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CANADIAN FORCES COLLEGE - COLLÈGE DES FORCES CANADIENNES
NSSC 7 - CESN 7

A Human Resource Governance Framework
for the Canadian Forces

By/par

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ABSTRACT

This document elaborates a Human Resource Governance Framework for the Canadian Forces based on the six universally accepted principles of good governance developed by the Organization for Economic Co-operation and Development (OECD).

There is no commonly accepted definition of what constitutes governance. Every organization can build its own governance framework and oversee its implementation through self-governance. Using the OECD principles can help corporations to institute their governance framework. Although these principles were initially introduced for corporations, they are also applicable to any organization interested in good governance.

The delivery of HR functions is well accepted within the CF but HR must also become a true strategic partner to implement a valid CF HR Governance Framework. The proposed framework uses both the OECD principles and those included in *People First* which never meant that people could get anything they request ahead of the CF mission. This framework also suggests a cultural shift from a compliance-based (or rule-based) organization to a values-based organization that would build trust *in* the organization and *from* the organization. Conversely, the framework is dependant on this cultural change.

Transformation, as a continuation of RMA, has the power to change much of the operational scene. The CF HR Governance Framework has to fit Transformation initiatives but first, Transformation cannot continue to ignore the people dimension.

The six principles that form the CF HR Governance Framework propose substantial changes:

- The centralization of the CF HR management structure within ADM(HR Mil)
- The cultural change required for the CF to become a values-based organization through open and transparent processes

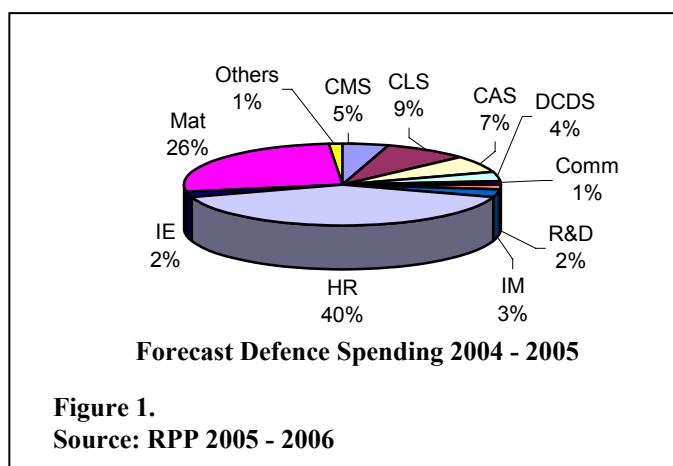
- The requirement for external audit of the CF HR system
- The oversight of the CF HR system through an independent board or council
- The integration of the CF HR Framework into the leadership model

There is no better time than now to bring the required changes to improve the CF HR system. However, this transformation will only be possible when CF leaders demonstrate the will to change the current culture. The proposed governance framework may not be the sole answer but will significantly contribute to improve the effectiveness of the CF in delivering its mission. Also, since there is no “one-size fits all” in governance, the CF HR Governance Framework developed in this paper is only one potential solution amongst many other possible and valid approaches.

INTRODUCTION

“Hiring just one employee at \$30,000.00 annual salary is an investment decision worth in excess of \$1 million, based on a thirty-year career and discounting future spending at today’s interest rates. If that investment were being made in capital, it would receive rigorous analysis regarding rate of return.”¹

“On average, companies spend 36 percent of their revenues on human capital expenses, but only 16 percent say they have anything more than a moderate understanding of the return on human capital investments.”² The Department of National Defence (DND) is



no exception as forty percent of the Defence budget is allocated to Human Resources (HR) (figure 1).³ In spite of this multi-billion dollars investment in people and the fact that the Canadian Forces (CF) recognize that “operational capability is ultimately derived from its people,”⁴ this paper will

demonstrate that HR in the CF does not receive the attention it deserves due to “serious and widespread doubts about HR’s contribution to organizational performances.”⁵

¹ Margaret Butteriss, *Re-Inventing HR – Changing roles to create the high-performance Organization*, (Canada: John Wiley & Sons Canada Ltd, 1998), 93.

² Mac Regan, “Human Capital Management: the CFO’s Perspective,” *Mercer Human Resource Consulting*, (Mercer Human Resource Consulting, 2003), 3. www.mercerHR.com

³ Department of National Defence, *Reports on Plans and Priorities 2005 – 2006*, (Ottawa: Canada Director General Strategic Planning), 76.

⁴ Department of National Defence, *Military Defence Strategy 2020 – Facing the People Challenges of the Future*, (Canada: Ottawa, Chief of Defence Staff and Deputy Minister, 2002), i. http://www.forces.gc.ca/hr/docs/hrmil-docs/pdf/hr2020_e.pdf

⁵ Dave Ulrich, *A New Mandate for Human Resources*, (President and Fellows of Harvard College: 1997), 124.

Understanding the value of people is first and foremost a leadership function. This is not new as

... [t]aking care of subordinates has been a cornerstone of [US] Army leadership doctrine since Baron Von Steuben's Blue Book of 1779⁶ which wrote, 'a Captain's first object should be, to gain the love of his men, by treating them with every possible kindness and humanity, enquiring into their complaints, and when well founded, seeing them redressed. He should know every man of his company by name and character.' This attitude put the Continental Army in the forefront of the most progressive military thinking of the period.⁷

This leadership principle has survived centuries but the world is no longer the same as when Von Stueben wrote about the Continental Army. This is especially true since the end of the Cold War when we moved into a world much more unpredictable and complex. Dietrich Dörner, in his book 'The Logic Of Failure,' defines *complexity* as

... the label we will give to the existence of many interdependent variables in a given system. The more variables and the greater their interdependence, the greater that system's complexity. Great complexity places high demands in a planner's capacities to gather information, integrate findings, and design effective actions. The link between the variables oblige us to attend to a great many features simultaneously, and that, concomitantly, makes it impossible for us to undertake only one action in a complex system.⁸

The CF recognizes this element of complexity in 'Defence Strategy 2020,' "[t]he complexities of the future security environment dictate that Canada be prepared to participate in a wide range of operations of varying levels of intensity."⁹ In spite of this,

⁶ Baron Steuben's Blue Book was known officially as "Regulations for the Order and Discipline of the Troops of the United States, Part I." See Faris R. Kirkland, *Self-Care, Psychological Integrity, and Auftragstaktik*, (USA: November 1996). Available at <http://www.usafa.af.mil/jscope/JSCOPE97/Kirkland97.htm>

⁷ Robert K. Wright, *The Continental Army*, (USA: Washington), p. 144. Available at <http://www.army.mil/cmh-pg/books/RevWar/ContArmy/CA-06.htm>

⁸ Dietrich Dörner, *The Logic of Failure – Recognizing and Avoiding Error in Complex Situations*, (USA: New-York, Metropolitan Books 1996), 38.

⁹ Department of National Defence, *Military Defence Strategy 2020...*, 10.

it will be demonstrated that the CF has not really changed its fundamental approach to face a new reality that calls for increasing emphasis on governance.

There is no aspect where this is truer than the people dimension that permeates the Canadian Forces. Changing the people function from *personnel administration* in the early 1990's to today's *Human Resource Management* (HRM) is not sufficient to manage modern HR challenges that are evolving in the complex *HR spectrum*. The term *spectrum* is used because HRM is no longer the linear and independent function it has traditionally been. To achieve success, it is important to understand that the spectrum evolves continuously in a complex world with a wide range of issues affecting people. We are moving from what Margaret Butteriss characterized the

... old metaphor related to progress i.e. if we only had enough things to do we would find true happiness to a new metaphor [that] is based on development which finds its organizational essence in the network. Strengths come from the number and quality of our relationships.¹⁰

The CF HR system did not adapt to the new metaphor with its key elements and consequently continues to *administer* people along traditional ways. “Winners will be able to adapt, learn, and act quickly. Losers will spend time trying to control and master changes.”¹¹

In his book ‘Understanding the Military Culture’, English recognizes that “leaders need more than just knowledge of the military aspects of their profession. They must also understand human behavior and be prepared to prevent or resolve conflicts and to develop and motivate cohesive groups whose members are more diverse.”¹² This really calls for “an increased sophistication of leadership”¹³ to effectively tackle the interdependent

¹⁰ Margaret Butteriss, *Re-Inventing HR...*, 133 – 134.

¹¹ Dave Ulrich, *A New Mandate...*, 130.

¹² Allan D. English, *Understanding the Military culture, A Canadian Perspective*, (Canada: McGill-Queen University Press, Montreal & Kingston, 2004), 147.

¹³ Paraphrased comments from Karen Davis during the revision of an earlier version of this paper.

relationships in complexity described by Dörner. Understanding the intricate HR interactions will eventually improve two-way trust between the CF and its members. This document discusses the importance of trust through transparency and communication.

This paper will argue that HR must receive a higher level of attention than it presently has. It will demonstrate that the CF was caught off guard and was slow recognizing the increase complexity of the HR function in a much more dynamic world than which existed during the Cold War era. Effective governance mechanisms were not implemented quickly enough to look into HR issues. In spite of this, the system stabilized itself, albeit in a very inefficient way. The CF is currently embarked in massive changes to the order witnessed in the mid 1990's but is much better prepared. There is no better time than now to reshape the face of HR in the CF.

Before addressing the concept of governance, two other subjects will be discussed: *People First* and Strategic HR. Although these topics are really separate from the proposed governance framework, the discussion is necessary to understand the importance of people in delivering the defence mission. The *People First* section will also establish what was really meant behind the concept. It is also critical to understand that no governance framework would work if HR is not recognized as a strategic partner. Hence the requirement to discuss strategic HR. The paper will then examine HR transformation before addressing the main issue of governance. Finally, the paper will propose a CF HR Governance Framework. Such framework will promote a change in culture that will eventually improve organizational effectiveness and place the CF as an organization of choice in Canada that will continue the legacy of Baron Von Steuben in making *People First*.

PEOPLE FIRST

“Failure does not strike like a bolt from the blue; it develops gradually according to its own logic. As we watch individuals attempt to solve problems, we will see that complicated situations seem to elicit habits of thought that set failure in motion from the beginning. From that point the continuing complexity of the task and the growing apprehension of failure encourage methods of decision making that make failure even more likely than inevitable.”¹⁴

What is behind *People First*? Is it only a catchy slogan, a glossy wrapping around an empty box? But the slogan is appealing. It has some strength. It is inspiring much the same as the famous Nike slogan “Just Do It”. *People First* has that same kind of power. It was invented; it was communicated; it was packaged. There is even content inside the box. *People First* was perfectly timed after the difficult years of the 1990’s. It also marked an important step in implementing the SCONDVA¹⁵ recommendations. Its principles are articulated in HR2020, which was a turning point in providing strategic HR direction to the CF. This section explores the real purpose behind *People First* and its link to an effective CF HR Governance Framework.

The *People First* seeds were planted during the 1990’s when the CF struggled with multiple issues: force reductions,¹⁶ successive budget cuts,¹⁷ the Somalia inquiry,¹⁸ the

¹⁴ Dietrich Dörner, *The Logic of Failure...*,10.

¹⁵ Standing Committee on National Defence and Veterans Affairs. This is a parliament committee with a the mandate to conduct a review of the challenges facing Canadian military personnel and their families and to make recommendations on the quality of life, the type of support and the compensation we provide to them. From the web site http://www.dnd.ca/hr/scondva/engraph/response1_e.asp?cat=1

¹⁶ The Force reduction Program (FRP) was approved by the MND in 1991 and first offered in the APS 1992. It was followed by FRP 93 through FRP 96 and in total, almost 14,000 CF members have left under the program which costed, for the major component of the FRP package, the FRP special leave, approximately \$400M. Department of National Defence, *Audit of Force Reduction Program*, 7055-29 (DGA), (Canada: Ottawa, Chief Review Services, Director General Audit, January 1997), 7.

¹⁷ Between 1994 and 1999 the defence budget will have been reduced by 23%, down to \$9.25 billion from \$12 billion. When inflation is taken into account, this represents a 30% reduction in real purchasing power. The operating budget for the year 2000 will be approximately 50 to 55% lower than forecast in 1987. Personnel reductions have been in the order of 30%, to approximately 60,000 members. And, the civilian workforce will have been reduced by 45%, down to 20,000 from 36,000 employees. SCONDVA, *Renewing our Commitment to the Canadian Forces, - Interim Report - December 1, 1999*

many reports of CF members having to find a second job to supplement their earnings,¹⁹ and the leadership failure which was widely publicized in the press,²⁰ through surveys,²¹ or acknowledged in the 1999 interim SCONDVA report.²² Many people refer to this period as the ‘decade of darkness.’ Whichever term is used to describe these years, there is little doubt that the CF went through “a period of enormous turmoil and changes.”²³ These were sad times and morale in the CF and DND was at its all time low. In this context, it is no surprise that successive Force Reduction Programs (FRP) from 1992 to 1996 were so successful.

The 1990’s were all about people. Yet it took that decade and many inquiries to realize that something needed to be done about people. In hindsight, the military needed this major episode to pay more attention to its men and women. The attention turned to ADM(HR Mil) who was confronted with issues coming simultaneously from all directions without the required resources. There was an eagerness to implement the 89 SCONDVA recommendations to correct severe deficiencies, to be seen as doing

¹⁸ The Somalia inquiry begun with the deteriorating situation in Somalia in 1992 and ends with the Government's decision to curtail the proceedings of the Inquiry in January 1997. Its executive summary stated “we can only hope that Somalia represents the nadir of the fortunes of the Canadian Forces. There seems to be little room to slide lower,” Department of National Defence, *The Somalia Report*, (Canada: Minister of Public Works and Government Services Canada, 1997), Executive Summary. <http://www.dnd.ca/somalia/vol0/vol0e.txt>

¹⁹ SCONDVA, *Renewing our Commitment to the Canadian Forces, - Interim Report*, (Canada: Ottawa, December 1, 1999), Chapter 2 of the report is devoted to pay and benefits. http://www.forces.gc.ca/hr/scondva/engraph/09chap1_e.asp?cat=1&Chapter=1

²⁰ “Leadership in the Canadian Forces is in a shamble,” wrote the Montréal Gazette in 1996. The Montréal Gazette, *Armed Forces Cast Adrift - Parliament Should Show Leadership*, Thursday, December 26th, 1996.

²¹ “A 1995 DND survey of attitudes of military and civilian employees... noted, [e]mployees, both military and civilian, are losing or have lost confidence in the Department's leadership and management.” Department of National Defence, *The Somalia Report*, (Canada: Minister of Public Works and Government Services Canada, 1997), Executive Summary. <http://www.dnd.ca/somalia/vol0/vol0e.txt>

²² “our military personnel - particularly at the lower rank levels - feel themselves to have become the victims of a series of broken trusts; they have been let down by their governments, their leadership, and the public at large.” SCONDVA, *Renewing our Commitment to the Canadian Forces, - Interim Report*, (Canada: Ottawa, December 1, 1999). http://www.forces.gc.ca/hr/scondva/engraph/09chap1_e.asp?cat=1&Chapter=1

²³ Larry Gordon, “Let Canadians Decide” *Generalship and the Art of the Admiral*, (Canada: Bernd Horn and Stephen J. Harris, Vanwell Publishing Limited, St. Catherines, Ontario, 2001), 373.

something and to reinstate some confidence in the leadership. This eagerness was both positive and negative. It was positive in the sense that initiatives were quickly implemented to correct some of the noted deficiencies; however, negative as ADM(HR Mil) was too busy implementing the SCONDVA recommendations to provide CF HR strategic direction when it was urgently required.

Consequently, QOL initiatives saw the day in an *ad hoc* reaction to the urgency to do something. There was little patience to wait for strategic planning since it was recommended that “the Chief of the Defence Staff table with SCONDVA an interim report within one year and a comprehensive report within two years on the progress made with respect to quality of life issues in the Canadian Forces [recommendation 88].”²⁴ Because the center was not ready, Commands²⁵ created their own strategic HR divisions without central direction.²⁶ This was the genesis of the current confusion in the CF HR management. HR 2020²⁷ was finally produced in 2002 to elaborate strategic HR and provide the tenets of *People First*. As this followed Environments HR initiatives, relatively little attention was paid to HR 2020.

People First was never intended to provide CF members with everything they desire and to place people ahead of the mission. “Putting *People First* does not mean the CF is obliged to put every individual's personal wishes ahead of all other considerations. Clearly, this would not be workable in any organization.”²⁸ Yet, many requests related to

²⁴ SCONDVA, *Moving Forward – A Strategic Plan for Quality of Life Improvements in the Canadian Forces*, (Canada: Ottawa, October 1998).
http://www.forces.gc.ca/hr/scondva/engraph/15concl_e.asp?cat=1

²⁵ ‘Commands’ refers to the traditional Navy, Army and Air Force Commands that became ‘Environmental Chiefs’ when moved to NDHQ. When ‘Environment’ is used in that sense, the ‘E’ is capitalized.

²⁶ In the Air Force, Flight Plan for Life (FPfL) was a QOL program devised in 1997 well before ADM(HR Mil) implements the CF QOL program. FPfL was followed by an initiative to develop the Air Force Human Resource Committee, responsible to implement many of the QOL recommendations. The Army and the Navy followed with similar programs although not as well developed as the Air Force Program. Later, these programs were overtaken by the implementation of the SCONDVA recommendations.

²⁷ Department of National Defence, *Military Defence Strategy 2020...*

²⁸ LGen C. Couture, “Putting People first – The HR Mil perspective”, in *CF Personnel Newsletter*, issue 103, 29 January 2003. http://www.forces.gc.ca/hr/cfpn/engraph/1_03/1_03_putting_e.asp

careers²⁹ indicate that most CF members, as well as the leadership, interpreted *People First* in such narrow context. The 2002-03 Defence Report on Plans and Priorities stated, “the priorities in human resources related to putting *People First* are:

- strengthen its capacity to recruit and retain people;
- further develop learning and professional-development programs;
- see through reforms to military health care;
- improve human-resource management; and
- increase diversity and promote inclusiveness in the workforce.”³⁰

The CDS annual reports from 2000 to 2003³¹ confirm these initiatives. In a series of conferences in 2003, ADM(HR Mil) re-iterated the real significance of *People First* which is to guarantee that our people are properly equipped and trained, that they receive adequate compensation and benefits and they be given the necessary care when injured.

Today, *People First* is losing its original impetus and is no longer used as a slogan³² perhaps because it has not been as successful as expected. This failure is not in the concept but in not fully understanding its meaning and the subsequent consequences of not properly communicating what it really means. The CF also failed to comprehend that *People First* does not remain static but evolves in the HR spectrum as one element of the interdependencies that exist in complex organizations. The CF was not ready to react to

²⁹ The Director of Military Careers is responsible to review cases stemming from situation encountered by military people at the rank of LCol and below. The author occupied that position for three and a half years.

³⁰ Department of National Defence, *2002-2003 Estimates, Part III, Reports of Plans and Priorities (RPP)*, (Canada: Ottawa, Her Majesty the Queen in Right of Canada, represented by the Minister of Public Works and Government Services, 2002), 11. http://www.vcds.forces.gc.ca/dgsp/00native/rep-pub/ddm/rpp/RPP-2002-2003_E.pdf

³¹ The CDS Annual reports from FY 1998-99 to FY 2003-04 can be viewed at http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dppp_e.asp#cds

³² A review of National Defence Reports of Plans and Priorities (RPP) between FY 1998 and FY 2005 revealed that ‘people’ was mentioned as a departmental priority since FY 1998 but the actual term “People First” was only mentioned in the reports for FY 2001-02 and FY 2002-03. Reports for FY 2004-05 and FY2005-06 continued to mention people as the number one departmental priority but no longer use the term *People First*. For a review of various RPP, see http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/rpp/rpp_e.asp

People First, not having thought it through. It was normal for CF members to interpret *People First* solely to their advantages when the prevailing feeling was that CF members had been forgotten through the 1990's. With such perception, the reality hits hard when members start to believe that *People First* was perhaps only a glossy package. The unintended consequence³³ of *People First* was that it raised expectations beyond the ability of the CF HR system to deliver the promises of solving HR issues in the CF. People did not realize that people issues are constantly evolving.

People First really means that there is a requirement to consider 'the' people in every thing that the Canadian Forces undertake. It is not too late to follow the tenets of *People First* but it would be a mistake to abandon the concept, as doing so would be an acknowledgement that the CF has failed to take proper care of its people. The sub-section on 'trust' will further address the importance of *People First* in a values-based organization. The CF HR Governance Framework has to consider both the people and the organizational responsibilities in order to succeed and respect the tenets of *People First*.

³³ "The law of unintended consequences, often cited but rarely defined, is that actions of people—and especially of government—always have effects that are unanticipated or 'unintended.'" Rob Norton Unintended Consequences, in *The Concise Encyclopaedia of Economics*, (David R. Henderson, 1993, 2002). <http://www.econlib.org/library/Enc/UnintendedConsequences.html>

STRATEGIC HR

“No longer simply an administrative function, [HR] has become pivotal to strategic planning and organizational success. With a recognition of the value of human capital and its relevance to organizational effectiveness, HR is increasingly becoming a key player in corporate decision making and strategy.”³⁴

The Canadian Forces use ‘personnel’ to describe administration services up to the mid-1990’s. These functions then became ‘Human Resource.’ However, changing terminology does not transform a function and in spite of the overwhelming evidence that HR “needs to undergo a fundamental shift from the traditional back-office, transaction-handling focus to a mindset that emphasizes proactive decision-making that benefits the business,”³⁵ most CF members still see HR as a service delivery function with little regards to the strategic role that it can play.

The failure to recognize HR as a strategic partner is not unique to the CF. A recent Mercer study involving 1,100 organizations worldwide reveals that “while some progress has been made, nearly 60% of finance executives still view HR as more of a cost center than a strategic partner.”³⁶ If this trend is not reversed, HR will continue to catch up to the most recent development rather than providing strategic HR direction. Conversely, in making HR a strategic partner, there is a risk that it may not deliver the promises that it makes and further alienate HR from the rest of the organization, as “there remains a significant gap between what is expected of HR leaders and what they deliver.”³⁷ Although the CF recognizes the importance of people, its efforts have not produced the expected results for many reasons that will be discussed in this section and also for not fully implementing the principles behind *People First*.

³⁴ Catherine et al. *Enabling Human Resources as a Strategic Partner*, (USA: Houston: APQC, 1999)

³⁵ Ed Jensen, “Strategic HR: Getting from Here to There”, *Human Performance Insights, Issue 3* (Accenture, 10 July 2003), 2. http://www.accenture.com/xdoc/en/services/hp/ideas_strategic.pdf

³⁶ Philip Vernon, “Delivering on the Promise of HR Transformation”, *Strategic HR Review*, Volume 3, Issue 6, September/October 2004, 28.

³⁷ Ibid.

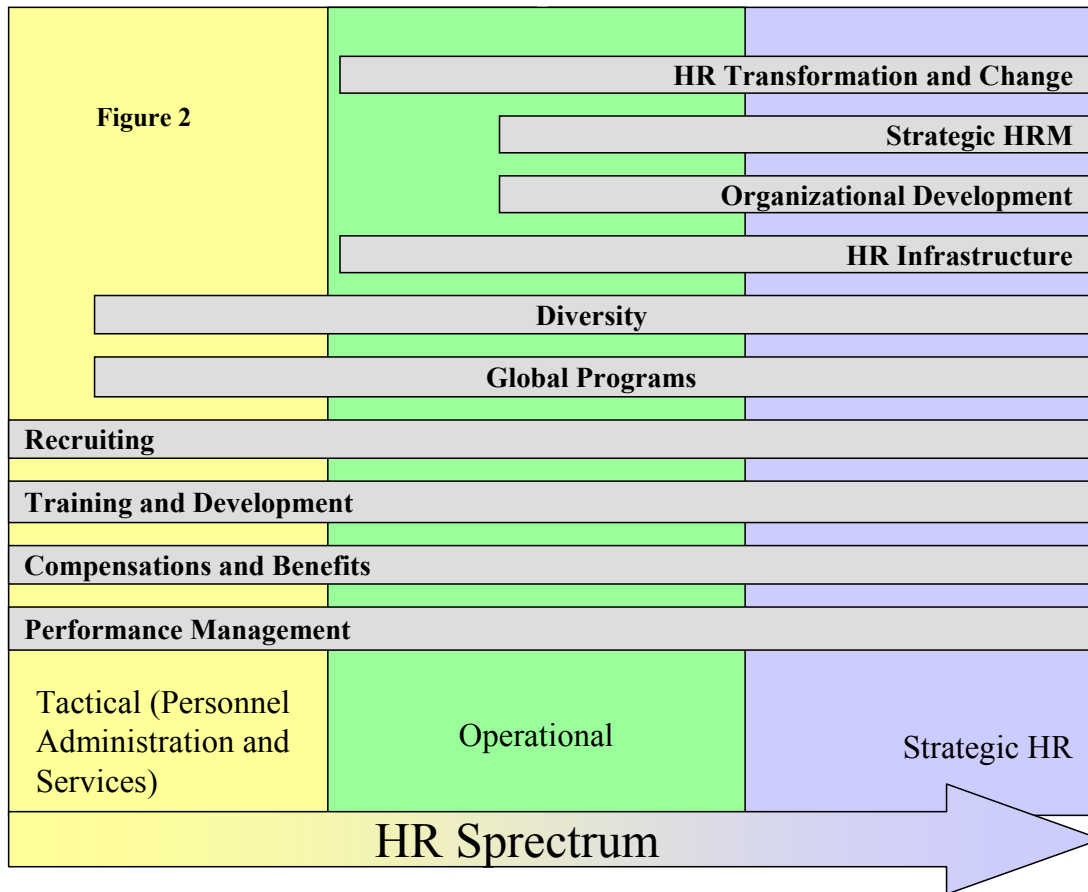
The Canadian Forces started to pay more attention to HR when it needed to address the many deficiencies noted by SCONDVA. At that point, a profound change was taking place well beyond the mere fact that HR was not recognized as a core CF function or a strategic partner. SCONDVA placed people as the center of gravity. It was like being told that time has come to react to something that all CF leaders knew: people are their most precious resource. In this context, ADM(HR Mil) became accountable to implement the SCONDVA recommendations and the focus of attention. A subtle shift of power was happening as leaders who have always been told to look after their people saw an erosion of their authority to the center at the time of a major perceived crisis in the leadership.³⁸ This shift should have been a sign of positive transformation but it first demands changing the culture, which is a difficult task to accomplish.

A discussion paper on the Strategic Leadership Competencies prepared for the Canadian Forces identifies “integration with various HR processes as one of the two main items in the competency model.”³⁹ Such integration has not been obvious and many argue that the link between various HR processes does not exist. Figure 2 shows how such integration is possible throughout the HR Spectrum using the seven key HR areas defined by Margaret Butteriss⁴⁰ in her book on Re-inventing HR. These functions are: Recruiting, Training and Development, Performance Management, Compensation, Organizational Development, Global Programs, and Diversity. She adds the more strategic role of HR in Management of Strategic Human Resources, Management of the HR Infrastructure, Management of the Employee Contribution and Management of Transformation and Change.

³⁸ The ‘leadership crisis’ was addressed in more detail in the People First section.

³⁹ Stephanie Paquet, Laura Hambley, Theresa Kline, *Strategic Leadership Competencies in the Canadian Forces*, Prepared for the Canadian Forces Leadership Institute, (Canada: University of Calgary, March 2003), 26.

⁴⁰ Margaret Butteriss, *Re-Inventing HR...*, 44 – 46.



This model shows that some functions are performed throughout the HR spectrum. For example, recruiting policies are designed at the strategic level and implemented at the lowest level where personnel administration and services are provided. This model also integrates all functions across the HR spectrum between the tactical, operational and strategic levels. Additionally, the ‘vertical integration’, represented by different colours, demonstrates that a decision at any level and in any function has an impact on other HR aspects making the spectrum indivisible. This is key as clearly strategic decisions impact the delivery of services. Conversely, the delivery of services influences the decisions at the strategic level. The HR spectrum arrow depicts that the model is constantly evolving and therefore must adapt to the changing CF reality.

The irony is that HR delivery services in the Canadian Forces have always been accepted without question but not as a strategic partner. Many argue that HR is recognized as a

strategic partner since ADM(HR Mil) is equal amongst Level 1s (L1s).⁴¹ However, to be recognized at the strategic level is more than gaining a seat at the table. Environmental Chiefs and Groups makes HR related decisions and no CF wide HR initiatives are implemented without the consent of all L1s. To become a true strategic *partner*, ADM(HR Mil) must lead the CF HR system for the greater good of the CF ahead of environmental concerns. Also, a strategic partner is more than changing processes as “alignment and integration processes do not specifically address how the CF will align strategic HR objectives with other processes or provide oversight on the integration of HR.”⁴²

The change required for HR to become a strategic partner might prove to be difficult as,

... in the military, careers are generally advanced by excellence in tactical leadership. The failure to develop an appropriate culture that rewards strategic planners, aggravated by the shortage of staff in the NCR [National Capital Region] is likely to negatively affect DND/CF’s strategic planning and intergovernmental staffing capability over the next ten years.⁴³

This section discussed the evolution of the people function from ‘personnel’ to ‘Human Resource’ and the importance for HR to be recognized as a strategic partner. As a final remark, words are important since the terminology used by senior leaders to speak about their people function transmits how they will address the most important function of their organization. This was echoed by Terry Pudas, “the reasons words are important is that language convey culture.”⁴⁴ Today, we hear more about *Human Capital*, which represents,

⁴¹ The term ‘Level 1s’ represents those who have a direct report to either the CDS or the DM (Level 0).

⁴² Karen Davis, “Strategic Plan”, *Kathleen Currie, HR2020 Internal Assessment*, (Canada: Ottawa, National Defence, December 2003), 14.

⁴³ Department of National Defence, *Capability Outlook 2002 – 2012*, (Canada: Ottawa, VCDS, July 2002), 25.

⁴⁴ Mr. Terry Pudas is the Acting director for the DoD Office of transformation and made a presentation to NSSC 7 during the visit to Washington on 6 may 2005. Following his presentation I specifically obtained his verbal agreement to use his statement as it summarizes the thoughts expressed in this paragraph.

... the sum of a workforce's skills, knowledge, and experience... and is now seen as a critical source of value for a company. No longer considered the sole province of human resources functions, managing human capital is now a strategic responsibility shared by all an organisation's leaders.⁴⁵

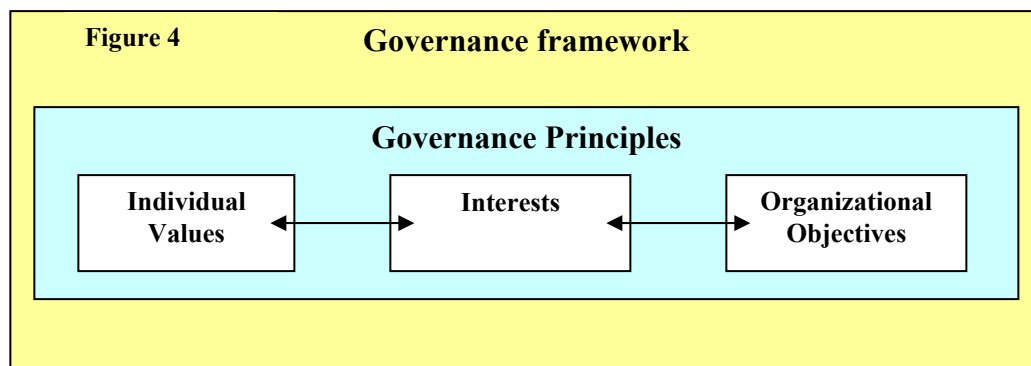
This definition reflects the latest trend in trying to understand this strategic role and also to capture the cost associated with the people function. Others use the term "human asset." The importance of capturing the real cost of people in today's world where spending is scrutinized cannot be overlooked. The CF employs people as its main resource to meet the defense mission and has to be careful not to associate people with *assets* that can simply be accounted for and discarded when no longer needed. In understanding strategic HR, it is important not to fall into the trap that would remove humanity from people.

⁴⁵ Mac Regan, "Human Capital Management...", 1.

HR TRANSFORMATION

“We trained hard, but it seemed that every time we were beginning to form up into teams, we would be reorganized. I was to learn later in life that we tend to meet any new situation by reorganizing; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency, and demoralization.”⁴⁶

HR transformation is about culture. It is caught between those who have worked in a system for many years and the new generation entering the work force with completely different skills and aspirations. They are computer literate and embrace the fast pace of changes in technology. In this context, HR governance must aim at retaining experience workers while providing an environment that retain new people. Organizations that adopt *People First* values and understand the application of these values through leadership have better chances of success. To accomplish this, the governance framework must include more than a structure with its legal boundaries. It must consist of generally accepted principles of good governance where the interests of the organization meet both individual values and organizational objectives as represented in figure 4.



The challenge in a CF HR Governance Framework is to build in the transformation required to deal with organizational objectives and individual values that compete against

⁴⁶ The origin of this quote is not clear. Most would attribute it to Roman Satirist Gaius Petronius who lived in 210 BC. However, a more logical source would likely be Robert Townsend, 'Up The Organization' 1970. <http://quotes.liberty-tree.ca/quotes.nsf/quotes5/d27aeb160dfbbe5785256cdb00107108>

each other and must be met through common interests. Machiavelli noted this organizational paradox many centuries ago,

... and it is ought to be remembered that there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in a new order of things, because the innovator has for enemies all those who have done well under the old conditions, and luke warm defenders in all those who may do well under the new.⁴⁷

The governance framework in situation like this must consistently remain alert to potential transformation without destroying the principles that created the framework in the first place. This can be achieved by taking into consideration principles applicable to both *People First* and good governance that will remain valid regardless of the transformation that takes place at an organizational level. In other words, when the HR governance framework is in place, it must ensure that appropriate HR strategies and policies are in place to meet the defence mission regardless of future change in the defence mission.

Trust

Trust must exist between the organization and its employees for the organization to become an employer of choice. Trust is two ways: *in* the organization and *from* the organization. The requirement to implement the right organisational structure as an integral part of governance will be discussed in the governance section. But regardless of the structure, if employees have lost confidence in the organization, no structure will by itself suffice to correct the negative perception created by a loss of trust.

During the 1990's the Canadian Forces lost much of both external and an internal trust. The CF is not the only institution that has lost trust from its members but sitting back because it happens everywhere does not provide a feeling of confidence, especially in organizations, like the CF, which needs public support to operate. Trust is easily broken as people in general have little tolerance and patience for mistakes perpetrated by large

⁴⁷ Nicolo Machiavelli, *The Prince*, Chapter VI, Written c. 1505, published 1515, Translated by W. K. Marriott and Rendered into HTML by Jon Roland of the Constitution Society.
<http://www.constitution.org/mac/prince.pdf>

organizations. When scandals persistently hit the press and are fuelled by governmental inquiry – Somalia – there is little residual confidence left to build on and it takes a disproportional amount of resource to regain trust if it is ever possible.

For the CF, re-engineering initiatives of 1990's did not suffice to regain the trust that was lost to the point where Government considered legislating the disbandment of the CF as an option.⁴⁸ Today, after considerable effort and money were injected in the CF, the organization successfully increased the quality of life of all its members. Yet recent survey demonstrates that the CF was not able to fully regain the lost confidence from its people.⁴⁹ It appears that it was much easier to regain confidence from the public at large.

The explanation could reside at the heart of the organization and not on the periphery. The implementation of the SCONDVA recommendations provided a quick fix that could not be sustained as they were not part of long term planning. This is not a criticism of those who devoted their energy to improve the CF environment, as there was clearly an urgent need to implement some of the benefits provided to our people. Also, there was, and still is, a sense that something needed to be done without knowing exactly what. The essence of this 'feeling' has been well captured by Gilles Paquet, "bureaucratic organizations are increasingly unable to cope effectively with the tasks at hand without going beyond authority, rules, procedures and administrative systems."⁵⁰ This really says that traditional compliance-base organizations have difficulties to go beyond the rules even though there is a sense that rules must be somewhat overcome to achieve progress. In spite of the past 15 years, the CF remains a compliance-based organization rather than values-based organization. *People First* was a serious attempt at correcting this deficiency but, as mentioned earlier, it was misunderstood, badly communicated and did more damage by raising expectations than fundamentally changing the way the CF takes

⁴⁸ This fact was discussed by BGen (retired) Sharpe during a forum discussion on 1 April 2005. Reproduced with permission.

⁴⁹ The most recent survey on quality of life in the CF reveals that CF members have not regain trust in the leadership of the organization. Although the results of this survey are yet to be released, Col J.L. Milot confirmed this fact during a symposium on 17 March 2005.

⁵⁰ Gilles Paquet. *Governance through Social Learning*, (Canada: Ottawa, University of Ottawa Press, 1999), 29.

care of its people. The danger in this situation is to enter in a spiral of mistrust that could only damage the organization if proper steps are not undertaken to stop the spiral.

A compliance-based organisation,

... tends to develop elaborate codes emphasizing compliances with rules, thus acquiring long legalistic legacy. As a consequence, it can easily foster a minimalist attitude to morality...organizations that rely on them are vulnerable to a dramatic increase in unethical behavior as soon as members of the organization perceive the enforcement level to be dropping.⁵¹

With some understanding of the implications, the CF has tried to move from a compliance-based to a values-based organization. The Red Tape Action Team⁵² was created in 1994. The team successfully developed a new format for the Canadian Forces Administrative Orders (CFAO) but was unsuccessful at changing the fundamental principle of how the CF takes care of people. Changing CFAOs into Departmental Administrative Orders and Directives (DAOD) is really a different format for regulations in a compliance-based approach. However, progress was made with programs such as Alternate Dispute Resolution (ADR), Directorate of Casualty and Support Administration (DCSA), the Director General Military Careers' (DGMC) web based initiatives.

One cannot discuss trust without including fairness as a principle that either erodes or enforces trust. From a compliance-based approach, the organization has to provide equal treatment to everyone. The cynical conclusion is that it does not matter as long as every one is equally badly treated. Although this might be an exaggeration, when an organization is focused in ensuring that regulations are followed, it creates new regulations when new situations arise. This approach does not recognize the uniqueness

⁵¹ Department of National Defence, *Defence Ethics Program, Fundamental of Canadian Defence Ethics*, (Canada: Ottawa, Chief Review Services, January 2002), 4.

⁵² “The Department established the Red Tape Action Team in 1994 to reduce the numbers of directives and procedures by 50 percent. The project was originally intended to be completed within two years and it has been successful in designing a new policy generation process.” Peter Kasurak, *National Defence Support Productivity*. An OAG audit report to Parliament on the effects of National Defence's renewal efforts. (Ottawa: OAG, 1996). Available on line from <http://www.oag-bvg.gc.ca/domino/reports.nsf/html/9634ce.html>

of individual situations even in similar circumstances and decision makers apply rules and regulations evenly regardless of individual conditions. Everyone receives the same treatment but feels alienated by a system that is inconsiderate about his or her personal circumstances. The following extract from an actual grievance demonstrates this, “I would like to emphasize that even if my case was handled in accordance with CF policies, it does not necessarily mean that my case was treated in a fair and professional manner.”⁵³

A values-based approach would analyse a situation from the person’s perspective and see how the situation fits into regulations. Peter Drucker summarizes this, “One does not ‘manage’ people. The task is to lead people. And the goal is to make productive the specific strengths and knowledge of each individual.”⁵⁴ If circumstances do not contravene ethics or law, the situation should be resolved in favour of the member. The change from a compliance-based to a values-based approach is subtle but is a giant step as it requires re-focusing the organizational culture and the culture of those who have continuously worked in that organization. It cannot happen overnight and will only occur when those in authority to make decisions in a compliance-based organization realize that it is *how* they use their discretion that shifts the culture from one type of approach to the other. Unfortunately, this understanding only manifests itself following extensive exposures to HR issues and only when people are open to the change because the military is, by nature, a compliance-based culture, i.e. the discipline of culture and obedience is premised on the existence of rules that are known, followed and enforced. A shift away from this to values-based or otherwise is even more difficult in such a culture and may in fact have some detrimental impact on the sustainment of the unique culture.⁵⁵

A values-based approach builds two-way trust. This is best expressed by the following:

⁵³ Because this is a quote from a real grievance case, the author must remain undisclosed.

⁵⁴ Drucker, Peter F. *Management Challenges for the 21st Century*. (New York: Harper Business, A Division of Harper Collins Publishing, 1999), 21, 22.

⁵⁵ This very valid comment was made by Col P. Olson during a critique of the paper on 16 May 2005 and was reproduced with permission.

Leaders who make values-based decisions without reliance on rule-based processes must be able to trust that the ‘organization’ will support them in their decisions. To do so, the CF have to trust that leaders have the competencies required to make the decisions and followers have to trust that leaders have their best interests in mind as either an individual member of the team, as well as the competence to make the decision.⁵⁶

The right CF HR Governance Framework will be values-based rather than compliance-based. To accomplish this, it should follow the universally accepted governance principles as well as establishing and maintaining trust.

HR and Transformation

This section raised the fact that HR has not been considered as a Canadian Forces true strategic partner. HR evolved but the linkage between the CF mission and HR is not clear. Unfortunately, this widespread view of HR continued throughout the 1990’s with little relationship with transformation resulting from the Revolution of Military Affairs (RMA). English points that the people dimension cannot be segregated from technological evolution, “[c]hanges in military technology and organization, whether or not caused by an RMA, connote changes in the human dimension of the armed forces.”⁵⁷

As the RMA became ‘Transformation’, lessons related to HR were not learned since Transformation did not include HR⁵⁸ ignoring what Margaret Butteriss expressed in her book on Re-Inventing HR,

... [r]esearchers, practitioners and academics points increasingly to the fact that the only sustainable source of competitive advantage in a dynamic and complex environment is an organization’s people.

⁵⁶ This statement was provided by Karen Davis in a critique of an earlier draft of this paper on 8 April 2005. It relates to the importance of leader development framework that addresses social/HR capacities. It was reproduced with permission.

⁵⁷ Allan D. English, *Understanding the Military Culture ...*, 138.

⁵⁸ The people dimension was totally absent from a three-day conference in December 2004 devoted to Network Enabled Operations (NeOps). During a conference to NSSC on 1 February, Dr Leggat, ADM S&T, recognized that the CF has an urgent need to address the HR dimension in the Transformation context.

Technology can be duplicated, marketing plans can be replicated, and financial clout can be created. What is unique in an organization is the sum of the capabilities of its members.⁵⁹

Eventually the Directorate of Strategic Human Resources (D Strat HR) for the CF developed a model⁶⁰ that integrates HR concepts into the Strategic Operating Concept (SOC)⁶¹. This integration has been a difficult task to accomplish since Transformation did not include HR at the outset and much work remains to determine how such integration is to happen. Parallel to the work accomplished by D Strat HR, the Canadian Forces Leadership Institute developed a Leader Framework that maps into the SOC. A detailed understanding of the models is not required for this paper but the main point of the leader framework is to understand that leaders must have the competencies that facilitate governance i.e. leaders must acquire the HR knowledge and expertise to integrate various transformations affecting the organization and its people.

A more useful approach is to look at Transformation from the perspective of what can Transformation do to HR. One concept imbedded in Transformation is Effect Based Operations (EBO).⁶² EBO could be summarized as ‘what effect do we want to achieve’ and ‘how do we achieve such effect.’ In a military context, EBO translates into what effect we want to achieve in the enemy and develop the means to reach that effect. When this concept is transposed to HR, the question is ‘what effect do we want HR to achieve?’

⁵⁹ Margaret Butteriss, Re-Inventing HR... 209.

⁶⁰ The model in question has not been officially approved but was part of a power point presentation that D Strat HR prepared for ADM(HR Mil). Also a meeting between the author and LCol Jim Uchiyama, from D Strat HR, took place on 2 February to discuss how HR can be integrated into the SOC.

⁶¹ The CF defines Transformation through the Strategic Operating Concept (SOC), as “a process of strategic re-orientation in response to anticipated or tangible change to the security environment, designed to shape the nations’ armed forces to ensure their continued effectiveness and relevance. Transformation ... blends existing and emerging systems and structures to create greatly enhanced capabilities relevant to future missions.” Taken from Department of National Defence, Canadian Forces Strategic Operating Concept, (draft 4.4, 21 May 2004 – for CDS review), 4. This definition was presented to and accepted by JCRB 03/03 25 Feb 03 and could be found in National Defence.

⁶² EBO has been defined mainly in an operational context as “[a] set of actions planned, executed, and assessed with a systems perspective that considers the effects needed to achieve policy aims via the integrated application of various instruments of national power.” From Gary Atkinson, “Operational Net Assessment, Presentation to J9 Academy” found in Paul T. Mitchell, “A Transformation Agenda for the Canadian Forces: Full Spectrum influence,” *Canadian Military Journal*, Vol 4, No 4, 16 January, 2003, 58. http://www.journal.forces.gc.ca/engraph/Vol4/no4/transformation_e.asp

This is a useful approach that places HR into the global context of operations and helps to understand that the HR framework is directly linked to operational effectiveness. So “what do we want to achieve?” is the full implementation of the principles behind *People First* that will contribute to operational effectiveness. And ‘How do we want to achieve this effect?’ By implementing the right HR Governance Framework. There is virtually no limit to the application of such an approach and many examples of ‘HR EBO’ are provided throughout this paper.

The last point on HR transformation is related to the permanent or semi-permanent nature of the HR Framework. In an ideal world, a CF HR Governance framework would have been in place and would have remained valid regardless of the transformation that occurred in the past decade because it would have successfully implemented an enduring culture into a values-based organization. Therefore, implementation of HR governance must address culture as an enduring aspect that would transcend future changes. Culture is both powerful and enduring. It is difficult to change a culture but when such goal is achieved, it has long lasting effect. Therefore, we have to be cautious that the right HR Governance Framework is in place so that the organization is not moving in an undesired cultural direction. For HR to become a successful transformation agent, serious considerations must be given to the desired effect and what culture we want to have.

To conclude, HR must be included at the outset of new initiatives affecting the organization. For this, the CF must recognize HR as a strategic enabler and leaders must understand issues affecting people. The discussion argued that a values-based organization would build two-way trust between people and the CF. Using an HR EBO approach would help to understand how this can be achieved. As for anything else, Transformation will transform itself into something else and regardless of the changes affecting the CF, the HR framework must be robust enough to sustain time and be flexible enough to evolve with time.

GOVERNANCE

“Just four days before Enron disclosed a stunning \$618 million loss for the third quarter—its first public disclosure of its financial woes—workers who audited the company's books for Arthur Andersen, the big accounting firm, received an extraordinary instruction from one of the company's lawyers. Congressional investigators tell Time that the Oct. 12 memo directed workers to destroy all audit material, except for the most basic “work papers.” And that's what they did, over a period of several weeks.”⁶³

The concept of governance “was almost unknown in English until the last few years of the 20th century”⁶⁴ and “was concerned about the ways in which governance influenced economic performance.”⁶⁵ In 2001, when Enron lost public confidence following the uncovering of malpractices related to a lack of governance within the organization, the concept had been in place for at least a decade. Since then, much has been written on governance and there is still “no fixed definition, but there are lots of ideas about what it *should* mean, or what it might mean in different situations.”⁶⁶ This section will explore the concept of governance to better understand its meaning and implications.

Two organizations have been used as references to define ‘governance’ since they have been active in that field for many years. The first one, the [Canadian Institute on Governance](#) (IOG) was founded in 1990. It is a “non-profit organization that explores, shares and promotes the concept of good governance in Canada and abroad, and helps governments, the voluntary sector, communities and the private sector put it into practice for the well-being of citizens and society.”⁶⁷ The [Organisation for Economic Cooperation and Development](#) (OECD) is the second source. It established a Task Force in 1990 to look into questions of corporate governance.

⁶³ Daniel Kadlec, “Enron: who is accountable?,” *Time On-line Edition*, 13 Jan 2002. Available at <http://www.time.com/time/business/article/0,8599,193520,00.html#>

⁶⁴ Ibid

⁶⁵ Tim Plumptre, *What is Governance?*, (Canada: Ottawa). Available at <http://www.iog.ca/page.asp?pageID=3&htmlarea=home>

⁶⁶ Ibid

⁶⁷ Institute on Governance Home Page. Available at <http://www.iog.ca/>

According to the OECD,

... corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently.⁶⁸

The OECD published the Task Force report in 1999 that established a series of principles that have since become the international benchmark for corporate governance, forming the basis for a number of reform initiatives, both by governments and the private sector.⁶⁹ This paper will use the same basis for the development of the CF HR Governance Framework. The "*Principles* were revised in 2003 and agreed to by OECD governments in April 2004."⁷⁰ The preamble to the OECD guidelines notes that "[t]he Principles focus on publicly traded companies, both financial and non-financial. However, to the extent they are deemed applicable, they might also be a useful tool to improve corporate governance in non-traded companies."⁷¹ This becomes relevant for an organization such as the Canadian Forces.

⁶⁸ Tim Plumptre, "The New Rules of the Board Game: The Changing World of Corporate Governance and Its Implications for Multilateral Development Institutions" in *Institute on Governance*, (Canada: Ottawa, February 4, 2004), 14. http://www.iog.ca/publications/board_game.pdf

⁶⁹ Organization for Economic Co-operation and Development, "Policy Brief" *OECD Observer*, (OECD: April 2004), 1. <http://www.oecd.org/dataoecd/41/32/33647763.pdf>

⁷⁰ *ibid.*

⁷¹ Organization for Economic Co-operation and Development, *OCDE Principles of Corporate Governance*, (OCDE 2004), 11. <http://www.oecd.org/dataoecd/32/18/31557724.pdf>

The main areas of the OECD Principles

I. Ensuring the basis for an effective corporate governance framework

The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and *enforcement authorities*.

II. The rights of shareholders and key ownership functions

The corporate governance framework should protect and facilitate the exercise of shareholders' rights.

III. The equitable treatment of shareholders

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

IV. The role of stakeholders in corporate governance

The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

V. Disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

VI. The responsibilities of the board

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

The IOG complements the OECD concept,

... [g]overnance is essentially about taking big decisions. At a general level, it may be defined as the process whereby organisations or societies take decisions about matters of importance. Governance is sometimes defined as the art of steering an organisation. A more elaborate version sees governance as the process whereby leaders are selected, powers are conferred, strategic directions are set, key relationships are maintained, organisational health is safeguarded, performance is monitored and account is rendered. This process takes place in many settings: - in communities, governments, businesses (corporate governance), non profits, and also in less structured situations, such as alliances, partnerships, global mechanisms for cooperation or problem-solving.⁷²

⁷² Tim Plumptre, "The New Rules....",4.

The two definitions speak of structures, relationships, means (processes) and the requirement for monitoring. The IOG does not specifically mention *structure* but it is inferred in the larger context of various organizations. In addition both speak about the requirement to set objectives and leadership expectations.

Both definitions also note that governance is no longer the sole purview of corporations. The IOG further expands

... [t]he term ‘governance’ is adaptable to both structured and unstructured settings. That is, it can relate to direction-setting in organizations (such as businesses, governments, non-profit entities) and in looser associations (partnerships, communities, alliances, international accords).⁷³

For example, the non-profit sector in Canada consists of approximately 175,000 organizations with assets that span more than \$109 billions annually and was the subject of a wide review in 1999, which resulted in many recommendations related to accountability and governance.⁷⁴

Another important point is to differentiate ‘governance’ and ‘government’. The two are often confused perhaps because governance implies the “action to govern i.e. to rule or regulate the affairs of (a body of men, corporation).”⁷⁵ However, “it is not government. It is not a synonym for government, though some people view it as such.”⁷⁶

Clearly, governance means more than just the structure that provides oversight of the organization but a specific model of governance does not exist as it varies from one organization to another depending on its size, role, and whether it is public or non public.

⁷³ Tim Plumptre, *What is Governance?*, (Canada: Ottawa), <http://www.iog.ca/page.asp?pageID=3&htmlarea=home>

⁷⁴ Susan Philips, Research Director, “Panel on Accountability and Governance in the Voluntary Sector Building On Strength,” *Improving Governance and Accountability in Canada’s Voluntary Sector – Final Report*, (Canada: Ottawa, February 1999), 4. <http://www.vsr-trsb.net/pagvs/Book.pdf>

⁷⁵ Oxford English Dictionary.

⁷⁶ Tim Plumptre, *What is Governance?*, (Canada: Ottawa), <http://www.iog.ca/page.asp?pageID=3&htmlarea=home>

In the context where “no particular structure fits every organization”⁷⁷ and where governance does not have a universally accepted definition, the elaboration of principles is important and becomes the foundation for the development of a CF HR Governance Framework. This is essentially the same approach taken by LCol Caravaggio’s draft chapter written for the CF ‘Leading the Institution’ document where he elaborates seven different principles for the DND/CF Corporate Governance.⁷⁸

In a study on Global Corporate Governance, Dr. Jeanne Patterson corroborates the above, “institutions and corporations do not entirely agree as to what constitutes good governance, let alone how best to obtain it.”⁷⁹ Although no common definition exists, “[i]nterest in sound governance is growing not only because of scandals, but also because of a growing body of evidence linking governance and corporate performance.”⁸⁰ The panel on accountability in the voluntary sector adds, “[w]ithout good governance, an organization cannot expect to perform effectively and to have the capacity to adapt readily to change.”⁸¹ This is a key issue for the CF HR Governance Framework, as will be demonstrated in the section on CF HR Governance. However, all do not share the view that governance is linked to performance. Dr. Patterson points out that,

... [m]any measures of both governance and performance appear to be tracked solely because of their availability. Thus, it is unclear whether the governance structure of a company or the governance activism of its

⁷⁷ Susan Philips, Research Director, “Panel on Accountability,43.

⁷⁸ LCol Caravaggio has provided a copy of his work that will eventually be included in a more comprehensive book published by the CF Leadership Institute. This paper uses a different set of principles to address a lower level of governance that is the HR Governance Framework. Eventually, both sets of principles will have to be integrated. Quoted with permission.

⁷⁹ D. Jeanne Patterson, "The Link Between Corporate Governance And Performance: Update 2000," *A Research Report from The Conference Board's Global Corporate Governance*, Report Number 1276-OO-RR, (USA: The Conference Board of New York, Aug 2000), 4.
<http://www.conferenceboard.ca/boardwiseii/temp/BoardWise2DJCGIFHDHIOHBHHLGEBLAMKO2005412202442/R-1276-00-RR.pdf>

⁸⁰ Tim Plumptre, “*The New Rules*...”, 3. http://www.iog.ca/publications/board_game.pdf

⁸¹ Susan Philips, Research Director, “Panel on Accountability,6.

investors constitutes the controlling governance variable intended to be measured against corporate performance.⁸²

Governance is therefore not a panacea. However, regardless of the varied opinions linking governance and performance, most agree that the relationship is positive.

‘Self-governance’ raises another interesting debate as most organizations are self governing as reported by the panel on improving governance in the voluntary sector,

...[e]ffective governance and accountability begin at home: in one’s own organization, no matter how large or small. Voluntary organizations are first and foremost self-governing. An organization's leadership has a moral, legal and fiduciary responsibility to its members, constituencies, users and beneficiaries, staff and volunteers, as well as the general public. Specifically, it is responsible for effective governance of the organization. This means ensuring that the appropriate process and structures are in place to direct and manage an organization's operations and activities, and to ensure that they function well. The ultimate goal of good governance is to ensure the effectiveness, credibility and viability of the organization.⁸³

This definition fits the CF HR system. That is; it is self-governing and accountable to the public. The compliance issue are discussed in the first and sixth principles of the CF HR Governance Framework. On the other hand, “[a] general decline in trust in all public institutions and greater public scrutiny of the private sector as well as the voluntary sector”⁸⁴ raised serious questions about the notion of self-governing. Gordon Donaldson writes about this issue,

... [i]n a free enterprise society, the nation will continue to depend primarily on self-discipline as the means of enforcing socially responsible behavior...On the other hand, no voluntary system of individual response, whether in private enterprise or in general

⁸² D. Jeanne Patterson, "The Link Between...,4.

⁸³ Susan Philips, Research Director, “Panel on Accountability,40.

⁸⁴ Ibid, 24.

democratic process, can match the “efficiency” of an arbitrary objective enforced by an absolute authority.⁸⁵

In a self-governance context, stakeholders must have unlimited trust in the organization but trust is easily broken at the first indication that inappropriate actions took place. The section on HR Transformation already discussed trust as the litmus test⁸⁶ for the implementation of a CF HR Governance Framework.

In summary, there is no universally accepted definition of governance. It is really an adaptable concept that includes both physical and non-physical structures, relationships, means or processes and performance measurements that are grounded in a series of accepted principles. Tim Plumptre summarizes,

...[t]he process of governance - the taking of decisions and rendering of account - typically rests on a *governance system* or framework. The *formal* elements of this system (constitutions, bylaws, policies, conventions) define how the process is supposed to function in a particular setting. But in practice, the *informal* traditions, accepted practices, or unwritten codes of conduct that people follow are often equally important in determining how governance works.⁸⁷

Governance is furthermore confused with ‘government’, ‘accountability’ and ‘stewardship’. It was already stated that ‘governance’ is not ‘government’. The rest of this section will discuss ‘accountability’ and ‘stewardship’.

Accountability

The final report on governance and accountability in the voluntary sector defines accountability as,

⁸⁵ Gordon Donaldson, *Corporate Restructuring, Managing the Change Process from Within*, (USA: Harvard Business School Press, Boston, Massachusetts, 1994), 11.

⁸⁶ The phrase *litmus test* is often used to describe a definite test for something, especially when such a test does not exist. Taken from Wikipedia, the free encyclopedia, http://en.wikipedia.org/wiki/Litmus_test

⁸⁷ Tim Plumptre, *What is Governance?*, (Canada: Ottawa), <http://www.iog.ca/page.asp?pageID=3&htmlarea=home>

... the requirement to explain and accept responsibility for carrying out an assigned mandate in light of agreed upon expectations. It is particularly important in situations that involve public trust. However, a commitment to accountability should be thought of not only as answering to external audiences, but also as a constructive tool for organizational development, enhancing management practices, self-evaluation and strategic planning.⁸⁸

In DND and the CF,

... [a]ccounting for the use of authority is the means by which all members, military or civilian, "tell their story" up, as well as across, the organizational chain. That is, accounting is a matter of reporting both actions (what is being done to make things happen) and results (what is being achieved or not achieved). It is also the means by which people in positions of authority keep abreast of developments affecting those for whom they are organizationally responsible.⁸⁹

The IOG reports that accountability is a,

... relationship that comes into existence when a task is delegated by one party to another. Accountability exists when there is a requirement for party two (delegate) to report back to party one (delegator). The reporting may be explicit or implicit. Where the task is explicit and specifically defined (e.g. to prepare policy options), and the framework for accountability is clear.⁹⁰

The OECD says,

... accountability exists where there is a hierarchical relationship within which one party accounts to another for the performance of tasks or functions conferred. It goes hand in hand with devolution and

⁸⁸ Susan Philips, Research Director, "Panel on Accountability", 29 – 30.

⁸⁹ Department of National Defence, *Organization and Accountability – Guidance for Members of the Canadian Forces and Employees of The Department of National Defence*, (Canada: Ottawa, Chief of Defence Staff and Deputy Minister, Second Edition, September 1999), Chapter 4. http://www.forces.gc.ca/site/minister/eng/authority/OA5_e.htm

⁹⁰ Armit et Al, "Accountability: A Fresh Look at Changing System", *Institute on Governance, Policy Brief no 15 – 23*, (Canada: Ottawa, April 1997), 2 – 3. <http://www.iog.ca/publications/xrt1.pdf>

flexibility: managers are held accountable for results once they are given the authority to make decisions that are part of producing those results. Another important aspect of accountability is the public accountability of those who govern to elected bodies and thence to the public at large.⁹¹

These definitions of accountability point to the requirement for a relationship between two parties where expectations to accomplish a task exist. There is also an explicit element of trust implied in the existing relationship. When compared with governance that includes non-physical structures, relationships, means or processes and performance measurements, the two concepts are easily confused. However, the DND/CF uses a distinctive approach that is quite separate from the others. This approach is the one that best fits the contextual development of the CF HR Governance Framework.

Stewardship

Stewardship is also a relatively new concept that is gaining in popularity. The IOG discovered “in a recent ‘grey literature survey’ of what is being done around the world in the name of stewardship, that there is remarkably little consistency to the usage of the term.”⁹² In addition, the concept is still very much confused with governance.

Stewardship can be defined broadly as shepherding resources that belong to others,⁹³ which would be in line with Dr. Patterson’s approach in her report,

... the active oversight of organizational governance by the board of directors is what we refer to as stewardship. It is the duty of the board to oversee the conduct of the organization’s affairs, ensure that an effective team is in place to carry out day to day activities, account for

⁹¹ Organization for Economic Co-operation and Development, *Managing Across Levels Of Government, Part One: Overview*, (OECD, 1997), 66. <http://www.oecd.org/dataoecd/10/14/1902308.pdf>

⁹² Marc Saner & Jake Wilson, “Stewardship, Good Governance and Ethics,” *Institute on Governance, Policy Brief No. 19*, (Canada: Ottawa, December 2003), 1. <http://www.iog.ca/publications/policybrief19.pdf>

⁹³ Debra L. Brown, David A.H. Brown, *Governance Gone Global – The Principles behind Good Governance Practices*, (Canada: The Conference Board of Canada, March 1999), 2. <http://www.conferenceboard.ca/boardwiseii/temp/BoardWise2DFGJPNODJHHELJHJGAKJFOKG2005313213510/256-99mb.pdf>

its financial and other resources, and ensure that no issue falls between the cracks in steering the organization toward the fulfillment of its mission.⁹⁴

‘The duty of the board’ is embedded in principle VI of the CF HR Governance Framework. A recent IOG policy brief attempted to deconflict stewardship and governance and concludes,

... [t]he subject of good governance is more a *political* than a *technical* process, although both elements are important. On the other hand the concerns of responsible stewardship are generally more *technical* than *political* concerns. But still, there are important political factors to consider in each of these realms as well, especially in terms of citizen engagement and public accountability.⁹⁵

The brief concludes that more work is required on both issues but raises the fact that “stewardship can be seen not just as a set of practices but rather as a *governance process*.”⁹⁶

Governance – Accountability – Stewardship

This discussion on *governance*, *accountability* and *stewardship* points out to the almost interchangeability of the three terms and this makes it difficult to elaborate a useful model. When referring back to the work done by OECD and the IOG, a subordinate relation can be derived whereby stewardship and accountability are principles of good governance along with other principles adopted by the OECD. Debra L. Brown and David A.H. Brown, in their article *Governance Gone Global*, would support such

⁹⁴ D. Jeanne Patterson, "The Link Between...", 4.

⁹⁵ Marc Saner & Jake Wilson, "Stewardship, Good Governance..." , 8.

⁹⁶ Marc Saner & Jake Wilson, "Stewardship, Good Governance..." , 4. This citation was written in a larger context of stewardship as something which encompasses the roles and relations of government, industry, and the public, and makes sense of the complex interrelationships between innovation, regulation, and citizen engagement.

conclusion when they list ‘*Leadership and Stewardship*, long-term success and corporate performance,’ as one of their six principles of governance.⁹⁷ Also,

... Court (2002: 5), in drawing on a collaborative project that measures good governance, defines governance as the formation and stewardship of the formal and informal rules that regulate the public realm, the arena in which state as well as economic and societal actors interact to make decisions.⁹⁸

This point of view is important and it embeds stewardship into the concept of governance, which is the approach adopted by this paper. The CF HR Governance Framework will not discuss stewardship as a separate element but it is important to understand the role it plays in governance.

The final section will describe a CF HR Governance Framework but without a clear definition of governance, the difficulty lies in the development of a governance framework that fits a specific organization. In order to do this for the Canadian Forces, the universally accepted OECD principles of good governance will be adapted to the unique CF HR environment.

⁹⁷ Debra L. Brown, David A.H. Brown, *Governance Gone Global*...

⁹⁸ Dr. Todd Landman, “Map-Making and Analysis of the Main International Initiatives on Developing Indicators on Democracy and Good Governance,” *Human Rights Centre, Eurostat Contract No. 200221200005, Final Report*, (UK: University of Essex, 24 July 2003), 86.
<http://www.oecd.org/dataoecd/0/28/20755719.pdf>

CF HR GOVERNANCE

Previous discussions raised the requirement to understand issues affecting the Canadian Forces and to build trust. There is no better place to demonstrate the importance of trust than during Canadian Forces operations. On the one hand, soldiers must be confident that the organization will support them in situations where they are placed in harm's way. On the other hand, it is critical that every member provides unequivocal loyalty to the organization. This two-way trust is easier to accomplish in a values-based organization that accepts the tenets of *People First* and leaders understand the requirement for change. This section will propose a CF HR Governance Framework based on the universally accepted OECD governance principles that will create a values-based organization.

Governance was described as an adaptable concept that includes both physical and non-physical structures, relationships, means or processes and performance measurements that are grounded in a series of accepted principles. The structure, 'both physical and non-physical,' is "the way work and people are organized to enable the business to fulfill its accountability."⁹⁹ The 'accepted principles' are those developed by the OECD and have been used as foundation for CF HR Governance Framework. The wording of each principle has been adapted to the CF context. Although these principles are mainly concerned with State Owned Enterprises (SOE), any organization could benefit from using the OECD principles to promote good governance.¹⁰⁰ Such approach would in fact be consistent with the views expressed by Peter Drucker that most organizations behave the same and "only 10 percent of management has to be fitted to the organization's specific mission, its culture, its specific history and its specific vocabulary."¹⁰¹ This 10% is important as it concerns the culture of the organization and the organization itself, as

⁹⁹ David E. Weiss, *High Impact HR – Transforming Human Resources for Competitive Advantage*, (Canada: Wiley & Son), 272.

¹⁰⁰ This view of extending the OECD governance principles to other than corporate organizations is also addressed in the introduction to the two documents related the OECD principles. See OECD, *Principles of Corporate Governance*, (OECD, 2004) and OECD, *Guidelines On Corporate Governance Of State-Owned Enterprises*, Draft Text, (OECD, December 2004).

¹⁰¹ Peter F. Drucker, *Management Challenges for the 21st Century*, (USA: New York, Harper Business, A Division of Harper Collins Publishing, 1999), 8.

pointed by Mintzberg, “[a] corporation does not *have* a culture. A corporation *is* a culture.”¹⁰²

The six OECD principles have been adapted in consideration of this 10% and will be examined along with the structure that would best fit its application. In the end, the structure will allow implementation of the principles that will restore trust between the organization and its members.

I. Ensuring the basis for an effective CF HR Governance Framework

The CF HR Governance Framework should promote transparent and efficient customer services, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

In addition to an appropriate and effective legal, regulatory and institutional foundation, the OECD documents add, “corporate governance framework typically comprises elements of legislation, regulation, self regulatory arrangements, voluntary commitments and business practices.”¹⁰³

The authority to provide CF HR management has been delegated to ADM(HR Mil).¹⁰⁴ This does not necessarily imply that relationships are clearly defined between those responsible to provide HR management. This will be examined in the second principle.

Self-regulation would mean that ADM(HR Mil) must ensure that CF HR Management is provided in accordance with the CF HR Governance Framework. The element of trust, raised when addressing self-governance, would best be implemented through external

¹⁰² Mintzberg, Henry. *Mintzberg on Management – Inside our Strange World of Organizations*, (New York: The Free Press, 1999), 275.

¹⁰³ OECD, Principles of Corporate Governance, (OECD, 2004), 29.
<http://www.oecd.org/dataoecd/32/18/31557724.pdf>

¹⁰⁴ Department of National Defence, *Organization And Accountability - Guidance For Members of the Canadian Forces and Employees of the Department of National Defence, second Edition*, (Ottawa: DND, September 1999), Annex C. http://www.forces.gc.ca/site/minister/eng/authority/OA-C_e.htm

monitoring and reporting of ADM(HR Mil)'s ability at following the principles of good governance. Regardless of how stringent Mil HR is with its self-regulatory body, if it is provided internally, it will continue to fuel suspicious perceptions about how serious the organization is concerning HR. This external monitoring and reporting would improve both internal and external trust in the CF ability to deliver HR. As stated earlier re-establishment of trust is the ultimate goal and failure to do so would render any CF Governance Framework irrelevant. It is the collective CF actions in the implementation of a CF HR Governance Framework that will eventually restore the confidence from both CF members and the public at large.

HR practices developed by ADM(HR Mil) affect every single CF member. To change to a values-based organization, policies and directives cannot continue to be written with the intent to cover all possible situations. They must be broad enough to translate the intent but not so detailed as to cater for all situations. This is the concept of 'mass customization' that looked at issues globally but analyzed them individually. This will require a shift in culture from those used to search for a regulation applicable to each situation. This really speaks about accepting risk.

II. The rights of stakeholders and key ownership functions

The CF HR Governance Framework should protect and facilitate the exercise of stakeholders' rights

While the OECD principles of corporate governance discuss this principle in terms of 'shareholders' and their right to influence the main entity, the guidelines on OECD principles are much more explicit as to the ownership function and this will be the focus of the discussion.

The section on *People First* mentions that many actors from the three Environments (Navy, Army and Air Force) as well as other major Groups (ADM(Mat)) have taken an active role in HRM to address environmental/group concerns. For this principle, the 'stakeholders' are these actors and represent the Director of Maritime Personnel (D Mar

Pers), Director of Land Personnel (DLP), Director General Air Personnel (DG Air Pers), Director Material Human Resources (D Mat HR). The existence of these separate entities – named hereafter ‘Strategic HR Enablers’ – with their associate staff resulted in loosely defined lines of departmental HR responsibilities between them. Although ADM (HR Mil) is accountable for the provision of corporate military HR management, his staff is confronted on a regular basis with competing views from Strategic HR Enablers that do not necessarily agree with central directions. This is understandable since these Enablers operate within their Environmental silos. This arrangement encourages an adversarial approach between Strategic HR Enablers and Mil HR staff.

The Military Human Resource Policy and Planning Committee (MHRPPC) regroups these Strategic HR Enablers in addition to a number of ADM (HR Mil) advisors and was created to partially correct this deficiency. The unintended consequence of this committee was that it pushed Strategic HR Enablers into a worse position as they then assumed a partnership role with ADM(HR Mil) staff during meetings but continued criticizing Mil HR policies from an Environmental perspective. This produced Strategic HR Enablers that support their Commander’s views which might not be completely in line with Mil HR direction. This position became rapidly untenable and MHRPPC became an information gathering forum where no real strategic HR progress was made. As Mintzberg points out, “control by everyone often turns out to be control by no one.”¹⁰⁵

The guidelines on OECD principles speak in detail about ownership issues and recommend eight specific courses of action to avoid a situation similar to the one faced by the CF HR system. It is beyond the scope of this paper to examine them all but the first one gives the tone of the global approach: “[t]he government should develop and issue an ownership policy that defines the overall objectives of state ownership, the government’s role in the corporate governance of SOEs, and how it will implement its

¹⁰⁵ Henry Mintzberg, *Mintzberg on Management – Inside our Strange World of Organizations*, (USA: The Free Press, New York, 1999), 329.

ownership policy.”¹⁰⁶ This statement adapted to the CF HR Governance Framework would read, *ADM(HR Mil) should develop and issue an ownership policy that defines the overall objectives of group ownership, the ADM(HR Mil) ’s role in the corporate governance of Strategic HR Enablers, and how it will implement its ownership policy.* In other words, and in the face of compelling evidence that CF HR management is not as efficient as it could be, the solution has to focus on HR processes and customer needs that disregard silos in order to create an integrated CF HR management framework.¹⁰⁷

The guidelines elaborate further, “[t]he co-ordinating or ownership entity (*ADM(HR Mil)*) should have clearly defined relationships with the other relevant government bodies (*Strategic HR Enablers*), and be accountable to representative bodies such as the Parliament (*CF*).”¹⁰⁸ The current decentralized relationships between *ADM(HR Mil)* and HR functions within the ECS are confusing. The implementation of a CF HR Governance Framework will continue to meet resistance as long as Strategic HR Enablers make Environmental policies ahead of the CF. The Report on Canadian Forces Human Resources System Review list eight different factors that perpetrate the confusing roles within the CF HR system and concludes, “[d]ecentralization without corporate guidance will lead to inconsistency of application of corporate HR policy, the potential for inequitable treatment of members and a reduction in operating effectiveness.”¹⁰⁹ A radical departure is required for *ADM(HR Mil)* to regain ownership of CF HR management and this will only occur by a redefinition of the roles and responsibilities of all Strategic HR Enablers at the Environmental and Group levels.

¹⁰⁶ OECD, Guidelines On Corporate Governance..., 14.
http://www.ecgi.org/codes/documents/oecd_guidelines_dec2004.pdf

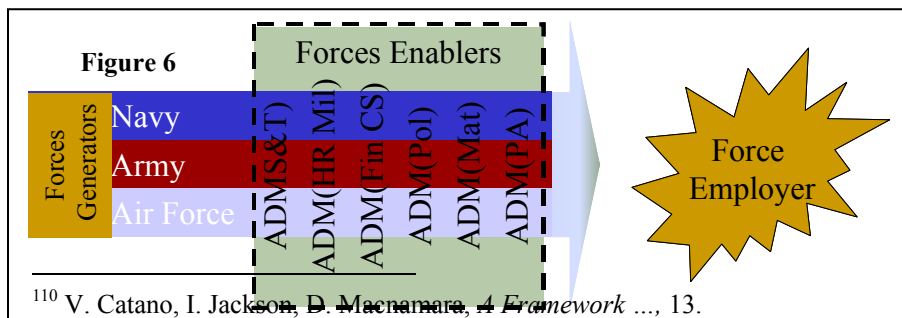
¹⁰⁷ Silos are not unique to the CF and are found in companies that operate many departments. The idea to focus on processes and customer needs is developed by Weiss in his book. David E. Weiss, *High Impact HR ...*, 275. Mintzberg talks about “pigeonhole” when referring to the common CF idea of silos. See Mintzberg on Management..., 190.

¹⁰⁸ OECD, Guidelines On Corporate Governance ..., 16.

¹⁰⁹ V. Catano, I. Jackson, D. Macnamara, *A Framework for Effective Human Resource Management in the Canadian Forces: Report on Canadian Forces Human Resources System review*, (Canada: Ottawa, HDP Group, 2000), 14.

The CF HR Governance Framework would be better implemented with the centralization of the CF HR management structure within ADM(HR Mil). This is in line with the recommendation made by the CF HR System Review that “[t]he management structure for HR should reflect the guiding principles that drive the HR system.”¹¹⁰ Therefore Strategic HR Enablers should report to ADM(HR Mil) while maintaining a link with their Environment. This would eliminate a duplication of HR functions at the Environmental level and would free up much resources that could be redirected for operational purposes. To make this work, “it is key that HR process owners view themselves as part of a larger HR business team and that they work closely with other HR business process owners in delivering services.”¹¹¹ Although this may be unthinkable, one has to remember that the inception of Strategic HR Enablers is a relatively recent event that occurred with the centralization of commands in NDHQ. Had NDHQ, and namely ADM(HR Mil) been better prepared to face this issue, “[t]he HR organization [would not have been] seen to be ‘fragmented’, in ‘crisis’, in ‘free-fall’, with policies that are conflicting, anachronistic and unfair.”¹¹²

Capt(N) retired Okros elaborated the sketch of a model (figure 6) on how this function could work.¹¹³ His model essentially proposes that CF strategic HR functions be provided across all Environments. In his model, ADM(HR Mil) – and other groups – are accountable to the CDS/DM for certain areas of legislations/cabinet compliance. While Environments are responsible to generate personnel, Groups such as ADM(HR Mil)



becomes Forces Enablers¹¹⁴ that support Environments.

¹¹¹ David E. Weiss, *High Impact HR*..., 266.

¹¹² V. Catano, I. Jackson, D. Macnamara, *A Framework*..., 12.

¹¹³ Discussion Capt(N) (retired) Okros and Col Wauthier 16 March 2005.

¹¹⁴ The term “Enablers” is used here to described various groups but Capt(N) Okros does not use this term in his description of the system.

These enablers have no influence on personnel employment but are ‘first amongst equals’ with authority for decision making in their areas of expertise. ADM(Mat) already functions, to a certain extent, in accordance with this model. The Naval, Land and Air Equipment Procurement Management are responsive to their respective Environmental Chiefs to ensure that equipment procurement is according to Environmental requirements but their chain of command is through ADM(Mat). Also, this vertical integration is in line with the HR Spectrum model described in the Strategic HR section.

Retaining the current arrangement would only continue rewarding the behaviors that motivate people in the wrong direction. In his book *High Impact HR*, David S. Weiss recognizes that “having cross functional groups competing rather than collaborating with each other drive people to behave in ways that are not in the interest of the company.”¹¹⁵ There is a risk with the current arrangement that Environmental interests take precedence over CF interests.

Mintzberg points out, “people in the organization can more easily reconcile opposing forces when it is the organization itself they believe in rather than any one of its particular parts.”¹¹⁶ This summarizes the second principle but also raises other concerns as believing in the organization implies that organization must first gain the trust of its members. Changing the structure may be perceived as an attempt to centralize, thereby removing power from Environments. This is a risk as, traditionally, Environments received a higher level of trust than the center but if the HR Governance Framework is implemented in such a way that everyone understands the added benefits, it will outweigh the risk.

¹¹⁵ David E. Weiss, *High Impact HR...*, 156.

¹¹⁶ Henry Mintzberg, *Mintzberg on Management ...*, 273.

III. The equitable treatment of stakeholders

The CF HR Governance Framework should ensure the equitable treatment of all stakeholders, including minority and foreign stakeholders. All stakeholders should have the opportunity to obtain effective redress for violation of their rights

The discussion related to third principle reveals that it talks about equitable treatment, redress mechanism, transparency and communication. For this principle, ‘stakeholders’ represents all members of the CF.

EQUITABLE TREATMENT

On the issues of equitable treatment and grievance, the guidelines stipulate, “stakeholders should have access to legal redress in the event their rights are violated.”¹¹⁷ This principle of equitable treatment “that which is fair, impartial, and just, and which provides equal opportunity for all”¹¹⁸ is well established in HR Strategy 2020¹¹⁹ as well as in the DGMC guiding principles.¹²⁰ However, Environmental diversity, employments in 105 different occupations at all ranks and postings to all locations in Canada and abroad, make it difficult to assess to what extent people are treated equitably. Compensation and benefits as well as career management issues are the main areas impacted by equitable treatment. Even though the principle is stated and published and the will exists to provide equitable treatment, these two areas are those with the highest number of redress of grievances and complaints to the CF/DND ombudsman as showed

¹¹⁷ OECD, Guidelines On Corporate Governance..., 24.

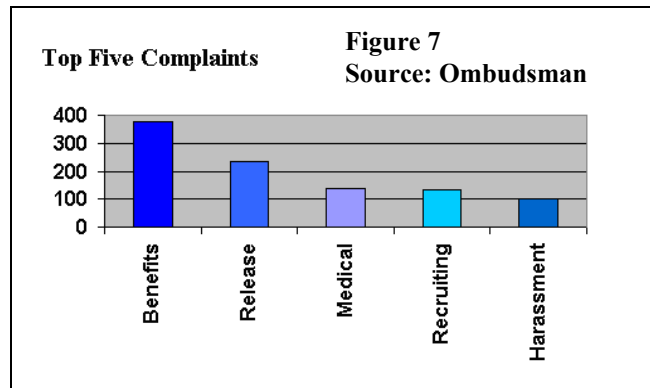
¹¹⁸ Definition from The Evaluation Center from the Western Michigan University.
<http://www.wmich.edu/evalctr/>

¹¹⁹ The principle of equitable treatment is included in one of the nine military HR principles for the CF in Department of National Defence, *Military Defence Strategy 2020* ...,4 – 6.

¹²⁰ The unpublished DGMC guiding principles include Fairness, Transparency, Consistency, Flexibility, Responsiveness, Innovation and Integrity. These principles were the result of strategic development sessions in 2003 and 2004.

in figure 7.¹²¹

There is no overarching compliance framework to verify that decisions related to CF members are equitable. There is no database that could serve as a measure of comparison and the



risk that people will not receive equitable treatment from year to year is very present especially in consideration of the high turnover of decision makers. The ombudsman raises this point in many cases referred to him. One in particular states, “[t]he complaint in this case has several dimensions, but it is grounded ultimately in the failure by the grievance process to treat like cases alike and in an unhealthy fixation on form rather than substance.”¹²²

On the redress issue, the guidelines on OECD principles states “[e]xperience has shown that an important determinant of the degree to which shareholder rights are protected is whether effective methods exist to obtain redress for grievances at a reasonable cost and without excessive delay.”¹²³ The follow on discussion demonstrates some striking similarities in issues faced by corporations and those of the CF. Although a CF redress mechanism exists, its efficiency is questionable to the point that people abandon hope that their case will be resolved and sometimes result in premature release.

The CF grievance system has changed considerably in the past five years with the elimination of many levels of adjudication and the creation of a Grievance Authority and a Grievance Board. The CF adopted a procedure that went from potentially seven

¹²¹ André Marin, *CF/DND Ombudsman Report 2003 – 2004*, Report prepared for the Minister of National Defence, (Canada: Ombudsman, June 2004), 42.

¹²² André Marin, *Making Things Right: Unfair Treatment by CF Grievance System*, Ombudsman Special Report for the Minister of National Defence, (Canada: Ombudsman, 18 March 2005), 1.

¹²³ OECD, *Principles of Corporate Governance*, (OECD, 2004), 40.
<http://www.oecd.org/dataoecd/32/18/31557724.pdf>

different levels of reviews and many years before final adjudication to a system with only two levels of review and still many years before final resolution. This can hardly be called improvement. The real issue is not the mechanism to process grievances but the approach that must be changed from a compliance-based to a values-based perspective. André Marin, in his 2003 – 2004 annual report wrote,

... Rules are treated as obstacles to fairness ... when rules are put first, the DND/CF corporate objective of “putting people first” can easily be betrayed. Rules guide and organize; however, when applied in an unthinking manner, without initiative or reflection about their impact, rules can cause rather than solve problems. A rule mentality can actually defeat fair and just outcomes.¹²⁴

His recently published White Paper captures the essence of equitable treatment, “[the chain of command] will do what is right because they will reflect on the problem with a new orientation and come to appreciate that things should have been handled differently.”¹²⁵ In that sense, initiatives related to Alternate Dispute Resolution (ADR) and mediations have had the most success but these initiatives meet the most resistance and are still considered tools of last resources.

COMMUNICATION

In 1980, the Vance report noted, “[t]he CF has a problem of communication which needs to be set right as a matter of priority.”¹²⁶ Twenty-five years later, the CF is still struggling with the issue of communication. The CF failure to communicate is not result of a lack of efforts in the past decade but initiatives, such as the Maple Leaf, did not achieve the desired intent. In spite of the best intentions to flood the CF with every

¹²⁴ André Marin, *CF/DND Ombudsman Report 2003 – 2004*...,3.

¹²⁵ André Marin, *Ombudsman White Paper – Overhauling, Oversight*, Report prepared for the Prime Minister, the Minister of National Defence and the Minister of Veteran Affairs, (Ottawa: DND/CF Ombudsman, 30 March 2005), 12.

¹²⁶ Fyffe, G. *Task Force Review of Unification of the Canadian Forces Final Report 15 March 1980*. (Ottawa: DND, 1980), 3.

possible bit of information through the use of the intranet, CF members still receive communication with scepticism and continue to be misinformed.

What communicates well? “Localizing your story geographically is a basic rule of thumb in media relations”¹²⁷ says the founder of Schwartzman and Associates offering services senior-level public relations counsel. The closer the event, the more people are affected by the news. In the CF, messages related to pay or the latest senior posting plot, communicate faster than the speed of releasing the news. Changes in regulations that affect allocations for professional development, promotion for people on the Advance Training List or for parental leave, have far more impact than the next senior posting plot. Yet it is mostly those directly affected by the changes in these regulations who are aware of such changes. The vast majority of CF members do not appear interested. Messages that have individual impact are those that communicate well. Therefore, individual communication is key in achieving success.

Individual communication is also important as there is no better way to create distrust than not communicating directly with a person who has a personal issue to resolve. Individuals must get a sense that their problems are addressed with compassion and not treated the same as anyone else. Doing so would convey a far more powerful message about the organization than flooding the net with information. It would restore confidence that the CF is a caring and trusting organization. Individual messages to achieve mass communication is an example of HR Effect Based Operations (HR EBO).

TRANSPARENCY

Transparency, as a key element of trust, is critical in the implementation of a CF HR Governance Framework where Strategic HR Enablers would be detached from their Environments. Transparency will have to demonstrate that ADM(HR Mil) is not usurping the leadership role of the Commanders but is a true enabler in providing CF wide HR management. This is an area of high risk as failure to be open will lead to failure in implementing the HR Governance Framework. The Minister’s Advisory Committee on

¹²⁷ Eric Schwartzman, *What Makes News?* From the web site of Schwartzman & Associates. <http://www.schwartzmanpr.com/agency/NewsMakers.asp>

Achieving Administrative Efficiency reports, “the maintenance of transparency as to the overall prioritization, allocation and consumption of resources against military priorities,”¹²⁸ as one of the key element that impacts on or adds value to strategic outcomes.

The requirement for transparency is not limited to an organizational level as all matters dealing with individual CF members must demonstrate a high level of transparency. Unfortunately, the organization has not reached this level of transparency as many recommendations on CF members are sent to NDHQ without having been properly disclosed to the member.¹²⁹ This slows the decision-making process and does nothing to improve confidence in the organization. A values-based organization ensures that members are full participants in the resolution of their issues and not remote observers while decisions affecting their lives are being taken.

A decision that does not include the knowledge of the individual about their own circumstances and how it impacts them and the organization demonstrates a lack of value placed in the individual’s analysis of the situation as well as a leadership lack of trust that the individual as a valid request, from their perspective.¹³⁰

This really speaks of a learning organization. The CF as a whole would improve tremendously by considering what members have to say. Presently, there is no lessons learned ability resulting from resolutions of grievances. For this reason, the same grievances are repeated over and over with no consideration to change the issues that continuously raise the same concerns.

¹²⁸ Department of National Defence, *Achieving Administrative Efficiency*, Report to the Minister of National Defence, (Ottawa: Minister’s Advisory Committee on Administrative Efficiency, August 21, 2003), 16.

http://www.forces.gc.ca/site/Focus/AE/AEReportFull_e.pdf

¹²⁹ Files sent to the Director of Military Careers for decisions had to be returned on a regular basis to units for failure to disclose information to members.

¹³⁰ This statement was provided by Karen Davis in a critique of an earlier draft of this paper on 8 April 2005. It captures the essence of *transparency* and was reproduced with permission.

The third principle is important as it speaks about processes and the cultural change required for the CF to become a values-based organization. Its tenets are highly relevant for the implementation of a CF HR Governance Framework through the following:

- Creation of a compliance framework to ensure that decisions are equitable;
- Changing the principles behind the CF grievance system from an compliance-based approach to a values-based approach;
- Communicating at the individual level to achieve large scale communication – HR EBO in mass customization; and
- Ensuring transparency in a new governance structure at both organizational and individual levels to create a learning organization.

IV. The role of stakeholders in corporate governance

The CF HR Governance Framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between ADM(HR Mil) and HR Strategic Enablers in creating wealth, jobs, and the sustainability of financially sound enterprises.

Both documents on the OECD principles and on the guidelines acknowledge that “the interests of the corporation are served by recognizing the interests of stakeholders and their contribution to the long-term success of the corporation.”¹³¹ The principle further states, “corporate governance framework should recognize the rights of stakeholders established by law.”¹³² This principle speaks about the requirement to have a solid code of ethics as a conceptual foundation for integration of all stakeholders into a CF HR Governance Framework and is very much in line with the new Leadership Framework model. As for principle III, ‘stakeholders’ represent all CF members.

¹³¹ OECD, Principles of Corporate Governance, (OECD, 2004), 46.

¹³² Ibid.

The requirement to “recognize and protect stakeholders’ rights established by law or through mutual agreements”¹³³ is already covered in DND/CF,

... [d]epartmental employees and members of the Canadian Forces are governed not only by the National Defence Act but also by the Constitution, including the Canadian Charter of Rights and Freedoms, and by statutes and regulations such as the Canadian Human Rights Act, the Official Languages Act, the Employment Equity Act, the Access to Information and Privacy Acts, the Financial Administration Act and the Canadian Environmental Protection Act, among many others.¹³⁴

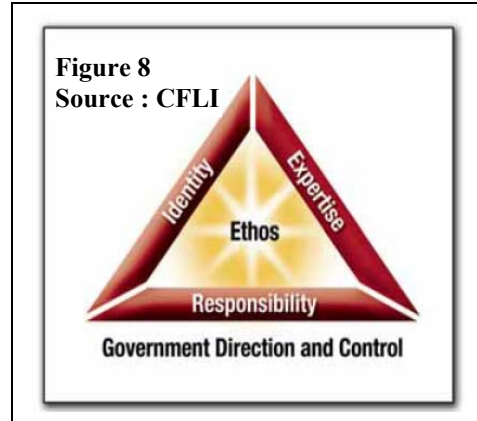
Regular reports as well investigations resulting from individuals’ complaints confirm compliance (or not) to these acts and regulations.

It is the chain of command that has the responsibility for implementing the Acts while ADM(HR Mil) owns the related programs. This adds confusion in addition to the already confused lines of communication mentioned in the second principle. Furthermore, various program owners such as the Directorate of Gender Integration and Employment Equity and the Directorate of Official Language are staffed below the minimum to ascertain compliance of their programs. These directorates have no means of enforcement other than to report to ADM(HR Mil). Many complaints are processed through a mixed and sometimes confusing range of means like redress of grievance, complaints to the CHRA, or through Ministerial inquiries, the Ombudsman or as an Access to Information request. This is a convoluted way to provide legal compliance as the programs are in place but it is difficult to navigate through them. As a result, many complainants use a mixed approach to obtain some sort of resolution. This speaks to the lack of trust about the CF’s ability to investigate members’ concerns. The CF HR Governance Framework must streamline the multiple processes that currently exist to ensure that members are aware of their rights related to the application of these Acts.

¹³³ OECD, Guidelines On Corporate Governance..., 24.

¹³⁴Department of National Defence, *Organization and Accountability – Guidance for Members of the Canadian Forces and Employees of the Department of National Defence*, (Ottawa: CDS and DM, Second Edition, September 1999). http://www.forces.gc.ca/site/minister/eng/authority/OA2_e.htm

The second element of this principle is to “develop, communicate and put in place compliance programmes related to internal codes of ethics.”¹³⁵ The implementation of the Defence Ethics Program (DEP) demonstrates that it is possible to conceptualize, develop and implement a very complex program in a relatively short period of time when the required resources are available. The DEP is embedded



in the broader definition of “Military Ethos [figure 8] that reflects how military professionals view themselves (identity), how they fulfill their function (expertise) and how they relate to their government and to society (responsibility).”¹³⁶ ‘Duty with Honour’ further elaborates the concept of ethos, “[m]embers of the Canadian profession of arms share a set of core values and beliefs found in the military ethos that guides them in the performance of their duty and allows a special relationship of trust to be maintained with Canadian society.”¹³⁷ Because the ethic program is already in place, the CF HR Governance Framework should ensure maintenance of the program with the required resources.

Two elements are derived from this principle of good governance: (1) the rights of all CF members established under various Acts and the requirement to streamline the related processes; and (2) the requirement to implement the principles contained in both ‘Duty with Honour’ and ‘Leadership in the Canadian Forces’ manuals. The adherence of this principle in the CF HR Governance Framework will improve effectiveness of the CF and move the organization towards a values-based institution. What we are really talking about here is the lives of soldiers that rely deeply on the effectiveness of the CF to undertake its mission.

¹³⁵ OECD, *Guidelines On Corporate Governance...*, 25.

¹³⁶ Department of National Defence, *Duty with Honours – The Profession of Arms in Canada*, (Kingston: Canadian Defence Academy, 2003), 8.

¹³⁷ *Ibid*, 10.

V. Disclosure and transparency

The CF HR Governance Framework should ensure that timely and accurate disclosure is made on all material matters regarding the CF HR management including the financial situation, performance, ownership, and governance of the organization.

The third principle discusses transparency and disclosure from an organizational and individual perspective. This section will further argue that disclosure and transparency are powerful tools to change the current organizational culture thereby facilitating the move to a values-based organization.

From a corporate level, the elements of disclosure and transparency are related to financial aspects. They also extend to “[g]overnance structures and policies, in particular, the content of any corporate governance code or policy and the process by which it is implemented.”¹³⁸ Furthermore, it addresses the issue of audit and risk management.

In Canada, corporate disclosure was introduced in 1994 at the Toronto Stock Exchange following the ‘Dey Report’ and was directly linked to good governance.¹³⁹ Clearly, disclosure is not the sole purview of corporations. When considering that corporate disclosure is “a much better approach than attempting to regulate behaviour, if one is seeking to build a healthy governance culture,”¹⁴⁰ disclosure is important for any organization. The second principle suggested changes to the current CF HR structure to better implement a CF HR Governance Framework and discussed the risk associated with this change. To achieve this goal, it will be necessary to maintain the highest level of organizational disclosure and transparency to build trust between Strategic HR Enablers and ADM(HR Mil). This needs to become a day-to-day activity between Strategic HR Enablers. It was also suggested that independent auditors assess the extent to which the

¹³⁸ OECD, *Principles of Corporate Governance*, (OECD, 2004), 22.

¹³⁹ Joint Committee on Corporate Governance, *Beyond Compliance: Building a Governance Culture*, A Final Report, (Canada: Chartered Accounts of Canada, November 2001), 5.
http://www.conferenceboard.ca/GCSR/links/pdfs/Saucier_Report.pdf

¹⁴⁰ *Ibid*, 10.

governance framework is implemented and working. This audit must be objective and serve as an indicator of success, as a tool for improvement, and as an information system that will create trust.

From an individual perspective, disclosure implies that each person must rapidly be made aware of issues affecting his/her professional and personal life. In addition to the requirement for transparency mentioned in principle III, the information provided must be accurate, factual, and must tackle the issue at stake. Often individuals are not kept informed of the status of their issue, which perpetrates the perception that nobody really cares. Where disclosure of individual information fails is in providing timely information and timely resolution. The March 2005 CF Grievance Authority Report reveals that 415 grievances were either at the Grievance Board or Grievance Authority levels. The bulk of these grievances are from years 2001 to 2003 but 27 are dated before year 2000.¹⁴¹ It is crucial that information be provided immediately when examining members' concerns, even if it is only to re-assure them that their situation is being considered.

The CF is a traditional organization that has been successful for many years. Much change has taken place over the past two decades but the culture remains essentially the same. It has long been recognized that overcoming cultural barriers is the most difficult element to tackle in any change management. "Culture is enduring, difficult to develop or reshape."¹⁴²

Principle V is a continuation of some elements of principle III that speaks about equitable treatment of stakeholders. Together the inclusion of these principles in a CF HR Governance Framework has the power to change the culture of the organization from a compliance-based to a values-based approach. Change of this magnitude is only possible

¹⁴¹ These statistics were provided by DGCFGA and were included in their March 2005 report to the MND. The statistics also show a clear improvement in providing a timely response to grievors.

¹⁴² The element of culture in change management is well captured in the TB publication on comptrollership. Treasury Board of Canada Secretariat, *Modern Comptrollership – Changing Management Culture: Models and Strategies to Make It Happen*, (Ottawa: TBS, June 2003), 1. http://www.tbs-sct.gc.ca/cmo_mfc/Toolkit2/GCC/cmc_e.pdf

when leaders understand the importance of this change and its impact on the overall effectiveness of the Canadian Forces.

VI. The responsibilities of the board

The CF HR Governance Framework should ensure the strategic guidance of the CF HRM, the effective monitoring of management by the board, and the board's accountability to the company and the stakeholders

Together with guiding corporate strategy, the board is chiefly responsible for monitoring managerial performance and achieving an adequate return for shareholders, while preventing conflicts of interest and balancing competing demands on the corporation. In order for boards to effectively fulfill their responsibilities they must be able to exercise objective and independent judgment. Another important board responsibility is to oversee systems designed to ensure that the corporation obeys applicable laws, including tax, competition, labour, environmental, equal opportunity, health and safety laws.¹⁴³

The above statement summarizes the idea of an independent board. While this idea resonates with corporations, it is virtually absent from governmental departments like DND. Yet, this is an area where the public sector could gain from some of the private sector practices. When considering that 40% of the annual DND budget is spent on HR, one can argue that having a distinct CF HR board would hardly be seen as an exaggeration. The roles of the board are examined in details in both publications on OECD principles and on the guidelines to the principles. The intent is not to repeat in detail what these roles are but to examine the feasibility of such a board within the CF HR Governance Framework.

ADM(HR Mil) came very close to the establishment of a separate board with the creation of a Long Term Capital Plan for Human Resource (LTCP (HR)) where,

... Human Resources are analysed in an integrated way to allow for the development and implementation of coordinated strategic solutions. This approach ensures that human resource issues are addressed by all

¹⁴³ OECD, Principles of Corporate Governance, (OECD, 2004), 58.

levels of leadership, and receive corporate focus in terms of accountability and resource management. The LTCP(HR) is based on six major themes: recruiting, retention, health care, professional development, human resource systems, and communication.¹⁴⁴

The idea was to centralize corporate HR initiatives where a CF HR board would decide which initiatives to implement. The program was placed in abeyance as it had no resources and those who submitted HR initiatives had to provide the related funding. Under these circumstances, organizations had to include their initiatives in their business plan but could not do so as they needed the funds for their own operations. This circular argument became a “catch 22” and the LTCP(HR) did not serve its purpose.

This is unfortunate as the LTCP(HR) could have been an important tool to implement a CF HR Governance Framework. The importance of the LTCP(HR) as an instrument “to align key strategic objectives and corporate priorities”¹⁴⁵ was recognized by Sean Norton in his study on strategic Planning in ADM(HR Mil). Presently, Strategic HR Enablers decide how HR related budget is spent. While they are fully empowered to make these decisions, it is a disjointed approach that does not cater for great efficiency and place Environmental concerns ahead of the greater good of the CF. The LTCP(HR) would achieve efficiency in the spending of public money allocated to HR.

In the context of the proposed CF HR governance structure, the idea behind LTCP(HR) combined with the responsibilities of independent corporate board would support the implementation of a CF HR Governance Framework. In order to be completely transparent, perceived as independent of influence and to validate that the CF HR Governance Framework meets its performance objective, the CF HR Governance Board would have to be independent from ADM(HR Mil). This is an area of high risk as its failure would give a severe blow to any future attempt at implementing a CF HR Governance Framework.

¹⁴⁴ Department of National Defence, *An Honour to Serve*, Annual Report of the Chief of the Defence Staff 2000 - 2001, (Ottawa: CDS), 10. http://www.cds.forces.ca/00native/pdf/CDSreport_e.pdf

¹⁴⁵ Sean Norton, *Strategic Planning in ADM(HR-Mil) and linkages with Departmental Processes – Unravelling Strategic-Level Processes, Activities and Committees*, (Ottawa: DND, November 2002), 35.

In his book on Corporate Restructuring, Donaldson points out, “[n]o governance system that depends primarily on voluntary response to a perceived need for restructuring performs to everyone’s satisfaction – or even, on some occasions, to anyone’s satisfaction.”¹⁴⁶ He further adds,

... [i]n a free enterprise society, the nation will continue to depend primarily on self-discipline as the means of enforcing socially responsible behavior... On the other hand, no voluntary system of individual response, whether in private enterprise or in general democratic process, can match the “efficiency” of an arbitrary objective enforced by an absolute authority.¹⁴⁷

The idea of a separate governance board may never see the day if it is felt to be too much of a departure from actual practices. Should this be the case, the requirement to create a separate body to oversee the implementation of the CF HR Governance Framework still exists and could be in the form of a Council composed of various Enablers under the chair of ADM(HR Mil). This Council would be “accountable for overall HR processes outcomes and focuses on the strategic processes of importance to the organization.”¹⁴⁸ This could be a lesser risk than a full independent board or a transition to such board.

¹⁴⁶ Gordon Donaldson, *Corporate Restructuring*, ..., 203.

¹⁴⁷ Ibid, 11.

¹⁴⁸ David E. Weiss, *High Impact HR*..., 266.

CONCLUSION

“Transformation is how we continually maintain relevance and effectiveness in the face of a highly unpredictable environment. This too will require profound cultural change if we are to achieve a sense of mastery and self-determination over our own culture and perhaps more accurately our cultures”¹⁴⁹

— Vice-Admiral Jarvis

This paper started with a quote related to the cost of HR in today’s environment in order to understand the value that people bring to the organization. It did not discuss how to account for people but provided a method to define a Canadian Forces Human Resource Framework to guarantee that the people function is treated as a true partner that contributes to operational effectiveness. I have argued that the tenets of *People First* must become a guide so that CF members receive the attention they deserve in ways that will benefit the organization.

The service delivery functions of the HR spectrum are well accepted. What is lacking is an understanding that HR has to become a strategic partner. This is not meant to take away the ability of the Commanders to lead their people but is intended as a true enabler that would enhance the ability of the Commanders to deliver the CF mission. The acceptance of HR as a strategic partner can only happen if the CF recognizes HR as a core function. To argue that it is not would be a major mistake. David Ulrich noted “[c]ompanies need people who know the business, understand the theory and practice of HR can manage culture and make change happen and have personal credibility.”¹⁵⁰ This would be lost if HR is not recognized as a core function which would essentially mean that the function could be completely civilianized. This would be a real erosion of the organizational fabric.

¹⁴⁹ ADM (HR Mil) presentation to the 7th Strategic Human Resource Symposium for Senior Leaders from 31 Jan to 5 Feb 2005, slide 7.

¹⁵⁰ Dave Ulrich, *A New Mandate for Human Resources...*, 134.

The proposed CF HR Governance Framework includes both physical and non-physical structure. One cannot exist without the other. The integration of principles into a cohesive framework without adapting the structure would lead to failure. There is a great element of risk in transforming HR as proposed as it challenges the culture that has worked for many years. Commanders must trust that ADM(HR Mil) will deliver the required services to facilitate their Force Generation responsibility and free them from the burden of providing their own HR delivery, which create confusing redundancy throughout the system.

The CF HR Governance principles elaborated in this paper are based on universally accepted OECD principles that are mainly concerned with corporate business. Following the failure of using business practices during the 1990's, there is currently a tendency to reject all business practices based on the argument that the CF is not a business. Doing this would be a mistake for three reasons. First, many organizations, including the CF, failed to fully understand and properly implement these practices, leading to failures and the conclusion that they do not work. Second, we saw that modern organizations follow the same pattern, whether they are corporations, public or not for profit organizations and only 10% has to be adapted to the specific requirement of the organization. This paper adapted the OECD principles to meet the 10% applicable to the CF. Finally, the CF cannot pretend to be above other modern organizations and could gain in adapting successful business practices its own benefits.

All six principles suggested in the section on CF HR Governance must be implemented to transform the CF. They propose substantial changes:

- The centralization of the CF HR management structure within ADM(HR Mil)
- The cultural change required for the CF to become a values-based organization through open and transparent processes
- The requirement for external audit of the CF HR system
- The oversight of the CF HR system through an independent board or council

A high level of risk is associated with overcoming the cultural barriers of a traditional organization like the CF and it may seem as an impossible task. But the CF is currently embarked in a widespread transformation and the time is right to undertake such change. Furthermore, the right CF HR Governance Framework would integrate itself with the recent principles enunciated in both the ‘Duty with Honour’ and the ‘Leadership in the Canadian Forces’ manuals. Together, they can form a powerful incentive to transform the organization from a compliance-based to a values-based organization. This cannot take place overnight. It must be carefully implemented but leaders must first accept that cultural changes are required.

Trust and cultural change have been main themes in this paper, arguing that much remains to be done to rebuild the trust loss during the 1990’s. The ultimate test of the CF HR Governance Framework is whether or not it can carry the promises of improving the CF effectiveness in the delivery of its mission. I argued that following the tenets of *People First* is the effect that we want to achieve. This will only be possible when people are working in an environment that they can trust and when the organization believes that all its members have regained trust in the CF ability to fully implement the promises made at the end of the 1990’s. Finally one part of leading is trusting that those accountable to deliver a service will provide that service. Leaders must stay away from providing all services and let ADM(HR Mil) become a true HR Enabler for the Canadian Forces.



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