

## Archived Content

Information identified as archived on the Web is for reference, research or record-keeping purposes. It has not been altered or updated after the date of archiving. Web pages that are archived on the Web are not subject to the Government of Canada Web Standards.

As per the [Communications Policy of the Government of Canada](#), you can request alternate formats on the "[Contact Us](#)" page.

## Information archivée dans le Web

Information archivée dans le Web à des fins de consultation, de recherche ou de tenue de documents. Cette dernière n'a aucunement été modifiée ni mise à jour depuis sa date de mise en archive. Les pages archivées dans le Web ne sont pas assujetties aux normes qui s'appliquent aux sites Web du gouvernement du Canada.

Conformément à la [Politique de communication du gouvernement du Canada](#), vous pouvez demander de recevoir cette information dans tout autre format de rechange à la page « [Contactez-nous](#) ».

CANADIAN FORCES CO



ORCES CANADIENNES

**Improving the Debate:  
The CF's Performance Measurement Framework  
and Strategic Management**

By /par Capt(N) D.W. Robertson

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

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

355  
.005  
N2  
2001  
no.26  
e.2  
CFC

# CANADIAN FORCES COLLEGE

## Improving the Debate: The CF's Performance Measurement Framework and Strategic Management

In a liberal democracy like Canada, national defence is an activity shared by three principal assemblies: the people, the Parliament and the Canadian Forces.

Dr. Douglas L. Bland<sup>1</sup>

### Introduction

General Baril's oft-repeated assertion that "the Canadian Forces is more combat-capable than it was at the beginning of the [last] decade"<sup>2</sup> is certainly accurate in some ways, as I can confirm as the commanding officer of a destroyer which is much more capable today than it was in the early 1990s. Yet an Esquimalt-based destroyer of the same class is not in operational service because of a personnel shortage.<sup>3</sup> The General's phrase is really only an introduction to the broad topic of readiness, meant to convey that the CF has ensured its preparedness to execute its mission, and by inference that it will continue to be ready to serve Canada in the future. This remains the General's professional assessment, presented most recently to members of the Standing Committee on National Defence and Veterans Affairs (SCONDVA).<sup>4</sup>

A number of outside observers have disagreed with General Baril's assessment, leaving Parliamentarians to make their own judgements on an issue as fundamental as the readiness of their armed forces today. Yet, as will be shown, they have only limited information on which to base their judgements, since the department's external reports deal with the issue in only a very general way, and indeed since the Department does not have a performance measurement system that would support more detailed reporting – either internally or externally. More importantly, Parliamentarians and the public are left to make their own determination of whether the CF is executing its strategy for future success, *Strategy 2020*, without the benefit of departmental reporting on how its current resource allocations are being aligned with its strategy to produce an effective force in the future.

---

<sup>1</sup> Dr. Douglas L. Band "Parliament's Duty to Defend Canada." Canadian Military Journal, Vol. 1 No. 4 Winter 2000-2001, p 35.

<sup>2</sup> General Baril has used this phrase for several years, for this early example see the Opening Remarks for General Maurice Baril for Appearance before the Standing Committee on Public Accounts, Ottawa, Ontario, 28 May 1998 at [http://www.vcds.dnd.ca/cds/speeches/scopa\\_e.asp](http://www.vcds.dnd.ca/cds/speeches/scopa_e.asp)

<sup>3</sup> HMCS Huron has been alongside in Esquimalt since October 2000.

<sup>4</sup> General Baril's 3 May 2001 appearance before SCONDVA is at <http://www.parl.gc.ca/InfoComDoc/37/1/NDVA/Meetings/Evidence/ndvaev11-e.html>



Beginning with a review of recent reporting to Parliament and the Government's current policy on performance measurement and reporting, this paper will consider whether DND could not provide strategy-based reporting that better meets the needs of Parliamentarians, the public and even the Department. DND's performance reporting and its performance measurement framework will be examined, and contrasted with a Balanced Scorecard approach, one which provides a model that could be used to achieve the desired linkage between current resources, strategic intent and an effective future force. Such an approach would facilitate reporting to Parliament and the public, and raise the level of public debate.

### **Informing Parliament**

One noted commentator whose views are representative of those of many retired officers is Major-General MacKenzie. His widely-reported assessment is that "the Forces as a whole is less capable of combat than it was 10 years ago."<sup>5</sup> The debate over the CF's readiness to execute its mission is a symptom of a problem facing all who would wish to contribute to any discussion on defence policy and budget – a lack of consensus on the state of the CF today and consequently no clear view of its effectiveness in the future. This problem is due at least in part to the CF's almost total lack of reporting on its current readiness to execute its mission "to defend Canada and Canadian interests and values while contributing to international peace and security."<sup>6</sup> Current readiness issues, which should be the easiest to assess and explain to Parliamentarians are, however, merely one part of the problem.

Perhaps more important for the future of the Forces is the assessment of Lieutenant-General Jeffrey, Chief of the Land Staff, that the "current structure requires greater resources than there are dollars available."<sup>7</sup> As Dr. Bland has noted, the current and future forces "can be the enemy of each other."<sup>8</sup> The issue of key importance to Parliamentarians and the public then should be whether they have the information necessary to judge where the balance lies between the current and future forces, and whether DND has the resources to successfully execute its *Strategy 2020*.

These are some of the issues that Parliamentarians are dealing with during the current hearings of SCONDVA into the readiness of the Canadian Forces. When the committee heard from General Baril earlier this spring, he began his opening remarks by affirming that the Canadian Forces are ready and capable of meeting their defence commitments. He then recounted recent operational successes, noting that the "Canadian Forces have responded when they were called upon." After reviewing the CF's vanguard units' notice to deploy, General Baril then turned to the CF's combat capability. He softened his

---

<sup>5</sup> James Cudmore, "Canadian Army unable to fight, Mackenzie says," National Post, 23 February 2001. For the views of others see for example Mike Blanchfield, "Defence chief glossing over forces decline - - retired brass," Ottawa Citizen, 13 May 2001

<sup>6</sup> Strategy 2020, p 2.

<sup>7</sup> LGen Jeffrey's 17 May 2001 testimony to SCONDVA is at <http://www.parl.gc.ca/InfoComDoc/37/1/NDVA/Meetings/Evidence/ndvaev15e.html>

<sup>8</sup> Dr. Bland's 3 April 2001 testimony to SCONDVA is at <http://www.parl.gc.ca/InfoComDoc/37/1/NDVA/Meetings/Evidence/ndvaev07-e.html>



earlier comments on the subject slightly by noting that he believed “many elements of the Canadian Forces are more combat capable today than they were ten years ago,” backing up his comment with examples of several equipment types that are new or have been modernized over the decade.

Many of the committee members’ questions focused on the issue of combat capability, as they offered examples of equipment that was less capable than a decade earlier. The discussion that followed allowed General Baril to explain his perspective on that equipment, but clearly the current state of any one equipment type does not determine the CF's readiness, and the discussion did little to further inform members about the short or long-term readiness of the CF's combat forces.

Military readiness is only partially defined by specific equipment types. It is based principally on the combined effect of all equipment, personnel and training.<sup>9</sup> Unfortunately, the discussion only moved beyond combat capability as a function of specific equipment briefly, when a committee member asked about the ability of the CF to execute its mission despite personnel reductions. Other questions covered a wide range of topics, including housing, recruiting, the early-in/early-out policy, space and the number of generals in the CF and their salaries, none of which went to the core of the committee’s work on readiness.

When one member asked whether General Baril was basing his assessment of improved combat capability on a study, the General’s answer was that there were no such studies and that the assessment was based on his “personal experience of nearly 40 years of service.”<sup>10</sup> There were no other calls for qualitative or quantitative reports on readiness or combat capability. There were no questions about the department’s reporting framework for readiness, either of today’s force or that of the CF at some future date, despite the fact that General Baril had concluded his presentation by noting that the CF’s “challenge now is to strike the right balance between today’s needs and tomorrow’s requirements, to ensure that the Canadian Forces remain an affordable and relevant multipurpose combat-capable force, as directed by the Government of Canada.” This challenge, which is one of tying the CF's mission, vision and strategy together to management systems that will achieve “a careful balance between the investments needed to maintain current operations and the investments in people, infrastructure and equipment needed to prepare for emerging risks and future challenges” is central to the committee’s work, yet it was not further discussed.<sup>11</sup>

Perhaps Canadians would have expected the committee members to have brought a clear understanding of the current readiness and combat capability of the CF to their study, so that their efforts would be focused on whether the government’s policy and DND’s strategy will, through appropriate linkages, produce a CF that is able to meet its mission in the future. The level of the discussion speaks eloquently about the parliamentarians’ confusion over the real state of readiness of the CF and how it might be measured.

---

<sup>9</sup> Dr. Bland’s 3 April 2001 appearance before SCNDVA

<sup>10</sup> General Baril’s 3 May 2001 appearance before SCNDVA

<sup>11</sup> Strategy 2020, p 5.

Indeed Parliamentarians and the public might expect a CDS to provide his interpretation of departmental reports on areas of interest to the committee. But there are no such reports to start from. The ongoing work of SCONDVA indicates the interest of the committee in the issue, a desire to be informed and the need for additional information.

### Performance Measurement and Reporting to Parliamentarians

That Parliamentarians are not as well informed as might be expected is in part due to the type of reporting provided by the Department and the Government during the 1990s. Certainly the Auditor General provided both a general and specific critique of government reporting in his final report to Parliament after a decade of service. He cited three reasons for poor reporting:

- Public servants still have not completely accepted management based on measuring results and reporting their achievement to Parliament.
- Reporting performance to Parliament has political consequences and there is a fear that performance reports could become a political tool of ministers or the Opposition.
- Nothing really happens to an organization that does not improve its reporting.<sup>12</sup>

He concluded with the comment that “our political culture makes poor reporting safe reporting.” Under the telling heading that “Parliament has not been kept informed” he had a number of specific comments about DND. He began by noting “that Parliament had received little or no information on the state of the armed forces” throughout the 1990s. Indeed:

The annual Performance Report to Parliament has been a disappointing collection of ‘good news’ anecdotes rather than a source of genuine information on performance. As already noted, the Department has failed to develop an internal performance management system on which reporting to Parliament could be based. And while the Department continues to contemplate significant reductions and restructuring of the Forces, Parliament has been told little more than that ‘Canadian Forces are now more combat-capable than they were ten years ago.’<sup>13</sup>

He went on to note that:

The government is falling short of telling Parliament what it needs to perform its oversight role. We found continuing problems in readiness, internal efficiency, and program affordability during the 1990s. These problems cannot be solved without changes that have political effects. It is therefore essential that Parliament be provided with the information it needs to carry out its role in setting things right.<sup>14</sup>

---

<sup>12</sup> Denis Desautels Reflections on a Decade of Serving Parliament: Report of the Auditor General of Canada to the House of Commons, (Ottawa: Auditor General, 2001) p 40.

<sup>13</sup> Ibid p 70.

<sup>14</sup> Ibid p 70.



In other words, if parliamentarians have been poorly informed, it is partly because the Department does not have the tools to provide the level of internal or external reporting the Auditor General believes is required for a \$10 billion undertaking.<sup>15</sup> The Auditor General criticized DND's inability to "adequately measure readiness" and its "failed attempts to build Forces-wide measurement systems" that would inform DND and Parliament about the state of current readiness.<sup>16</sup> While the Auditor General acknowledges there are a number of reasons for the situation, including personnel and budget reductions, the shortcoming remains in both external and internal reporting.

### The Government's policy on reporting

Whatever one's views of the Auditor General's comments, there is reason to hope that Parliamentarians and the public should become better informed in the future, in part because that is the intent behind the Government's recent policy initiative. The policy is set out in *Results for Canadians: A Management Framework for the Government of Canada*, published in March 2000 following a series of Government initiatives in the 1990s (and perhaps prodding by the Auditor General). One of the key areas focused on by the framework is "the achievement of results for Canadians." The policy states that measuring and evaluating results produces information that transforms and empowers, allows for the rewarding of success and for learning from experience, all while it builds public confidence.<sup>17</sup>

Results-based management "means clearly defining the results to be achieved, delivering the program or service, measuring and evaluating performance and making adjustments to improve both efficiency and effectiveness. It also means reporting performance in ways that make sense to Canadians."<sup>18</sup> What is most important to this discussion is that the commitment of the Government goes beyond merely achieving results, to "reporting them in simple and understandable ways to elected officials and to Canadians."<sup>19</sup> The Government apparently wants Canadians to be well informed:

the Treasury Board in its management board role developed a new reporting regime that includes annual *Reports on Plans and Priorities* and *Departmental Performance Reports* tabled by departments and agencies in Parliament. Treasury Board also provides Parliament with an annual report, *Managing for Results*, which provides an overview of efforts to strengthen results-based management, highlights best practices and sets the agenda.<sup>20</sup>

In the most recent annual report under the new framework, *Managing for Results 2000*, the Government noted that "Parliamentarians are asking for performance information that not only serves accountability needs, but also is tailored to the work of standing

---

<sup>15</sup> Ibid p 68.

<sup>16</sup> Ibid p 68.

<sup>17</sup> Treasury Board of Canada Secretariat *Results for Canadians: A Management Framework for the Government of Canada*, p 10.

<sup>18</sup> Ibid p 11.

<sup>19</sup> Ibid p 1-5.

<sup>20</sup> Ibid p 31.



committees. In addition, managers must have strategies to measure performance, and to learn which programs work. They also need to link the results they achieve with the expenditures they make."<sup>21</sup> The SCONDVA would certainly benefit from this type of information about military readiness and departmental activities in general. Results-based performance information should be not only available for managers and internal use, it is also to be used in "annual departmental performance reports that present results accomplishments in light of stated commitments, including those in the annual reports on plans and priorities."<sup>22</sup>

With this review of the Government's explicit and unambiguous policy on performance measurement and reporting, the next section of the paper will turn to the Department's current practices.

### **DND's Performance Measurement and Reporting Framework**

The primary method for any department to report the results it has achieved during each fiscal year is the *Departmental Performance Report (DPR)*. Under the changes to *Part III of the Estimates* brought in by the Government in 1997, the *DPR* "provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the department's *Report on Plans and Priorities*."<sup>23</sup> In the case of DND, these two external documents are complemented by the internal *Defence Plan 2001*. These three documents will be reviewed in turn to examine how well they support informed discussion about current readiness, the department's strategy and its implementation to reach the future force, and the expected capability of that future force.

#### **Departmental Performance Report**

The most recent *DPR* for National Defence, which was tabled in the House of Commons in the fall of 2000, does not yet provide a full report on the accomplishments achieved. The Treasury Board has noted that the information required is not available by the two key results commitments (relating to multi-purpose, combat-capable forces and a civil emergency preparedness capability).<sup>24</sup> Indeed, while the *DPR* provides information on what the CF and department accomplished during the period, it is anecdotal and the linking with key results commitments is made in only the most elementary way. The *DPR* associates CF units' successes on specific operations and activities with the commitment to provide Canadians with multi-purpose combat capable forces only in the *Chart of Key Results Commitments* (attached). Those successes are used to convey an appreciation that the CF is operationally ready as a whole. Yet such successes provide but one indicator of the general state of the CF today and say little about the state of the

---

<sup>21</sup> President of the Treasury Board. Managing for Results 2000: Annual Report to Parliament. Chapter 1 at <http://www.tbs-sct.gc.ca/rma/communic/communie.asp>

<sup>22</sup> Ibid, Chapter 5

<sup>23</sup> Treasury Board Foreword to the National Defence Departmental Performance Report for the period ending March 31, 2000 at <http://www.tbs-sct.gc.ca/rma/dpr/dpre.asp>

<sup>24</sup> Key Results Commitment(s) for National Defence at <http://www.tbs-sct.gc.ca/rma/krc/page1.asp?id=4&lang=E>



forces that did not deploy during the period. The *DPR* does not otherwise report on the state of readiness of either the present or future force.

Testifying before SCONDVA, Dr. Kasurak of the Auditor General's office reiterated his office's earlier findings that "more can and should be done to report on the readiness of the armed forces to Parliament."<sup>25</sup> Commenting on the claim that the CF are more combat-capable today than they were ten years ago, he noted that the Department "doesn't provide the backup information that would allow Parliament to judge what that assessment rests on." The Auditor General's office has called for a comprehensive readiness reporting system to be based on a number of principles. It should be established on a positive reporting basis, that is all units in each reporting period. It should be based on combat units reporting on objective measures of personnel, equipment and training as well as the commander's subjective assessment. The reports should be auditable and validated on a continuing basis. Finally, the system should cover the entire force. Dr. Kasurak went on to "encourage the committee to think about not only the current state of readiness for the Canadian forces but also the management and reporting aspects for the future."

The situation is more advanced in the U.S. The U.S. General Accounting Office (GAO) reports on the Department of Defense's annual performance report, required under the Government Performance and Results Act.<sup>26</sup> The 58-page report provides high level, quantifiable, DOD readiness and general information, as well as DOD's explanation of shortfalls from the goals. For example, the information provided includes: the number of divisions, wings and naval hulls at the readiness levels necessary to execute U.S. strategy, the number of flying hours per aircrew, tank miles, ship steaming days, airlift and sealift capacity, personnel levels, and so on. There are also some indicators of future force transformation included. While the GAO recommends that "DOD include more qualitative and quantitative goals and measures in its performance plan and report to gauge progress toward achieving mission outcomes" even the current report provides qualitative and quantitative data on DOD readiness beyond what is provided in DND's *DPR*.<sup>27</sup>

While operations abroad do provide a measure of current force readiness, assessing future readiness is problematic. The *DPR* discusses *Strategy 2020* and future challenges to the CF in only two pages. There is no indication of how the challenges will be dealt with or any assessment of the future capabilities of the CF given its current resources and the challenges it faces. The few lines about *Strategy 2020* are descriptive. While the *Strategy 2020* 5-year goals are provided, there is no attempt to assess the department's success at preparing to meet the goals. Indeed the *DPR* allocates more space to the

---

<sup>25</sup> Dr. Peter Kasurak, Principal, Audit Operations Branch, Office of the Auditor General before SCONDVA on 5 April 2001, at <http://www.parl.gc.ca/InfoComDoc/37/1/NDVA/Meetings/Evidence/ndvaev08-e.htm>

<sup>26</sup> Observations on the Department of Defense's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan GAO/NSIAD-00-188R June 30, 2000 can be found at <http://www.gao.gov/> under GAO reports.

<sup>27</sup> [GAO-01-244] Major Management Challenges and Program Risks: Department of Defense at <http://www.gao.gov/>

Department's sustainable development policy that it does to the future readiness of the CF.

In summary, the *DPR* provides anecdotal linkages between the resources expended on defence and the results achieved in the year ending March 31, 2000. The report provides the public and Parliamentarians with basic information about the state of readiness of the CF during the period, and does not look ahead to readiness in the future or attempt to link efforts during the period with the department's ability to execute its mission over the long term. As the U.S. reports show, it is possible to provide more useful information. That information would not have to answer the more abstract question of whether CF operations abroad have produced the desired outcome in the area of operations - has our investment in Bosnia moved that country toward a self-sustaining peace for example - but the simple one of whether Canadians' taxes have produced a ready CF today and whether it will remain so in the future.

### **Report on Plans and Priorities**

The *RPP* provides much useful information about numerous Departmental activities, challenges and issues to be dealt with over the coming years, and sets out the Department's five corporate priority areas for the year: putting people first, optimizing Canada's force structure, maximizing value-for-money (modern management in defence), fostering Canada's defence relationships and contributing to national priorities. That said, the current *RPP* is similar to the *DPR* in its approach, and since *DPRs* report on the commitments made in the *RPP*, there is not likely to be a greater emphasis on quantifiable information in future *DPRs*. Additionally, the *RPP* does not provide any explicit linkages between resources, strategy and expected readiness results that would allow informed comment or performance measurement and reporting in the next *DPR*. Although, the *RPP* introduces the eight Strategic Objectives from *Strategy 2020*, and their associated five-year goals, it does not indicate how or whether there will be any reporting of results against these goals in future *DPRs*.

At the start of the key *Plans and Priorities* section of the *RPP*, the department notes that if Defence is to be successful "it must be selective in what it does. Tough decisions are needed, including decisions on what Defence can afford not to do in the short term, and what capabilities to invest in over the longer term."<sup>28</sup> While certainly true, the remainder of the section does not develop that challenge further. The Department's five priorities are provided without any supporting rationale. There are more than fifty sub-priorities listed under the five corporate priorities (including a commitment to continue to refine the Department's performance measurement indicators and measures). Taken together they represent a daunting workload that will clearly make a valuable contribution to the state of the CF and the Department. However, absent the strategic linkages that would have explained the five corporate priorities and their relationship with either *Strategy 2020* or the readiness of the current force, it is not clear to outside observers whether the Department's efforts will be made in the optimum areas, and indeed whether they will be sufficient to position the department for future success.

---

<sup>28</sup> Report on Plans and Priorities, p 21.



Defence Plan 2001

A fuller view of what the Department intends to accomplish can be obtained from the internal document *Defence Plan 2001 (DP 01)*, which is “a plan of execution for 2001-02 and a guide for business planning for the period 2002/03 to 2004/05. It is aligned with the annual *Report on Plan and Priorities*” and indeed the intention is to combine the two documents in future years. The fundamental purpose of *DP 01* is to assign tasks and resources to senior managers. This document is the first to assign defence tasks derived from the five Capability Programs (command and control, conduct operations, sustain forces, generate forces, corporate policy and strategy). *DP 01* complements the *RPP* and provides much more information about how the department will accomplish its five Capability Programs. When merged, the resultant internal/external document will certainly be of value to Parliamentarians and the public. That said, there are two areas which will not fully support the reporting of results for Canadians: the linkages in *DP 01* between resources and the *Strategy 2020* Change Objectives (also called the 'change agenda'), and the performance measurement framework.

On the fundamental question of linkages between resources and departmental strategy, the *DP 01* allows a reader to see how defence tasks for the current year (the 'sustain agenda') are assigned and the resources allocated. However the linkages between

**Table 5-1 RPP Priority Areas, Annual Corporate Priorities and Strategy 2020 Change Objectives**

RPP PRIORITY AREAS	ANNUAL CORPORATE PRIORITIES	RELATED STRATEGY 2020 CHANGE OBJECTIVES
1. Putting People First	<ul style="list-style-type: none"> <li>Strengthen DND/CF's capability to recruit, develop and retain people to satisfy critical functional requirements                             <ul style="list-style-type: none"> <li>Improve recruiting and retention</li> <li>Restructure military human resource governance</li> <li>Reform health care</li> </ul> </li> <li>Transform DND/CF into a full learning organization</li> <li>Invest in learning, leadership and professional development (OPD 2020)</li> </ul>	Globally Deployable Career of Choice  Lifelong Learning
2. Optimize force structure to meet capability requirements	<ul style="list-style-type: none"> <li>Significantly strengthen DND/CF's strategic mobility capability                             <ul style="list-style-type: none"> <li>Enhance strategic lift (for land sea)</li> <li>Restructure the Army</li> </ul> </li> <li>Develop DND/CF's C2ISR capabilities to ensure we can operate effectively in the information age with our allies</li> <li>Develop surveillance and communications technologies (i.e. space) to enhance Canada/US interoperability (joint space project, Polar One, US Command System)</li> </ul>	Moderate Globally Deployable  Interoperable
3. Maximize business management efficiency	<ul style="list-style-type: none"> <li>Reform and reform investment focus to ensure future sustainability                             <ul style="list-style-type: none"> <li>Implement RASP (infrastructure run out)</li> <li>Strengthen capital program (capital investment toward 25%)</li> <li>Align strategic capability requirements to long term funding levels</li> </ul> </li> <li>Adopt and integrate modern management processes and practices to improve resource stewardship, decision making and ability to manage change                             <ul style="list-style-type: none"> <li>Enhance IR strategy and governance</li> <li>Implement FES and modern accountability</li> <li>Reform Procurement process</li> <li>Implement Integrated Defence Management Framework</li> <li>Performance Measurement Framework</li> </ul> </li> <li>Future Capability Planning</li> </ul>	Moderate Resource Stewardship  Innovative Path
4. Foster Canada's Defence Relationships	<ul style="list-style-type: none"> <li>Establish clear strategic, external partnerships to better position Defence to achieve national objectives                             <ul style="list-style-type: none"> <li>Strengthen strategic partnership with private sector</li> <li>Broaden commitments, openness and transparency</li> </ul> </li> </ul>	Strategic Partnerships
5. Contributing to national priorities	<ul style="list-style-type: none"> <li>Develop and implement targeted programs to respond to relevant GOC national priorities                             <ul style="list-style-type: none"> <li>Contribute to Protection of Critical Infrastructure</li> <li>Implement Defence 1-1-1-1</li> <li>Contribute to Environment conservation</li> </ul> </li> </ul>	Moderate Strategic Partnerships Resource Stewardship

**Table 5-2 RPP Priority Areas, Ongoing Change Initiatives, and Strategy 2020 Change Objectives**

RPP PRIORITY AREAS	ONGOING CHANGE INITIATIVES	RELATED STRATEGY 2020 CHANGE OBJECTIVES
1. Putting People First	Deviation for selection, development and assessment of military leaders	Devotee Leader
	Develop and implement MCMABT	Career of Choice
	Flexible military career policies	
	Flexible civilian career policies	
	Military education strategy	
	Define benchmarks of 21st century	
	Develop recruitment, selection and training strategies for battlespace of 21st century	
Implement SCORDVA QOL recommendations		
UX'S		
2. Optimize force structure to meet capability requirements	Start Air-to-Air Refueler PPA	Globally Deployable
3. Maximize business management efficiency	Review impact of PMO and DMP implementations	Innovative Path
	Prepare for Strategy 2025 review	
	Review Strategy 2020 implementations	
	11&L Costing Model	Resource Stewardship
4. Foster Canada's Defence Relationships	Funding for IDS	Moderate
	External funding for IDP	Strategic Partnerships
	Establish CP contracts	
	AAD	Resource Stewardship
5. Contributing to national priorities	Inter-departmental national security operations co-ordination plan	Strategic Partnerships

departmental activities and the change agenda are again limited. In *DP 01*, the five *RPP* priority areas each encompass a number of corporate priorities for action as well as many ongoing change initiatives. The tables from *DP 01* provide the only attempt to link these efforts with the *Strategy 2020* change objectives.

Taken together these efforts represent the valuable work being done to ensure the CF's readiness in the future. While this may be all the change the department has the resources to advance this year, that does not ensure these initiatives are either sufficient or even the highest priority initiatives for achieving the Strategic Objectives. Indeed, *DP 01* does not attempt to make any linkage between the Strategic Objectives 5-year goals and the department's activities. The result is that an outside observer is unable to determine whether the goals are achievable, whether *Strategy 2020* is being advanced meaningfully, or what the state of the CF's readiness will be in the future.

The second area of concern is the Performance Measurement Framework. As recently as January 2000 the Department conducted a 'capacity check for modern comptrollership' as a self-assessment, in partnership with KPMG consultants.<sup>29</sup> In one area examined in this wide-ranging assessment, performance measurement, it was noted that the Department had yet to put high level strategic measures in place for corporate performance information. "The department recognizes the need for an effective performance measurement system, but this is still in its infancy stages." The report recommended that the Department "develop appropriate performance measurements: have a coordinated, effective performance measurement system linked to strategic and business planning. This will enable managers to monitor organizational performance and make appropriate changes to meet future business requirements." Finally, the report noted that the "performance measurement system must be linked to *Strategy 2020* and appropriately communicated and disseminated to staff for it to be ultimately effective."<sup>30</sup>

*DP 01* sets out a new performance measurement framework (PMF) (see next page) that claims to assess whether the department is meeting its sustain and its change agendas. "The Strategic PMF uses a Balanced Scorecard approach consisting of four Key Perspectives. The Key Perspectives are subdivided into measures and indicators that connect the Department's functional activities and processes with the strategic goals it is committed to achieving."<sup>31</sup>

In fact, while the new PMF is a significant improvement over the previously proposed PMF in the former *Defence Planning Guidance 2001*, it does not appear to be a full BSC implementation. Certainly it will benefit from the balance achieved through its span across all of the department's activities, its use of both internal and potentially external views as well as the use of lead and lag indicators. Based on the table of indicators

---

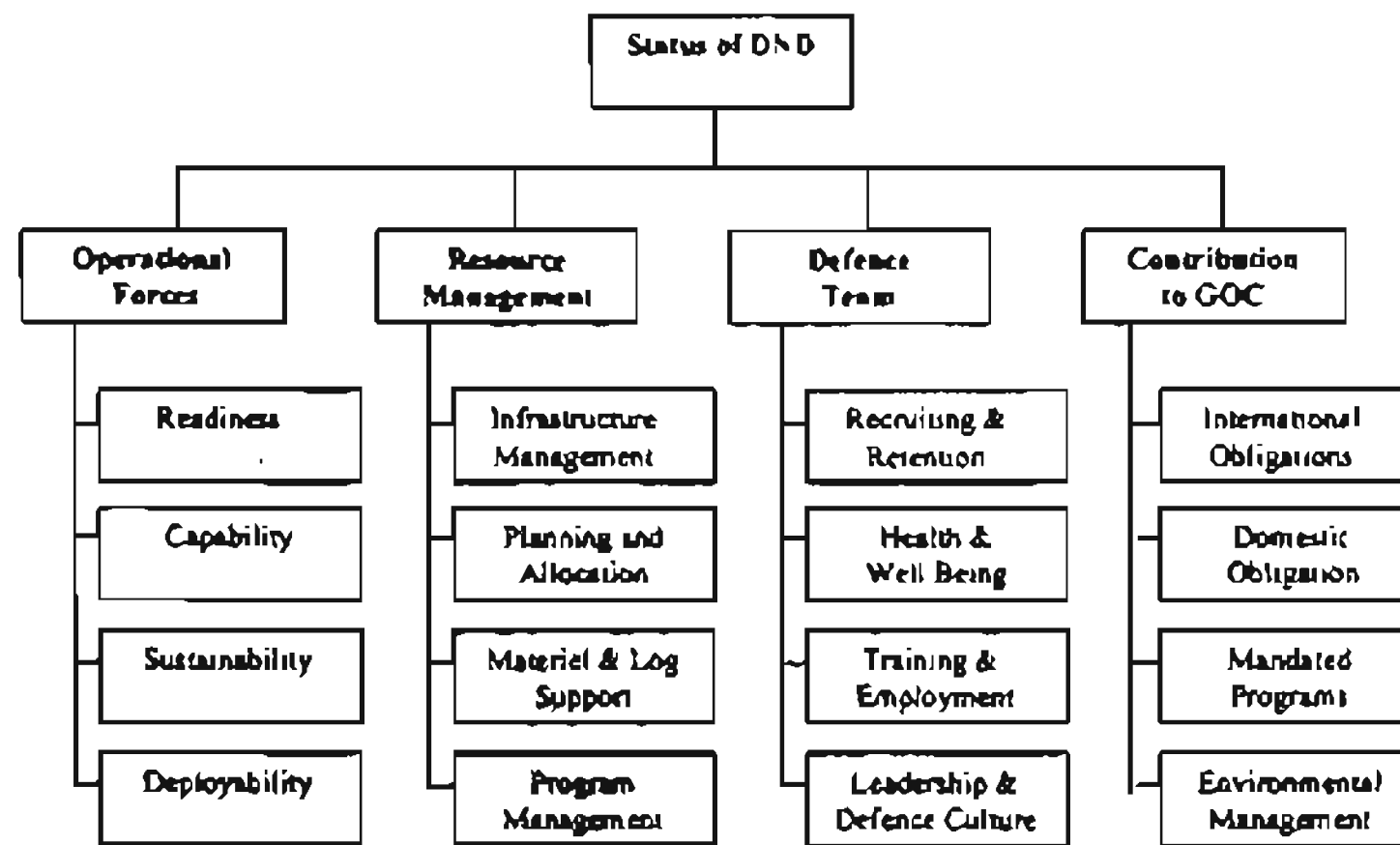
<sup>29</sup> For details see "A capacity check for modern comptrollership" at [http://www.vcds.dnd.ca/dgsp/dsc/d2000nws/2000/apr/art05\\_e.asp](http://www.vcds.dnd.ca/dgsp/dsc/d2000nws/2000/apr/art05_e.asp)

<sup>30</sup> The *Final Report of the KPMG Modern Comptrollership Assessment*, 17 Jan 2000, p 14-20 at [http://www.dnd.ca/admfincs/subjects/comptrollership/report\\_e.asp](http://www.dnd.ca/admfincs/subjects/comptrollership/report_e.asp)

<sup>31</sup> *Defence Plan 2001* p 7-4.



## Key Perspectives



From Defence Plan 2001  
figure 7-1 on page 7-5

accompanying the Key Perspectives, it appears the scorecard will provide a current, thorough and meaningful report of the state of readiness of the CF's vanguard forces.

There is much that the implementation does not address in its current format. As will be discussed in the final section of the paper, a BSC should set out the cause and effect relationship that links its strategy, its activities and its performance measurement system. The proposed BSC does not do so; indeed *Strategy 2020* implementation does not figure in the performance indicators at all. Secondly, there is little emphasis on financial measures. Thirdly, reporting on vanguard forces alone makes for a rather modest implementation. Without information about the main contingency force, or indeed the combat forces as a whole, it will be difficult to evaluate the real readiness of the current force. Taken together, these issues make it unlikely that the PMF will greatly assist in discussions about the future force. This PMF will not provide the many benefits, discussed in the final section of the paper, that the creators of the BSC claim can be achieved. This implementation appears to be more a Key Performance Indicator (KPI) system for the vanguard forces than a BSC for the CF.<sup>32</sup> Even without linkages with *Strategy 2020*, the information to be reported will certainly be useful internally, and to the degree unclassified readiness information is made available, to external audiences as well.

### Using a Balanced Scorecard Approach to Provide a Strategic Focus

The *DPR*, *RPP* and *DP 01* together provide an improved performance management framework and enhanced performance reporting. However, there is clearly room for a system that would provide more of what the Auditor General, the CF's own modern comptrollership study and *Strategy 2020* have called for. An approach that has gained followers and been widely implemented in both the public and private sectors over the last decade is that of a Balanced Scorecard (BSC), used for performance measurement and, more recently, strategic management.

<sup>32</sup> Robert S. Kaplan and David P. Norton, *The Strategy Focused Organization*. (Boston, Massachusetts: Harvard Business School Press, 2001) p100-104.

## The Balanced Scorecard

The original premise of the BSC was straightforward: that the traditional system of monitoring using financial indicators reported adequately on past and present profitability, but was inadequate to the task of assessing whether the enterprise was taking the steps necessary to ensure its future success. The advance in using a BSC was in part the use of a number of non-financial indicators in the *innovation and learning*, *customer* and *internal processes* perspectives that would measure current performance and the drivers of future success. The breadth of these four perspectives can be seen to encompass every aspect of a firm's activities. Consequently their supporting indicators can, in reporting on those activities, report on the firm as a whole. However, as previously discussed such an approach alone produces a balanced Key Performance Indicator system, which, while forward looking and better than relying solely on financial indicators, does not provide the linkage between the organization's mission and strategy and its performance measurement system that is the basis of the BSC. According to Kaplan and Norton, the BSC's creators, it "fills the void that exists in most management systems – the lack of a systematic process to implement and obtain feedback about strategy. Management processes built around the scorecard enable the organization to become aligned and focused on implementing the long-term strategy."<sup>33</sup>

Fundamentally, the implementation of an organization's strategy, whether implicit or explicitly stated, is observable in everything an organization undertakes. A BSC derives its greatest value from the premise that by selecting the appropriate performance indicators in each of the four perspectives one can measure not merely whether an organization is succeeding at present, but also whether it is executing its strategy for continued success in the future. "The objectives and the measures for the Balanced Scorecard are more than just a somewhat ad hoc collection of financial and non-financial performance measures; they are derived from a top-down process driven by the mission and strategy of the business unit."<sup>34</sup> Indeed, properly constructed the BSC's indicators measure a series of cause and effect relationships relating all four perspectives.

Commercial success is typically measured at the bottom line. Consequently, the financial perspective not only deals with the financial resource issues facing the firm, it also deals with profitability - the ultimate measure of the firm's success in the eyes of the shareholders. Although money's role as a resource for a public enterprise is fundamental, it is seldom useful as the measure of ongoing success. Consequently the financial perspective is unlikely to be the final element of the BSC for a government department. In the case of the CF, its strategy is to "position the force structure of the CF to provide Canada with modern, task-tailored, and globally deployable combat-capable forces that can respond quickly to crises at home and abroad, in joint or combined operations. The force structure must be viable, achievable and affordable."<sup>35</sup> Consequently, the final

---

<sup>33</sup> Robert S. Kaplan and David P. Norton, The Balanced Scorecard, (Boston, Massachusetts: Harvard Business School Press, 1996) p 19.

<sup>34</sup> Ibid p10?

<sup>35</sup> Strategy 2020, p 6.



perspective would be whether the customer, the government in this case, is satisfied that the CF can execute its mission, that is that it has an affordable and operationally ready CF. If linked with strategy 2020, this would provide the reporting of 'results for Canadians.'

Kaplan and Norton claim there are a number of benefits to implementing a BSC beyond merely the balance provided by a multi-indicator performance measurement system based on internal and external views of an organization that uses both lead and lag performance indicators. Their assessment is that the BSC helps accomplish a number of "critical management processes:

- Clarify and translate vision and strategy
- Communicate and link strategic objectives and [performance] measures
- Plan, set targets and align strategic initiatives
- Enhance strategic feedback and learning"<sup>36</sup>

Certainly these would be of benefit to DND and allow for fuller reporting. The final item is of key interest, since it allows an organization to determine whether it will continue to be successful in the future. If the performance measurement indicators are satisfied then the organization should not just be successful today, it should also be executing its strategy for continued success. Conversely, if the indicators are not satisfied, then corrective action can be taken, ranging from minor adjustments to operations that change the indicators all the way through to the rethinking of the underlying strategy if it cannot be achieved within the resources available. Such a system would be of benefit if it could be implemented in a government department.

Robert Kaplan acknowledges there are a number of challenges in implementing the BSC in public sector organizations, including the issues of generally uncoordinated oversight by "elected officials, the legislature, legislative committees, the media and public interest groups," of political risk from inadequate results and the fact that it can take years in some environments for the outcomes from public sector programs to be realized. That said, these issues would have to be dealt with when implementing any performance measurement system, and there are no fundamental reasons why a BSC approach cannot be implemented in the public sector. Indeed, the many benefits of a BSC implementation still apply, and as Kaplan notes: "those public sector groups that have begun their journey have reported that the process of defining a strategy and building a Balanced Scorecard to communicate and measure the strategy was actually far more valuable than the particular measures used."<sup>37</sup>

### The City of Charlotte BSC

In their most recent book, *The Strategy-Focused Organization*, Kaplan and Norton have reported on their further development of the BSC as a strategic management system. Among the many cases reviewed, the BSC implementation in the City of Charlotte, NC,

---

<sup>36</sup> Kaplan and Norton, *The Balanced Scorecard*, p 10.

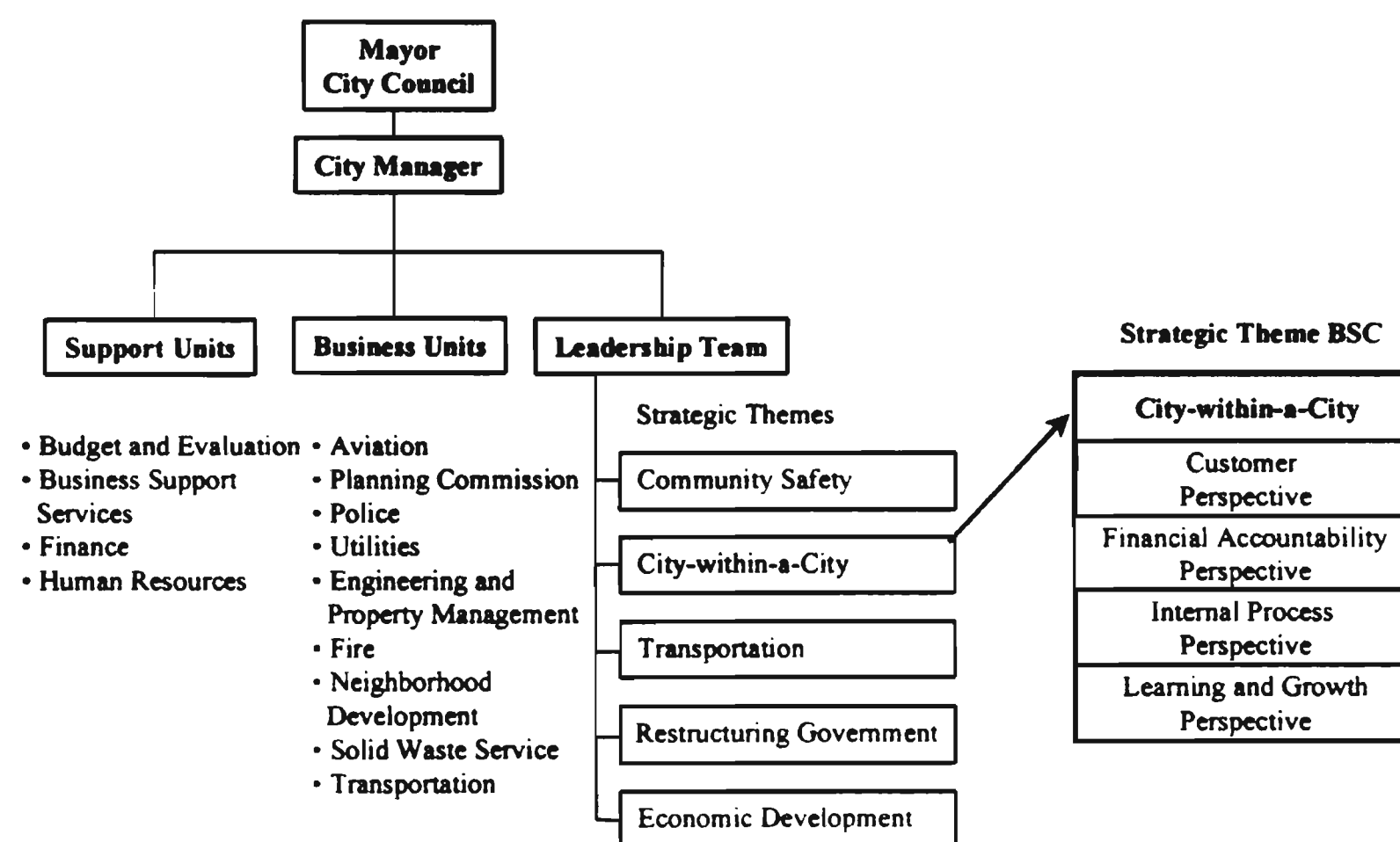
<sup>37</sup> Robert S. Kaplan, *Overcoming the Barriers to Balanced Scorecard Use in the Public Sector*. (Harvard College's Balanced Scorecard Report, 2000) pamphlet.

is of direct interest to DND.<sup>38</sup> A short overview of Charlotte's situation will be sufficient to draw parallels:

In 1990, the City of Charlotte already had a mission and a vision statement that communicated the city's desire to provide high-quality services to its citizens that would make it a 'community of choice for living, working, and leisure activities.' But the City Council was unsure about how to implement the mission and vision; funding was incremental and spread across all operating departments. [The] deputy city manager felt the need to establish a strategy and set priorities for city initiatives.<sup>39</sup>

As a result the City Council developed the following five strategic themes: community safety, transportation, city within a city, restructuring government and economic development. Their view was that success in these five areas would make Charlotte 'a community of choice.' The city used the BSC approach to implement the five themes, developing a strategy for each theme, and then choosing appropriate objectives in each perspective, each supported by a mix of lead and lag performance indicators. It should be noted that the themes cut across typical city departments. Indeed, "some departments – such as Fire, Wastewater Treatment and Solid Waste Services – expressed disappointment that their activities did not appear on the corporate scorecard."<sup>40</sup> What they quickly came to understand was that departments were to run and report on their

City of Charlotte: Defining the Balanced Scorecard for Strategic Themes



From Robert S. Kaplan and David P. Norton, The Strategy-Focused Organization p 185

<sup>38</sup> All aspects of the case are from Kaplan and Norton, The Strategy-Focused Organization pp137-142 and pp178-186.

<sup>39</sup> *ibid* p 137/138.

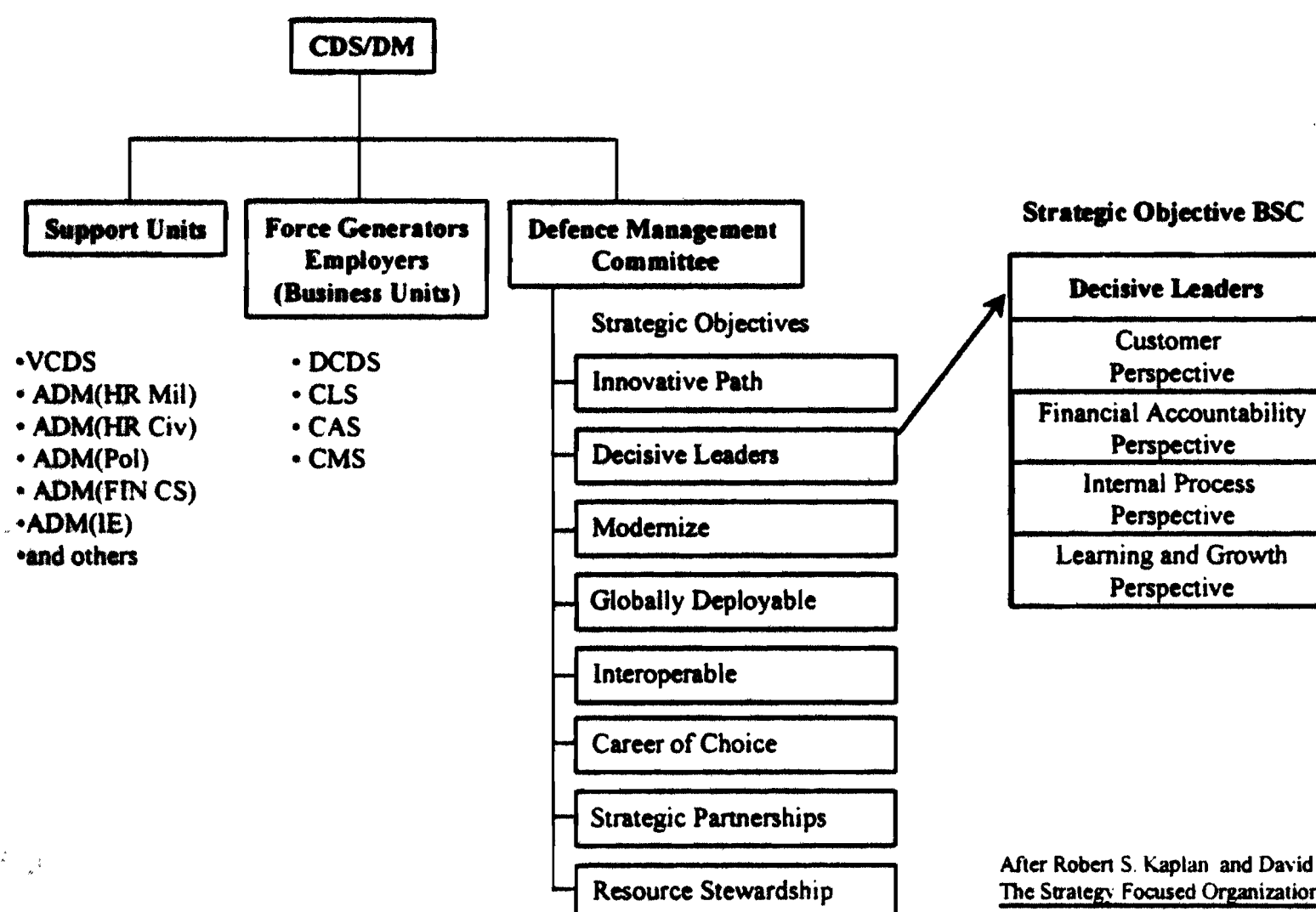
<sup>40</sup> *Ibid* p140.



business, and that their business should be aligned with the strategic themes that would make Charlotte a 'community of choice'. The resulting departmental BSCs not only ran their businesses, they also set out the departments' strategies for contributing to the achievement of the Charlotte corporate scorecard strategic themes. Beyond these measures to implement the long-term strategy, Charlotte also "established cabinets for each of the city's five strategic themes. Each cabinet met monthly to discuss progress in improving performance for the theme's strategic objectives."<sup>41</sup> Cabinets, which involved the relevant department heads, produced the BSC for their strategic theme. The overall organization is shown in the above diagram, adapted from *The Strategy Focused Organization*.<sup>42</sup>

In the case of DND, the mission and vision are clearly stated, and *Strategy 2020* sets out "a strategic framework for Defence planning and decision-making to help guide the institution well into the next century." It also "articulates Defence's long-term objectives and short term targets for the future. It serves as a bridge between current policy and the future."<sup>43</sup> *Strategy 2020* claims that in order to give the strategy "practical effect, it is being embedded in Defence's decision-making processes and management system. Eight key strategic objectives – the essence of *Strategy 2020* – will guide and direct defence planning and investments into the next century."<sup>44</sup> While the document does provide "priorities, key long-term strategic objectives and shorter-term goals and targets,"<sup>45</sup> as has been seen previously, the strategy is not yet well linked to the decision making

DND/CF Balanced Scorecard for Strategic Objectives  
(after City of Charlotte)



After Robert S. Kaplan and David P. Norton  
*The Strategy Focused Organization* p 185

<sup>41</sup> Ibid p183.

<sup>42</sup> Ibid p185.

<sup>43</sup> *Strategy 2020* p foreword.

<sup>44</sup> Ibid p 8.

<sup>45</sup> Ibid p 5.

process. The Charlotte BSC provides an example of how that linking might be accomplished. Certainly the manner in which Charlotte's five strategic themes have been implemented across department lines suggests how the eight strategic change objectives set out in *Strategy 2020* and presented to Parliament in the *RPP* might be implemented across the Department.

In this type of implementation, the *Strategy 2020* Strategic Objectives each have their own BSC. Each BSC would be built with objectives and indicators designed to measure progress at executing a strategy that will accomplish the 5-year goals. While there will inevitably be some overlap between certain Strategic Objectives, the City of Charlotte found the overlap interlocked the BSCs. As in Charlotte, each of the Support units and Business units would be responsible to run and report on their business, while ensuring that their business is aligned with the strategic objectives that will take the CF to the *Strategy 2020* goals. The results of this system would permit reporting on both readiness of the current and future force, both internally, and to the degree desired externally to the public or Parliamentarians.

The discussion of the Charlotte model and its adaptation to Defence was not meant to be prescriptive. Rather, it was offered to show a public sector enterprise of a certain complexity and size that used the approach to produce the desired linkages. There are certainly other models that could be adopted, including enhancement of the current system, which might deliver the same linkages less expensively.

### **Conclusions**

DND has improved its public reporting with the current *RPP* and *DPR*, reporting results for Canadians in simple and understandable reports. And yet the Auditor General has noted areas where DND could enhance the level of public discourse through further improvements in its reporting to Parliament and the public. Those areas appear to be in harmony with the current government policy on reporting results for Canadians.

The Canadian Forces will be able to enhance its reporting of current readiness issues using its new performance management framework. To meet the Auditor General's goal of reporting about the Force's future capabilities will require not only that the department's change agenda be embedded in the decision making process, as called for in *Strategy 2020*, but also that progress be measured using a performance measurement system. Significant results could then be reported to Parliamentarians and the public.

A Balanced Scorecard model would provide the necessary explicit linkages between the strategic intent expressed in *Strategy 2020* and the departmental resource allocation in the annual *RPP* and *DP* and show how the CF's future force is being prepared. Departmental reports such as the *DPR*, reporting on the state of the current and future force, would then raise the level of public and Parliamentary discourse. The Auditor General has warned that DND's "readiness, internal efficiency and program affordability" problems cannot be addressed without providing Parliament with the information it needs. The



**Balanced Scorecard** model shows that Defence can move beyond anecdotal reporting to **strategy-based** reporting, for internal use and for informing Parliament.

## Chart of Key Results Commitments<sup>46</sup>

Note the limited linkage between the Key Results Commitments in second column and the Department and CF's achievements for the year in the third column.

To provide Canadians with:	To be demonstrated by:	Achievements reported on pg:
Multi-purpose, combat-capable maritime, land and air forces capable of defending Canada and Canadian interests and values while contributing to international peace and security	➤ the capability to provide strategic defence and security information to the government	20 – 23
	➤ the capability to monitor and control activity within Canada's territory, airspace and maritime areas of jurisdiction	48 – 49
	➤ the capability to assist in mounting, at all times, an immediate and effective response to terrorist incidents	
	➤ the conduct of domestic operations involving assistance to civil authorities and to individuals, including assistance to provincial authorities in law enforcement operations up to and including Aid of the Civil Power under the National Defence Act, Part XI	48 – 49
	➤ the capabilities to participate in bilateral and multilateral operational missions in Canada and around the world	4 – 6, 49 – 55
	➤ the ability to operate effectively at sea, on land and in the air with the military forces of the United States in defending North America through a variety of arrangements such as NORAD	4 – 6, 22 – 23
	➤ participation in a wide range of existing bilateral defence agreements between Canada and the United States, including the Test and Evaluation Program and the Defence Production and Development Sharing Arrangements	4 – 6, 22 – 23
	➤ deployment on multilateral operations anywhere in the world under United Nations auspices, or in defence of a NATO member state, contingency forces of up to a maritime task group, a brigade group and an infantry battalion group, a wing of fighter aircraft and a squadron of tactical transport aircraft	49 – 55
	➤ maintenance of a full slate of peacetime commitments to NATO	49 – 55
	➤ bilateral and multilateral contacts and exchanges with selected partners in Central and Eastern Europe, the Asia-Pacific Region, Latin America and Africa	49 – 55
	➤ the verification of existing arms control agreements, including the Conventional Forces in Europe Treaty, and participating in the development of future accords	52 – 54
	➤ assisting other government departments and other levels of government in achieving national goals	8, 15, 19, 28
	➤ assisting other federal government departments (such as counter-drug operations in co-operation with the Royal Canadian Mounted Police and fisheries patrols in co-operation with Fisheries and Oceans Canada)	7 – 8
	➤ the capability to assist the Department of Foreign Affairs and International Trade in the protection and evacuation of Canadians from areas threatened by conflict	49 – 55
	➤ support to broad government programs	15, 19, 28
	➤ maximizing defence capabilities through the efficient and effective use of resources	12, 25 – 27
	A civil emergency preparedness capability, humanitarian assistance and disaster relief	➤ safeguarding Canadian lives and reducing damage to properties by ensuring an appropriate level of civil emergency preparedness throughout Canada
➤ the provision of assistance in the event of civil disasters (such as floods, forest fires, hurricanes, snow and ice storms) and humanitarian assistance (such as searches for missing persons, diver assistance, and search and rescue)		7, 64 – 69
the provision of vital humanitarian assistance at home and abroad with the Canadian Forces Disaster Assistance Response Team		5, 50

<sup>46</sup> DPR, p 3.



## **Bibliography**

### **Books**

Beamish, Paul W. and Woodcock, C. Patrick. Strategic Management. Toronto, Ontario: McGraw-Hill Ryerson Ltd, 1999.

Inwood, Gregory J. Understanding Canadian public administration. Scarborough, Ontario: Prentice-Hall Canada Inc, 1999.

Kaplan, Robert S. and Norton, David P. The Balanced Scorecard, Boston, Massachusetts: Harvard Business School Press, 1996.

Kaplan, Robert S. and Norton, David P. "The Balanced Scorecard: Measures that Drive Performance," "Putting the Balanced Scorecard to Work" and "Using the Balanced Scorecard as a Strategic Management System" in Harvard Business Review on Measuring Performance. Boston, Massachusetts: Harvard Business School Press, 1998

Kaplan, Robert S. and Norton, David P. The Strategy Focused Organization, Boston, Massachusetts: Harvard Business School Press, 2001.

### **Articles**

Bland, Dr. Douglas L. Parliament's Duty to Defend Canada, Canadian Military Journal, Vol. 1 No. 4 Winter 2000-2001 at [http://www.journal.dnd.ca/vol1/no4\\_e/policy\\_e/poll\\_e.html](http://www.journal.dnd.ca/vol1/no4_e/policy_e/poll_e.html)

Kaplan, Robert S. Overcoming the Barriers to Balanced Scorecard Use in the Public Sector. Harvard College's Balanced Scorecard Report, 2000. Pamphlet.

Milburn, Commander Darrel and Heller, Lieutenant Commander Jonathan. "Ready or Not." United States Naval Institute Proceedings, July 2000, pp54-57.

### **Government References**

Baril, General Maurice. Building on a Stronger Foundation: Annual Report of the Chief of the Defence Staff 1999-2000, 11 April 2000 at [http://www.vcds.dnd.ca/cds/anrpt/intro\\_e.asp](http://www.vcds.dnd.ca/cds/anrpt/intro_e.asp)

Defence Plan 2001, (The Department of National Defence and Canadian Force Internal Annual Business Plan for Fiscal Year 2001/2002), at [http://www.vcds.dnd.ca/dgsp/dplan/intro\\_e.asp](http://www.vcds.dnd.ca/dgsp/dplan/intro_e.asp)

Defence Planning Guidance 2001, at [http://www.vcds.dnd.ca/dgsp/dpg/dpg2001/intro\\_e.asp](http://www.vcds.dnd.ca/dgsp/dpg/dpg2001/intro_e.asp)

Department of National Defence 2001-2002 Report on Plans and Priorities, at [http://www.vcds.dnd.ca/dgsp/dfppc/pubs/rpp01/intro\\_e.asp](http://www.vcds.dnd.ca/dgsp/dfppc/pubs/rpp01/intro_e.asp)

Department of National Defence 1999-2000 Departmental Performance Report, for the period ending March 31, 2000, at <http://www.tbs-sct.gc.ca/rma/dpr/99-00/9900dpre.asp>

Desautels, Denis. Reflections on a Decade of Serving Parliament: Report of the Auditor General of Canada to the House of Commons - February 2001  
at <http://www.oag-bvg.gc.ca/domino/other.nsf/html/99menu5e.html>

Organization and Accountability: Guidance for Members of the CF and Employees of DND. 13 September 1999 at [http://www.dnd.ca/inside/ins\\_orgacc\\_e.htm](http://www.dnd.ca/inside/ins_orgacc_e.htm)

Shaping the Future of the Canadian Forces: A Strategy for 2020, June 1999, at [http://www.vcds.dnd.ca/cds/strategy2k/intro\\_e.asp](http://www.vcds.dnd.ca/cds/strategy2k/intro_e.asp)