSIS OF THE APPLICATION OF BUSINESS MANAGEMENT TO
THE ROYAL CANADIAN NAVY**

Lieutenant-Commander Deanna L. Wilson

JCSP 47

Service Paper

Disclaimer

Opinions expressed remain those of the author and do not represent Department of National Defence or Canadian Forces policy. This paper may not be used without written permission.

© Her Majesty the Queen in Right of Canada, as represented by the Minister of National Defence, 2021.

PCEMI 47

Étude militaire

Avertissement

Les opinions exprimées n'engagent que leurs auteurs et ne reflètent aucunement des politiques du Ministère de la Défense nationale ou des Forces canadiennes. Ce papier ne peut être reproduit sans autorisation écrite.

© Sa Majesté la Reine du Chef du Canada, représentée par le ministre de la Défense nationale, 2021.

CANADIAN FORCES COLLEGE - COLLÈGE DES FORCES CANADIENNES

JCSP 47 - PCEMI 47
2020 - 2021

SERVICE PAPER – ÉTUDE MILITAIRE

**THE BUSINESS OF OUR BUSINESS:
AN ANALYSIS OF THE APPLICATION OF BUSINESS MANAGEMENT TO
THE ROYAL CANADIAN NAVY**

By Lieutenant-Commander Deanna L. Wilson

“This paper was written by a student attending the Canadian Forces College in fulfillment of one of the requirements of the Course of Studies. The paper is a scholastic document, and thus contains facts and opinions, which the author alone considered appropriate and correct for the subject. It does not necessarily reflect the policy or the opinion of any agency, including the Government of Canada and the Canadian Department of National Defence. This paper may not be released, quoted or copied, except with the express permission of the Canadian Department of National Defence.”

Word Count: 2,628

“La présente étude a été rédigée par un stagiaire du Collège des Forces canadiennes pour satisfaire à l'une des exigences du cours. L'étude est un document qui se rapporte au cours et contient donc des faits et des opinions que seul l'auteur considère appropriés et convenables au sujet. Elle ne reflète pas nécessairement la politique ou l'opinion d'un organisme quelconque, y compris le gouvernement du Canada et le ministère de la Défense nationale du Canada. Il est défendu de diffuser, de citer ou de reproduire cette étude sans la permission expresse du ministère de la Défense nationale.”

Compte de mots : 2.628

THE BUSINESS OF OUR BUSINESS: AN ANALYSIS OF THE APPLICATION OF BUSINESS MANAGEMENT TO THE ROYAL CANADIAN NAVY

AIM

1. The aim of this service paper is to describe the strengths and weaknesses of managing the Royal Canadian Navy (RCN) as a business. Through the evaluation of what a business' role is and how this overlays the function of the RCN this paper looks to determine whether this approach is best suited and fully applicable to the RCN. This paper will also discuss the advantages and disadvantages of the employment of data analytics within the maritime component of the Department of National Defence (DND).

INTRODUCTION

2. Beginning as early as 2013, the RCN recognized a shift in requirements for sound decision-making.¹ The development of Command Analytics commenced in order to provide leaders of the institution with the necessary data deemed required for leading, command, and managing RCN resources in addition to achieving government, department, and operational goals. With this shift in approach, the RCN began to focus more on the management of resources and leverage business management practices. From this initial foresight was born the Digital Navy initiative which, "is intended to help build upon these early efforts by actively supporting ongoing data analytics efforts and the operationalization of the DND/CAF Data Strategy within RCN lines."² Further, these efforts also align the RCN with the Government's Defence Policy – *Strong, Secure, Engaged* – that seek to innovate and improve excellence in stewardship with the large investment in the RCN.³

3. The method for treating this topic will be to examine what the definition of a business is and describe how it overlays with the RCN as a defence organization. It will present the strengths and the weaknesses that have been, and are, apparent by using the business approach, especially via analytics. Lastly, a consideration of the above will allow for a reflection of the future program and what may be done to amplify the benefits and eliminate the weaknesses.

DISCUSSION

4. Entrusted with government resources, it is incumbent on the RCN to ensure that a culture of stewardship exists within Navy lines. The Government of Canada has devoted massive resources to enable the present operational effectiveness and solidify the future of the RCN. When also considering the increasing importance of digitization, naval

¹ RCN, *Digital Navy Action Plan*, (Ottawa: Canada, 2020), 17.

² *Ibid.*, 17

³ Department of National Defence, *Strong, Secure, Engaged: Canada's Defence Policy*, (Ottawa: Canada, 2017), <http://dgpaapp.forces.gc.ca/en/canada-defence-policy/docs/canada-defence-policy-report.pdf>.

leadership must not sit on their heels and hope that resources are effectively managed. Without proper oversight and management, it is unlikely that the organization will be able to maintain or improve efficiencies required for operations. Is the current approach of managing the institution as a business the most effective way to achieve this and do the strengths outweigh the weaknesses?

What is a Business

5. In order to commence this comparison, one must first determine a common understanding about what a business is. The Canadian Revenue Agency (CRA) defines a business as “an activity that you intend to carry on for profit.”⁴ Additionally, to be considered a business one or more of the following needs to be included: “a profession, a calling, a trade, a manufacture, an undertaking of any kind, [or] an adventure or concern in the nature of trade.”⁵ At the end of the day, any of these functions may constitute a business so long as they value in profit and increased shareholder value.⁶

6. Inherent to a business’ success is the employment of its resources and the most important resource is people. An article in the Harvard Business Review noted “that business[es that] take care of [themselves] before [they] care for others only fuels... latent distrust.⁷ When a company treats its employees as property, “they are recorded as costs, not assets. This is demeaning, at the very least. Costs are things to be minimized, assets things to be cherished and grown.”⁸

7. Innovation in today’s economy has become critical for success; however, sustainability as a business is not easily achieved without dedicated human resources. Until recently, there was a growing trend where more and more people were unable “to balance work with the rest of their lives... as they fall victim to the stresses of the long-hours culture.”⁹ If a business built on its human assets, is to survive, it will have to find better ways to protect people from the demands of the jobs it gives them.”¹⁰ Coupled with the need to innovate and manage all resources, effective businesses “see themselves as communities whose members have individual needs as well as individual skills and talents. They are not anonymous human resources.”¹¹

Managing the RCN as a Business

8. This concept is not unique to private industry, but also applicable to the RCN and the Canadian Armed Forces (CAF) writ large. Undoubtedly, the nature of the RCN’s

⁴ CRA, Canada.ca, "What is a business," accessed January 9, 2021, <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/sole-proprietorships-partnerships/what-a-business.html>.

⁵ Ibid.

⁶ Charles Handy, Harvard Business Review, "What's a Business For?" accessed January 9, 2021, <https://hbr.org/2002/12/whats-a-business-for>.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

business relies on the foundation of the very talented and skilled human resources. Notwithstanding, the organization encompasses arguably equally valuable assets that the Government of Canada and all Canadians expect to be managed with utmost prudence. The main identifiable difference between a privately owned business and the Navy is the concept of profit. In her presentation to the Joint Command and Staff Program, Logistician Brigadier General Carla Harding explained that our forces are not in fact business and that we need to stop identifying them as such.¹² However, there exists a need to analyze data, innovate our sustainability processes, and empower leadership to make decisions based on credible and factual information. She challenged the students to expand their viewpoint and expressed that for the CAF our degree of readiness is equivalent to the concept of a profit margin for a business.¹³

9. Through closer examination, this analogy is also best suited to what the RCN is trying to achieve. Through increasing the application of business processes and by specifically using data analytics, the RCN is mirroring many management best practices; the intention of this strategy is to use data to “ensure that the [RCN] is in all respects *Ready to Help, Ready to Lead, and Ready to Fight.*”¹⁴ Although it will align the organization’s decision-making practices, the question still remains is it the best approach overall.

10. One of the methods the RCN uses, the Performance Management Framework (PMF), “sets out an objective basis for collecting information related to a department's programmes.”¹⁵ This framework not only outlines the strategic outcomes and performance indicators, but also intends to cross-reference these indicators with actual data in order to generate information for leaders to make sound decisions. The RCN claims the PMF “uses better information to enable the leadership team to recognize success, identify problem areas, and respond with appropriate actions to learn from experience and apply that knowledge to better serve the organization.”¹⁶ When simplified, the RCN model aligns well with the Geneva Centre for Security Sector Governance Model of Defence Management shown in Figure 1. Accordingly, defence management “strives towards effectiveness and efficiency of defence forces, ensuring they fulfill their duty of...security and defence...in the best possible way.”¹⁷

¹² BGen Carla Harding, *Email: Data Analytics & the RCN*, (Ottawa, January 9, 2021).

¹³ *Ibid.*

¹⁴ RCN, *Digital Navy: A Strategy to Enable Canada's Navy Team for the Digital Age*, (Ottawa: Canada, 2020), 3.

¹⁵ RCN, *NAVORD 1650-2 - RCN Performance Management, Data Collection & Reporting Program*, (Ottawa: Canada, 2016), 1.

¹⁶ RCN, *NAVORD 1650-2 - RCN Performance Management, Data Collection & Reporting Program*, (Ottawa: Canada, 2016), 2.

¹⁷ DCAF: Geneva Centre for Security Sector Governance, Security Sector Integrity, "About Defence Management," accessed January 9, 2021, <https://securitysectorintegrity.com/defence-management/about-dm/>.



Figure 1 – Defence Management Cycle

Source: Geneva Centre for Security Sector Governance, *About Defence Management*

11. The cycle shown in Figure 1, is designed to not only represent a “scientific method, [but also] an art of empowering people and making an organization more effective and efficient than it would have been.”¹⁸ The RCN’s “approach... leverages [these] best practices... and reflects where [they] are as an organization on [their] digital journey.”¹⁹ It is evident through examination of the policy and doctrine, that the RCN places significant value and resources on the planning, organizing, directing, monitoring and controlling functions of this cycle. Through the digitization and data analysis, the RCN has set three goals: empower the RCN team, maintain and deliver relevant Naval Forces, and create an innovative culture.²⁰ These goals are aimed at not only the management of the tangible assets, but also at the fostering of an innovative and empowered culture. All of this is intended to nurture the human resource element as well.

Strengths

Managing Numerous Source Inputs

12. With the ever evolving digital age, military leaders now need to not only make decisions based on single source data, but are also burdened with the increase in number

¹⁸ Ibid.

¹⁹ RCN, *Digital Navy Action Plan*, (Ottawa: Canada, 2020), 3.

²⁰ RCN, *Digital Navy: A Strategy to Enable Canada's Navy Team for the Digital Age*, (Ottawa: Canada, 2020), 7.

of input sources.²¹ With the increase of source data, the decision space / environment for leaders both in and out of command has become more complex. Because of data analytics, the labyrinth of information can now be compiled, categorized, and cross-evaluated, which enables leaders make accurate and appropriate decisions.

Instantaneous and Cost-Effective

13. With advancements in technology and the digitization of reports, the use of IT for analysis enables a more cost effective and more rapid management of data. Ultimately, this allows the RCN to “enhance the organization’s capacity to drive change[,] sustain success and improve performance with a balance between increased efficiency and effectiveness.”²² Such capabilities are cornerstones for an innovative and empowered team, which is seeking to deliver and maintain relevant naval forces – all in keeping with RCN goals.

Reduction of Bias

14. The employment of data analytics to support decision-making allows the RCN to overcome some “human limitations and biases.”²³ By reducing bias, leaders empowered to “make quicker decisions with more valid, dependable, and transparent information.”²⁴ The RCN PMF provides “a consistent approach for systematically collecting, analyzing, utilizing and reporting on the performance of the RCN programmes and activities.”²⁵ When operating in a complex environment, consistency and reliability are essential for success.

Weaknesses

Disconnecting From the Core of the Profession

15. The RCN and the CAF would cease to exist without the foundation of human resources. Personnel are essential for the execution of duties and as previously described are the largest asset to any organization or business. As described in CAF doctrine, *Duty With Honour*, “the profession of arms is distinguished by the concept of service before self,... and the acceptance of the concept of unlimited liability.”²⁶ As a profession,

²¹ Scott S Haraburda, Small Wars Journal, “Benefits and Pitfalls of Data-Based Military Decision Making,” accessed January 9, 2021, <https://smallwarsjournal.com/jrnl/art/benefits-and-pitfalls-data-based-military-decisionmaking>.

²² RCN, *NAVORD 1650-2 - RCN Performance Management, Data Collection & Reporting Program*, (Ottawa: Canada, 2016), 3.

²³ Scott S Haraburda, Small Wars Journal, “Benefits and Pitfalls of Data-Based Military Decision Making,” accessed January 9, 2021, <https://smallwarsjournal.com/jrnl/art/benefits-and-pitfalls-data-based-military-decisionmaking>.

²⁴ Ibid.

²⁵ RCN, *NAVORD 1650-2 - RCN Performance Management, Data Collection & Reporting Program*, (Ottawa: Canada, 2016), 4.

²⁶ Department of National Defence, *Duty With Honour: The Profession of Arms*, (Ottawa: Canada, 2009), 10.

“members... share a set of core values and beliefs found in the military ethos that guide them in the performance of their duty and allows a special relationship of trust to be maintained with the Canadian society.”²⁷ These qualities involve emotions and matters of the heart. They are not tangible, nor are they measurable. With such a large component of our business resting in the hands and hearts of sailors, the RCN’s strict focus on the data analytics may oversee, or devalue, more fundamental data – that which relies on the wellness of the individual.

Misleading Information

16. Although one of the strength of data analytics is the reduction of human bias with respect to the inputting of data, there still exists cognitive biases with the interpretation of the valid and transparent information. As explained by Data Scientist Scott Haraburda, “people seek information that supports what they already believe, and discount those that contradict their beliefs... and often cause people to make judgement errors.”²⁸ Examples of such judgement errors are maintaining aversions to risk, jumping to a conclusion, and refusing to adjust despite contrary information.

Ownership of Functions

17. The RCN PMF and Data Strategy largely focuses on CAF logistics functions, such as supply chain management, human resource management, and financial management. DND logistic policy, personnel, systems and training are designed and originate externally to the RCN. As a result, the RCN is forced into a supporting role.²⁹ It proves difficult to manage the entire business when the origination of multiple functions remains outside the RCN’s sphere of control. In the end, the RCN does not exercise the full function of PMF design, but is empowered only to execute programs packaged for it. For example, the data integrity issues do not end within RCN lines with respect to supply chain management.³⁰ The RCN Action plan states that

Logistics systems are fully integrated with departmental Supply Chain ERPs and must remain so in order to effectively leverage that Supply Chain architecture. The adoption of modern technology encourages transparency and real-time situational awareness, facilitating increased efficiency and effectiveness within each respective Logistics functional system.³¹

²⁷ Ibid., 10.

²⁸ Scott S Haraburda, Small Wars Journal, “Benefits and Pitfalls of Data-Based Military Decision Making,” accessed January 9, 2021, <https://smallwarsjournal.com/jrnl/art/benefits-and-pitfalls-data-based-military-decisionmaking>.

²⁹ RCN, *Digital Navy Action Plan*, (Ottawa: Canada, 2020), 11.

³⁰ Ibid., 11.

³¹ Ibid., 11.

Unfortunately, the systems are far from integrated and as senior logisticians embark on evolving the process, the RCN risks that data analytics and decision-making will draw upon potential invalid data until modernized pan-CAF.

18. The RCN's holistic approach to improving management by introducing increased technological capabilities unfortunately relies on a highly cumbersome and inefficient procurement processes.³² As this procurement process is slow, the RCN risks developing frameworks and policies based on innovative resources that do not exist and may prove to be outdated before the completion of the procurement. Ultimately, these lags in procurement and an inability to direct all logistics functions will affect naval readiness. As previously mentioned, the RCN's readiness is the measurement of business success. Weaknesses are present and need to be mitigated.

Unreliable IT Infrastructure

19. Since August 4, 2011, Shared Services Canada (SSC) now manages and is responsible for much of the IT infrastructure and services within the CAF, including the RCN.³³ An evaluation of the Defence IM/IT Programme conducted in June 2020 determined that "delays in IT services provided by SSC have resulted in ineffective and slow support to operations."³⁴ The RCN has established that modernized technology is essential in achieving efficiency and effectiveness, which directly translated to improved readiness. SSC also exercises significant controls with respect to the oversight of all IT procurement. The report further found that not only was poor planning the result of the delivery of IT inadequate equipment, "but also blamed onerous levels of oversight."³⁵ To become the most efficient and effective, the RCN needs up-to-date tools to execute desired levels of management processes. Unfortunately, it would appear that the nature of IT infrastructure ownership, coupled with the stale/slow/cumbersome/inefficient procurement process does not lend itself to the most efficient business management.

CONCLUSION

20. In conclusion, the RCN's business management approach, including the employment of data analytics offers various advantages and disadvantages. With practices becoming more reliant on advancing technology, the RCN looks to adapt its management functions to ensure decisions are based on consistent, valid, and transparent data. Data analytics increases the speed at which information is compiled and the method by which it is reported to increase decision-making efficiency.

³² Ibid., 16.

³³ Assistant Deputy Minister (Review Services), *Evaluation of the Defence IT/IM Programme*, (Ottawa: Canada, 2020), V.

³⁴ Ibid., IV.

³⁵ Lee Berthiaume, Canada's National Observer, "Poor IT support hurts Canadian Military Operations, Internal Review Finds," accessed 9 January 9, 2021. <https://www.nationalobserver.com/2021/01/05/news/technology-support-canadian-military-operations-internal-review-Canadian-armed-forces-defence-canada-computers>.

21. Although the use of data analytics may enable a reduction of input bias, the leadership must be aware of their own cognitive biases when making decisions. Not only will situations occur when their own beliefs may influence the interpretation of the data, but also they must be cognizant of the potential for the generation of misleading information. This allows for decision making that will improve efficiency, effectiveness and ultimately naval readiness. As a study conducted in the Royal Navy concluded, “when dealing with physical resources,... management functions provide a framework; however, in leading people, a more “emotional” approach to these functions is required.”³⁶ Lastly, ownership of the logistics functions, as well as IT infrastructure, is a significant challenge that will continue to persist and must be factored into all decision-making processes.

RECOMMENDATION

22. The concept of business management processes and the use of data analytics is proving to be successful for the RCN in many aspects of naval readiness. In order to maintain transparency and ensure that decisions are based on accurate data, the RCN should not work in a silo. Success will not only be the result of continued engagement with SSC and the Logistics Branch, but also the RCN should continue to foster team cohesion and seek to improve leadership alongside their PMF practices.

23. As noted by Data Scientist, Scott Haraburda, “they should become open-minded and adopt adaptive leadership practices and methodologies... Adaptive leaders should enjoy a mindset that commits to decisions, but do not become permanently linked to them.”³⁷ Critical thinking is necessary when leaders are given the authority to command organizations such as the RCN; thus, the interdependence of the defense enterprise and human beings requires leadership to look further than the data presented when making decisions that affect the entire institution.³⁸ As many leaders are only now adapting to a culture of incorporating data analytics, it is imperative that competent data antagonists and scientist are employed to empower and “uncover compelling evidence to challenge analyses.”³⁹ These relationships will not only strengthen the decision-making processes, but also enable leadership to grow their own skillsets.

24. The RCN has prospered with its business-like approach to management and the integration of analytics into the decision-making processes. It is recommended that the organization leverage such capabilities strategically and not lose sight of the importance of human capital and the leadership principles that have proved extremely successful for the 110 years of the RCNs existence.

³⁶ Mike Young and Victor Dulewicz, "A Model of Command, Leadership and Management Competency in the British Royal Navy." *Leadership & Organization Development Journal* 26, no. 3/4 (2005) 228-241. <https://search-proquest-com.cfc.idm.oclc.org/docview/226930587?pq-origsite=summon>, 238.

³⁷ Scott S Haraburda, Small Wars Journal, “Benefits and Pitfalls of Data-Based Military Decision Making,” accessed January 9, 2021, <https://smallwarsjournal.com/jrnl/art/benefits-and-pitfalls-data-based-military-decisionmaking>.

³⁸ Ibid.

³⁹ Ibid.

BIBLIOGRAPHY

- Assistant Deputy Minister (Review Services). 2020. *Evaluation of the Defence IT/IM Programme*. Ottawa: Canada.
- Berthiaume, Lee. 2021. "Poor IT support hurts Canadian Military Operations, Internal Review Finds." *Canada's National Observer*. January 5. Accessed January 9, 2021. <https://www.nationalobserver.com/2021/01/05/news/technology-support-canadian-military-operations-internal-review-Canadian-armed-forces-defence-canada-computers>.
- Canada. 2009. *Duty With Honour: The Profession of Arms*. Ottawa: Department of National Defence.
- Canada. 2017. *Strong, Secure, Engaged: Canada's Defence Policy*. Ottawa: Department of National Defence. <http://dgpaapp.forces.gc.ca/en/canada-defence-policy/docs/canada-defence-policy-report.pdf>.
- Canada. 2019. *The Department of National Defence and Canadian Armed Forces Data Strategy*. Ottawa: Department of National Defence.
- CRA. 2020. "What is a business." *Canada.ca*. December 10. Accessed January 9, 2021. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/sole-proprietorships-partnerships/what-a-business.html>.
- DCAF: Geneva Centre for Security Sector Governance. 2021. "About Defence Management." *Security Sector Integrity*. Accessed January 9, 2021. <https://securitysectorintegrity.com/defence-management/about-dm/>.
- Defence Stories. 2020. "The Maple Leaf." *The First Year of the Defence Data Strategy*. October 2. Accessed January 9, 2021. <https://www.canada.ca/en/department-national-defence/maple-leaf/defence/2020/10/first-year-defence-data-strategy.html>.
- Handy, Charles. 2002. "What's a Business For?" *Havard Business Review*. December. Accessed January 9, 2021. <https://hbr.org/2002/12/whats-a-business-for>.
- Haraburda, Scott S. 2019. "Small Wars Journal." *Benefits and Pitfalls of Data-Based Military Decision Making*. November 21. Accessed January 9, 2021. <https://smallwarsjournal.com/jrnl/art/benefits-and-pitfalls-data-based-military-decisionmaking>.
- Harding, BGen Carla. 2021. *Email: Data Analytics & the RCN*. Ottawa, January 9.
- Mike Young, Victor Dulewicz. 2005. "A Model of Command, Leadership and Management Competency in the British Royal Navy." *Leadership &*

Organization Development Journal (Emerald Publishing) 26 (3/4): 228-241.
<https://search-proquest-com.cfc.idm.oclc.org/docview/226930587?pq-origsite=summon>.

Philips S. Anton, Megan McKernan, Ken Munson, James G. Kallimani, Alexis Levedahl, Irv Blickstein, Jeffrey A. Drezner, Sydne Newberry. 2019. *Assessing the Use of Data Analytics in Department of Defense Acquisition*. Research Brief, RAND Corporation. https://www.rand.org/pubs/research_briefs/RB10085.html.

RCAF. 2020. "Royal Canadian Air Force." *Dr. Slawomir Wesolkowski, An Analytics Expert of the Highest Calibre*. November 26. Accessed January 9, 2021.
<http://www.rcaf-arc.forces.gc.ca/en/article-template-standard.page?doc=dr-slawomir-wesolkowski-an-analytics-expert-of-the-highest-calibre/khtqmyxx>.

RCN. 2020. *Digital Navy Action Plan*. Ottawa: Canada.

RCN. 2020. *Digital Navy: A Strategy to Enable Canada's Navy Team for the Digital Age*. Ottawa: Canada.

RCN. 2016. *NAVORD 1650-2 - RCN Performance Management, Data Collection & Reporting Program*. Ottawa: Canada.