MANAGING THE CORPORATE STRATEGIC AGENDA WITHIN DND
The VCDS Organization:
The New Wave in Corporate Business Management

Individual Research Paper

By/par

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ABSTRACT

Within the Department of National Defence, the preponderance of resource management literature focuses on topics such as finance, budgeting, and project management, as they relate to the government's expenditure management system (EMS). This paper looks at resource management from a profoundly different perspective – the strategy management perspective. As such, it begins with an articulation of how strategy is formulated within the Department. It becomes evident that an explanation of only the formal strategy-making processes is insufficient to address the full spectrum of strategy-making principles. Emergent issues have an equal, if not a more important role in the strategy-making continuum within the Department. From this analysis, one will discover that while strategy is *formulated* through formal processes, it also *forms* as a result of emergent issues. This creates a dynamic and complex strategic environment that is easily perceived as chaotic and confusing. To manage this seemingly random and complex environment, the Department created the Vice Chief of Defence (VCDS) Group, which acts as the Chief of Staff to the Chief of Defence Staff and the Deputy Minister. Established in the 60s, this Group was given the mandate to manage the corporate strategy.

Interestingly, the business community did not take notice of this strategy management construct until much later. It wasn't until 2005, 15 years after beginning to conduct hundreds of case studies through the 90s, that business experts such as Dr. Kaplan (Harvard Business School) and Dr. Norton (Palladium Group) began extolling the virtues of establishing what they call an *Office of Strategy Management,* within a corporation. This paper investigates the functions of this *Office of Strategy Management*, and demonstrates that it effectively mirrors the functions of the VCDS Group. Both organizational constructs follow the same pattern and look into the future to coordinate strategic initiatives, manage the corporate processes to ensure that the initiatives are effectively managed, prioritize the initiatives, manage the strategic agenda for senior management, and integrate the strategic priorities with the organization's functional authorities. From a review of the VCDS Group, and in particular the Chief of Force Development and the Chief of Programme divisions, it is shown that all the constituent components of an *Office of Strategy Management* are in place within the Department of National Defence. From this analysis, it can been seen that the business community is, in fact, now embracing the central VCDS organizational construct as a basis for maintaining a strategy focused organization. In essence, the central coordinating function inherent in the VCDS organization is the new wave in corporate business management. The Department is again blazing an effective management trail for others to follow.

INTRODUCTION

In today's dynamic business environment, corporate institutions are focusing more management attention on strategy implementation techniques and processes than on traditional strategy formulation activities. While all organizations need a strategy in one form or another, many enterprises have discovered that great strategies do not necessarily correlate to increased performance. In fact, Fortune Magazine published that "less than 10% of strategies effectively formulated are effectively executed."[1] This is an obvious concern for any organization that wishes achieve or exceed their strategic objectives.

Robert Kaplan and David Norton, the developers of the Balanced Scorecard performance management tool, have been leading an effort to understand the dynamics at play. Through the conduct of hundreds of case studies, it became evident that companies who were able to maintain an enterprise-wide strategic focus achieved greater results than those that did not.   Interestingly, each organization that consistently demonstrated high performance exhibited management characteristics similar to the other high achievers. The best of these have implemented central control of their strategy agenda through stand-alone offices that Kaplan and Norton have called the *Office of Strategy Management*.[2] More importantly perhaps, is that the evidence suggests that the success of this *Office of Strategy Management* construct is not isolated to specific types of institutions, but instead is applicable to all organizational entities, including the public sector.

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[1] Robert S. Kaplan, "Creating Strategy-Focused Public Sector Enterprises" (Washington, DC, United States of America, Palladium Group Inc., 9-11 October 2007, 2007).
[2] Robert S. Kaplan and David P. Norton, "The Office of Strategy Management," *Harvard Business Review* 83, no. 10 (10, 2005), 72-80.

If this is true, then it would appear that this new concept in business management may be applicable to the Department of National Defence (DND) as well. If public entities are achieving successes by creating a central organization that manages the corporate strategy, perhaps there are various lessons that can be gleaned from the business community. Or is it that the business community is only now learning about the benefits of how DND has been structured since 1966, when the newly-formed Vice Chief of Defence Staff (VCDS) group was given the responsibility for the departmental strategic "programming function" which, at its core, included strategic long-term planning and corporate management. [3] This paper will argue this latter position. As such, it is appropriate to first review the functions of the VCDS group, and the strategic environment within which it operates.

Clearly, the VCDS Group has evolved significantly since 1966, as has the Canadian Forces headquarters structure. Initiatives such as the Management, Command and Control Re-engineering Team (MCCRT) and the most recent Transformation activities, have sought to refine how National Defence Headquarters (NDHQ) does its corporate management. It has pioneered a central management construct that now provides for top down direction, while allowing for bottom-up initiatives. To determine the relationship between the current VCDS organization and the *Office of Strategy*

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[3] Canadian defence unification efforts in 1964 introduced, for the first time, an integrated headquarters structure for the Armed Forces, bringing together the three service headquarters into a single HQ organization. Initial organizational structures were subject to multiple changes, but by 1966, the VCDS group had formally received the corporate programming function from the Deputy Minister's organization. Thus, the VCDS was responsible for the department's "…reiterative planning process of balancing requirements flowing from the planning process with the budget available through the estimate process…". For a description of the evolution of the VCDS organization, see Loomis, *The Impact of Integration, unification and Restructuring on the Functions and Structure of NDHQ*. (1985)

Management construct, as espoused by Kaplan and Norton, it is necessary to understand how the VCDS is structured and how that structure manages the corporate strategic agenda.

Within the construct of today's NDHQ organizational structure, the VCDS, as the NDHQ Chief of Staff (COS), is responsible to both the Chief of Defence Staff (CDS) and Deputy Minister (DM) for the coordinating the implementation of the Defence Services Programme (DSP). It is useful to note, that from a Canadian government organizational perspective, this COS structure is unique to DND alone. No other Canadian government organization has a similar management construct.

As a key output of its mandate, the VCDS manages the strategic agenda so that the corporate objectives are achieved within the timeframes using the resources available. This is accomplished through a centralized staff of dedicated Force Development and Programme personnel, who work extensively with the "business units", the Level-Ones, to prioritize and sequence corporate activities in accordance with the corporate strategy.[4] It is this notion of a corporate strategy that must be looked at in greater detail if one is to understand how to manage it. Certainly, it would seem logical that the corporate strategy must be understood before any effort can be made as to its implementation.

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[4] From a central oversight perspective, business units are those organizations that submit business plans to the VCDS for review (i.e. Chief of the Air Staff, Chief of the Maritime Staff, etc). There are 26 Level-Ones within the department. A more in-depth discussion of the corporate business plan coordination activities will be presented later in this report. Force Developers look into the future to define *what* capability requirements are necessary to achieve strategic corporate objectives, whereas Programmers focus on current resource realities to determine *how* the Department will transition to those future constructs.

But what is the DND corporate strategy? Is it the command-centric transformational agenda articulated by the CDS in 2005? Is it the government's Canada First agenda as articulated during their 2006 election campaign? Is the strategy to focus on Afghanistan, or is it to look beyond with the aim to recapitalize the major equipment assets? Does it develop from formal planning processes or is it whatever the government of the day says it is. Clearly, one could answer yes to anyone of these questions, and then, even add several more perspectives. The problem is that some, if not all, of these concepts contradict each other in one way or another. For example, decisions to address Afghanistan capital equipment requirements may not be congruous with longer-term departmental recapitalization strategies, or even the daily political imperatives that are central to domestic concerns.

This paper will begin by demonstrating that strategy is *formulated* in a dynamic environment. It certainly includes formal planning mechanisms, but it is also significantly influenced by the environment and thus, sometimes *forms* as a result of emergent issues. This is particularly relevant in the discussions surrounding the structures that are necessary to manage the dynamic strategy environment. In a typical resource constrained environment, decisions have to be made on what level of resources will be made available for which initiative. While ambiguity is inherent in the "defence" environment, from a management point of view, the ambiguity must be clarified to the point that resources can be balanced amongst the various priorities. Thus, prior to discussing how to implement strategy, this paper will discuss the many faces of strategy, particularly from the perspective of how strategies are formulated. With this

understanding, one will be able to better assess the type of corporate structures that are necessary to focus an organization as large and as complex as DND.

Following on from the understanding of strategy-making within DND, this paper will focus on contemporary approaches to strategy management, as espoused by the Harvard Business School through hundreds of case studies, spanning over 20 years. This business analysis will lead into a review of the managerial functions within the VCDS group. The review will help clarify how central management is structured with DND and how defence planners function within a complex corporate system. It will become evident that the organizational structure and the associated functions that have developed within the VCDS group since 1966 are, in fact, consistent with Kaplan and Norton's 2005 notion of an *Office of Strategy Management*. Or perhaps stated more succinctly, the functions that are now being touted within the *Office of Strategy Management* construct mirror those that originated and evolved within DND. From this perspective, it is suggested that the central control function of the VCDS organization is becoming the next wave in the evolution of corporate management mechanisms within the business community.

Road kill on the strategic highway[5]

Maj Kent Sutherland

STRATEGY – WHAT THE LITERATURE SAYS

There has been a great deal of literature that has been published on topics such as strategic thinking, strategic management and strategic planning, to name but a few. While it is generally accepted the notion of a "strategy" includes some articulation of future organizational objectives molded by corporate belief and values, and amplified through mission and vision statements, the method by which that strategy is formulated remains a virtually constant and dynamic debate. The following descriptor is representative of those typically found in MBA literature:

Strategy is a concrete expression of how a business intends to compete and win in its marketplace. As such, strategy is the definitive tool for building, communicating, and maintaining the direction of a business. The intention

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[5] Major Kent Sutherland, a senior corporate analyst within the Director of Force Planning and Programme Coordination (DFPPC) office coined this phrase in response to the dynamic strategic environment within DND during 2006. His comments reflected the variability brought about by the political influence of the newly-appointed Minister of National Defence upon the intentions of the Chief of Defence Staff. This led to a series of seemingly constant and revolving updates to the department's resource allocation plan. With the added complexities of the on-going operations in Afghanistan during the same period, there appeared to be a constant flux to the corporate strategic objectives. Strategies in place one week were often changed the following week. What was thought to be a certainty was routinely up for debate. Many preconceived notions changed and ended up as "road kill" as the department progressed along the *strategic highway*, towards a definitive strategy. As a result, CProg staff was constantly challenged to maintain situational awareness of the decision rendered by the executive authorities. This is not intended as a critical comment, but instead, a reflection of the dynamic environmental influences that routinely intertwine with the formal strategic planning process. This variability is a fundamental reality of strategy-making in DND.

of strategy is to take the basic ideas of a business, such as those reflected in mission, values and vision, and express them in operational terms – in terms that are directly useful for analysis and action. [6]

The difficulty with this definition is that it suggests that strategy precedes structure. It also suggests that formal corporate strategic planning activities eclipse all other strategic environmental influences. Thus, if no strategy exists, an organization would have to remain stable during a period of strategy formulation, at least until such time as direction could be articulated. If this were the case, it would have proven to be very difficult within DND during the period 2006 and 2007 to support and approve any strategic capital equipment initiatives. [7] With the arrival of a new government in 2006, a significant effort was launched to define the future force structure of the Canadian Forces within the resource constraints articulated by the Minister. There was to be a new way forward, and tough decisions were going to be necessary if the department was to remain affordable. With this in mind, the Defence Capability Plan was to be the medium by which the strategy would be articulated. The process however, was going to take several months, and the department needed to move new acquisitions like the strategic and tactical airlift projects, as well as the medium weight vehicle system and the Joint Task Force 2 (JTF2) expansion. Yet, these projects did move forward and received Cabinet and Treasury Board (TB) approval *without* a formal corporate strategy in place. Rather than suggest that decision makers were moving forward in an information vacuum, this

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[6] Joseph N. Fry and Killing J. Peter, *Strategic Analysis and Action*, fourth ed. (Scarborough, Ontario, Canada: Prentice-Hall Canada Inc., 2000), 17.
[7] The International Policy Statement (Defence), which was published under the Martin Liberal in 2005 government, was no longer valid under the Harper Conservative Government in 2006. As a result, there was no overall guidance policy that would provide high-level (strategic) direction to the department. As will be seen, this was a significant practical concern for the Force Development staffs, yet only an academic nuance for the Chief of Programme, particularly DFPPC.

example offers an indication that perhaps strategy is formed in several different ways, and that it doesn't always precede organizational structure.

There is a broad spectrum of strategy-making literature available on the market. While, one would expect that there would be a great deal of similarity between one author and another, there are in fact many distinct views on how strategy is actually created within an organization. In their book, *Strategy Safari*, Mintzberg, Ahland and Lampel provide an extensive look at the overall literature and provide a consolidated appreciation of what strategy really means. Others have produced similar works with different perspectives, but the core constructs remain the same. For the purposes of understanding strategy formation within DND, the perspectives articulated by *Strategy Safari* have been selected as particularly useful in unveiling the corporate dynamics influencing the strategic activities of senior National Defence Headquarters (NDHQ) staffs.

From their analysis, Mintzberg, Ahland, and Lampel have identified 10 specific schools of thought on the creation of strategy within an organization. The 10 schools of thought are shown at Table 1. Although 10 may seem daunting from a conceptual point of view, it is important to recognize that while each provides a unique, sometimes restricted, perspective, some are closely linked with each other. For example, the Design perspective was the basis upon which the Planning and Positioning perspectives evolved. Each of these perspectives focuses more on how strategies *should* be formed rather than *how* they, in reality, are formed. The Planning and Positioning differentiated themselves

from the Design school by adding formality and analytics into the strategy-making process. Positioning is particularly important because, through its analytical process perspective, it introduces the notion of content into the strategy formulation equation. These ideas were dominant in business literature throughout the 80s and 90s and were the fundamental constructs embraced by business consultants and academic institutions of that time.

Table 1 – Strategy-Making Perspectives

Type	Process	Construct	Remarks
Design	Conception	prescriptive	Informal process of strategy making
Planning	Formal	prescriptive	Systematic planning
Positioning	Analytical	prescriptive	Systematic planning
Entrepreneurial	Visionary	descriptive	Individual
Cognitive	Mental	descriptive	Individual
Learning	Emergent	descriptive	Organizational Adaptation or learning
Power	Negotiation	descriptive	Process of negotiation within or amongst organizations
Cultural	Collective	descriptive	Defined by the organizational culture
Environmental	Reactive	descriptive	Reactive to external influences
Configuration	Transformation	combination	Processes defined by the life-cycle of an organization

(source: adapted from Mintzberg, Ahland and Lampel, *Strategy Safari*)

Using the perspectives presented in *Strategy Safari*, the following paragraphs continue to elaborate upon Mintzberg, Ahland and Lampel's schools of thought. They are particularly instructive in that they indicate that strategic planning unto itself is not sufficiently robust to address the all the aspects of corporate strategy-making. The Entrepreneurial, Cognitive, Learning, Power, Cultural and Environmental perspectives that follow focus on specific aspects of strategy making to determine *how* strategies are formed. Entrepreneurial and Cognitive disciplines focus on the influence of the individual leader in the formulation of strategy. The Entrepreneurial perspective received significant attention during the early 1980s but it has diminished significantly since then. Academic literature on the Cognitive domain of strategy making began in the early 1980s and continues to grow as academics and business professionals attempt to understand and maximize the potential of the human mind.

Learning, Power, Cultural and Environmental perspectives move beyond the individual to those aspects or forces which can significantly affect senior-level management in complex environments. Well suited for management disciplines in large organizations, these perspectives attempt to place or integrate the notion of "context" into the strategy formation constructs. The significance of these four perspectives is that they introduce the concept that organizational strategies can emerge as a result of specific or generic reactions to external influences. In other words, a corporate entity must be able to recognize and adapt to those influences. Without doubt, a comprehensive understanding of all the strategy-making underpinnings is critically vital if an organization is to manage its strategic agenda effectively.

Mintzberg, Ahland and Lampel indicate that the 10th school of thought is one of combination. Gaining significant momentum in business schools and associated institutions, this final school, which they refer to as the Configuration school, combines the various perspectives into a systematic life-cycle construct of an organization. As such, it incorporates the forward looking perspectives of the first three schools of thought, recognizes the inputs of the individual leader, and accepts the real-world environmental influences of the latter concepts. This perspective on strategy formation embraces the notion of a multi-faceted dynamic in which organizational structures do not necessarily follow strategy, but rather in which they coexist in parallel.

The reality within DND is that its strategy-making construct closely resembles the Configuration approach. Unfortunately, from a strategy management perspective, it is thus, often difficult to articulate what the strategy of the department really is. This difficulty arises because under the Configuration approach, strategies do not emanate only from one source. Some are a result of formal planning while others emerge without intention.[8] What is important is that senior leaders recognize how these strategy formation constructs interrelate, such that the department can maximize their usefulness

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[8] Mintzberg, Ahland and Lampel identify strategic plans as intended strategies, but point out that those intended strategies are often not realized. Moreover, some realized strategies were never intended. They further classify realized strategies that were not intended, as *emergent strategies*. Those that were realized, and that were intended, are classified as *deliberate strategies*. Finally, those strategies that were not realized are tagged as *unrealized strategies*.

and avoid the associated pitfalls.[9] In so doing, the department will be more effective in managing its strategies.

FORMAL PLANNING WITHIN DND

For the past several years, the department has relied heavily upon the Strategic Capability Investment Plan (SCIP)[10] to provide the organization direction on the acquisition of capital equipment, and the Defence Plan to provide the overall financial resource perspective for the Department (current year, plus three additional years).[11] All the plans requiring the allocation of resources were coordinated through the office of the Director General Strategic Planning (DGSP) and principally had a near term focus.

With respect to the SCIP, the "out-years" were shown to be unaffordable and virtually no attempt was made, within the plan, to address the issue.[12] However, the SCIP did recognize the long-term reality of the acquisition process and did address the capital programme from Horizon one, through Horizon two and into Horizon three, even

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[9] Each individual school of thought presents a relatively narrow perspective on strategy formation. Therefore, each has inherent limitations that, taken in isolation, could have adverse affects of an organization's ability to construct a coherent strategic plan.

[10] The Strategic Capability Investment Plan (SCIP) was to "set out the departmental high-level plan for investment in defence capabilities for the next fifteen years". It also sought to "elevate mandated long-term capital/capability planning to a higher strategic plane and facilitate the holistic investment of resources." For more detailed explanation, see Director General Strategic Planning (DGSP), "Strategic Capability Investment Plan," Department of National Defence,
http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/scip/scipc02_e.asp (accessed 4/28, 2008).

[11] Other strategic plans, such as Strategic Intake Plan (SIP), are equally important in providing a degree of structure in an often chaotic and complex environment.

[12] "Out-years" represent the period covering future year activities. "In-year" reflects that period within a specified fiscal cycle (normally the current fiscal period).

though the cumulative effect of the individual projects clearly exceeded the available notional capital resource envelop.[13]

The execution of the "in-year" portion of the capital programme is subject to many internal and external departmental factors. Delays in departmental approvals, contractual activities and product delivery schedules routinely cause the capital equipment plan to slip to the right. As a result, the SCIP could never be implemented as intended and what actually occurred was not what was articulated in the document. Regardless, for the most part, the lower priority projects were slipped into future years to maintain a near-term affordability structure. Through successive years of slippage, the net result was a continually developing "bow wave" of demand (the projects) that exceeded supply (the finances). Thus, from a resource management perspective, the overall capital programme was in constant flux.

Similarly, the Defence Plan needed to be constantly updated throughout the annual business planning cycle to reflect the resource re-allocations resulting from the "in year" changes that arise due to the existing environmental conditions. These changes can include such items as the redistribution of resources due to department approval of projects, the return of funds due to programmatic slippages, and Level-One adjustments to compensate for economic realties such as energy cost increases.[14] The end result is

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[13] Horizon One generally refers to the 1-5 year planning window, although some documents will articulate it as 1-4 years. Horizon Two includes years 5 through 10, with Horizon Three constituting years 10 to 30. For more details, see Chief of Programme, "Strategy Management," Chief of Programme, http://www.vcds.forces.gc.ca/dgsp/pubs/dp_m/intro_e.asp (accessed 4/28, 2008).

[14] Due to a constantly changing and dynamic strategic NDHQ environment, the formal annual updates of the document were put on-hold until a new and improved planning construct could be developed. This will be addressed in a more fulsome manner in the next section.

that the realized strategy was often not what was intended. This highlights that strategy concerns both an organization and its environment and that the "…substance of strategy remains unstructured, unprogrammed, nonroutine and non repetitive".[15]

With the demise of the DGSP group, and the subsequent creation of the Chief of Force Development (CFD), a renewed emphasis on long term strategic planning was achieved. Within that restructuring, activities on the SCIP were minimized as the department focused on the development of a Defence Capability Plan (DCP). Based on a capability management approach to strategic planning, CFD began developing a set of scenarios that would act as a tool to assist in the identification of future requirements. Analytical techniques were established, such that a controlled process of formal planning would lead to the creation of a strategic capability roadmap (SCR). Throughout this new and improved process, the central CFD staff consciously engages the force development staffs of the applicable Level-Ones to ensure that the extensive experience and knowledge inherent in the organization is brought to bear. The premise is that once the enterprise-wide plan is articulated, it would be handed over to the Chief of Programme for implementation. This construct is an explicit example of the Planning perspective in strategy making.[16]

Within this conscious process of formal planning, an overriding principle is held constant. As articulated in all of the recent government white papers, including the most

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[15] Henry Mintzberg, Bruce Ahlstrand and Joseph Lampel, *Strategy Safari: A Guided Tour through the Wilds of Strategic Management* (New York, New York, United States of America: The Free Press, 1998), 16.
[16] ibid, 57 Mintzberg, Ahland and Lampel. provide a detailed explanation of the premises behind the planning school of thought, and the fallacies that this perspective perpetuates.

recent International Policy Statement (Defence), the Canadian Forces would pursue a

strategy of multi-purpose combat capable forces. One could further expand this construct

to include multi-purpose, joint forces as part of the overall goal to achieve strategic

effect. The underlying institutional principle is combat capability. This aligns nicely

with two of Mintzberg, Ahland and Lampel's definitions of strategy: position and

perspective.[17] In *Strategy Safari*, the authors articulate that a position strategy is one

where an organization looks out to the customer to determine a product base. In the case

of the Department, the government represents the customer, and the product base is

multi-purpose forces. The perspective strategy is one in which the organization looks

inside itself to develop a fundamental way of doing things – combat capability.

Interestingly, as Mintzberg, Ahland and Lampel point out, changing position within

perspective is easier than changing perspective while maintaining position. This became

evident in the NDHQ staff debates about the impact of ice breakers/offshore patrol vessel

on the combat role of the Canadian Forces.[18]

It is appropriate at this stage, to reinforce the construct of formal planning and its

domination within the strategy-making philosophy at NDHQ. In other words, developing

a strategic plan is process and staff-based. With the arrival of General Hillier as the

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[17] Mintzberg articulates that the definition of strategy varies among business analysts. He offers five commonly used forms of strategy: strategy as a *plan*; strategy as a *pattern*; strategy as a *position*; strategy as a *perspective*; and strategy as a *ploy*. For a full description of each definition, see *Strategy Safari* 9-15
[18] These professional debates exist frequently as strategic departmental planners balance combat fundamentals with the notions of more constabulary duties. Specifically, upon the arrival of the newly elected Conservative government and in view of their Canada First campaign principles, there was a discussion about whether the Department's combat capability perspectives were being challenged in favour of more domestic-only capabilities. The potential impact of this approach on the Department's multi-purpose force position was problematic for the strategic planning team and would have caused a dramatic shift in the way the Department perceived its future. In the end, the combat-capability perspective of the Canadian Forces was not challenged.

Chief of Defence Staff (CDS), a reinvigoration of select management principles was directed under the rubric of transformation.[19] With the intention of providing a common focus for decision making, and presumably strategy-making, the process and staff-based decision structures were put into question. From that premise, Gen Hillier implemented a shift from a staff-based to a command-based decision construct within the headquarters.

The command-centric perspective was clearly aligned with two other transformation principles: Operational Focus and Mission Command. Combined, these three principles introduced an interesting observation. Since the professional military corps is well acquainted to a formal command structure, whereby the Commander provides the required focus and direction (Orders), and the obvious necessity of operational effectiveness in achieving the desired outcomes, it is then evident that command-centric could be equated to commander-centric.[20] This clearly made sense to many senior officers (i.e. the Commanders), and in effect, caused the minimization of staff influence. As a result, the inherent processes that ensured staff coordination in the decision making process across the enterprise were marginalized. Without passing judgment on its effects, this approach is perfectly suited to the Entrepreneurial school of thought, as presented in *Strategy Safari*.[21] It advances the importance of "personalized,

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[19] General Hillier's Transformation Principles encompassed 6 major areas of focus: CF Identity; Command Centric Imperatives; Authorities, Responsibilities, & Accountabilities; Operational Focus; Mission Command; and, Integrated Regular, Reserve and Civilian Canadian Forces.

[20] Raymond Crabbe, Lynn Gordon Mason and Fred R. Sutherland, "Report on the Impact of Canadian Forces Transformation on Defence Strategic Enablers" 2007) (accessed 28 April 2008). In this unpublished report, the authors identify the problems that can occur if command-centricity is taken to the extreme and not balanced with other institutional requirements.

[21] It is supported by Mintzberg, Ahland and Lampel's cognitive perspective. This school of thought for strategy making probes the mind of the leader and draws upon the filed of cognitive psychology as it pertains to the human mind as it adapts to and perceives its environment. It is academic in nature and not

proactive, single-minded leadership" within an institution's ability to formulate strategy.

Quite logically, power is therefore centralized in the mind of the "Commander".

This causes some problems for the defence planning staffs, as well as the defence resource managers, because the formulation of the resultant strategy is semiconscious at best.[22] It often resides within the mind of the originator. As such, it is perceived as an art, not a science. This entrepreneurial leadership spirit causes the VCDS staffs to be reactive to the desires of the Commanders, without an understanding of how the individual developed the strategy in the first place.[23] Moreover, the organizational process that guaranteed systematic coordination of ideas across the enterprise becomes victim to the insight and creativity of the individual. This, in no way, should be taken as an affront to the individual leader and his/her natural authoritative influence as the head of the applicable organization, but instead as recognition that the individual leader's affect on strategy-making must be understood as it pertains to the overall management of strategy within an organization. Formal corporate planning activities must be able to accept, adapt to and support the inputs from entrepreneurial leaders. This is what General Hillier's command centric focus reaffirms.

But this entrepreneurial perspective should be recognized within its relatively narrow confines and should not be overstated in its importance within a large, complex and mature organization such as DND. While this sort of leadership is most evident in

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directly attributable to specific management practices, even though it has an effect on how decisions are made.

[22] ibid., 144

[23] This concept of management is epitomized by the comedic black boxes, found in decision loops, where "magic happens".

large organizations when significant organizational changes are desired or essential, it is usually associated with embryonic organizations in which the desired outputs and outcomes are still the early stages of development. This is clearly not the case for DND whose mission and basic output constructs have not appreciably changed for decades.[24]

Processes are, in fact, still essential, and an intelligent application of a command-centric construct is based upon an effective process by which the Commander can be reassured that his staffs have addressed the complexities of the environment within which the organization is operating. The Operational Planning Process, with its inherent decision cycle, is one such system that provides a structured method of providing advice to the Commander. Based on the continental command structure, long-term issues are managed by the *Planning* staff while short-term realities are addressed by the *Operations* staff. Within corporate NDHQ, a parallel system is in place, residing within the VCDS organization. While CFD produces the long-term "strategic" plan, Chief of Programme (CProg) manages the implementation of that plan. As mentioned earlier, this supposes a theoretical construct in which the strategic capability roadmap is forwarded to CProg for implementation. It is within CProg where defence resource management links labour to

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[24] In the post World War II review of defence policy in Canada, Brooke Claxton, the then Minister of National Defence, published Canada's first defence "white paper" - Canada's Defence 1947. In this document, he established three basic roles for the defence department: defend Canada; assist the civil power; and provide collective security in cooperation with Canada's allies. His policy was clearly based upon "defence against aggression" in the context of the country's wartime experiences of the three services, and thus, he generally supported the combat capabilities developed by those services. He acknowledged the importance of the international climate and the disposition of friendly nations, in particular the British Commonwealth and the United States. These fundamentals have not changed and remain valid today. The Defence of Canada, the defence of North America, and the maintenance of multi-purpose, combat-capable forces, are also key tenets of the 2005 International Policy Statement – Defence. For a detailed review of Brook Claxton's 1947 defence policy, see Claxton, Brooke, Hon. M.P., "Canada's Defence: Information on Canada's Defence Achievements and Organizations" In *Canada's National Defence: Volume 1, Defence Policy*, ed. Bland, Douglas L., Dr., Vol. 1 (Kingston, Ontario, Canada: School of Policy Studies, Queen's University, 1997), pp9-56.

capital. This is where reality is preeminent and resource allocations are balanced across the enterprise to ensure financial obligations of the Department match the combat capability objectives of the Canadian Forces. And this is where, Mintzberg, Ahland and Lampel's Learning, Power, Cultural, and Environmental perspectives on strategy-making become most evident within DND.

DEALING WITH EMERGENT ISSUES

Context is an important part of strategy-making. That is to say that, environmental influences have a significant role to play in the strategic direction of an organization. Although the deliberate strategic plan (the SCR, when completed) will articulate the capability requirements for the Canadian Forces, the implementation of the plan must consider emergent issues that tend to arise during the complex and unpredictable nature of day-to-day operations. For example, the up-armouring of the combat vehicles in Afghanistan in 2006 is a result of retrospective analysis that is at the core of DND's "learning" philosophy.[25] Since the resultant vehicles modifications were not originally programmed in the SCIP, resource reallocations were necessary to adapt to the new requirements. This adaptation is a fundamental indication of the organizations ability to learn and to adjust to emergent issues.

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[25] This initiative was introduced as the Mounted Soldier Survivability Project. It included a number of sub-system enhancements that were intended to improve the safety characteristics of existing soldier combat systems. The improvements were conceived to address the rapidly evolving operational threats in Afghanistan.

The emergent nature of strategy management has become popular in strategy literature. It recognizes that deliberate corporate strategies are often modified by these emergent issues. From Figure 1, one can visualize that realized strategies can be different than the deliberate strategies, depending upon the emerging issues. Within DND, emergent issues often have an immediacy that requires near-term resource reallocations. The organization must balance these new demands within the overall Defense Services Programme to ensure that the financial resources, as well as the organizational capacity, are available to implement the new capability. As Mintzberg, Ahland and Lampel acknowledge, "[t]hese strategies can emerge at all levels of the organization. Once recognized, they can be made formally deliberate".[26] Thus, with the close cooperation between planning staffs and programming staffs, near term funds are allocated to deal with the immediacy requirements, while the long-term planners adjust their strategies to include the new perspectives. Within DND, this linkage often makes the defining line between strategy formulation and strategy implementation almost indistinguishable.

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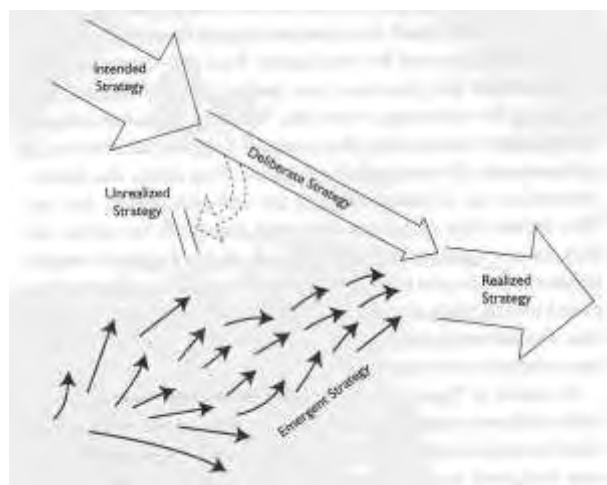
[26] ibid., 208

Figure 1- Realized Strategies

(Source: Mintzberg, Ahlstrand, and Lampel 1998 12)

Defence resource managers are on the constant alert of adopting the wrong strategy. Emergent issues must always be addressed in conjunction with long-term goals. This creates a natural tension between those parts of the organization that place a predominant focus on emergent issues with those that attempt to balance limited resources within the overall central programme. The VCDS has mandated that CProg manage this tension and provide a challenge function through a central coordinating role that protects the corporation from misaligned activities.

Within NDHQ, "everything is political".[27] This mantra seems overstated, but in reality it is not. The decisions to grow the force, procure systems and station military forces at specific locations across the nation all have a classical political dimension. Equally, the decision to dispose of infrastructure when it is no longer necessary and to replace capabilities cannot be made without political consent as well. Thus, political power is exercised at each stage throughout the life-cycle of assets (from acquisition, through operations to disposal). It goes to reason then that strategy formulation is shaped by political power. This is the nature of reality.

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[27] LGen Sutherland (ret'd) address to NSSP10 January 2008. This phrase was presented in context to his experiences as Commander of the Air Force and VCDS.

Classical politics often has a short-term focus. Generally speaking, political interests lie in short-term impacts; impacts that may be realized during the mandate of the party in power. In some circumstances, however, political power will have long-term affects on the organization. This is neither positive nor negative, but instead a recognition that the department answers to the political will of the nation.   This forms what Mintzberg describes as the Power school of thought of strategy making.[28]   Within DND, it is CProg who must programme the political realities into the established DSP and adjust the strategic plan accordingly to achieve corporate continuity.[29] Obviously, long–term implications will be addressed by the strategic planners in CFD, but for the most part, it is the strategic programmers within CProg who must coordinate and facilitate the day-to-day political influences to establish a relative strategic stability from which the necessary subordinate activities can be planned.

The final independent aspect of strategy making within the department is organizational culture. It is pervasive in all larger organizations and is easily recognizable within each environmental service of the Canadian Forces as well as the functional organizations within the Department. It is a socialization process, based on beliefs, which is usually instilled through osmosis, and sometimes supplemented through formal indoctrination courses. It creates cohesiveness and organization morale and becomes the underpinning of decisions and organizational thinking.   It however has a darker side in that it may cause stagnation of thought.   As is noted in *Strategy Safari*,

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[28] Mintzberg at al identify two forms of Power: micro, which uses forms of persuasion up to and including direct confrontation; and macro, which positions an organization through forms of "collective strategies".
[29] CProg meets with the Minister's staff once a week to discuss corporate submission priorities. At this meeting, they discuss the sequencing of initiatives that require Ministerial endorsement and identify any issues (non-resource as well as resource-based) that could affect the department.

"[c]ulture and ideology do not encourage change so much as the perpetuation of existing strategies; at best they can promote shifts in position within as organization's overall strategy perspective."[30] In recognizing the functional cultures inherent within DND, and in believing that a unified focus can be more powerful than the sum of the individual components, General Hillier set out to craft a CF culture that would dominate strategy-making within the organization.[31] CFD and CProg share in this responsibility. All initiatives are reviewed from a CF perspective, to ensure interoperability and enterprise-wide implementation efficiencies.

Strategy-making is clearly a complex undertaking, and there is often a great deal of misunderstanding and confusion about what it really is. There is no one agreed-upon construct, but it is evident that strategy in DND evolves from a series of interactions between individual leaders and their environment. Mintzberg encapsulates the overall notion best, in the following citation:

> Strategy formation is judgmental designing, intuitive
> visioning, and emergent learning; it is about transformation
> as well as perpetuation; it must involve individual cognition
> and social interaction, cooperation as well as conflict; it has
> to include analyzing before and programming after as well
> as negotiating during; and all of this must be in response to
> what can be a demanding environment.[32]

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[30] ibid., 268
[31] This is the "CF Identity" Transformation Principle.
[32] ibid., 373

While the foundation of strategy may be based on the notion of change, strategy management seeks to provide continuity for an organization. By developing a strategic roadmap, CFD aims to quantify the various strategy making methodologies into a formalized deliberate plan. From this, it is the responsibility of CProg to ensure that the various departmental stakeholders act in a behaviour consistent with the plan. In recognizing that environmental influences have a significant affect on strategy making, and that a plan rarely executes as originally foreseen, CProg further adapts the department's resource-based *Investment Plan* to account for the nuanced changes that routinely emerge.[33] In effect, CProg attempts to continuously coordinate the high-level actions of the organization to stabilize the direction of the department through coherent and integrated resource allocations.

It may seem that change within the department is constant, but from a high-level perspective, the key characteristics are relatively stable. As noted earlier, this is made possible by a mission statement that hasn't changed for decades. It is true that some structural changes have occurred within the department but most are incremental in nature. It has now been over a decade since the fall of the Berlin Wall and the end of the Cold War. Despite the new realities of irregular warfare, and the supposed major changes to combat capability that were to be inevitable, we are today, still planning to procure high-tech tanks, fighters and warships as the basis of combat capability. The

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[33] Initiated under the direction of Treasury Board, the Investment Plan aims to articulate the long term perspective on acquisitions and investments that are necessary to achieve the department's strategic objectives. As such, it is a resourced-based document. The plan will cover a 10 year period, but will incorporate a 20 year perspective. It will align both financial and human resources with existing and future requirements. It will integrate infrastructure, information technology, human resource, operations and maintenance and national procurement into a coherent plan that provides greater transparency within government.

overall quantities may be changing and the designs are evolving to provide greater firepower and protection to the crews, but the overall characteristics of the Canadian Forces has remained very stable. Thus, the notion of a combat capability as a core high-level strategic position within a multi-purpose force perspective has withstood the test of time.

But change does happen.   Sometimes it is "transformational', but most of the time it is incremental. As Mintzberg notes, "most organizations, most of the time, are changing incrementally."[34] Accordingly, the VCDS, through the assistance of CFD and CProg, seeks to manage the strategic agenda such that it is constantly adapting to, and providing continuity in response to, the incremental changes that routinely occur. In the situations when the relative stability is interrupted by a potentially disruptive transformational change from one organizational state to another, the VCDS coordinates the process such that the output capability of the department is not destroyed during the ensuing transition. But, in the end, it matters not that the strategy is formally articulated as a strategic capability roadmap, or that it emerges as a pattern in response to environmental realities. What matters is how the various strategies are managed to provide coherency and continuity for the department.

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[34] ibid., 344

The ability to execute strategy [is] more important than the quality of strategy itself

Robert Kaplan and David Norton

OFFICE OF STRATEGY MANAGEMENT

Strategy development studies have been the craze at business schools for decades. For corporate managers it is important to understand the dynamics surrounding strategy formulation and to note that in some cases, as Mintzberg articulates, instead of a formulation process, that it forms as a pattern based on emergent issues residing in the organizational environment. But whether it is formally formulated or forms through the influences found in politics, or culture or any other environmental condition, it is clear that every organization needs to have a strategy. But does having a strategy achieve high performance?

Despite the advances made in understanding the strategy-making process, business researchers noticed that having a well articulated strategy did not necessarily enhance an organization's performance. Mr. Robert Kaplan, a distinguished professor at the prestigious Harvard Business School, and Mr. David Norton, the founder and director of the Palladium Group, have spent the last 20 years studying how companies have executed their strategies. They found that although companies establish strategies to

achieve high performance goals, "few ever realize them".[35] In fact, of the hundreds of

cases that they analysed, less than 10% of "effectively formulated strategies were

successfully implemented." They realized that: "…the ability to execute strategy was

more important than the quality of strategy itself."[36]

Having already previously introduced the "Balanced Scorecard" performance

measurement tool, the researchers noticed that those organizations successfully using this

tool were using it to manage the strategic agenda.[37] Kaplan and Norton also noted that

the successful implementation of the tool was not limited to certain types of

organizations. Whether large or small, mature or emerging, public or private, or profit

and non-profit, all types of organizations were able to achieve strategic focus and

alignment to help achieve exceptional performance.

> The Balanced Scorecard enabled the early-adopting companies to focus
> and align their executive teams, business units, human resources,
> information technology, and financial resources to their strategy.[38]

The "early–adopting" modifier does not suggest that only companies within the

early stages of their corporate life cycle found positive results. For example, Kaplan and

Norton later noted that the US Army and the Canadian Blood Services, two established

organizations, have also been able to achieve high performance through the use of this

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[35] Kaplan and Norton, *The Office of Strategy Management*, 72-80
[36] Robert S. Kaplan and David P. Norton, "The Office of Strategy Management," *Strategic Finance* 87, no. 4 (10, 2005), 1.
[37] For a complete explanation of the Balanced Scorecard, see Kaplan and Norton, *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment*, 400
[38] ibid., 8

performance management tool.[39] In all, Kaplan and Norton observed that each successful organization used the following "best practices" to execute strategy (see Figure 2). They did not use the "best practices" in identical ways but, they did apply each one of them at some point.

2. TRANSLATE STRATEGY TO OPERATIONAL TERMS

2.1 Strategy map developed
2.2 Balanced Scorecard created
2.3 Targets established
2.4 Initiatives rationalized
2.5 Accountability assigned

1. MOBILIZE CHANGE THROUGH EXECUTIVE LEADERSHIP

1.1 Top leadership committed
1.2 Case for change clearly articulated
1.3 Leadership team engaged
1.4 Vision and strategy clarified
1.5 New way of managing understood
1.6 Program manager identified

STRATEGY-FOCUSED ORGANIZATION

BEST PRACTICES

3. ALIGN THE ORGANIZATION TO THE STRATEGY

3.1 Corporate role defined
3.2 Corporate – SBUs aligned
3.3 SBU – support units aligned
3.4 SBU – external partners aigned
3.5 Board of directors aigned

5. GOVERN TO MAKE STRATEGY A CONTINUAL PROCESS

5.1 BSC reporting system established
5.2 Strategic review meetings conducted
5.3 Planning, budgeting, and strategy integrated
5.4 HR and IT planning linked to strategy
5.5 Process management linked to strategy
5.6 Knowledge sharing linked to strategy
5.7 Strategic Management Office estabished

4. MOTIVATE TO MAKE STRATEGY EVERYONE'S JOB

4.1 Strategic awareness created
4.2 Personal goals aligned
4.3 Personal incentives aligned
4.4 Competency development aligned

Figure 2 – SFO Best Practices
(Source: Kaplan and Norton 2001, 400)

Each organization had differing governing structures. Sometimes the principles were implemented directly by the executive team, and other times execution was devolved to multiple functional groups. In some cases, the chief financial officer (CFO) was delegated the responsibility to implement the performance measurement tool and apply the various principles. Naturally, some companies performed better than others. In their analysis, Kaplan and Norton discovered the following:

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[39] Kaplan and Norton, *The Office of Strategy Management*, 8-60

The organizations that have managed to sustain their strategy focus have typically established a new unit at the corporate level to oversee all strategy related activities, an office of strategy management (OSM) as we call it.[40]

It is important to note that some of the companies that had initially delegated their performance management responsibilities to the CFO soon discovered that ensuing performance measures and indicators were predominantly financially based. To correct this situation, these companies migrated the responsibility to a separate group at the corporate management level. While still using financial measures where appropriate, that corporate office also applied other measures to monitor other competencies important to the organization. And it wasn't only Kaplan and Norton who made this observation. In *Performance Promotion: Why [corporate performance management] Needs Its Own Office*, Mr. Collins and Mr. Paladino, two experts in performance management, are among others who also argue that for a company to move beyond just performance reporting and into the realm of strategy execution and value creation, a separate corporate level office is required.

MANAGING STRATEGY IN DND

As the Chief of Staff to the CDS and the DM, it is the VCDS who must balance all the conflicting resource demands to create and maintain a coherent plan from which the entire department can align its activities. He must not only pursue analytically relevant data from which he will form the underpinnings of a formal strategic plan, but he

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[40] ibid.

must also manage corporate processes that are agile enough to incorporate the, sometimes daily, emergent issues. He operates within a continuously moving, seemingly random environment in which total control is not vested within the organizational structure. As a result, his staff must be adaptive to manage virtually constant change. The more adaptive his organization, the better the department is prepared to handle random influences.

As has been noted in the previous section, the VCDS organization plays a fundamental role in the management of the department's strategy. While executive authority is vested in the Deputy Minister for Departmental issues, and the Chief of Defence Staff, for Canadian Forces issues, it is the VCDS who must manage the defence services programme in a coherent manner, such that the organization remains aligned to the strategic objectives assigned by the executive authorities. The VCDS exercises this central role through the Chief of Force Development and the Chief of Programme.

As articulated by Kaplan and Norton, O*ffices of Strategy Management* are generally manned by relatively few individuals, yet they perform very important functions. Instead of owning all the resources, and creating yet another bureaucracy, they facilitate the implementation of strategy across the organization and are responsible for maintaining an integrated plan. Particularly, they:

- look into the future and coordinate the identification of strategic initiatives;

- manage the corporate processes to ensure that these initiatives are executed within the appropriate expectations;

- prioritize the initiatives and communicate those priorities to the organization;

- manage the agenda for senior strategy sessions and ensure that the executive team is updated regularly throughout the year; and

- integrate strategic priorities within the organization's functional authorities[41]

Within DND, CFD performs the formal strategic planning function through detailed capability-based analysis. This office takes a long-term perspective, spanning from Horizon Two through to Horizon Three. In doing so, their activities are specifically designed to overlap those of CProg, who deals with emergent realities to the associated programming functions within the Horizon One and Horizon Two periods. Figure 3 is a pictorial representation of the department's central management constructs. It should be immediately evident that the two organizations pursue their responsibilities from different perspectives.

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[41] Adapted from Kaplan and Norton, *The Office of Strategy Management*, 1-10

Figure 3 – Defence Planning and Management Framework
(Source: http://www.vcds.forces.gc.ca/dgsp/pubs/dp_m/intro_e.asp)

Force development activities primarily start by looking at the future requirements and amalgamating those requirements into a strategic roadmap. These activities occur in the "visioning and strategic guidance concepts" as depicted in Figure 3, and follow through "capability-based planning" and "capability management" stages. Based on a capability management approach, force developers attempt to avoid looking at the requirements from a system-by-system perspective, but rather from an overall capability perspective. Thus, when defining requirements for capabilities such as coastal surveillance, they attempt to ignore how the department currently addresses the requirement in favour of potentially broader departmental and governmental perspectives. In this way, CFD integrates space, air, maritime and land perspectives into a single equation. In addition, they consider commercial capacities as well those from Other Government Departments (OGDs) that can be applied to address the requirements. In

other words, they are "purists" in thought and focus on *what* initiatives are required to accomplish strategic objectives. Their output is a published Strategic Capability Roadmap (SCR) document.

CProg on the other hand are "realists" and focus on *how* the organization will achieve objectives. Corporate programmers start their planning based on the current departmental structures and modify the programme, within the capacities inherent in the organization, to achieve the desired capability at a future point in time. Following the flow in Figure 3, it includes a prioritization effort in conjunction with business planning and "in-year" management of departmental resources. This group tends to focus primarily on resource allocations, but it also monitors departmental performance to ensure that adequate progress is being made towards the corporate objectives. Thus, this group is constantly subjected to emergent issues that often require adjustments to the plan. For this group, a standing plan is useless because it will be obsolete shortly after being published. To cite a common military adage: *No plan survives contact with the enemy*. For this reason, they conduct their activities based on a living document, the Defence Plan.[42]

While the pictorial element of Figure 3 seems to suggest a separation between the two organizations, neither can afford to work in isolation of the other. The activities

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[42] The department is in the process of developing a TBS-mandated Investment Plan that links resources to capability requirements (i.e. resourced-based). Due to be released in the Fall of 2008, its original construct will be as a single stand-alone document. After initial publication, it is intended to merge this document with the Defence Plan such that the final product will become a living document, constantly updated by the realities of emergent issues. It is hoped that, through this tool, senior decision-makers will have sufficient contextual information upon which to render a resource decision.

involved in defining the strategic initiatives in the force development realm cannot ignore the availability of resources, just as the allocation of resources cannot be devoid of the objectives their application is required to achieve. But this should not be construed as meaning that there is an equal emphasis on the two organizations.

Near-term issues tend to be more prominent in the daily routine in NDHQ. On-going operations, contractual milestones, escalating energy costs, political influence, personnel attrition and mandated governance requirements are but a few of the issues that drive near-term programming considerations into the forefront. Long-term issues are important, but because of their lack of immediacy, and the relatively stable long-term strategic environment within which the Department operates, these concerns do not command the same level of intensity or interest. As noted earlier in this paper, organizational structures to not necessarily follow strategy, but rather, they coexist in a parallel construct. Understanding this concept is important, as it partially explains why CProg has been able to manage the defense services programme without a formal long-term strategic plan in place.[43] While the lack of fidelity in the Department's long-term requirements has caused some significant difficulties in terms of resource apportionments, it has not stopped decision makers from moving forward on some strategically significant, and resource intensive, initiatives.[44]

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[43] At the time of this report (April 2008), the Conservative government had still not published the Canada First Defence Strategy (CFDS). This document has been in development since the party was elected on 2006, and should theoretically serve as the basis for the Strategic Capability Roadmap (SCR).
[44] For example: C17 strategic lift, C130 tactical lift, and Arctic Off-shore Patrol Ship programmes.

In defence planning activities, uncertainty is certain. Ambiguous threats, market pressures, government requirements, and bureaucratic complexities all induce a degree of unpredictability into the planning environment. About the only thing that is certain is that there will always be insufficient resources to address all the requirements at any given point in time at which they are required. Trade-offs and offsets are often required. This is not unique to Canada. Living within one's means is at the "centre of defence policies worldwide".[45] Defence planners are always attempting to optimize the allocation of resources, both in terms of quantity and in terms of schedule. In this way, they hope to maximize corporate output to develop the greatest possible defence capability.

The resultant resource allocation question is: when is enough, enough? While the answer may vary depending on the perspective, the only way in which the department can determine a reasonable response is through systematic management processes. These processes must be developed such that individual organizational requirements are integrated into an institutional perspective – a holistic perspective. Incremental decisions can cause inappropriate allocation of resources, and can cause the organization to lose sight of its strategic objectives. It can also stimulate the "first past the post" approach to project approval. In this approach, the project that gets departmental approval first gets all the resources it requests. Subsequent projects must live within the remaining funding envelopes and may not have the required resources to achieve even their basic high-level mandatory requirements. In extreme cases, incremental approvals may result in fully funding lower priority projects, just because they were ready first, while inadequately

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[45] Bland, Douglas L., Dr., "Issues in Defence Management: An Introduction" In *Issues in Defence Management*, ed. Bland, Douglas L., Dr. (Kingston, Ontario, Canada: School of Policy Studies, Queen's University, 1998), 3.

resourcing subsequent higher priority initiatives. Clearly, incremental decisions must be subordinate to holistic approaches, if an organization is to make efficient allocations of its scarce resources.

Within the department, resources are managed through two primary management processes: a business planning process; and a strategic initiative management process. Both of these are managed by CProg but it is important to acknowledge that CFD has the lead role in developing a list of approved, and prioritized, corporate initiatives. As mentioned previously, since the acquisition process is lengthy and the systems complicated, the CFD planning horizon is normally in Horizon Two and Horizon Three, and as such, the initiatives at that stage are not fully developed and do not yet have sufficient technical, schedule or cost fidelity necessary for full departmental approval. It is CProg's responsibility to ensure that these initiatives are sequenced through the initiative approval process in accordance with the Department's Project Approval Guide (PAG) so that full departmental approval can be attained. [46]

Business Planning

The business planning process is an integral part of the government's Expenditure Management System (EMS) and is designed to be complimentary to the Main Estimate,

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[46] The Project Approval Guide is a web-enabled manual that provides policy and procedural guidance on the approval process for projects, activities and initiatives requiring resource funding in the Defence Services Program (DSP). The main focus of the Guide is to detail the program level decision-making and approval processes followed and the project management practices employed to implement the DSP within approved and allocated resources. For more detailed information, see the VCDS web page: http://www.vcds.forces.gc.ca/dgsp/pubs/pag/pag_e.asp ; accessed 29 April 2008

Supplementary Estimate and the Annual Reference Level Update (ARLU) bureaucratic processes that form the basis of resource management throughout government.[47] It is a process by which the Level-One business units submit their intentions within the upcoming business cycle for endorsement. Each individual business plan submission also includes a perspective on the subsequent three fiscal years for the submitting business unit.

Noting that DND has 26 Level-Ones, this process might be perceived as excessively onerous on the department, and in particular for the business plan analysts within CProg who have to prioritize the activities to ensure they remain aligned to the overall corporate strategy. However, each submission is based on activities approved in the previous business planning cycles; thus, the activities are cumulative. Very few Level-Ones, if any, carry out a zero-based review in which their entire plan is based upon justifying each and every activity. Equally, CProg staff does not normally challenge activities that were previously approved, although in their analysis, they will ensure that objectives are being attained. Essentially, the BP process focuses on the distribution of funds that were not available in the prior year allocations. This is generally related to the annual escalation factor which has recently been approximately $400M. This "managing in the margins" approach to business planning causes the Department to generally accept previous allocation decisions without reservation.

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[47] Lieutenant-Colonel Ross Fetterly provides a detailed description of the EMS. See: Fetterly, Ross, Lieutenant Colonel, "Budgeting for Defence: How Much for Defence" In *The Public Management of Defence in Canada*, ed. Craig Stone PhD Unpublished, 2008), 62.

Business planning follows an annual cycle as illustrated in the following chart (Figure 4). It is useful to walk through this procedure to highlight key areas that are important to maintaining the strategic agenda.

Figure 4 – Business Planning Cycle
(Source: Director Force Planning and Programme Coordination (DFPPC))

This repeatable cycle begins in April of each year with a VCDS business planning guidance letter. With this direction in hand, Level-Ones work with their subordinate units to develop a business plan for the next fiscal year. This plan will be based on the previous year's plan, so the business units already have an understanding of the fiscal realities to which they will be subjected. The finalized plans are submitted to CProg in November, one month after Treasury Board approves the Annual Reference Level

Updates (ARLU). These updates essentially confirm the funding that will be made available to the department in the following fiscal cycle.

With this information in hand, CProg is able to analyse the business plans and any associated funding requests, in conjunction with the overall resources that will be available. Resource prioritization options are investigated at this point to determine where any available resources should be allocated. The individual non-strategic Level-One initiatives are viewed in terms of strategic interests in National Procurement (spare parts), Personnel Pay (regular, reserve, and civilian), Capital Equipment, Infrastructure and Operations and Maintenance. Level-One requests are also analysed in terms of achievability to ensure that the capacity exists within the organization to achieve the desired outcome. As well, analysts liaise with cross-functional organizations to ensure that the various stakeholders are prepared to support the request.

The process must be transparent to ensure that all business units understand how they influence (or not) the corporate objectives. As such, resource approvals must be articulated within the corporate context. Figure 5 shows that the DND business planning process embraces this transparency principle, by processing all business plans through the executive authorities at the Defence Management Committee (DMC) at a specific interval.[48] By January of each year, CProg is ready to submit the staff recommendation to the VCDS and DM for review. This is followed with a brief to the DMC so that all Level-Ones are advised of the resource realities for the following year. A formal Business Planning retreat is held in February, at which key Level-Ones will be briefed on

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[48] DMC membership includes all Level-Ones.

the overall resource situation within the department, and will be provided an opportunity to express their interests or concerns to both the CDS and the DM.

This is a key point that needs to be stressed. All business plans have been brought together at this stage to create a holistic perspective for the following year as well as the subsequent nine years.[49] In this way, the various participants have an opportunity to argue their points with a relatively comprehensive view of the available resources and how they will be allocated to achieve the various strategies. Perhaps more importantly, it is a point-in-time at which the two executive authorities are available at the same time. Thus, it is clear to all participants that both capability requirements and resource realities are being addressed in each decision. From the ensuing discussions, directions and approvals, CProg prepares individual *allocation letters* for each of the Level-Ones, and submits those to the VCDS for signature. These letters define the resources that will be allocated to each organization and the associated expected results. This specific direction is premised upon the strategic corporate objectives at that specific point in time, and is used as a performance measurement tool during the course of the year.

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[49] In total, the current year plus the next nine years represent the resource allocations as portrayed in the 10-year Investment Plan
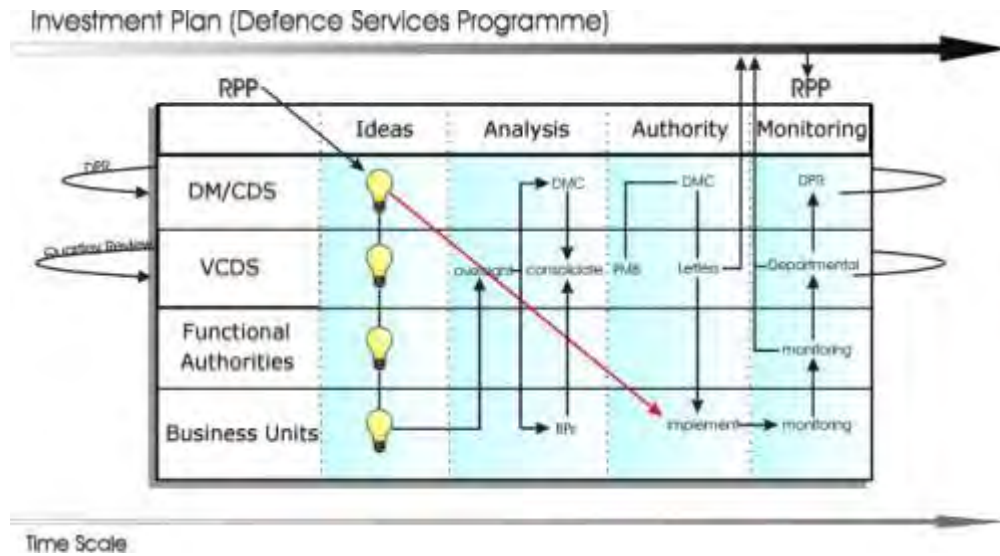
Figure 5 – Business Planning Flowchart
(Source: DFPPC)

To monitor the progress of the business units throughout the year, the VCDS holds four quarterly reviews. These reviews are essentially resourced-based, and are intended to monitor organizational expenditure rates throughout the year. However, in preparation for the reviews, CProg staff in conjunction with Fin CS staff also monitors individual business unit progress in terms of organizational capacity and in terms of the complexity and risk of the associated initiative. Should expenditure rates deviate from predicted consumption rates, CProg will make a reallocation recommendation, based on all these interlaced management aspects. The objective is to consume the allocated funds by the end of the fiscal year in accordance with the guidance contained in the allocation letters, and adjusted by the emergent issues that presented themselves throughout the period.

It is of some interest to emphasize that resources are rarely consumed as planned.

Emergent issues always influence the execution of the plan. As a result, CProg is

constantly balancing the realities of operations within each business unit and the

corporation as a whole. On-going deployed operations have a significant role to play in

this area. By definition, deployed operations are unpredictable and the department must

be able to reallocate resources as necessary to meet the emergent requirements. In some

cases, the funds allocated to the Direct Operations Account (DOA) and Support to Direct

Operations Account (SDOA) at the beginning of the fiscal year are insufficient to address

the operational imperatives. The requirement to reallocate resources from the business

units to the operations accounts are encompassed in the analysis that precedes each

quarterly review.

In addition, emergent issues regularly prohibit business units from consuming

their resources as originally conceived. Contractual complexities, bureaucratic processes,

and political influences often delay departmental approvals and contract awards. On

average during the past several years, DND has been unable to execute approximately

$500-600M of its annual plan.[50] To address this phenomenon, a Corporate Over-

Programming (COP) amount is applied to the plan at the beginning of the cycle. This

COP puts additional planning funds in circulation at the start of the fiscal year, equal to

slippage expectations. In effect, this is a management tool, and not "real" funds. With

this tool, business units can pursue additional objectives, equaling the value of the COP.

The COP is reviewed at each quarterly review such that there is a systematic reduction

until the end of the year, at which time it must be zero. By that point, through constant

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[50] DFPPC COP figures from 2004 - 2007

manipulation and monitoring by CProg and Fin CS throughout the year, the COP will have fully countered the naturally-occurring slippage, and the expenditures will have equaled supply.

The resultant allocation decisions for each Level-One are documented in the Defence Plan. This document contains two important aspects: the expected results (outputs); and the financial allocations (inputs).[51] Presumably, one would expect that the financial resources are synonymous with the tasks, but many of the expected results are not sufficiently specific and measurable to make any direct linkage between the financial *inputs* and their impact on the capability *outputs*. To correct this situation, an effort has been initiated to rewrite all the expected results. The objective is to make the expected results specific, measurable, achievable, realistic and time-based (SMART). In this way, CProg intends to make the direct linkages between outputs and inputs, thus providing a more in-depth understanding of the cost-benefit relationships of departmental activities. In turn, this information will enhance the management oversight of the strategic agenda.

Strategic Initiative Planning

Much of the Department's strategy making deliberations revolve around the development and selection of strategic initiatives, in particular Capital Equipment. In fact, it is the combination of capital assets and manpower that form the basic constructs

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[51] Within the Defence Plan, the expected results are expressed in terms of "Defence Tasks"

of defence resource planning.[52] It is the various combinations of capital and manpower that define the defence capability output. Two approaches are available: arm-the-man; and man-the-arm.[53]

In the arm-the-man approach, an organization would establish or maintain a force size appropriate to the budget. With a predominant focus on manpower, capital expenditures become residual. This approach was very much evident in the decade prior to 2005 in which the Department's capital equipment expenditures declined to approximately 10% ($1.6B) of the overall $16.4B budget. But with the re-investment in defence starting in 2005, the approach has shifted to a more man-the-arm perspective in which a major effort on recapitalization has occurred. In this point in time, personnel expenditures have become residual. Even though the conservative government platform articulated the desire to grow the force to 75,000 regular force and 35,000 reserve force members, the capital requirements soon outweighed the personnel growth requirements. The end result was that the growth ambitions had to be constrained to approximately 68,000 regular force and 26,000 reserve force members, in order to fund capital projects such as the strategic airlift, tactical airlift, arctic offshore patrol ships, joint support ship, Halifax class modernization, medium to heavy lift helicopters, JTF2 expansion, etc.

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[52] John M. Treddenick, "Distributing the Defence Budget: Choosing between Capital and Manpower" In *Issues in Defence Management*, ed. Bland, Douglas L., Dr. (Kingston, Ontario, Canada: School of Policy Studies, Queen's University, 1998), 57.
[53] ibid., 64

As mentioned earlier, the formal capability-based management approach is now being used by the department to define the strategic initiatives. It is briefly described as follows:

> Capability-based planning (CBP) is a methodical process that identifies future CF capabilities through the analysis of CDS-approved Force Development scenarios; these scenarios are based on National policy and interests and our assessment of the current and future security environment. CBP seeks to identify force-wide capability goals and the gaps in our capabilities and prioritize them. This process will ensure a coherent and rational approach to force development that reflects the interests of the Canadian people as announced in government policy. CBP is the first step in an iterative process that takes into account scenario analysis, lessons learned, institutional experience and future technological developments.[54]

This formal process is maturing rapidly and its ability to bring analytical rigor to strategic discussion is proving to be extremely useful, but it is easily sidelined in response to seemingly random environmental issues such as political influence and individual leadership preferences. For example, the Boeing C17 strategic airlift and Arctic offshore patrol ship programmes were rapidly conceived, approved and authorized in 2006, even though these government priorities were not envisioned in the department's 2005 SCIP as near-term or long-term objectives. Since these projects did not displace previously forecasted initiatives, the department had to adjust its planning assumptions and structures to ensure that, in addition to procuring these new systems, there would be sufficient resources to sustain the capabilities once they were delivered.

Currently, each new strategic initiative is vetted through the capability defence board (CDB). Led by CFD, CProg members attend as observers. This provides an

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[54] VCDS website: http://www.vcds.forces.gc.ca/dgsp/pubs/dp_m/cbp_e.asp; accessed 28 April 2008.

understanding of the initiatives that are being considered as they make their way to the

Joint Capability Review Board (JCRB) for approval in principle.[55] The various

corporate-level governance boards and committees are shown in Figure 6. Ideally, this

process allows a project to receive senior-level endorsement to proceed with an options

analysis phase that is funded by the individual Level-One sponsor. Under normal

circumstances, CProg will protect long-term funds for the definition and acquisition

phases of the project; however, this is not always the case. For example, the options

analysis for the Destroyer replacement project was initiated without any long-term
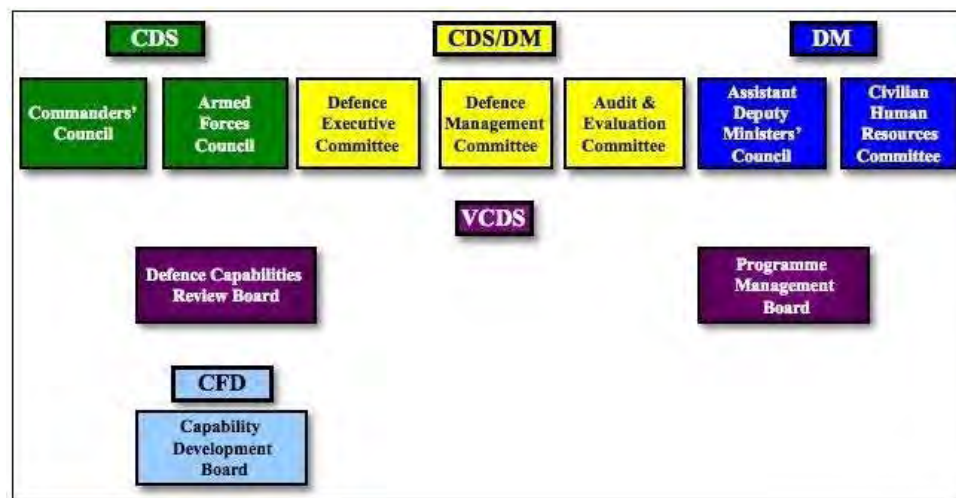
funding in place.

Figure 6 – DND Governance Boards
(Source: DFPPC)

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[55] Note that at the time of this report, the possible renaming of JCRB to Defence Capabilities Review Board (DCRB) was being contemplated.

Once the project is ready for definition, it proceeds to the Project Management Board for Preliminary Project Approval (PPA). This is an opportunity for the department to approve, modify or cancel the project as presented and to ensure that the necessary resource allocations are firmly in place to meet the strategic objectives of the corporation. Once the project is through its definition phase, the project sponsor returns to Programme Management Board (PMB) for Effective Project Approval (EPA). If everything goes according to plan, this is the last time that the project will need to come to PMB (other than to close out after the capability is delivered and in service). At EPA, the department once again reviews the project to determine its progress and resource requirements. Once approved, the department reaffirms that the organizational focus, capacities and resources will be in place as requested by the project sponsor. Using this process methodology, the department maintains central control of all strategic initiatives, many of which are cross-functional in nature. Throughout this process, the VCDS group plays a coordinating role, not a leading role. This remains consistent with Kaplan and Norton's observations of the functions of an *Office of Strategy Management*.

Although it is relatively easy to identify which systems are required to maintain capability, it is more difficult to define the funding allocations for each system. Given a defined fiscal framework, the department must determine the level to which it wishes to resource each requirement. It must review each requirement in the context of the overall strategic agenda. Again, it must avoid incremental decisions to protect sufficient resource for future projects. This introduces the need for prioritization. It may be wiser to limit an existing project to 80% of its desired funding in order to protect 100% funding

for a later, higher-priority project. This is important to understand early in the life of a project during the period when high-level mandatory requirements are being identified. These high-level mandatory requirements are key cost drivers. If resource limitations are not understood during the initial departmental project endorsement process, there may be insufficient funds available to progress through PPA or EPA.

In the past, having the overall long-term perspective was somewhat less critical because of the cash-based system. Project funding decisions were based on the cash available. Unfunded requirements were deferred into the future until such time as sufficient funds were available. At that point, the future executive management teams would re-look at the requirements and cash availability, and make the necessary decisions. In effect, projects moved forward towards departmental approval by virtue of their relative immediate importance and in consideration of the cash available in each given year. Lower priority projects were deferred (rarely cancelled), creating a bow wave of requirements in subsequent years. This created an environment in which the deferred requirements were someone else's problem (i.e. the future generation). This is not intended to be levied as a criticism but instead an articulation of the reality of the cash-based system.

With the introduction of accrual budgeting in 2005, the capital planning realties became more difficult.[56] New capital assets are now funded through accrual

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[56] Accrual budgeting is different from accrual accounting practices, which have been in place since the 1990s

mechanisms, thus long-term perspectives are essential.[57] In effect, the accrual budgeting

construct is similar to that of a home mortgage, where amortization periods and overall

cost play a key role in a buyer's ability to purchase the asset. In the case of defence, the

Department of Finance agrees to pay for the asset up front, with the agreement that the

department will pay the depreciation costs over the life of the asset.

For example, if an aircraft hangar has a useful life of forty years, and costs $40M

to construct, the hangar would depreciate at $1M per year.[58] Thus, the department needs

to have $1M of non-allocated accrual space over the next 40 years to construct the

hangar. So, assuming that the department has a steady-state $18B annual budget, only

$17.999B is available each year for allocation because the $0.001B ($1M) must be

repeatedly protected as the hangar amortization payment.[59] Provided that the department

can demonstrate that that space exists, the Department of Finance will provide the $40M

up front as an interest-free mortgage. This $40M "investment cash" advance is a separate

transaction and is not readily obvious in the approved budget allocation figures.

Figure 7 provides a visualization of how the accrual space relates to the total

budget. In effect, the "investment cash" is added to the total budget in the year that

contractual project payments are made. While there are countless complexities in this

process including multiple amortization periods and detailed reporting mechanisms, the

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[57] Fetterly and Groves in *Accrual Accounting and Budgeting in Defence* provide an excellent description of the history and rationale for this new approach. In addition, they provide some practical examples of how this new approach impacts Defence.
[58] Straight-line depreciation schedules are used for simplicity.
[59] This amount is effectively retained by the Department of Finance.

strategic planning implications are important in the context of corporate strategy management, and in particular, overall resource allocation decisions.
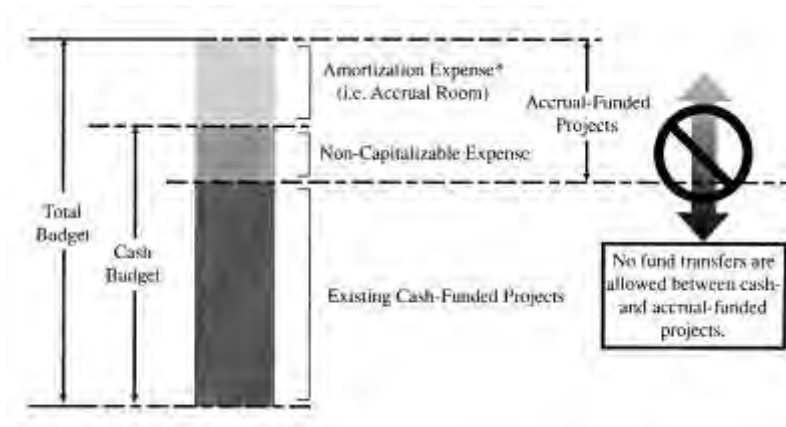

Figure 7 – Accrual Space in relation to the Total Budget
(Source: Fetterly, Ross, Lieutenant Colonel and Groves 2008, 47)

With capital equipment decisions no longer based on cash availability but rather on accrual space, decisions today will obligate the department for the life of the asset. A $5.0B ship project with a 25 year life span requires only a $200M accrual space in order to be affordable from an acquisition perspective. But the decision to procure the vessel will obligate the department to pay back $200M to the Department of Finance, every year for the next 25 years. Hence there is a significant impact on future generations. Planners must therefore have a comprehensive understanding of future requirements when making strategic resource decisions.[60]

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[60] For a more expansive review of accrual budgeting, see: Fetterly, Ross, Lieutenant Colonel and Richard Groves Major, *Accrual Accounting and Budgeting in Defence*, Vol. Claxton paper, 9 (Kingston, Ontario, Canada: Defence Management Studies Program, School of Policy Studies, Queen's University, 2008), 86.

Performance Measurement

The preceding sections provide a relatively high-level overview of the two major corporate processes that assist senior decision makers in managing the corporate strategic agenda. Combined, they help screen the diverse resource demands through a series of filters such that the resultant annual resource allocation letters are consistent with the strategic objectives of the organization. Because the department manages it's assets from a multi-year perspective, the annual allocation decisions remain coherent with the long-term objectives. This concept is illustrated in Figure 8.
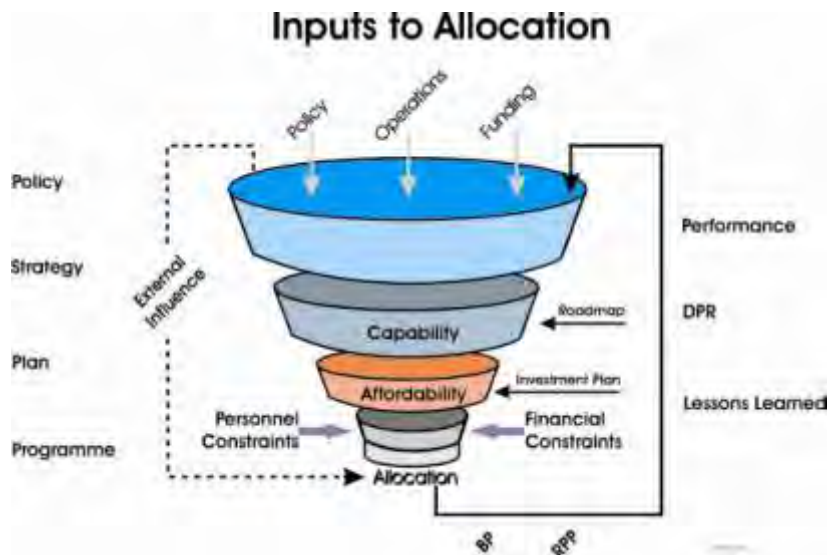

Figure 8 – Inputs to Allocations
(Source: DFPPC)

In an attempt to maintain the alignment between the 26 Level-Ones and the corporate strategic agenda, the department has engaged in a series of performance management activities at all levels of the organization. [61] To bridge the partitions that tend to develop across the enterprise, and to ensure that the various entities remain aligned with corporate objectives, the VCDS coordinates a number of annual performance reviews, for both internal and external consumption.

There are two primary external reports: the Departmental Performance Report (DPR); and the Management Accountability Framework (MAF). The DPR is the Department's account "…of results achieved against planned performance expectations as set out in respective [Report on Plans and Priorities (RPP)]." The report covers "…the most recently completed fiscal year, [and is] tabled in Parliament in the fall by the President of the Treasury Board on behalf of the ministers who preside over the appropriation dependent departments and agencies identified in Schedules I, I.1 and II of the Financial Administration Act."[62] This document is intended for external consumption and is thus structured to explain how the department performed in relation to what it articulated on the concomitant RPP. Although a great deal of effort goes into producing this document, it is not by itself used to manage the organization. It is a reporting tool that essentially consolidates performance data gained by other means.

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[61] 18 Level-Ones (VCDS, CLS, CAS, CMS, CANSOFCOM, CANOSCOM, CEFCOM, CANADACOM, CMP, JAG, ADM (HR Civ), ADM (IE), ADM (IM), ADM (Pol), ADM (Mat), ADM (PA), ADM (Fin CS), and ADM (S&T)); 7 Special Entities (CFLA, CMJ, NSS, Ombudsman, CRS, CSE and CFHA); and SJS.
[62] DPR 2006

The MAF is a report provided to Treasury Board (TB) to assess the Department's performance in relation to specific indicators as assigned by the Treasury Board Secretariat. The 2006 MAF report was based on 19 high-level management indicators. It is primarily a subjective assessment of the Department's management performance in terms of governance and strategic direction, policy and programmes, risk, people and stewardship, to name but a few.[63] This document helps TB determine if management progress is being made within the assigned indicators, but it does little to help the department manage its strategic agenda.

To do this, the department uses both financial tools and non-financial tools. It is not the intent of this report to review each tool in detail or to make judgment on their effectiveness, but instead to only indicate what the VCDS uses to manage the programme. It is worth noting that the coordination of performance monitoring, analysis and reporting is the responsibility of CProg.

The financial quarterly reviews, presented at the Project Management Board (PMB), are the primary vehicles to monitor corporate financial performance throughout the year. CProg and Fin CS work closely together to ensure that corporate objectives are achieved and that financial principles are maintained. All recommended financial adjustments are presented at PMB for VCDS approval. Based on the business plan allocation letters, CProg takes responsibility for resource allocation decisions until the fourth quarter, at which point the responsibility is transferred to ADM (Fin CS) who then closes out the fiscal year.

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[63] See MAF 2006: http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dppp_e.asp

PMB is also used to monitor strategic initiatives. As an approval board, the VCDS (PMB chairman) reviews each strategic initiative as it moves forward to Preliminary Project Approval (PPA) and Effective Project Approval (EPA). As a management board, PMB reviews the progress of all projects, as recommended by CProg or any member of the Board. The Board watches for schedule slippages, technical requirements deviations and cost overruns. Because of the multi-functional construct of the Board membership, the projects are reviewed from a programme perspective, meaning that HR, capital, infrastructure, and IM/IT issues are addressed from a comprehensive point of view.

To go beyond initiative management to address more complex corporate strategy management issues, the department has adopted the Balanced Scorecard, Strategy Map performance management tool. Figure 9 represents the most recent map for the Canadian Forces.
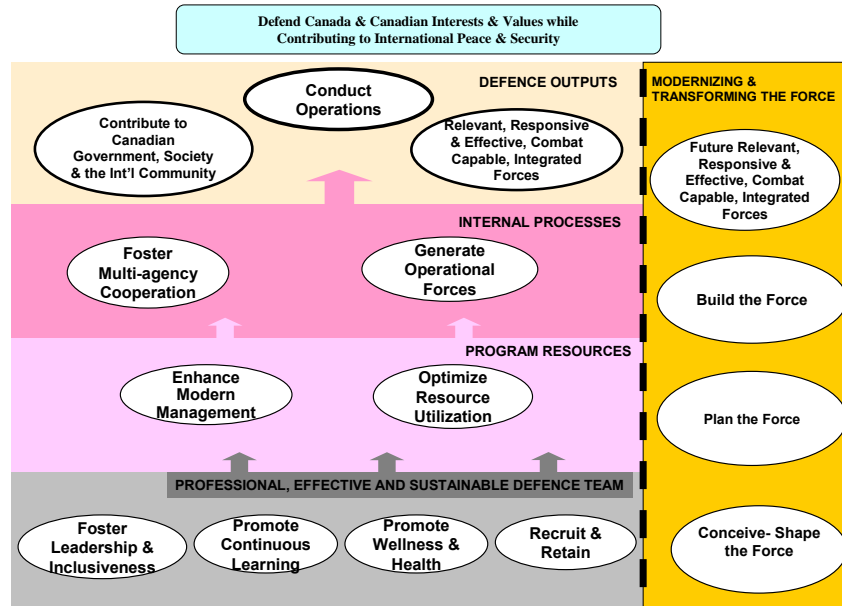
Figure 9 – Corporate Level Strategy Map
(Source: Burt and McKnight 2008, 40)

Managed by CProg, the Strategy Map is one component of a scorecard system that allows senior departmental decision makers to see cause-and-effect relationships between intangible competencies and tangible financial assets. Through linkages to subordinate maps, the department can theoretically monitor important competencies such as HR retention strategies, operating processes, information technologies, etc. As Kaplan and Norton identified:

…the strategy map and the scorecard system describe how value is
derived from intangible assets. Whereas financial measurement systems
have stand-alone value (cash, inventories, equipment, pay), intangible

measurement systems have little standalone value. Their value arises from being embedded in coherent and linked strategies.[64]

The observations and strategy implications are presented regularly at the Defence Management Committee, where decision makers can synthesize performance data and determine if intervention is required to maintain strategic direction, or conversely, determine if strategy alterations are necessary. Through this systematic review of performance information, a focus on corporate strategy is maintained.

WHEN ENOUGH IS ENOUGH

To manage the strategic agenda, the VCDS applies a complex system of interrelated tools to coordinate a corporate strategic plan, select the appropriate initiative, programme them in terms of resources over a period of time, facilitate the departmental approval process, monitor the initiatives during the course of implementation, and at the same time, be adaptive enough to adjust plans as the seeming random realities continuously change. He must continually balance the limited resources within the context of the situation, while maintaining his perspective on the long-term strategic objectives. Thus, his plans are subject to the continual manipulation of the environment. Within the realm of managing the corporate strategy, the only thing that is certain, is

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[64] Robert S. Kaplan and David P. Norton, *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment* (Boston, Massachusetts: Harvard Business School Press, 2001), 11.

uncertainty itself. As articulated by Paul Davis, "uncertainty is not only ubiquitous and large, but also impossible to get rid of it by merely working hard to do so."[65]

That leaves only one possible answer to the ever vexing resource allocation problem of: "when is enough, enough?" The answer of course is: *It depends!* It depends on the *pure* long-term vision and on the *real-world* environmental influences that occur every day. Regardless, the functions inherent in the VCDS organization are specifically designed to manage that variability. Through their central coordinating role, the VCDS manages the strategy such that subordinate corporate activities are integrated across the department. It may not be a simple process, and it is certainly open to criticisms of being overly bureaucratic and cumbersome. It even sometimes appears to stand in the way of individual Level-One investment agendas. But in the end, its objective is to maintain a strategic focus which spans across the entire enterprise.

The focus on strategic corporate alignment is exactly what Kaplan and Norton articulate as the primary function of an *Office of Strategy Management*. It is evident that this "contemporary" business construct is congruous with those of the VCDS organization. As with the central role of the VCDS, the *Office of Strategy Management* "facilitates the processes so that strategy execution gets accomplished in an integrated fashion across the enterprise".[66] Similar to the role of CFD, strategic initiatives are developed and prioritized centrally. It is designed around top-down management but is

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[65] Paul K. Davis, "Uncertainty-Sensitive Planning" In *New Challenges, New Tools for Defense Decision Making*, eds. Stuart E. Johnson and et al (Santa Monica, California, United States of America: Rand, 2003), 134.
[66] Kaplan and Norton, *The Office of Strategy Management*, 2

receptive to bottom-up ideas and thus acts as a filter for innovative concepts. Similar to the functions within CProg, it manages the initiatives separately from the routine corporate business planning process, and ensures that all associated activities are coordinated across functional lines. As with the comprehensive VCDS organization, the *Office of Strategy Management* does not do all the work or own all the resources, but rather it facilitates the processes and aligns the organization.

The two organizational constructs are synonymous with each other in that they develop a strategic corporate plan, communicate and monitor strategic objectives, and programme the resources in a coherent integrated fashion to ensure that the organization remains focused on the strategic objectives. And to conduct these roles, both entities are responsible to the executive authority, or in the case of DND, executive authorities. This relationship with the executive authorities is well encapsulated by Kaplan and Norton:

> It's simplest to place the office of strategy management on a par with functions that report directly to the CEO. The office serves, in effect, as the CEO's chief of staff.[67]

Clearly, the *Office of Strategy Management* is consistent with the functions of the VCDS, and is the new wave in corporate business management.

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[67] Kaplan and Norton, *The Office of Strategy Management*, 9

SUMMARY

From a review of the strategy-making schools of thought as presented by Mintzberg, Ahland and Lampel, it can be seen that corporate strategy is not only *formulated* through specific planning processes, but also *forms* through emergent influences in day-to-day activities. This means that while long-term strategic planning mechanisms are often the focal point of strategy-making, it is fallacious to believe that the traditional activities surrounding corporate strategic planning are sufficient to fully address strategy development. An organization must recognize that other influences are at play. Politics, entrepreneurial leadership, culture and environment are examples of some of the influences that exist in the realm of the Department of National Defence (DND) and that affect the formal documents such as the Strategic Capability Roadmap.

The DND corporate strategy-making environment closely resembles what Mintzberg, Ahland and Lampel describe as the "configuration" school of thought. This strategy-making perspective combines the various perspectives into a systematic life-cycle construct of the organization. As such, it incorporates the formal analytical aspects of strategic planning, recognizes the inputs of the entrepreneurial leader, and accepts the seemingly random real-world influences that naturally exist in the corporate environment.

This dynamic strategy-making construct is critically important to understand, as it has a direct impact on how an organization manages its strategic agenda. The Vice Chief of Defence Staff (VCDS), as Chief of Staff (COS) for the two executive authorities, the

Chief of Defence Staff and the Deputy Minister, uses the offices of the Chief of Force

Development (CFD) and the Chief of Programme (CProg) for this purpose. Through the

development of a strategic roadmap, CFD consolidates the various strategy making

methodologies into a formalized deliberate plan. Recognizing that a plan rarely executes

as originally anticipated, CProg takes this plan and adapts it to realities of daily corporate

influences. Through the application of an integrated and coherent, "living" 10-year

investment plan and its ensuing annual resource allocations, CProg continuously

coordinates high-level corporate activities to stabilize the direction of the department.

What is evident in the notion of strategy management is that it matters not that the

strategy is formally articulated as a strategic roadmap or that it emerges as a pattern in

response to environmental realities. What matters is how the department manages the

various strategic injects to provide coherency and continuity across the enterprise.

Robert Kaplan and David Norton concur with this assessment. In their analysis of

hundreds of business cases during the past two decades, they noticed that less than 10%

of "effectively formulated strategies were successfully implemented." They concluded

that "[t]he ability to execute strategy [is] more important than the quality of strategy

itself." More importantly perhaps, they discovered that the successful companies, in

which a strategic focus was sustained, "…typically established a new unit at the corporate

level to oversee all strategy related activities…" Dubbed the *Office of Strategy*

Management, this group helps formulate corporate strategies, aligns and communicates

the corporate strategies across the entire enterprise, regularly reviews strategy with senior

corporate leaders, and creates and manages a performance management system. More concisely, this new unit clearly manages the organization's strategic agenda.

Within DND, the VCDS manages the strategic agenda through two specific processes: Business Planning (BP); and Initiative Management. Business planning begins each year with centrally directed guidance letters to the Level-Ones, and ends with resource-specific allocation letters for the following fiscal year. Throughout the intervening period, the business plans are submitted by the Level-Ones, analyzed by the VCDS staff and presented to the executive authorities at a specific business planning DMC. It is here where all the BP submissions are discussed in a consolidated fashion. This point is extremely important because it is at this juncture where all the senior level decision-makers are able to synthesis the Level-One submissions in a holistic corporate perspective, focusing on the resource implications for the following year as well as the associated impacts for the subsequent nine years. It is through this process that the VCDS manages the preponderance of annual resources allocations. Throughout the fiscal year, the consumption of the resources is monitored by the VCDS staff. Quarterly reviews at the Programme Management Board (PMB) allow adjustments to the plan and reallocation of resources as required.

Initiative Management revolves around the selection, prioritization, and implementation of strategic corporate initiatives. This process is initially led by CFD and follows the capabilities-based planning methodologies. Separate from the business planning process, this process provides top-down direction to the Level-Ones while

filtering bottom-up innovative ideas. Once the initiatives are selected and prioritized, they are handed to CProg for implementation. CProg facilitates the movement of the initiatives through the departmental approval process, such that Ministerial and Treasury Board approvals swiftly follow. When added to the BP process, this accounts for 100% of the annual resources allocations.

But there is more to strategy management than just resource allocations. Monitoring trends and initiative progress is a key responsibility of the VCDS group. In addition to the quarterly financial reviews, the PMB also monitors the strategic initiatives. If the initiative begins to exhibit adverse schedule, financial or technical characteristics, the VCDS will intervene to determine the appropriate course of action. In addition, the VCDS manages strategic discussions through the use of a strategy map and associated scorecards. By presenting this information to DMC, the decision-makers can synthesize performance data and determine if an intervention is required or if strategy alterations are necessary. This systematic performance management mechanism maintains a corporate focus on strategy.

Each of these central VCDS activities is consistent with what Robert Kaplan and David Norton call an *Office of Strategy Management*. Articulated in Harvard Business Review in 2005, this central office construct is a new wave in corporate strategy management. Through extensive research, these two business gurus found that "strategy at many companies is almost completely disconnected from execution."[68]

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[68] Kaplan and Norton, *The Office of Strategy Management*, 1

However, they also determined that successful companies exhibited similar principles. These principles include: mobilizing change through executive leadership; translating strategy to operational terms; aligning the organization to the strategy; motivating to make strategy everyone's job; and governing to make strategy a continual process. The organizations that were able to sustain a corporate strategic focus created a new corporate-level unit to coordinate and facilitate the strategic corporate processes.

Similar to the VCDS organization, these new units (offices of strategy management) conduct formal long-term planning, select and prioritize strategic initiatives, manage the corporate BP process, and monitor the implementation of the initiatives. They also coordinate senior-level strategic discussions and review performance data through the use of a strategy map. As Kaplan and Norton confirmed, this new concept of strategy management effectively serves as the Chief of Staff to the Chief Executive Officer (CEO). Clearly then, it can be seen that the business community is now embracing the central VCDS organizational construct as the basis for maintaining a strategy focused organization. In essence, the central coordinating function inherent in the VCDS organization is the new wave in corporate business management.

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