Towards Strategic Defence Management

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Closing The Loop

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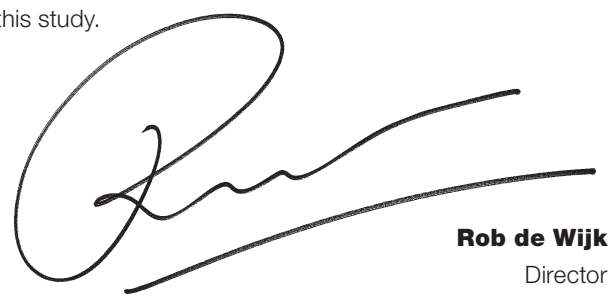
Foreword

Like its counterparts in other countries, the Netherlands Defence organisation is constantly in search for better ways to ensure the highest possible value for the public money it is entrusted with. But what exactly is the 'value' that defence organisations generate? Who determines it and how is that done? How does a country's political leadership define what it does and does not want to use its Armed Forces for, and at what cost to taxpayers? How are those high-level policy choices materialised in a real-life defence force? How much is enough? How can we track whether the activities of the defence forces correspond to the goals they are supposed to serve? How can the actual results that are generated by the defence forces be used to 'steer' the organisation in the 'right' direction?

Although these 'big picture'-questions go to the very heart of any defence organisation, they are rarely addressed in the systematic fashion they deserve. It is not uncommon for defence organisations to spend millions of Euros on the analysis of many important but decidedly lower-level decisions (e.g. ballistic missile defence, replacement of expensive weapon systems, etc.). Yet these truly strategic high-level issues are rarely even raised, let alone rigorously analysed. Yet that is precisely the ambition of this study.



Rob de Wijk
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Preface

Contemporary defence organisations are under increasing pressure to ensure the highest possible value for the public money they are entrusted with. But what exactly is the 'value' that defence organisations generate? Who determines this and in what way? How does a country's political leadership define what it does, and does not want to use its Armed Forces for, and at what cost to taxpayers? How are high-level policy choices converted into a real-life defence force? How can we track whether the activities of the defence forces correspond to the goals they are supposed to serve? How can the actual results that are generated by the defence forces be used to 'steer' the organisation in the 'right' direction?

Although these 'big picture'-questions go to the very heart of any defence organisation, they are rarely addressed in the systematic fashion they deserve. It is not uncommon for defence organisations to spend millions of Euros on the analysis of many important but decidedly lower-level decisions (e.g. ballistic missile defence, replacement of expensive weapon systems, etc.). Yet these truly strategic high-level issues are rarely even raised, let alone rigorously analysed.

The Netherlands Ministry of Defence asked the The Hague Centre for Strategic Studies (HCSS) to tackle these fundamental questions head-on by examining them in a comparative perspective. HCSS, in close cooperation with a team of representatives from the Dutch Defence Organisation, applied the TNO benchmarking method to come up with some useful insights from a number of other organisations. The HCSS team went to great lengths to ensure that our

analyses accurately reflect the publicly available documents from the countries we examined. We hope our insights will prove useful to those, both civilians and military, who are entrusted with these fundamental choices. We also hope that this study is clear and compelling enough to attract a broad, general readership.

The preparation of this study has been supported by the Netherlands Ministry of Defence. The authors are especially grateful to the NDO representatives who actively participated in the benchmarking team: drs. C.J. Mijnen (our project officer on the MoD side), drs. H.K. Alkema, E.D. de Graaf, drs. E. Hornstra, drs. W.J.H. van Kinschot, KLTZT Ir. R. Leonhart, KLTZ J.W. Vermeule and KLTZ R. de Korte. A number of colleagues of ours from TNO also contributed to this effort, especially Drs. M.J.A.H.F. Jadoul, Drs. D.J.D. Wijnmalen and Drs. E.D.N. Verweij. We also want to express our gratitude to Mssrs. Angel Citron, Matthew Engel, Gregory Kiskanen and Stijn van Weezel from HCSS for their research assistance. We gratefully acknowledge the inputs from representatives of all countries examined who were kind enough to provide us with information and feedback on earlier drafts of various chapters. Dr. Ben Taylor from the Defence Research and Development Canada's Centre for Operational Research and Analysis deserves special mention for a thorough review of chapters 3, 4 and 6. Finally the creativity and hard work of HCSS' Head of Creative Design, Mr. Richard Podkolinski, add an extra dimension to this publication and are warmly appreciated. Any errors of omission or commission remain, of course, the sole responsibility of the authors.

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Executive Summary

How do defence-organisations (or organisations with comparable profiles) of other countries map out policy goals and how are policy goals related to activities and capabilities and the required financial means, and finally how does the feedback loop on the performance in all these areas take place?

To answer this question, the The Hague Centre for Strategic Studies (HCSS) - in close cooperation with representatives from the Netherlands Defence Organisation (NDO)[i] - studied the planning processes of 5 defence organisations (Australia, Belgium, Denmark, France, the United Kingdom) and of one non-defence organisation, the World Food Programme. The HCSS team faithfully followed the protocol for such benchmarking studies that was developed by TNO for the MoD.

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i) With the term 'Defence Organisation' we denote all agencies that embody a country's official defence effort – i.e. the Ministry of Defence (MoD), the Armed Forces, and other defence-relevant parts of government.

The main purpose of this study is to present the NDO with a number of findings that can be processed into a new systemic approach to strategic defence management integrating strategic choices, resources, capability planning, and performance measurement. The aim of such a more 'systemic' approach is to improve the effectiveness and efficiency of the NDO while enhancing transparency and accountability; to focus the organisation even more on achieving results and on strategic learning and adaptiveness.

At the same time, the results of this study will also be presented to the inter-agency project team in charge of the major bottom-up defence review that is currently taking place under the title *Future Policy Survey* ('Verkenningen'). This project aims for a strategic reassessment of developments on both 'demand' and the 'supply' side of the future use of the NL defence force, and is to generate a number of policy options for the next cabinet. We hope that main insights from this study – which are presented in the executive summary – into how other defence (or non-defence) organisations deal with the same issues will also assist the project team in their efforts.

Strategic Defence Management

Ideally the defence planning process can be visualised as in the following figure. The highest political authorities define the high-level policy objectives for the organisation. These objectives are in essence the expression of a number of policy choices. But they also represent the high-level guidance (which we will call planning parameters) that is be provided to defence planners in order to create a defence posture that can accomplish the tasks set within the given resource constraints. This guidance should at least consist of a description of the security environment, a definition of the ambition level to which the organisation should aspire, and the resources that should be made available for achieving that ambition.

The planners within a (defence) organisation have to translate the political guidance they receive from the political leadership into meaningful parameters that can guide concrete choices. Examples of such concrete parameters may include: the type of missions, the area within the violence spectrum they may operate, concurrency requirement missions, the long-term limits within budget, etc.

In the next stage, defence planners derive real capabilities from the defence guidance they were given and assemble them into a coherent defence force that can realise the high-level policy choices within the set budgetary constraints. This is accomplished via an analytical/political process that includes such elements as expert judgment, various methodological tools such as scenarios, capability audits, risk management studies, balance of investment studies, and so on.

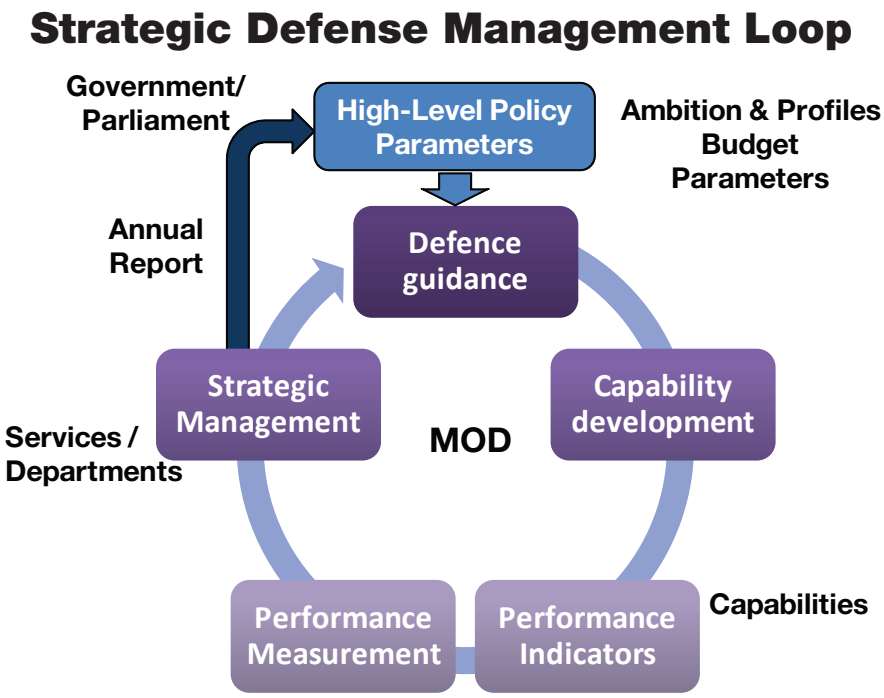

Figure EX-1

Once capability choices have been materialised into a concrete defence posture, the organisation has to develop ways of assessing its own effectiveness and efficiency based on the results it achieves. To this end, performance measures are developed, monitored and reported first within the (defence) organisation itself, and then subsequently also to the highest-level political authorities that initially formulated the high-level policy parameters.

Finally, completing the loop, this strategic performance assessment should lead to a strategic reflection on – and possibly correction of – the course set out, i.e. 'steering on output'/strategic management. This final stage is arguably the key link in the strategic management loop, although in our analysis we are just now starting to see the bodies emerge in the referents that are in a position to exercise this form of strategic management.

Breaking up a process 'chain' in such separate 'links' does not do justice to the more complex interlinkages that already exist today between some of these various defence planning efforts. Yet we still found it analytically useful to separate these phases as, however interlinked they may – and must! – be, they still represent distinct analytical exercises that can only coalesce into one organic whole on the basis of a genuine strategic commitment to systemic defence planning.

HCSS calls the circular process as just described the 'Strategic Defence Management' (SDM) loop. This loop also became the structuring concept of the study, as it guided our analysis

of the publicly available documentation about these processes. In line with the TNO defence benchmarking methodology, the benchmarking team (BT) we assembled for this study – which consisted of the HCSS team augmented by representatives of the main stakeholders within the NDO – used the elements of the SDM loop as the main categories within which we went looking for indicators to differentiate the various approaches of the referents. The TNO protocol for selecting useful referents ultimately yielded six referents for this benchmarking exercise: five defence organisations (Australia (AUS), Belgium (BE), Denmark (DK), France (FR), and the United Kingdom (UK) and one non-defence: the World Food Programme (WFP), as an operational organisation that is also engaged in the very same crisis zones as defence organisations.

This executive summary will not go into the benchmarking methodology, nor will it retrace the description of the actual processes referents use. For this, we refer the reader to the individual chapters of the report and the annexes. Instead, we will summarise the main high-level findings and emerging trends we detected in the course of our research.

Main Findings

The single most important finding of this study is that none of the referents have, in our assessment, fully closed the strategic defence management loop. All referents are clearly moving in that direction and we have identified a number of interesting lessons along the loop which we will come back to in this executive summary. But we have found **no example of a 'perfect' loop** in which proper feedback mechanisms are available that relate and adjust political ambition and/or resourcing decisions on the basis of (the performance of) capabilities in a transparent way. The UK and FR – coming from quite different starting points – come in our assessment the closest to the ideal-typical loop, but even in their cases we still see a number of important disconnects. And generally speaking, we still find much more evidence of marginal planning (planning 'on the margin' by adding and/or subtracting capabilities from the existing force) than of genuine systemic planning with insight into the genuine systemic trade-offs between capabilities throughout the DOTMPLF (Doctrine, Organisation, Training, Material, Leadership, Personnel, Facilities)-chain.

A second finding is that **capability based planning** (CBP) has become the 'gold standard' of defence planning. The main idea behind CBP is probably still best formulated in the original wording of Paul Davis of RAND:

> *Capabilities-based planning is planning, under uncertainty, to provide capabilities suitable for a wide range of modern-day challenges and circumstances while working within an economic framework that necessitates choice*[1].

We like to think of CBP as a Copernican revolution in defence planning. Whereas previously individual threats played the central role in defence planning, which was essentially a more 'forward-looking' form of operational planning; CBP has put (more broadly defined) capability (and not platform) packages at the centre of a more adaptive defence planning approach that still tests capabilities against, but no longer derives them one-on-one from individual point-scenarios. The key idea is to start with what needs to be done and work back to an affordable force that can do it. This is fundamentally different from starting with what you have and working out how to improve it (or keep as much of it as possible if facing cuts). These main tenets of CBP now seems fully internalised by the main defence referents (and interestingly enough also the WFP), even though the precise methods continue to differ and to be adjusted in nationally idiosyncratic ways. Here too, we see two quite different approaches to CBP – an Anglo-Saxon one (with interesting, but smaller differences within this group), and a French one. CBP has had a salutary effect on defence planning in the sense that it has focused our defence organisations more on questions like "what do we need to do" instead of "which equipment do we have to replace". But by not including the performance management feedback loops in the method, CBP still runs the risk of missing the all-important (especially in periods of deep uncertainty) adaptivity requirements.

A third important finding is that **size seems to matter** even if it is not all-determining. Many of the analytical tools that are emerging to assist defence planners all along the loop may require a certain critical mass of resources (also human) that smaller countries have a harder time mustering, especially in times of sustained high operational tempo. At the same time, we are encouraged by the Australian example that demonstrates that even a smaller and quite active defence organisation can still do real systemic defence planning as opposed to marginal planning of key platforms. On this point, we also suspect that alliances between defence organisations (whether formal – such as NATO or ESDP; or informal – such as the Community of Practice on Defence Performance Management) can add much value to the overall defence effort of any coalition by spending more efforts on helping smaller force providers in getting the 'right' capabilities with these new emerging tools and techniques and by socialising 'best practices' on these issues.

The next key finding we want to single out is that the **real 'engines of change'** in this emerging SDM loop **come from an unexpected source**. One may have expected that genuine strategic management would emerge from the top of our SDM loop as visualized in figure EX-1, i.e. from the highest strategic levels demanding better performance, and from policy rather than from performance management. Instead our analysis shows that the real drivers for change are at the operational/tactical levels rather than at the strategic ones, and are much more bottom-up (from performance management) than top-down (from policy). Upon reflection, we consider this a cause for optimism rather than concern, as it promises a much more realistic anchoring of strategy (however ambitious it may be) in operational and financial realities.

Another – more predictable – observation is that **national context matters greatly**. This context is of course institutional – e.g. the relative power of and relationship between the executive and legislative branches of government, the degree of centralisation of both the overall political system and of the defence organisation (e.g. Service vs. Joint) approaches, and the external context (e.g. membership in NATO, geostrategic location). But our research also clearly indicates that change tends to come only from within, and typically from major crises (especially procurement ones). Defence referents do not seem to learn much from each other. Whereas like the Technical Cooperation Program between Anglo-Saxon defence organisations may have influenced the introduction of CBP to some extent (and then only through defence analytical outfits), every defence organisation seems to be reinventing its own wheel on defence performance management. There is certainly much room for improvement here. The World Food Programme provides an interesting counter-example, as it is the one referent that does seem to learn from the lessons on these matters throughout the United Nations system.

This brings us to another high-level finding which deserves special mention, and that is the many eye-opening results we culled from our single non-defence referent, the World Food Programme. We will offer two examples of **WFP practices that should cause all defence organisations to pause and reflect**.

- The WFP personnel is 95% deployable – compared to a 20% desired deployability target within NATO (which most countries, including the Netherlands, have difficulties attaining).
- In its capabilities planning, the WFP does not only plan for its own capabilities but also (and even overwhelmingly) for the communities in which they plan to have to intervene at some point in the future. Especially in an era where we are coming to the conclusion that the 'fire-brigade' model for our Western defence forces is politically hard to sustain, the WFP model may inspire a better balance between direct investments in our own defence forces and investments in capabilities for regional or even local security and defence 'resilience' in fragile states. All in all, we found the inclusion of a non-defence referent in the benchmark an unusually fruitful recommendation in the TNO benchmarking method.

Emerging Trends

In this section we will identify some of the most interesting trends that we detected in the course of our research. More details about all of these can be found back in the respective chapters, where they will be described in more detail and visualised by a vector on the slidebars that represent our assessment of where the different referents stand on various parameters. Some of these trends are maturely established throughout all referents, others may still be quite embryonic. The only criterion for inclusion in this list is our assessment of a trend's potential usefulness for the Dutch defence organisation.

One embryonic trend we find particularly interesting is the **emergence of a new 'strategic' orientation within defence organisations coupled with some new high-level positions and bodies within them** that could turn into the custodians of a more systemic SDM loop. We refer here to the Strategy Director in the United Kingdom and the Deputy Secretary for Strategic Planning in Australia. These individuals share responsibility with other (typically more 'parochial') stakeholders for the coherence between the capability development and generation processes on the one hand, and the strategic performance management on the other.

A clear trend across all defence referents is the trend towards **more of a 'whole of government' approach** in which 'defence' ambitions are embedded in a broader perspective of national security. Rhetorically, this trend towards whole-of-government ('comprehensive') planning is by now quite robust; in practice it still barely exists. We did identify a number of interdepartmental linkages, most visibly in the performance management sphere as in the UK (e.g. through shared Service Level Agreements with other government departments) and in France (with its recently revamped whole-of-government Performance Management System). But in the capability development stage the trend remains factually extremely embryonic, and in the broader strategic management loop, non-existent. We also want to stress that we find the trend towards whole-of-government planning less noticeable on external security (where cooperation between Foreign Affairs, Development Aid and Defence is developing excruciatingly slowly) than on internal security (where typically more departments and agencies are involved, but where the inter-agency process has received a significant boost from a number of real-life homeland security events).

The trend to **break though the stovepipes within defence organisations** on the other hand, seems progressing somewhat more successfully than across government as a whole. We found quite a bit of evidence on this with respect to the issue of **'jointness'** (moving away from the traditionally all-powerful service branches) in both the capability development (e.g. the various increasingly 'joint' partition schemes) and the performance management stages, for example France's *Rapports Annuels de Performances* (RAP) and *Projets Annuels de Performances* (PAP) reports. It is still quite obvious however, that defence referents, while making progress, are still struggling with the implications of jointness. The same can be said for the civil-military stovepipes within our defence organisations which especially in the current age of sustained high operational tempo are under some additional strain.

One issue we devoted particular attention to is what we (somewhat cautiously) label the **narrowing 'macro vs. micro'-gap** – clearly another quite recent and fragile development. All referents have been forced by the (financial, political, operational) circumstances to improve the '*micro*'-aspects of the SDM-loop. That includes more defensible (individual) capability-choices, more insight into trade-offs within particular capability packages, improved resource

management tools (especially for technical and operational matters) etc. But on the '*macro*' issues (e.g. tradeoffs across capability packages throughout the whole defence force), improvement remains much more modest. We still want to single out a number of encouraging signs in this context, most notably the inclusion in the more formal defence planning toolset of systems-of-systems models (FR), whole-of-force balance of investment tools (AU, UK), of risk assessment methods (AU, UK).

The final major trend we want to highlight is the one towards **more transparency** in defence management. This trend has been bolstered by a general push for more accountability because of past mistakes and (as we mentioned) by pressure from the desire to improve performance reporting methodologies. All referents have made visible efforts to make more of their defence planning methodologies and outputs public (and we can single out AU and the UK on this). But on the whole, we still find the current state of play unsatisfactory, not only from an analytical, but especially from a political point of view. We concur that there are natural limits to what governments can divulge to their publics on various aspects of their defence plans, but we submit that these limits have not been reached yet by any of the defence referents and we suspect that defence organisations underestimate the enormous (political) advantages of more transparent defence choices – also in light of the defence budgets.

Observations Along the Loop

Finally, we also promised to identify some of the 'nuggets' we found in our work on the various stages of the loop, which we will present here in bullet-form while referring to the chapters and supporting material in the annexes for more details.

High-Level Policy Parameters

- **High-level defence goals are defined** by most referents **in a fairly abstract and open-ended way**. The documents in which the goals are enunciated tend to be heavy on politics and weak on policy – especially on detailed policy guidance. This leaves a sizeable gap between the lofty policy goals of the high-level documents and the actual detailed defence planning. Denmark is an exception to this, as its Parliament approves a political document at the beginning of each legislature for the entire duration of that term, which spells out the main defence choices and their rationale in quite some detail.
- The **analysis of the different assessments** by referents **of their security environment** over time **showed some interesting trends and patterns**. Traditional concerns about territorial defence against expansionist third states have disappeared from all referents. A number of new issues have emerged – like more recently pandemics, cybersecurity and energy security. 'Actors' as a category is the most weakly specified one within the documents, suggesting that the role of concrete 'enemies' has taken back stage in the recent decade. Some countries differed from others – e.g. Denmark by being much less specific on threats than the other referents,

and France by singling out some areas that nobody else does, such as espionage, space threats or 'new forms of attack'.

» To allow for a more objective discussion about the comparative ambition level of the various referents, HCSS developed the **HCSS Audax Index** which contains a number of parameters that embody how 'gutsy' a country is in its defence ambitions (see Figure EX-2).

» A 'full' radar chart denotes a referent that wants to act globally, concurrently in multiple operations, and if necessary- even unilaterally, pre-emptively, and at the highest levels of the violence spectrum.

» HCSS also coded all examined high-level documents in search of the **ways in which the referents define their actual ambitions**. This also **differed across referents over time** and the analysis indicated some revealing trends and patterns. There was, for instance, not a single parameter that occurred in all documents of all referents. Even things such as 'making the world more secure' (not in AU 2003, not in NL 2007 and not in FR at all) or 'defending one's national interest' (not in BE in 2008, not in NL since 2003) do not appear as a specific ambition in all documents.

» We could discern **no noticeable trends in the specificity with which either ambition or the security environments are described** in these documents. In light of the poor track record of defence organisations in predicting future trends, one might have expected a trend moving away from describing specific threats towards a more general appreciation of the unpredictability of the security environment (especially in recent years). But in reality only the UK and NL witnessed a (slight) decrease in specificity.

» We identified a number of **different ways in which referents specify their future resource parameters**. Whereas none of these struck us as being particularly creative, Australia certainly led the pack in the number of parameters it defined in its documents. The main parameters we found centred on future budget growth (either in percentages of GDP or in absolute terms); in mandatory savings on certain parts of the budget; and on restructuring part of the budget (e.g. by including or excluding certain parts).

Capabilities Development

» The **definitions of defence 'capabilities'** is being expanded in all referents but continues to differ between them. From an earlier predominant focus on 'materiel' (platforms), all referents now share the common idea of capabilities as 'combinations of things that have to be brought together to get things done'. The main trends in the definition are thus **away from purely materiel towards more strategic capabilities** (the ability to...); **away from single-service to more joint (and functional) definition**; and **away from activities towards outcome**. We also noted that the effects-based thinking has also had an impact on the way in which capabilities are conceptualised. What we have NOT found in any of the referents, however, is a whole-of-government definition of capabilities, or even an attempt to frame defence capabilities against those broader capabilities

HCSS Audax Index

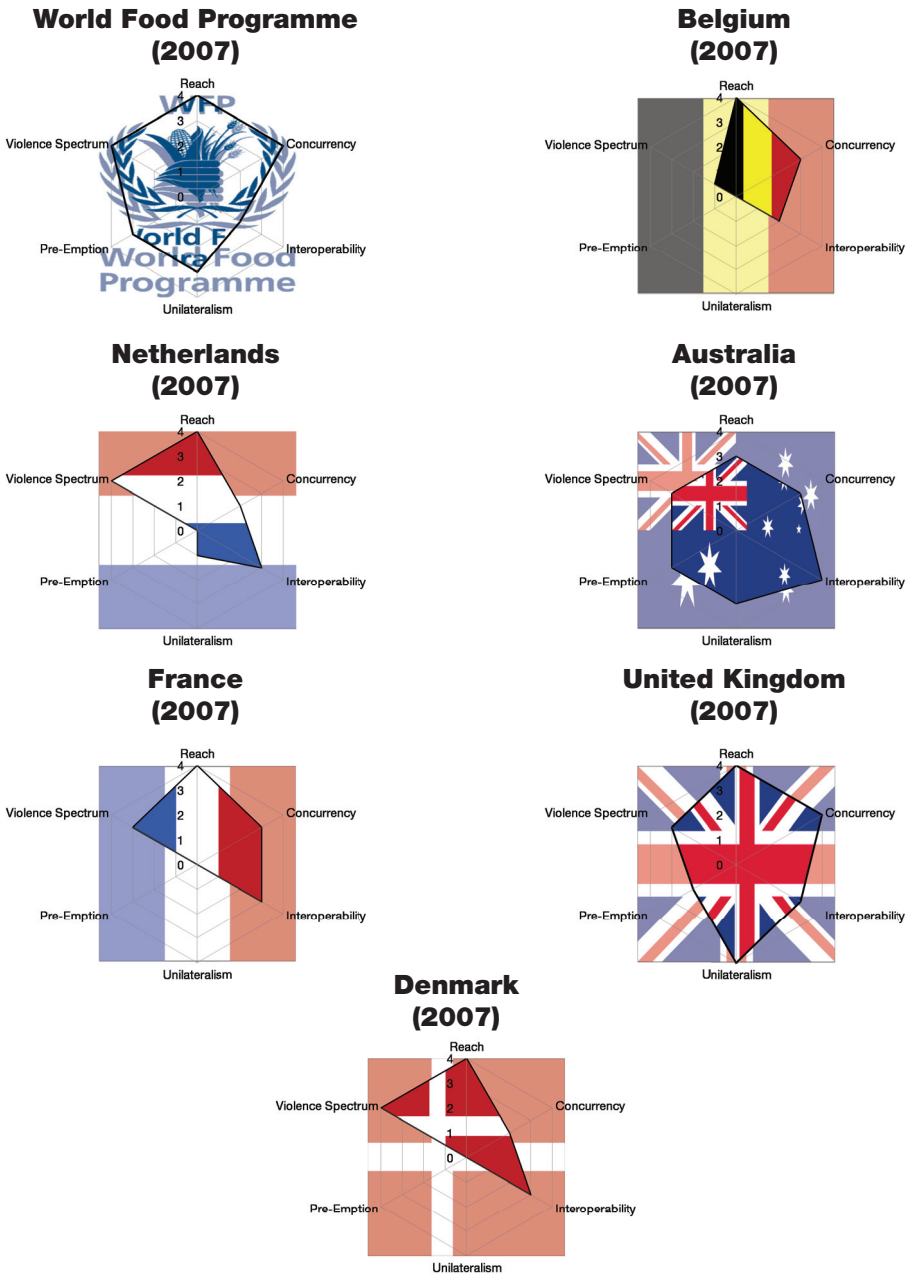

Figure EX-2

» We were able to **benchmark the process by** identifying generic functional 'building blocks' that we found back in most referents and mapping those against a stylised pathway we termed **a 'z-chart**' (see Figure EX-3). The result allows readers to quickly appreciate the differences in the ways

» in which the different referents reassemble the various building blocks in their capability generation processes. The result shows that a country like France, for instance makes little use of scenarios in its defence planning process, while the UK makes very extensive use of the SAG-scenario-set throughout its process. It also shows that some countries rely much more heavily on expert advice (the black symbols) than on analytical tools (the green triangles).

» We do see a general **increase in size and scope in the use of scientific analytical support to defence planning** over the past decades (with the UK clearly in the lead among our referents, despite some areas of specific Australian modelling strength). This manifests itself in various analytical support software tools that increasingly try to crystallise expert judgment, scientific knowledge, and empirically validated findings into traceable tools that can help elucidate some of the key choices to be made in the process.

» Despite the emergence of various analytical support tools for defence planning, the role of military judgment remains central. All participants in the process remain acutely aware of the various limitations of the existing suite of software-based support tools. This means that in the final analysis, **the experiences and intuitions of the uniformed military** (but increasingly also of non-military operators and experts) **remain central to ensure the integrity and the quality of the entire process**.

» Military capabilities – and *a fortiori* defence or security capabilities – span an extremely broad (and – as nations start moving towards more comprehensive security planning approaches – increasingly broadening) array. To manage this complexity, various referents use different **partition schemes** to cut up the larger area of 'defence (or security) capabilities' into more manageable subareas. Traditionally this was done essentially along the lines of the different operational environments (air, land, sea) as embodied in the services. While still of great importance, it is increasingly **recognised in all examined countries that the environment-based partition scheme, and the stovepiping that results from it, leads to a number of dysfunctional consequences** (like duplication, 'holes', lack of interoperability, etc.) We have therefore seen a number of **more functional partition schemes** emerge **to either complement or even replace the service-based ones**.

» In the last decade, the larger (at least Anglo-Saxon) countries have also **added 'concepts of operations'** (also called 'operational concepts') **to the analytical suite** they use to translate policy into capability requirements. The thinking behind this addition is that before any scenario can be translated into capability requirements, one would like to have an idea about HOW the challenges in that scenario can be addressed. These concepts come in various forms and shapes and are used at different levels in different referents. An (early) example, for instance, is the concept of network-enabled capabilities.

» Scenarios play a critical role in the Anglo-Saxon referents (and to smaller extent in WFP) in operationalising the strategic environment within which defence forces may have to operate in the future. **Scenarios thus become a vital input in identifying capability strengths and weaknesses, and may aid a whole-of-force**

Capability Building Processes

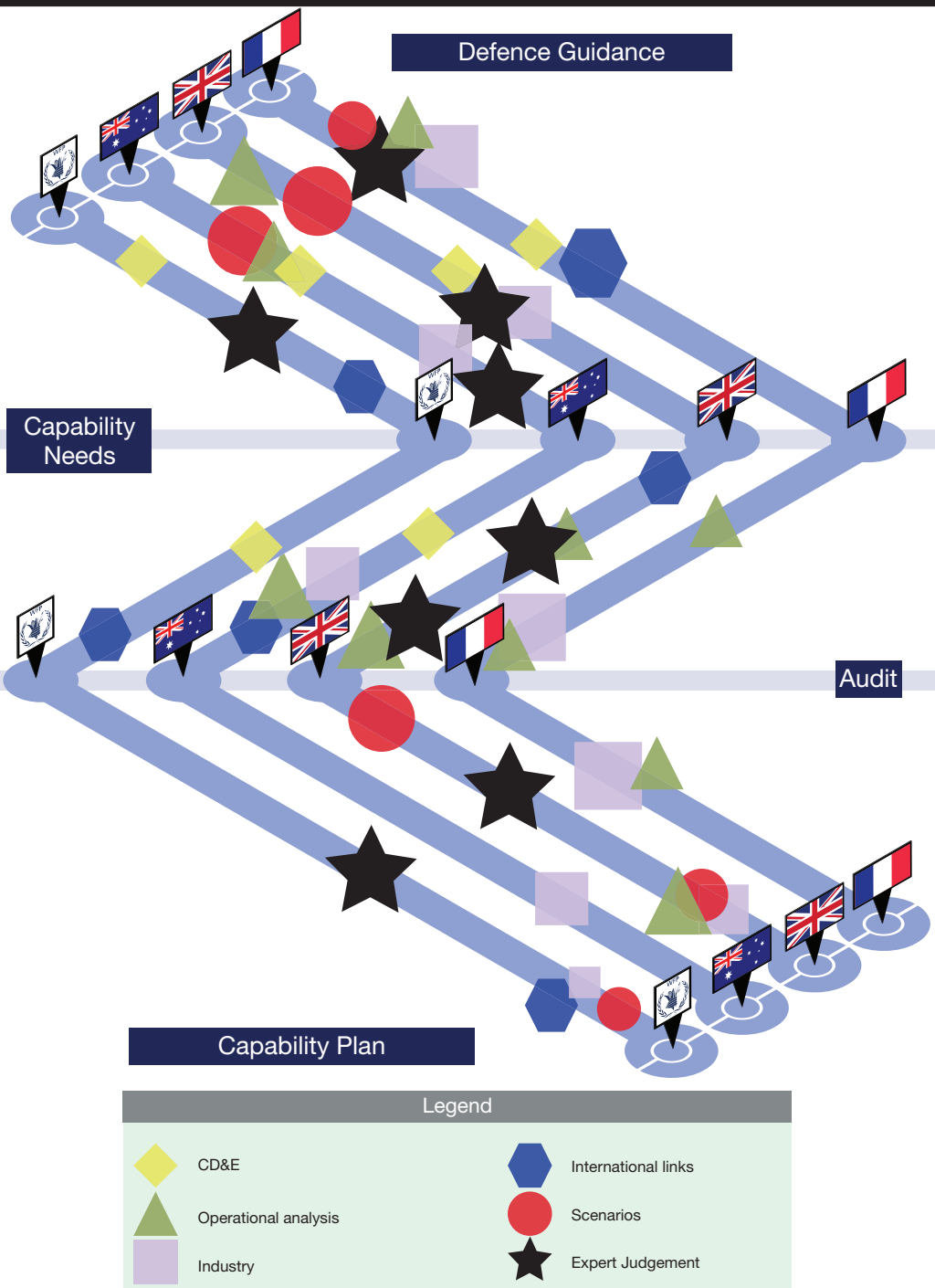

Figure EX-3

capability balance-of-investment[ii]**.** The two main trends this study identified with respect to the use of scenarios are 1) that their number seems to be increasing in many referents (with the UK topping the list with over 40 SAG-scenarios); and b) that there appears to be a trend away from 'point-scenarios' towards more parameterised approaches of scenarios and foresight.

» Defence organisations have unusually long time-horizons. This forces them to **break down the 20+ year time horizon** they now typically use **into more manageable 'epochs'** (e.g. priorities for the first 5 years, for the subsequent 10 years, and for beyond that). In the Anglo-Saxon referents, these epochs are used for phasing in new future security trends, new technological capabilities, emerging operational concepts, etc. **As with any partition scheme, this creates seams** (e.g. tensions between short-term capability priorities and medium-term ones) that different countries address in different ways (and with differing degrees of success).

» **Transparency remains an issue for all defence referents**, although especially the UK and AUS have made **great strides** in publishing their capability development methodologies. The most transparent referent was the WFP.

» **France**, to the (limited) extent that its documentation is publicly available, appears to have a **particularly interesting approach to capabilities-based planning**. Two of the main differences lie in the more systematic use of technological and industry perspectives and in the quite systemic idea of 'force system' as the main unit of analysis in defence planning. The logic of the systems appears quite consistent and appealing, although it is regrettable that not more information is made publicly available.

» We devoted special attention to **two tools** that are being used in respectively the UK (Chimera) and Australia (CODAS) **for whole-of-force balance-of-investment analyses.** Together with some new risk-assessment tools, we consider these to be among the most promising developments we indentified in these studies.

Performance Management

» **Of all stages** analysed in this report, **performance management appears to be the most dynamic** one. The topic has clearly been receiving much more public attention (also from Parliaments and Accounting Chambers) on the coat tails of the 'Modernising Government' movement that has swept through all liberal democracies over the past decade. It is interesting to point out that this study was also triggered by performance management impulses within the Netherlands

» HCSS was impressed with the **great improvements in public performance reporting in a number of countries** – most notable France (which seems to have taken the lead in our sample with its 2008 reform under President Sarkozy), the United Kingdom (especially the idea of Public Service Agreements in the UK, some of which are shared by the MoD with other departments, deserves attention) and Australia.

» **On a more technical level, a number of additional (mostly intra-MoD) initiatives deserve special attention**: DK's roll-out of the DeMap business model (using both a number of quantitative key performance indicators AND qualitative military judgment) and the UK MoD's early introduction and subsequent adjustment of the Balanced Scorecard.

» **A shared logic architecture for performance measurement for defence**

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ii) By this we mean a trade-off analysis of the benefits and consequences of prioritising one capability platform at the expense of another in a resource-constrained environment.

is increasingly common, and is usually transferred into the reporting format of key performance reviews.

- There appears to be a **shift towards a government-wide approach, although many referents find this difficult to implement**. The WFP and France are at the forefront of this trend.
- **Linking goals and indicators remains difficult** for many referents, although we found **interesting examples in especially France and the World Food Programme**. Countries are still struggling with the number of first-tier and second-tier metrics used (and the trend here seems to move away from large numbers of 'hard' indicators to smaller numbers of truly strategic ones).
- A common theme among the referents is a **deliberate self-professed shift to outcome-focused models** that have their origins in the business community. The actual implementation of such models seems fraught with even more difficulties than in the business world, although some more synchronisation of these efforts across defence referents might certainly alleviate this problem.
- Finally, we identified a clear trend towards **more of a strategic orientation** (we use the term 'strategic' here in the loosest sense of the word, as a way to articulate the extent to which each performance system is attuned to the 'high-level' policy expectations) **in the performance management system** of most referents.

Closing the Loop

The final part of the study analyses the extent to which the three previous separate exercises (defining high-level parameters; capability development; and performance monitoring) have started to coalesce into a genuine defence policy loop in which policy logically and transparently 'steers' the entire organisation and in which the feedback loops from the actual performance of the organisation start influencing policy.

- Contrary to the three individual major elements of the loop, **we did not find any detailed descriptions or analyses of the overall SDM-loop for any of the referent countries**. This is in itself an interesting finding, especially given the significant amount of the government expenditures that go to defence.
- As we already mentioned in the high-level findings, most referents have made major strides towards the ideal-typical SDM-loop in the past few years. But in our assessment the separate **efforts have not come together into one systemic 'end-to-end' strategic loop in any one of the referents we studied** (see Figure EX-1 with real-life SDM loop).
- The **WFP has an impressively tight fit between the strategic objectives and the performance management indicators** and has demonstrated an ability to turn around in a very agile way even on strategic matters (and based on concrete performance-based evidence).
- On the first linkage – between the high-level policy parameters and the defence guidance – some **policy changes** we observed in the highest defence policy documents **did yield adjusted capability choices** – after a (often suspiciously long) time lag. **But it is as yet impossible**, for any of the referents, **to trace back this adjustment**

to the analytical models used in these countries. This may be partially due to the fact that much of this planning occurs behind the veil of secrecy, but we surmise that there remains an important disconnect here.

» We also note that **the linkages between the high-level policy documents and defence performance management are either non-existent or tenuous at best**. Performance management appears to have been even much less on the minds of the drafters of the strategic reviews than the concrete capability choices. As defence performance management is climbing the policy ladder within our defence organisations, we observe a lot of 'reverse engineering' of existing policy goals (such as 'being a force of good in the world' in the UK) into performance indictors. But it seems clear to us that future generations of high-level policy documents would be well advised to include performance management elements *'ab ovo'.*

» The **second linkage – from guidance to capabilities – has traditionally been the 'tightest'**, as it typically takes place within the confines of the very same defence organisation by the very same key players. This institutional 'tightness' **has however, not guaranteed the transparent and unequivocal derivation of capabilities from the defence guidance**. We see a trend towards more supporting analytical tools that at least offer the promise of a more traceable analytical pathway from guidance to capabilities. Based on the publicly available information about these processes we assess none of the countries to have reached such a stage (although the UK may be getting close). This means that what some call 'expert judgment' continues to play a dominant role in the capability derivation process, which leaves room for logrolling, whereby the services end up allowing each other to hold on to a number of their favourite projects, even though these may not flow logically from the political guidance.

» There is as yet **little evidence that the trend towards more 'jointness' has led to any fundamental breakthroughs in this quite pernicious logrolling tendency**. In our view,only transparent (macro-) analyses in the form of truly whole-of-force (and preferably even whole-of-government) balance-of-investments models of at least the high-level choices will allow the defence organisations to truly mitigate this problem.

» The **third linkage – between capability generation and performance measurement – is one of the most tenuous ones in the entire SDM-loop**. At the tactical-operational level, performance management has made great strides, but there it focuses primarily on the more tangible 'input' variables. **With respect to the more 'strategic' or output-based** (let alone outcome-based) **performance management, all defence organisations seem to be struggling to find the right indicators that would allow them to start 'steering' on actual strategic performance**.

» We detect a **trend here towards first strengthened 'collegial'** (one could say 'corporatist') **bodies** (e.g. in the UK, the Defence Board – formerly the Defence Management Board, which is responsible for both Targets and Objectives, Resource Allocation and Performance Management), and **then in second instance also towards new (at least potentially) truly 'strategic bodies' such as the 'strategy director' in the UK** (see also above).

» The final **link** – **connecting the entire 'defence guidance-capability development-performance reporting loop' back to the highest-level policy guidance – is** in essence **the** greatest **'missing link'** in all of the countries

examined in this study. The intent of this final phase is to link performance reporting in all aspects of defence planning and policy – not only strategic thinking, capability generation, acquisition or personnel levels, but also the conduct and results of operations – back to the political leadership. It is here that the real adaptation of policy should become visible – either by adjusting the ambition level to operational realities (upwards, downwards or just differently) or by altering the resource parameters (again upwards, downwards or differently). **We found little or no explicit evidence of such adjustments through this final linkage**.

» We pointed out the danger that instead of the ideal loop, **political expediency may in reality precede ambition, which in turn precedes threat assessment**. They would indicate a consistent and unbridgeable gap between what is expected of defence organisations and the resources at their disposal. We expect that in the future more defence organisations will try to integrate the longer-term strategic dimension into their annual performance reporting, if only to allow themselves solid footing to negotiate and manage the expectations of government and parliament. But to this date, both the performance reporting itself and the expected feedback loops towards the policy parameters remain tenuous at best. We are quite impressed with recent trends in France (and to some extent as in UK) on this point, but are still awaiting the first real-life examples of adjustments made to French (and UK) planning over the next couple of years based on these new performance reporting techniques.

» Also contrary to what our ideal-typical depiction of the loop, we found that the **real energy in making this loop 'flow' seems to have come from the 'bottom'** (performance management) and not from the top (policy). Cost containment seems to have played the key role, and as much from a bottom-up than from a top-down perspective.

» On the whole there is **little clear linkage between performance reporting and new iterations of plans in the following year** (or period). Although direct mentions may be lacking, the consistent evolution of performance management systems – specifically in France and the United Kingdom – point to an awareness and desire to fix deficits in that direction. Both countries are putting significant effort into strengthening their grasp on the more elusive aspects of strategic defence management by institutionalising strategy, purpose and policy as much as possible through either a special office, or by explicating methodological tools in their reporting. Late-movers could take advantage of this by selecting those methods, models and tools to integrate into their system, skipping part of the expensive learning stage.

One final thought: improving the transparency of defence planning process – from strategic assessment, capability generation, acquisition and eventually operations – can in the end only benefit the platform from which defence negotiates and manages expectations with government and parliament. Without transparency only painful failure will indicate the necessity for change, the costs of which will be very high indeed.

Endnote

1) Davis, P.K., *Analytic Architecture for Capabilities-Based Planning, Mission-System Analysis, and Transformation*, RAND MR-1513-OSD, 2002

1 Background of the Project

The Netherlands Defence Organisation (NDO) is widely recognised and respected as one of the more performant smaller Armed Forces within the Atlantic Alliance. It was one of the first countries to 'steer' its defence organisation away from the rigid territorial defence priorities of the Cold War towards a truly flexible, useable and expeditionary tool. These early successes have not, however, led to a sense of complacency within the NDO. In the current period of financial, political, technological, etc. uncertainty, the leadership within the NDO continues to evaluate its own defence planning procedures in search for possible improvements. This study has to be seen against this broader background.

Defence organisations are a tool – a uniquely powerful and therefore sensitive tool – in the service of a country's political goals. This means that the political leadership has to be able to 'steer' the defence organisation in the direction it wants. However trivial this observation may seem, governments across the globe still experience many difficulties in linking goals to means in their defence sectors in a transparent and policy-driven way. The way in which they attempt to do this is the main subject of this study. It tackles some of the most fundamental issues

any defence organisation has to deal with: how to define its ambitions, how to translate these ambitions into a defence force, and how to make adjustments to this force on the basis of its actual performance.

This study, which attempts to shed some light on how a number of other defence (or comparable) organisations deal with these fundamental defence planning conundrums, was born out of two different but congruent exercises within the Dutch Defence organisation: a) the attempt to bring the MoD more in conformity with the government-wide performance- (or results-)based budgeting logic; and b) the large bottom-up defence review (called 'Future Policy Survey') that is tasked with generating some policy options for the next cabinet for linking policy goals to a defence budget. This chapter will sketch the background of those two exercises and will formulate the precise research questions that emerged out of them and provided the basis for this study.

Linking Inputs to Outputs – Performance Management in the Dutch Government

For some decades now, governments all across the world have tried to move government decision-making and accountability away from a preoccupation with **activities** (inputs) that governments undertake to start focusing on **results** of those activities. Interestingly enough, one of the early pushes in this area materialised precisely in the defence community. In the United States of the early 1960's, Robert McNamara, Secretary of Defense in the Kennedy administration, asked the RAND Corporation to design a system that would facilitate communication between planners and 'budgeteers'. The experiment with the so-called Planning, Programming and Budgeting System (PPBS) worked well at the Department of Defense and it was declared applicable to all federal departments and agencies. For a number of reasons, the system that seemed to work well for the Department of Defense did not work as well for the other departments and the government-wide PPBS-approach was abandoned[1].

The 1990's witnessed a renewed push for government performance management under the motto of 'reinventing government'. This time, the real triggers were not the defence organisations, but rather more general political-economic pressures and mounting demands from citizens to increase the effectiveness and efficiency of the public sector. This second wave of government performance management started in a number of Anglo-Saxon countries (notably New Zealand and to a lesser degree Australia, Canada and the United States[2]) but the performance movement spread relatively quickly from there to most of the developed world.

This strand of performance management hit the Netherlands in the late 1990s, when then liberal Minister of Finance Gerrit Zalm decided to reform the logic of government budgeting and accounting. He argued that:

> *[T]he main policy points are currently difficult to recognise and there is often no direct relation between the financial proposals and the underlying policy plans*[3].

He proceeded to re-design the structure of the key budget documents on the basis of declared policy objectives rather than the traditional (typically mostly institutionally-inspired and stovepiped) budget categories.

This yielded the VBTB programme (Dutch abbreviation for 'From Policy Budget to Accounting for Policy') – which was approved by Parliament in May 1999, and which aimed (under the responsibility of the Ministry of Finance) to make departmental budgets and accounting more transparent and more closely related to policy goals by linking objectives, performance and resources to one another. VBTB centres on three questions (known in the Netherlands as the *www-questions*):

- What do we want to achieve?
- What will we do to achieve it?
- What will be the costs of our efforts?

These ex-ante evaluation questions then return in the ex-post evaluation in the three following questions:

- Have we achieved what we intended?
- Have we done what we should have done in achieving it?
- Was the cost what we had expected?

The main change here was to switch the logic of reporting and accountability from a purely financial one (inputs) to one that linked (intended and achieved) policy objectives, policy measures or instruments, and their costs. The new-style budget therefore contains output and outcome indicators by which to judge performance:

- Output indicators: (the quantity, quality, and costs of) products and services 'produced' by government or government services in order to achieve certain effects, and;
- Outcome indicators: the intended effects of those measures.

The VBTB programme was rolled out throughout the entire Dutch government in the beginning of this decade, but progress in achieving it has been patchy throughout the departments, as indicated with characteristic Dutch candour in repeated reports by the Ministry of Finance and the Dutch Accounting Chamber. The Dutch Ministry of Defence has not escaped criticism on this point either. In its 2004 report, the Accounting Chamber wrote:

Information on Policy in Budget and Yearly Report

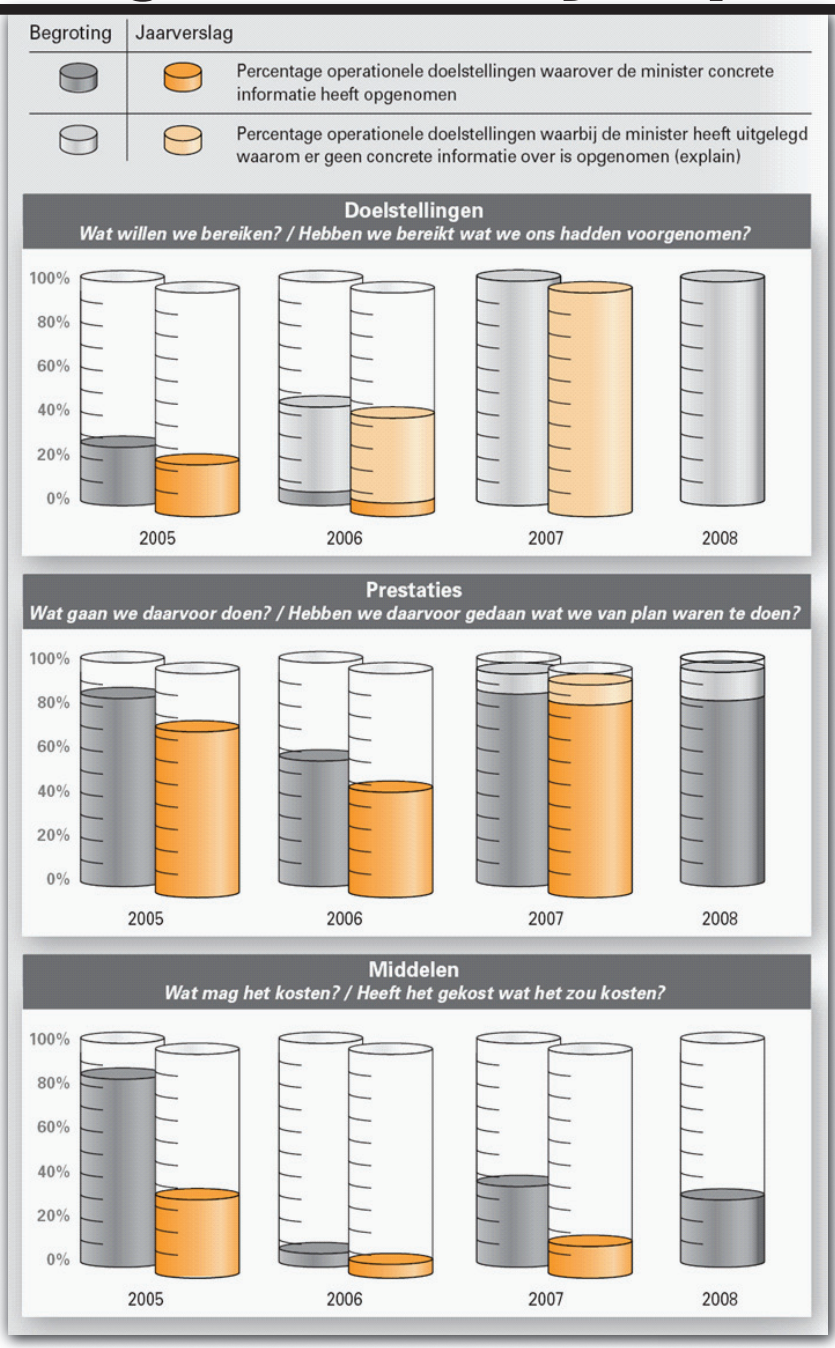

Figure 1-1[4]

> *In our assessment of the VBTB-conformity of the 2004 budget (...) we extensively exchanged views with representatives of the MoD/Directorate General for Finance and Control. It became clear that Defence experiences difficulties in applying the fundamental points of the government-wide VBTB logic- and that, 'the yearly report (of the MoD) presents little insight into the links between policy aims and expenditures of resources… The realization of an entirely VBTB-conform budget and subsequent yearly report will require additional efforts*[4].

This shows how the conformity of the MoD's reporting with the VBTB logic has gone up and down in the view of the Accounting Chamber and how problems are particularly painful in the 'means' part (how much SHOULD it cost vs. how much DID it cost). This question (how much did it cost in relationship to how much it was intended to cost) could only be answered on 3 of the 22 operational goals in the MoD's 2007 yearly report (14%). It is clear that in a political environment in which defence budgets continue to be under constant political scrutiny, this situation can not be satisfactory to the political OR the military leadership of the Netherlands defence organisation.

In 2007, the Dutch Ministry of Defence therefore took it upon itself to take a closer look at the extent to which the VBTB logic was being applied by the Dutch Defence Organisation and how this could be improved. This 'Outputsteering'-study[5] acknowledged that *"relations between goals, activities, and means are indispensable to make basic choices about the size or composition of the Armed Forces. Only this insight will give Defence a strong position in claiming extra money or in processing cutbacks in a responsible way."* The analysis of the existing situation was uncommonly sharply formulated:

- There is no unequivocal relationship between policy aims and operations aims
- There is no clear relationship between operational aims and the output of Defence
- There is no clear insight into the relationship between activities and costs

As a consequence of the 2007 'Outputsteering' study, a recommendation was made to further investigate ways to improve the insight into these matters.

The New Dutch Bottom-Up Defence Review (The Future Policy Study)

A second driving force behind this study is the ongoing 'Future Policy Survey', which can best be thought of as a major bottom-up review of Dutch defence efforts. Recent budgetary trends are putting increasing pressures on the Dutch defence effort because of the growing demands that are being put on the Dutch Armed Forces from the Netherlands itself (the increased structural reliance on military capabilities for homeland security and defence purposes) all the way to Southern Afghanistan. Successive 're-equilibrations' of defence ambition and defence expenditures over the past decade in various policy documents have raised the question whether there might not be other ways to achieve a stable political consensus on the relationship between the country's defence ambitions and defence expenditures. As the flyer of the projects states:

> *[T]here are sufficient grounds to look at the financial picture of the future. In order to maintain the balance between the tasks and resources of the armed forces in the long term, the government has decided to conduct a Future Policy Survey... The Future Policy Survey is intended by the government to make a substantial contribution to the process of forming a sound judgement on the armed forces and the level of defence expenditure associated with it.*

The assignment of the 'Future Policy Survey' is to:

> *formulate, on the basis of the expected long-term developments and possible scenarios, and without constraints, policy options with regard to the future ambitions concerning the Netherlands Defence effort, the composition and equipment of the armed forces arising from that, and the associated level of Defence expenditure.*

The intent is to present the Dutch cabinet in September 2009 with an authoritative and objective foundation for future-proof political choices with respect to the Dutch defence effort that can be used by all political parties during and after the next legislative elections that are scheduled for 2010.

As part of this effort, the government has commissioned a large number (49) of sub-studies from various public bodies, research institutions and societal organisations on both the 'demand'-side (what are future likely demands for the Armed Forces) and the 'supply'-side (what will the future Armed Forces themselves look like).

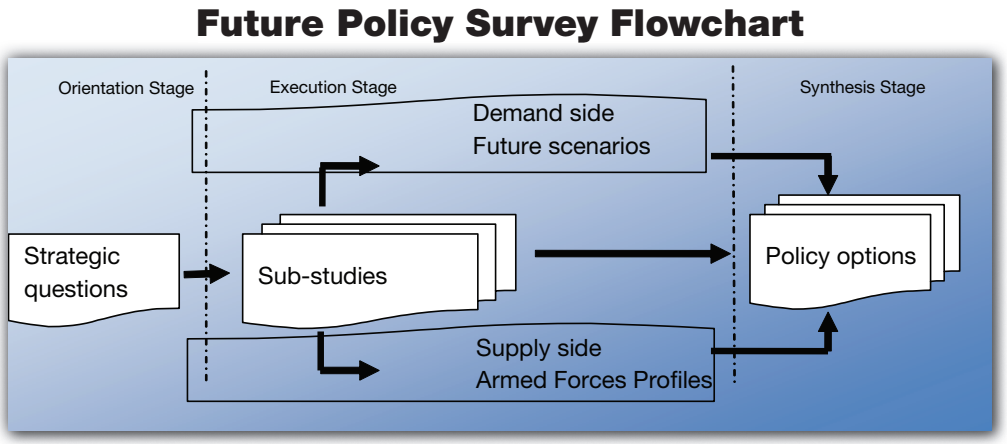

Figure 1-2

One of the supply side sub-studies in which HCSS was asked to support the MoD focuses on the following question:

> *Which steps and components should the model contain that links and underpins ambitions, composition (of the Armed Forces) and expenditures?*

This benchmark study is intended to provide insights that will be used for the model to be developed in this study.

The Current Study

The current study emerged at the convergence of the two process that were described above: the attempt to further mainstream performance management within the defence organisation and the attempt to present some possible future policy options for the Dutch Armed Forces as a background for some new political decisions on the relationship between the level of defence expenditures and the defence ambition of the Netherlands (see Figure 1-3).

The research question for this benchmark study was formulated by the Ministry of Defence in the following way:

> *How do defence-organisations (or organisations with comparable profiles) of other countries map out policy goals and how are policy goals related to activities and capabilities and the required financial means, and finally how does the feedback loop on the performance in all these areas take place?* [i]

ii) 'Hoe brengen defensie-organisaties (of organisaties met vergelijkbare profielen) van verschillende andere landen beleidsdoelstellingen in kaart en hoe worden deze beleidsdoelstellingen gerelateerd aan activiteiten/capaciteiten en de hiervoor benodigde (financiële) middelen?'

We note that this benchmarking effort was greatly assisted by discussions at the Community of Practice (CoP) in Defence Performance Management that took place in The Hague in October 2008, and had a special focus on the benchmarking method and in which all the defence referents (except for Belgium) in this study participated.

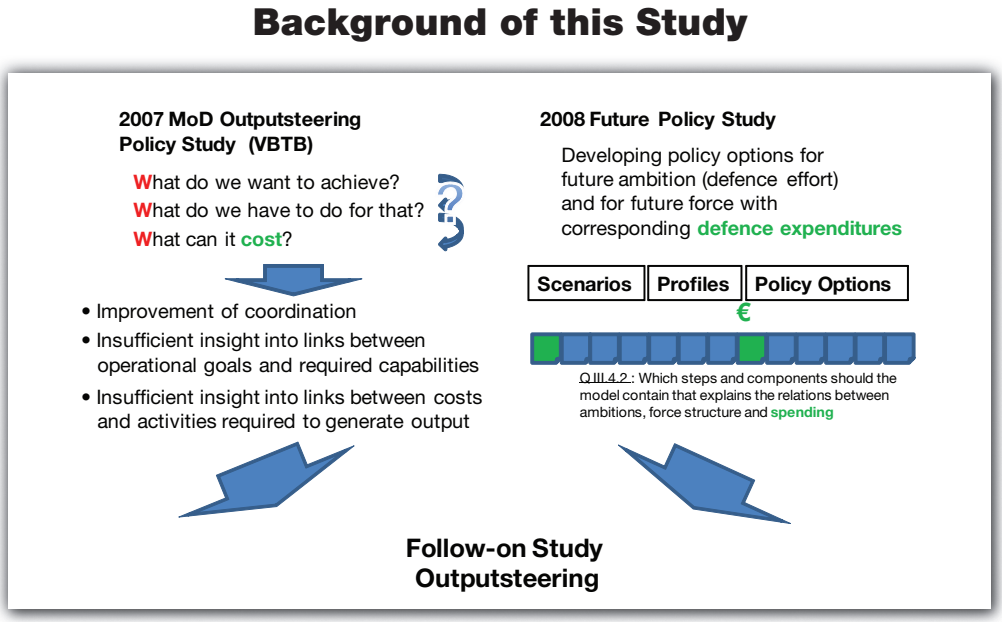

Figure 1-3

Structure of the Report

We have structured the report so as to mirror our final conceptualisation of the ideal-typical strategic defence management loop (see Figure EX-1) Each chapter is devoted to an analysis of a particular stage or decisive, 'turning point'. As such:

Chapter 2 Describes the benchmarking methodology and the initial preparations for the exercise.

Chapter 3 Analyses the establishment of ambition levels and high level policy parameters.

Chapter 4 Benchmarks various attributes of a referent's process in translating ambitions into specific capabilities i.e. the capability generation process.

Chapter 5 Benchmarks various attributes of how the referents measure the success or failure to achieve their stated ambitions i.e. performance management.

Chapter 6 Analyses the extent to which the aforementioned stages coalesce into a genuine defence policy loop in which policy logically and transparently 'steers' the entire organisation,

and in which the feedback from the actual performance of the organisation starts influencing policy.

References and further reading. Each chapter will conclude with appropriate references for direct quotes and primary source visualisations. A bibliography is also given for the literature consulted. Some chapters may include a supplemental recommended reading list for particular issues we found compelling during the study.

The Annexes. The annexes serve two purposes. The first is to act as a storage area for material too voluminous to include in the main body. The second is to provide concrete examples of some of the key influences on a referent's position along a particular slidebar. The annexes for Chapters 4 and 5 are in essence mirror images of the main body, with the addition of these examples provided in a country by country breakdown following the slidebar overview. The annexes will be provided in a separate CD that will also contain background material that is referred to in this and following chapters.

Endnotes

1) Wildavsky, Aaron B. and The United States Congress Senate Committee on Government Operations, Subcommittee on National Security and International Operations. *Planning-Programming-Budgeting: Rescuing Policy Analysis from PPBS.* Washington, U.S. Govt. Print Office, 1969.

2) Organisation for Economic Co-Operation and Development (OECD). *In Search of Results, Performance Management Practices,* 1997.

3) Organisation for Economic Co-Operation and Development. *Modernising Government: The Way Forward*, November, 2002.

4) Performance Budgeting in the Netherlands: Beyond Arithmetic.Preview By: van Nispen, Frans K. M.; Posseth, Johan J. A.. OECD Journal on Budgeting, 2006, Vol. 6 Issue 4, p37-62, 26 p . See also Leeuw, F.L. and van Gils, G.H.C. (1999) 'Outputsturing in de publieke sector. Een analyse van bestaand onderzoek [Steering on Output in the Public Sector. An Analysis of Existing Research]'. Policy Research and Advice/ University of Utrecht, Utrecht, The Netherlands.

5) Algemene Rekenkamer, *Audit Actielijst Defensie* March 6, 2006.Tweede Kamer der Staten-Generaal. *Jaarverslag en slotwet Ministerie van Defensie* 2007. Pg 41. http://www.rekenkamer.nl/9282000/d/p438_tk31444_2_x_def.pdf.

5) Ministry of Defence, Main Direction for Finances and Control; Direction Policy control; Department Policy, Advice and Regulations. Beleidsrichtlijn 8.25 – Outputsturing. De VBTB vragen voor Defensie nader bezien.[Policy target 8.25 – Steering on output. Revisiting the VBTB-questions for Defence.] October, 2007.

2 Preparing the Benchmarking Exercise

This study uses the benchmarking planning guide that was developed by TNO in 2006 for the Dutch MoD and has now been recommended for use throughout the defence organisation. Learning from a number of both good and bad practices in the world of public (and private) benchmarking, the TNO method prescribes a number of steps that can help defence organisations in distilling interesting and useful lessons from other referents. In this chapter we will succinctly describe the main characteristics of the TNO benchmarking method and will explain the steps that were followed to identify the categories to be benchmarked, and the referents for which they would be analyzed.

The TNO Benchmarking Method

In periods of deep uncertainty, it is becoming ever more important for defence organisations to learn to adapt quickly to new trends and developments. Such systemic adaptiveness implies an ability to learn from others – and especially from the best.

Benchmarking –

> *a systematic process of comparing, measuring, and analyzing the products, services, or processes of an organisation against current best practices of other (preferably world-class) organisations in order to attain superior performance*[i]

– is one of the tools that can be used to that effect. In 2006, TNO developed a benchmarking methodology for the Dutch MoD. It contains a number of steps as well as tips and hints to bring a benchmarking effort to a successful conclusion. A detailed description of the actual method (including how it was developed) can be found back in the two reports that were published by TNO: *Towards a Benchmarking Methodology for Defence*, 2006 (TNO-DV 2006 C345), and *Learning to Learn. Validating the TNO Defence Benchmark Planning Guide*, 2007 (TNO-DV 2007 A505). For the purposes of the current study, we will just present some of the main defining features of the TNO approach in bullet-form.

- **Systematic 'topic-to-metric'** decomposition (also for 'soft' issues): the method emphasises that benchmarking requires metrics – common yardsticks along which the differences between referents can be presented in a clear (both logically and visually) way. It contains a number of tips and tricks on how any topic can be decomposed in a number of categories for which one can identify indicators that can be developed in metrics – sometimes 'hard', sometimes 'soft'
- **Structured method (step-by-step planning guide):** based on an analysis of more than 200 defence benchmarking exercises, the method spells out a protocol with a number of sequential systematic steps that can help in coming to useful findings.
- **Based on primary sources (not phone calls, questionnaires, or 'benchmarking tourism'...):** the method strongly favours using authoritative documents as a basis for the benchmark (and MoDs typically codify many of their activities) over more subjective information (however potentially insightful).
- **More about mapping differences, than about judging (descriptive, NOT normative):** given the current sorry state of standardised metrics in defence, it is often impossible to make value judgments about different choices made by referents. But the method strongly argues that even just mapping differences between referents can prove extremely instructive.
- **Strong recommendation to include at least one non-military referent:** avoid the temptation to claim that 'defence is totally different' (and as a corollary, that it therefore cannot be compared with non-military referents). The method claims that the benefits of considering outside organisations or businesses and analysing these along the same lines as defence outweigh the drawbacks (especially when the protocol for selecting referents is applied judiciously).
- **Spiral development instead of rigorous sequentialism.** Given the many uncertainties that often accompany the quest for information about the referents, the method advocates adaptiveness throughout the process.

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i) US Army definition of benchmarking.

Example Of The Topic-To-Metric Decomposition Approach

Figure 2-1

The Benchmark Initiation Team

The first step in the TNO benchmarking guide was the selection of a benchmarking initiation team (BIT). So as to maximise the institutionalisation of the findings of the DBE (defence benchmarking exercise), calibrate the expectations of the DBE requester(s) and to facilitate meaningful participation of all those affected by the study results, a stakeholder analysis was conducted.

There are two methods a DBE team can employ to identify potential members for the BIT. The identification can take place according to three layers of impact the TB (topic benchmarked) will have on the project stakeholders. The first method is depicted as a series of concentric circles (see See Figure 2-2 and 2-3). The inner most core is the starting point- the TB. The first concentric circle is populated by those who are most directly affected (for example, the end users) of the study results. Moving outward, we populate the next layer with those who may be indirectly affected i.e. operational planners. The outermost layer is comprised of those who are only marginally influenced or have a professional interest in the topic benchmarked.

Stakeholder Analysis-Differing Degrees

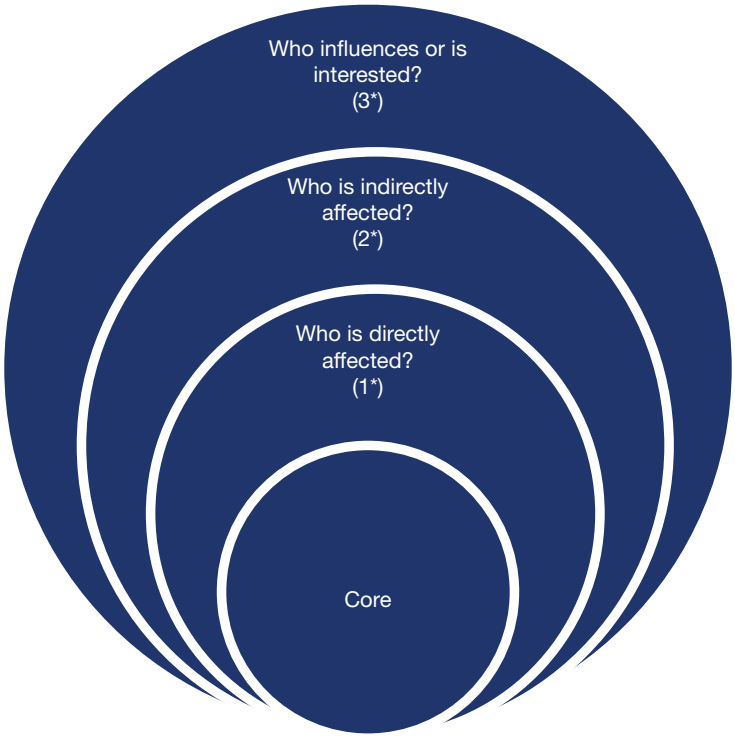

Figure 2-2 [1]

Stakeholder Matrix

Stakeholder Group	Nature of Interest in Policy Decision	Potential Impact of Policy	Relative Importance of Interest	Importance of group	Influence (Power) of Group
1° Stakeholders					
Stakeholder 1	Description	Low/High	Low/High	Low/High	Low/High
Stakeholder 2	Description	Low/High	Low/High	Low/High	Low/High
2° Stakeholders					
Stakeholder 3	Description	Low/High	Low/High	Low/High	Low/High
3° Stakeholders					
Stakeholder 4	Description	Low/High	Low/High	Low/High	Low/High
...					

Figure 2-3 [2]

Likewise, taxonomy can be employed that describes the nature of a stakeholder's relationship to the issue at each concentric level. Each stakeholder is given a high/low score along the categories at the top of the box to map not only who the potential stakeholders are, but how the study may impact them. Once the project-stakeholder relationship is understood, targeted invitations can be extended to invite them as a member of the BIT. After conducting a stakeholder analysis, HCSS was pleased to collaborate with a Benchmark Team comprised of representatives from the following departments of the NL Ministry of Defence:

- Directorate-General of Finance and Control
- Directorate of Policy Evaluation; Defence Staff
- Directorate of Operational Readiness; Defence Staff
- Directorate of Operational Policy, Requirements and Plans; Principal Directorate of General Policy Affairs
- Directorate-General of Finance and Control
- Directorate of Information Management and Organisation

Also participating in the Benchmark Team were representatives from the Netherlands Organisation for Applied Research – TNO.

The two most important tasks of the BIT were to make the two most fundamental choices of any benchmark exercise: 1) what precise elements were going to be benchmarked; and 2) which organisations were going to be included in the benchmark exercise. As was already pointed out, the quest for these two important elements was structured in a spiral development way as illustrated in Figure 2-5. In essence, this means that choices in the category selection can be amended on the basis of choices made in the referent selection. We will describe the process and the outcomes of this process in the following two sections.

Selecting Categories to be Benchmarked

A preliminary meeting was set to select the referents as well as the broad categories for research. Here, both were done through an organised brainstorm session coupled with a structured mind mapping exercise (see Figure 2-4).

The mind mapping exercise provides a coherent visual framework that set us on the path of topic-to-metric decomposition and serves as a forum for stakeholders to contribute their interpretations as to what the categories and scope of the project should entail. In this way, we have a powerful visual aid demonstrating the linkages (or lack thereof) between the research categories. Having formed our benchmarking team, we set about conducting a literature quick

Mind Map Categories under Discussion

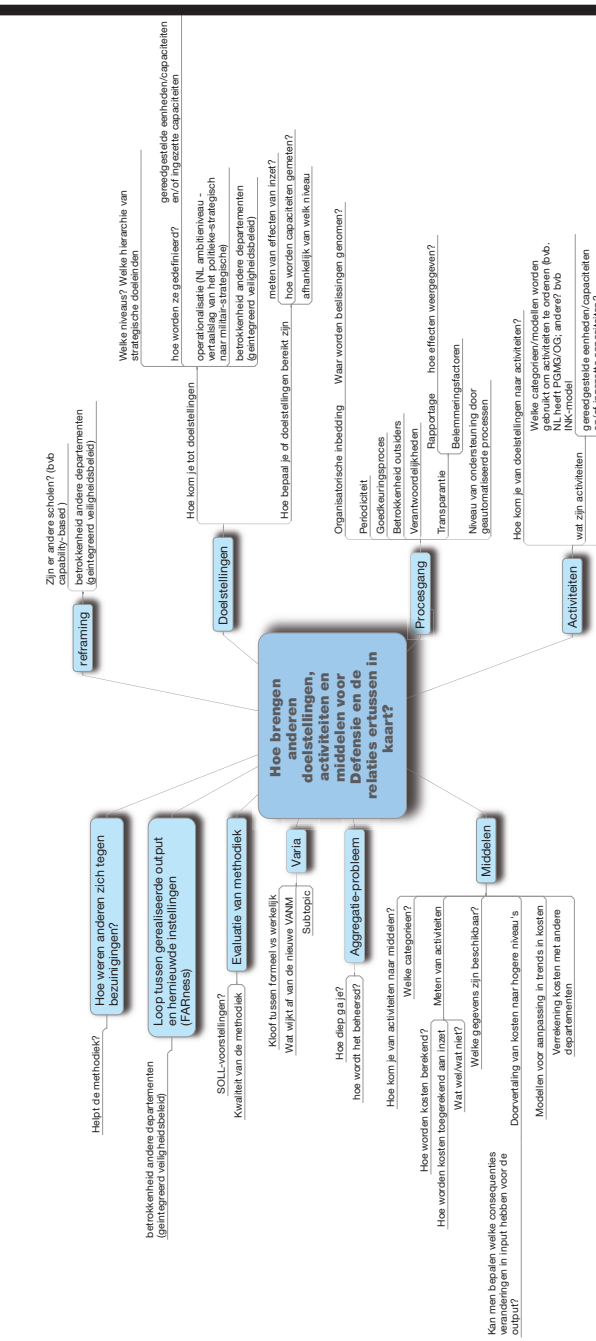

Figure 2-4

scan and began to form an embryonic depiction about 'gates' a defence organisation must pass in order to transition from ambition to means, and then weigh the effectiveness of those efforts. Thus, our initial attempts lead us to the 'Pendulum of Translation'. The Pendulum is in essence, insight into the evolution of our thought process, as we began to engage the material along the categories identified in the mind mapping exercise. This model in turn, influenced our decision to impose a partition scheme on the defence planning process that segments the transition or 'translation' of ambition to means into three distinct phases (admittedly this is something of a false construct, ignoring the real life complex adaptive systems at play in all MoD's but nonetheless, was a useful model to simplify the context of the project into a coherent linear sequence). The model subsequently became the format for our internal planning, milestone presentations, and framework to reengage the material along the phases. An excerpt is given below from our earlier correspondence to other members of the BIT describing the Pendulum and our first venture into the material:

Selecting Categories and Referents

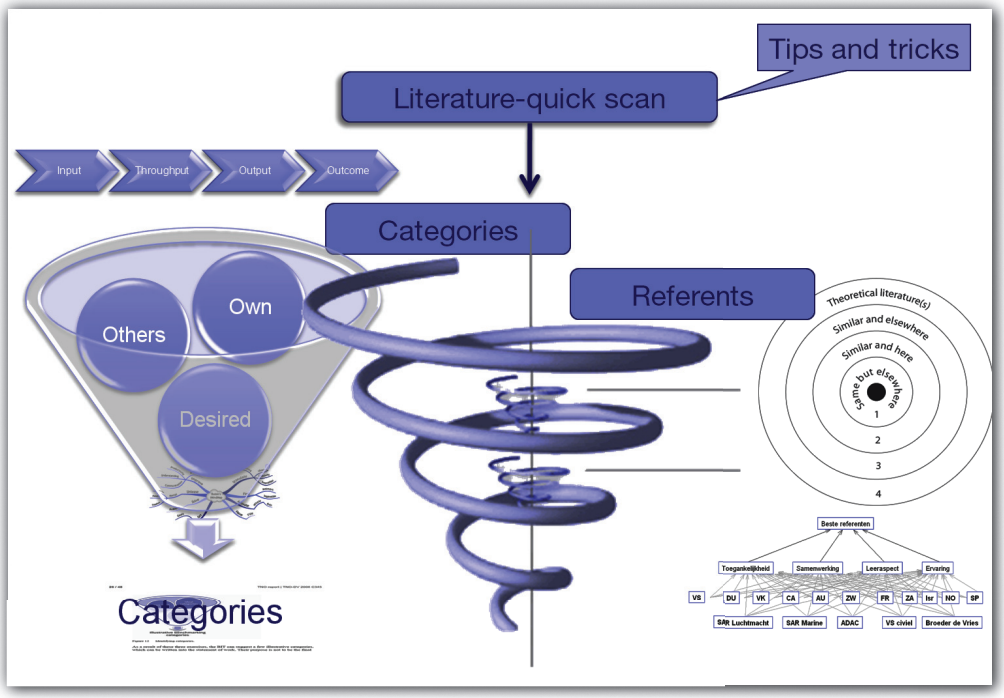

Figure 2-5

A Pendulum of Translation

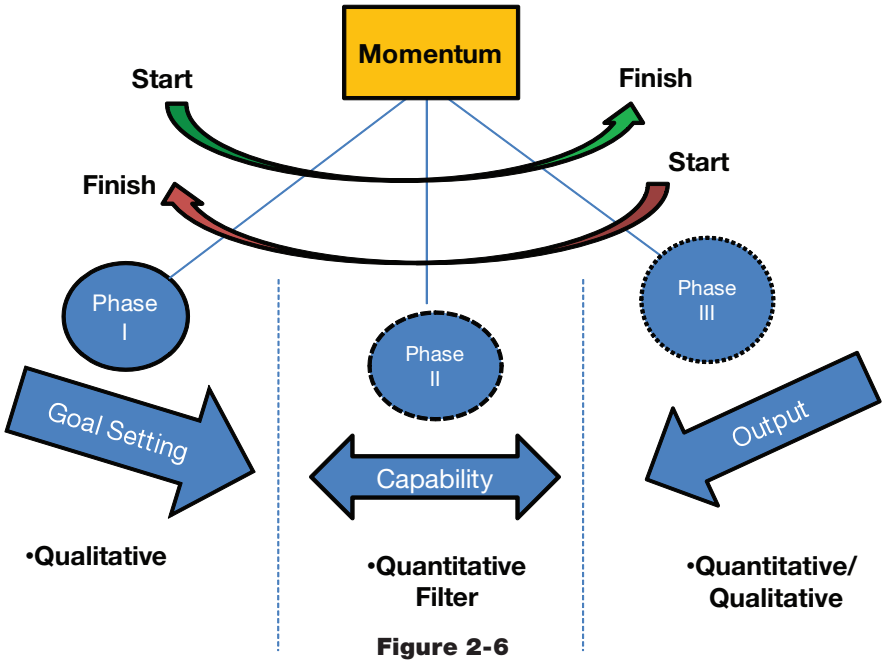

Figure 2-6

Institutional Spaghetti

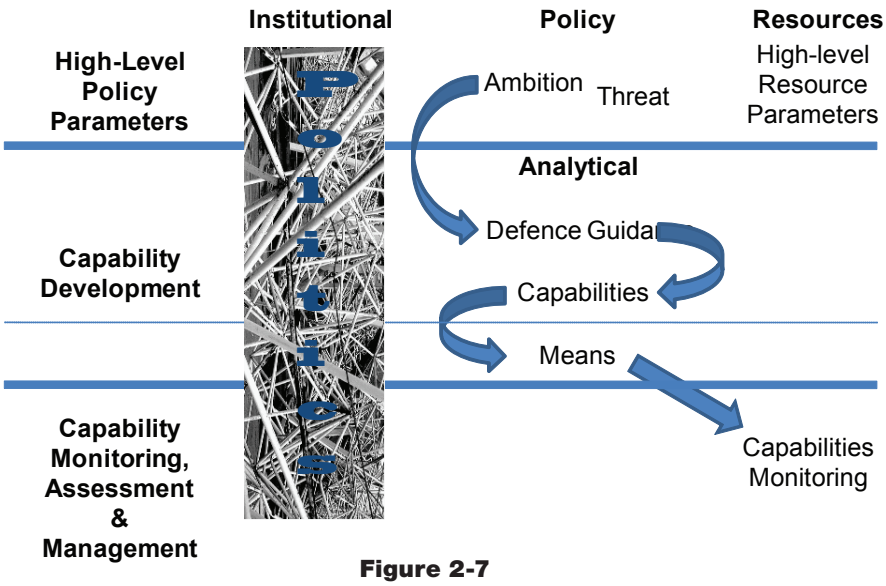

Figure 2-7

"A Pendulum of Translation"

> *Basically, the study is seen as an examination of "Translation" i.e. the translation between establishing national ambition (goal setting) at the beginning of the process (qualitative, soft data), and judging that ambition's effectiveness ("outcome") at the end of the process, Phase III. The language of Performance Management comes into play at the midpoint of the process when an assessment of capability (current and desired) is needed to determine if the goal is feasible, and if not, what manner of resource allocation is needed to establish the capability to attain it.*
>
> *What metrics/methodologies are appropriate to evaluate the current capability status, and future capability needs? This is the central question in Phase II, when the process of enacting a strategic goal swings to an assessment of capabilities, both current and desired. Phase III, evaluating outcomes is a qualitative (soft data) assessment and is dependant upon political actors and their constituencies. But this phase is relevant to our study because as people try to determine if the desired outcome was achieved, the focus again turns to a capability assessment (quantitative, hard data) and all the Performance Management benchmarking methodologies such an assessment entails. As the pendulum swings back through the quantitative filter, the data of that assessment is then incorporated back into the strategic planning phase, to begin the process anew.*

As we became more comfortable with the three phase model we continued to refine the stages not only in terms of the nature of the data employed in transitioning from ambition to means, but also to overlay the institutional processes initiated at each phase- i.e. 'Goal Setting' was refined to 'High Level Policy Parameters', Phase II 'Capability' became 'Capability Development' (and subsequently 'Capability Generation'), while 'Output' became 'Capability Monitoring and Assessment'. In this way, we adhere to the fundamental three stage framework, yet also recognise the roles (and sometimes interference) of institutions.

With this framework in mind, we continued correspondence and bilateral meetings with individual MoD BIT's by employing 'Concept Roadmaps' which divided each phase of the Pendulum into a matrix composed of main topics of interest per phase. We then sought the MoD's input in filling out the matrix by having them assign what they felt were appropriate stand-alone questions, potential metrics, indicators of relevance, and sources we could analyse for each of these topics of interest. See sample 'Concept Roadmap' below for Phase I: Goal Setting (HCSS suggestions are red, MOD BIT suggestions are green).

Sample Conceptual Roadmap

PHASE I: GOAL SETTING				
Main Question: How are goals being set?				
Potential Questions to be answered / Areas of interest	Relevance indicator	Indicators / characteristics	Sources (public, unclassified)	Preliminary conclusion
Stand Alone Questions:				
Are the MOD goals derived from higher strategic goals?		Coalition Agreements' Parliament? Executive? (scale between the three)		
What ARE the goals?		List them		
How are main goals separated from management goals or tasks?		Indicator Pending		

Figure 2-8

From this modest beginning, a fuller deconstruction of the topics of interest, relevant metrics, and source materials began to emerge. By engaging in a continuous dialogue with the MoD BIT, HCSS began to populate more elaborate Excel charts and to input data according mutually established lines of inquiry and metrics. For example, a table of Australia's initial Phase I Data Entry Sheet is presented:

Note: As our understanding of the material and the team's objectives became more refined, we found our first toolkits for benchmarking Phase I (Concept Road Maps, and Data Entry Sheets) inadequate to match our own ambitions for this portion of the study. Hence, we went 'back to the drawing board' and devised more applicable metrics and calibrated our terminology accordingly. The result was the HCSS Audax Index. The end product and the text analysis methodology used are detailed in the next chapter and the appropriate annexes.

Sample Australia's Phase I Data Entry Sheet

"PORTFOLIO BUDGET STATEMENTS 2007-08"	PARLIAMENT		horizontal	**
PAGE #	Forward		pg12	**
JUSTIFICATION	**	**	See Popup in Excel Sheet	**
Sub-question c) What are the goals? A focus on substance Specific indicators follow to the right	What are their main goals?	Medium level goals	Clarity of goals: are they prioritized? (1- wish list - 5- clear priorities)	Clarity of goals: are they SMART? (1-vague, 5 clear)
METRIC VALUE	List	LIST	SCALE 1-5	SCALE 1-5
Australia National Security 2007 (Update to The Defense White Paper 2000)	"Defense's enduring priority is to keep Australia and it people safe from attack or threat of attack and from economic or political coercion"	"1.security at home, to keep Australia free from direct threat 2.continued favorable economic conditions, essential for a trading nation 3. a benign international security environment that promotes our national interests,"	4	4
(PAGE #)	pg25	pg25	PG25	PG25
JUSTIFICATION	See Comment	See Comment	Defense's enduring priority is to keep Australia and it people safe from attack or threat of attack and from economic or political coercion"	Defense's enduring priority is to keep Australia and it people safe from attack or threat of attack and from economic or political coercion"

Figure 2-9

Having fully digested all of the available materials, the final evolution in our conceptualisation of the defence planning process emerged as the 'Strategic Defence Management Loop'. In this manner, we attempt to distil the best attributes of the previous models (the roles and timing of qualified and quantified data, and the institutional process – and interference- behind the three phases) all while ascribing to popular notions of what a modern process should entail. Just as the earlier conceptualisations served as the framework for our Excel charts and categorisations, the 'Strategic Defence Management Loop' serves as the framework for the very structure of this report. An overview of the SDM model is given in Chapter 6, and its influence on the structure of the report is explained after a brief history about how we selected our referents.

Selection of Referents to be Benchmarked

Following the explication of the broad categories of research, a discussion proceeded on the question of which referents to choose. The overall objective was to select nations which were ´similar but elsewhere´, to Netherlands Defence and proceed outward.

In this manner, we employ another visual aid- the 'bull's-eye method'- as referenced to in *TNO-DV 2006, "Towards a Benchmarking Methodology for Defence"*. The intent is to systematically move away from oneself as an organisation while maintaining a balance between selecting referents similar enough as to provide a comparable structure, yet not so homogenous as perpetuate self-sustaining 'group-think' feedback loops. This effort is depicted as a series of concentric circles. The innermost circle is comprised of other defence organisations deemed to have a comparable analytical value to NL defence. From this relative comfort zone we then sought referents who provide similar services, and face similar challenges, but operate with different mandates. Although not selected for study, civil protection agencies such as the police were a logical next step. The outlying circle represents the organisations who share fundamental attributes (size, global reach, infrastructure investment ect...) but lack one critical similarity- the legally sanctioned use of violence. Large private corporations and INGO's such as the World Food Programme fit this criteria. By extending the scope of potential referents one also extends the amount of sampling data, which may aid in benchmarking specific elements of an organisation (i.e. recruiting).

The criteria for determining a nation's applicability for inclusion in the benchmark entailed the following criteria: whether they had participated in the Community of Practice, our assessment as to a referent's need for adaptability in the face of a changing environment, the projected ease of accessibility to their data, and a sense of comparability to the NL MoD along a number of lines- for instance, institutional maturity and the perceived complexity of a candidate's activities and means. Some of these choices were more obvious than others.

For example, the participation in the COP meeting organised in the Netherlands at the end of

September 2008, seemed a good way to gage interest levels in the results, to perform quality assurance with regards to the analysis, and to establish contacts with the referents should the need for further information arise.

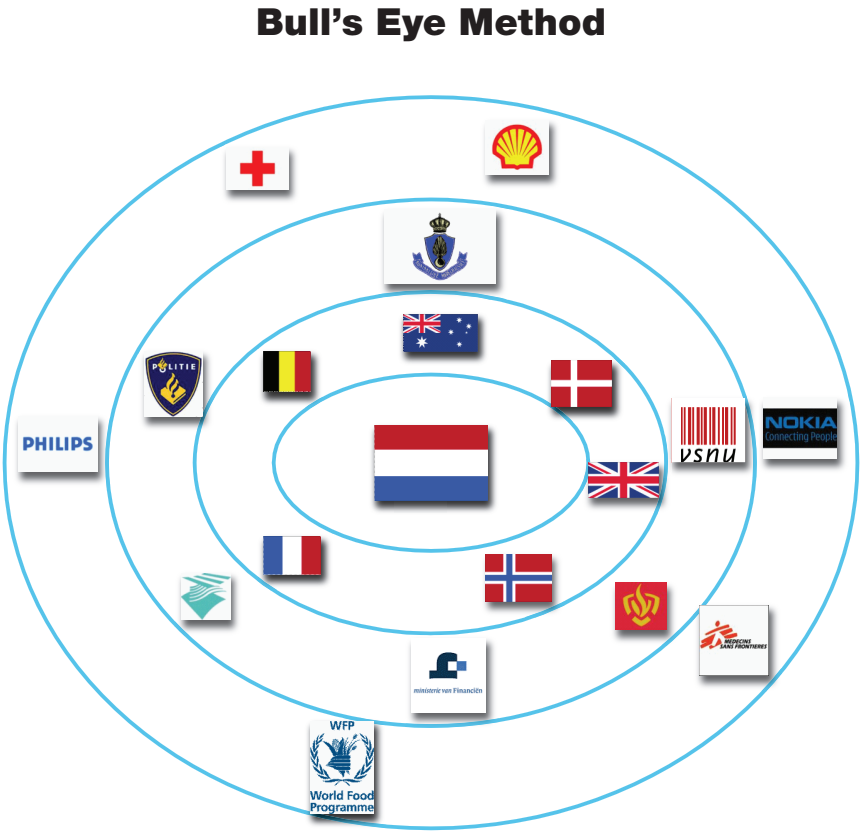

Figure 2-10[ii]

Deciding on the 'periphery' referents proved to be more difficult, in part because defence organisations posses a unique combination of qualities not found in others. In broad terms, the periphery candidates needed to have large-scale logistical demands, operate in uncertain environments and make decisions on long term investments, infrastructure, and production.

In the period leading up to the second meeting, the referents were scored by the members of the BIT on the basis of the quick-scan (see Figure 2-11).

ii) Ranging From Same-But-Elsewhere Referents, To Similar-And-Here, As Well As Similar-But-Elsewhere Possible Referents

Scores for Referents

Similar but elsewhere	Shell	Artsen zonder Grenzen	Rode Kruis	Philips	DSM	Nokia	HCSS zoekt business best practices
Criteria							
Deelname aan (soortgelijke) Community of Practice							
Onvoorspelbaarheid van effecten	4	5	5	2		3	
Verandervermogen tov onzekere omgeving	5	2	2	3		5	
Toegankelijkheid / beschikbaarheid van de informatie	3	4	4	3		3	
Diversiteit tussen de referenten (in tweede aanleg)							
Vergelijkbaarheid							
a. Elementen van gereedstellen en inzet	5	4	4	4		2	
b. Vergelijkbaar qua inzet, ambitieniveau, enz.	5	2	2	4		3	
c. Publiek-Private samenwerking	2	3	3	3		3	
Gemiddelde	4	3	3	3.67		2.67	
Volwassenheid							
Complexiteit van activiteiten en middelen	5	4	4	3		3	
Gemiddelde	4.2	3.6	3.6	2.93		3.3	
(vertrouwen in inschatting)	3	3	3	2	2	2	

Scores for Referents

Similar but elsewhere	Shell	Artsen zonder Grenzen	Rode Kruis	Philips	DSM	Nokia	HCSS zoekt business best practices
RANK							
BIT 1	1	2	2	5		4	
BIT 2	2.54	2.38	2.38	2.29	2.42	2.17	0.00
BIT 3	0.38	0.00	0.00	0.38	0.38	0.38	0.00
BIT 4	3.13	2.25	2.25	3.17	3.17	2.79	
totaal	7.04	6.63	6.63	10.83	5.96	9.33	
gemiddelde	1.76	1.66	1.66	2.71	1.49	2.33	

Figure 2-11

Based on the aforementioned criteria, a referent's suitability in each area was assigned a score from 1 to 5 (1 being unfavourable and 5 being favourable. The individual scores were compiled in Excel charts (see Figure 2-10) and weighted. The aggregate scores were then ranked from highest to lowest and partitioned into each stakeholder's individual total.

The results were clear: Of the top five scores (Denmark, United Kingdom, Australia, New Zealand, and Canada) three were ultimately selected- Denmark, the United Kingdom, and Australia. However, Royal Dutch Shell, the top civilian ('periphery') referent was not. Our reasoning is explained below.

Final Selection & Motivation: United Kingdom, Australia, Denmark, Belgium and the World Food Programme

In the end, selecting the referents was a mixture of qualitative scoring and subjective individual preferences.

Denmark scored the highest during the voting round: this was mainly based on the comparability to the Netherlands insofar as individual preferences of the BIT and Denmark's geostrategic background, as exemplified by their strong support for NATO and its participation in international operations. Some of the initial material examined also made a good impression. However,

Denmark later proved a faulty choice, due to a lack of availability in open source material as our topics of interest evolved.

The United Kingdom seemed the next best choice and was considered to have the following advantages: it is a relatively large and ambitious organisation (but not completely out of scale), enjoys apparent success in operations, has similar geostrategic preferences as the Netherlands, and whose materials are linguistically compatible with our research team. In addition, the United Kingdom is an active member of the COP.

Australia was selected for a number of reasons, among which that it lay outside of Europe and is not a member of NATO, thus preventing a NATO-centric bias. The material appeared highly accessible, and at first glance, seemed a comprehensive wealth of data regarding their processes and logics behind defence planning. In addition, we found stand alone publications explaining document hierarchies which often proved more difficult for other referents. This, coupled with other criteria shared by the United Kingdom, made Australia a qualitatively and quantitatively appealing candidate. The three referents discussed above were the three highest scoring countries. For the selection of the other referents we departed somewhat from the scores. New Zealand, Canada and the United States were deemed less applicable and/or comparable with NL Defence.

An Initially strong contender for the benchmark was the United States, albeit a controversial one. On the one hand we knew we could find useful methodologies on capability-generation, and performance management. On the other, the United States Department of Defence is hardly comparable to the Dutch MoD, neither insofar as financial means nor capabilities, nor in global reach. While contrast between referents may provide compelling insights, in this case the difference in scale proved too large: To wit, the United States spends about 50x more on defence than the Netherlands.

Unlike the United States, New Zealand and Canada were not selected for different reasons. Since Australia was already selected, another non-European referent was not needed. Furthermore, the relatively small size of New Zealand made it a less promising referent. As for Canada, we ran the risk of choosing too many Anglo-Saxon countries, which increased the likelihood of finding only marginal differences between the references. If all of them were to use similar methodologies and analytical frameworks, the potential to distil promising elements from a variety of best practices would be diminished.

Simultaneously, the research team still had to maintain relative levels of comparability so as to maintain a suitable framework for analysis. The desire for comparability was part of the motivation for considering Belgium, which was a latecomer to the discussion. Belgium had scored quite low in the votes, but recommendations by some team members were taken into account and it was ultimately selected. The reasonable assumption being that Belgian material

would be more accessible due to language and geographic proximity. Furthermore, the Belgian Defence organisation is smaller than the Dutch MoD, and would thus provided a nice contrast (in size, if not geostrategic orientation) to the larger organisations of the United Kingdom and Australia.

We also departed from the scores when choosing the outside referent. Just as Belgium, World Food Programme was a latecomer to the selection and not part of the scoring. During the quick-scans, several of the outside referents seemed wanting in regards to comparability with defence organisations, and suffered from an overall lack of transparency. We needed an organisation which shared some unique characteristics with defence i.e. sudden deployments, global reach, and the capability to operate in difficult and even violent environments. While Royal Dutch Shell was the clear forerunner in preferences during the previous discussions, we expected difficulties accessing information due to the lower legal threshold for operational transparency required of private corporations than government agencies. As a multibillion dollar industry situated across the globe, Shell does share some fundamental commonalities and challenges confronting today's defence ministries. For example, both Shell and Defence must deal with deep uncertainty in rapidly changing situations, and must continually assess long-term geopolitics. All the while balancing the necessity for concurrent, long-term and short term infrastructure investment. Nonetheless, when compared against the hyper-dynamic, violent, and tremendously mobile 'OPTEMPO' of the military, Shell's strategic operating framework appeared too static a model for comparison.

The World Food Programme did have several of the background characteristics we required (logistical demand, global reach, operating in politically volatile situations and work under the threat of violence) and therefore became a candidate for selection. What struck us most is that the WFP's deployment ratio is significantly higher than the defence referents- over 90% of personnel are actively involved in field operations outside of headquarters. We also found the juxtaposition of two organisations facing similar operational challenges and yet are philosophical opposites -in terms of the application of force- to be a fascinating intellectual pursuit.

Drawbacks to the Initial Selection: The Difficulties of Accessing Information and the Selection of France

The process discussed above was driven by content and (rough) analytical preliminaries (with the possible exception of the choice for Belgium). So how did we finally end up with France?

Simply put, during the gathering of material for the capability building and performance management phases we hit a brick wall with Denmark and Belgium. Searches for open sources were turning up empty or too minimal for analysis. Direct requests for information addressed to the sources yielded no timely answers, and/or the information supplied was incomplete.

Furthermore, as we examined the capability based planning approaches of both the United Kingdom and Australia, we realised their approaches were similar. Therefore, the most logical choice for a referent which possessed both serious ambition and robust capabilities- yet not solely oriented towards the United States and the other Anglo-Saxon countries- was France.

The stumbling blocks encountered in the middle of the analytical process show some of the weaknesses of our chosen approach. While a quick-scan of the various defence organisations was performed, we neglected to adequately consider all the open-source documents we would need. Obviously the choice for open source material has many advantages: a clear, institutionalised, non-subjective, black-and-white authorised blueprint of the referent's concepts and processes. Interviews might give very solid and specific insights, but are difficult to judge for validity and not as well suited for comparability.

The major disadvantage of open source documents is their accessibility. If referents decide to keep significant parts of their approach off-limits to public scrutiny as possible, then the search for documentation quickly becomes time-consuming and possibly unfruitful. The tendency for Defence organisations to tightly manage the flow of information or even obfuscate certain elements- particularly their analytical toolsets- may grind progress to a halt.

The White Papers used for the first part of the analysis were not difficult to access: unsurprisingly, since their function is to communicate defence's intentions to a wider audience. Defence planning is however, a more specialised and sensitive subject. The sensitivity increases as you venture from the abstract to the tangible. For future reference, the next attempt at benchmarking difficult and sensitive subjects deserves a thorough (if semantically contradictory) 'quick-scan' of the documentation for all the phases likely to be involved. But considering the complexity of some of the issues under examination, it is impossible to avoid pitfalls. Although hindsight always shows faults, the richness of the material uncovered more than makes up for bumps in the road en route.

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Endnotes

1) De Spiegeleire, Stephan. *Towards a Benchmarking Methodology for Defence.* TNO-DV 2006 C345. December, 2006. Pg 23

2) De Spiegeleire, Stephan. With the assistance of Wieteke Dupain and Bernard Willems. *Towards a Benchmarking Methodology for Defence.* TNO-DV 2006 C345. December, 2006. Pg 23

3 High Level Policy Parameters

Defence choices derive from policy choices made by the highest political leadership of a country (or a comparable organisation). In this study, we call these policy choices 'high level policy parameters', as they represent the planning parameters that are given by the political authorities to the defence planners to help them translate political guidance into real-life force structures. These parameters typically include the perception by the highest leadership of the strategic environment in which the organisation is expected to operate in the future and a definition of the ambition level for that 'force' in both political and financial terms. Put more simply, the parameters answer the following three main questions:

- What are the main security challenges confronting us (in essence the defence and security 'demand' side);
- What do we want to use our Armed Forces for (the political dimension of the 'supply' side'); and
- How many resources are we willing to spend on that (the resource/financial dimension of the 'supply' side')?

This chapter analyses how the various referents answer those three questions in their key high-level defence or security policy documents since 1998 (see Figure 3-1). In most countries, the single most authoritative documents dealing with defence are the Fundamental Law or Constitution and a body of statutes on the Armed Forces[i]. Whereas those 'constitutional' texts specify the basic rules of the game, including on defence matters, they are typically formulated in such general terms that they are only indirectly relevant for defence planning. We therefore focus this chapter on the strategic policy documents for the past decade. Every single one of these documents is different in various respects, which makes comparing them difficult. But the HCSS team still viewed all of these documents as similar in the sense that they represent – *mutatis mutandis* – the highest-level choices of the political leadership of a country. We therefore coded all of these documents systematically word by word, sentence by sentence, paragraph by paragraph in search of interesting trends and striking differences or similarities. Other than these three main questions, we did not impose any pre-conceived taxonomies on this analysis, but merely inductively listed what we found in the documents[ii]. We then compared those lists looking for patterns and trends.

For the high-level resource parameters, we also included the primary budgetary documents and performance reviews in our analysis. This chapter presents the findings from these analyses.

i) One of our referents, the United Kingdom, is one of only three countries in the world today that do not have a written constitution. This does not mean, however, that it does not have a Constitution – the Constitution of the United Kingdom consists mostly of written sources, including statutes, case law, and international treaties. As in many other constitutional systems, the areas of national defence, the Armed Forces and emergency powers are regulated by statutes, which set out the powers of the executive and the procedures by which decisions are taken. The United Kingdom has 20th century statutes in most of these areas: Defence of the Realm, Army, Navy, Air Force, and Emergency Powers.

ii) Many analysts argue that these documents are intended much more for purely domestic political purposes than for defence planning purposes. While sensitive to this argument, we still decided to treat them on their own merit for what they are: the approved expression of the democratically elected governments with respect to the fundamental choices on defence and security. But we will return to the (indeed often tenuous) match between the high-level policy statements and the actual defence planning in the final concluding chapter of this study.

High-Level Policy Documents

	Australia	Beligum	Denmark	France	The Netherlands	United Kingdom
1998						Strategic Defence Review
1999						
2000	Australia Defence White Paper 2000				Defensienota 2000	
2001						
2002						
2003	Australia Defence Update	Defensie: Voorrang aan de Vrede		Bill of law; Military programma 2003-2008	Prinsjesdagbrief. Op weg naar een nieuw evenwicht: de krijgsmacht in de komende jaren.	Strategic Defense Review
2004			Danish Defence Agreement 2004			
2005	Australia Defence Update				Actualisering van de Prinsjesdagbrief 2003.	
2006						
2007	Australia Defence Update				Werelwijd dienstbaar.	
2008		Politieke Orientatienota 2008		The French white paper on defense & national security.		National Security Strategy

Figure 3-1

Perception of the Security Environment

The HCSS team coded the perception of the security environment that emerges out of the texts of the referents'[iii] high-level documents around four different categories of parameters:

- **Drivers:** Phenomena or events that the referents see as playing a key role in the existing or emerging security environment.
- **Risks:** Various elements that are viewed as jeopardising referents' security.
- **Trouble Spots:** Potential areas of armed conflict which are interpreted as having a negative impact on the regional and/or global security landscape.
- **Actors:** Groups, or movements that are seen as potentially perpetrating violence and/or posing a serious threat to the referents' security.
- **Humanitarian Emergencies:** Situations that may pose immediate risk to life, health, property or environment and require humanitarian intervention in the eyes of the referent.

The team went through all of the documents and highlighted any term(s) in those texts that fall under one (or more) of these categories. This yielded lists with the various parameters identified in the high-level policy documents for each referent. Figure 3-2 represents the HCSS coding of these parameters. To give an example: traditional expansionism is only explicitly mentioned as a driver for the future security environment in the earliest document within the set (the UK 1998 SDR) and it entirely disappears from all referents after that. Conversely, energy is not mentioned in the early documents but only surfaces in all countries around the middle of this decade

A few notable observations can be made from the following table:

- The disappearance of traditional concerns of expansionism from these documents (read: the 'Russian' threat);
- The (recent) emergence of a few new parameters such as pandemics or energy;
- The scarcity of entries in this entire table for Denmark.

We strongly caution readers against extrapolating from this table towards the future. This analysis is best seen a snap-shot capturing policymakers'/politicians' concerns at that given moment in time. These snap-shots are (or should be) important for defence planning, as one would expect force structures to be modified on the basis of these changes. We will return to this point in Chapter 6 ('Closing the Loop').

iii) Denmark and the WFP were analysed somewhat differently because they both only have one document that could be coded, making the identification of pattern or trends impossible. We also note that a textual analysis was not applied to Denmark due to the paucity of English-language material. In addition, the World Food Programme was not an analysed in the same manner because the WFP threat discourse is centred on how these individual security components would impact the security environment of aid recipients, and not the WFP itself.

Threats Identified In The High-Level Policy Documents

Threats	AUS (2000)	AUS (2003)	AUS (2005)	AUS (2007)	B (2003)	B (2008)	DK (2004)	F (2003)	F (2008)	NL (2000)	NL (2003)	NL (2005)	NL (2007)	UK (1998)	UK (2003)	UK (2008)	WFP (2004)
Drivers																	
Governance																	
Fragile States	X	X	X	X	X				X	X	X	X	X	X	X	X	
Poor Governance	X	X	X	X	X						X	X	X		X	X	
Internal Conflict	X	X	X	X	X		X	X	X	X					X		
Break-up of States	X	X	X	X						X				X			
Traditional Expansionism														X			
Instability																	
Ethnic/Religious Tensions	X	X			X	X		X		X			X	X	X	X	
Economic Collapse	X	X	X	X	X			X	X			X	X		X		X
Mass Migration	X	X		X	X	X		X	X	X	X		X		X		
Demographic Change	X			X	X	X		X	X							X	
Poverty		X			X	X				X		X	X	X	X	X	X
Uncertainty																	
Environmental Pressure	X	X		X	X				X	X				X	X		
Competition for Limited Natural Resources	X		X		X	X			X	X				X	X	X	
Climate Change					X	X						X	X			X	
Globalization		X	X	X	X		X			X		X	X			X	
Competition for Energy			X		X	X			X			X	X			X	
Risks																	
Conventional												X		X		X	
WMD's	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	
Terrorism	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Crime	X	X	X	X	X	X		X	X	X	X	X	X	X		X	

Figure 3-2

Threats Identified In The High-Level Policy Documents

Threats	AUS (2000)	AUS (2003)	AUS (2005)	AUS (2007)	B (2003)	B (2008)	DK (2004)	F (2003)	F (2008)	NL (2000)	NL (2003)	NL (2005)	NL (2007)	UK (1998)	UK (2003)	UK (2008)	WFP (2004)
Cyber-Attack	X		X	X		X		X	X			X	X	X		X	
Ballistic Missiles		X		X				X	X	X	X	X		X		X	
Espionage									X								
New forms of attack									X								
Space									X								
Trouble Spots																	
Regions																	
Africa	X	X					X			X	X	X	X	X	X	X	X
North Africa										X				X	X	X	
Sub-Sahara Africa						X			X	X					X	X	
East Africa									X	X							X
West Africa																X	
Middle East	X	X	X	X					X	X	X	X	X	X	X	X	
Asia											X	X	X				
South Asia	X	X	X	X					X					X	X	X	X
Asia Pacific	X	X	X	X													
Eastern Asia									X	X							
Central Asia											X						
Gulf										X				X	X		
Israel/Palestine				X						X		X	X		X		
Pashtun Belt					X											X	
Kurdistan										X							
Balkans									X	X	X			X			
Meditteranean										X				X			
Kaukasus										X	X						
Regions on NATO's borders								X			X				X		
Latin America									X								

Figure 3-2

Threats Identified In The High-Level Policy Documents

Threats	AUS (2000)	AUS (2003)	AUS (2005)	AUS (2007)	B (2003)	B (2008)	DK (2004)	F (2003)	F (2008)	NL (2000)	NL (2003)	NL (2005)	NL (2007)	UK (1998)	UK (2003)	UK (2008)	WFP (2004)
Countries																	
Kosovo										X				X	X		
Macedonia															X		
Bosnia																	
Northern Ireland														X	X		
Russia	X								X	X		X	X				
Iraq		X	X	X						X		X	X	X	X	X	X
Iran			X	X						X	X	X	X			X	
Afghanistan		X	X	X					X	X			X		X	X	X
Pakistan	X		X						X	X						X	
Syria											X						
Lybia											X						
India	X									X						X	X
Bangladesh																	X
Indonesia	X	X	X	X													
Pacific Islands	X	X	X	X													
East Timor	X	X	X	X												X	
China	X	X	X	X						X		X	X		X		
North Korea		X	X	X						X	X				X	X	
Taiwan			X	X													
Actors																	
Al Qaeda		X		X	X										X	X	
Islamic Extremists		X		X					X						X	X	
Jemaah Islamiyah (JI)				X													
Dictators														X		X	
Violent Extremism		X		X												X	
Irish Republic Activists																X	

Figure 3-2

Threats Identified In The High-Level Policy Documents

Threats	AUS (2000)	AUS (2003)	AUS (2005)	AUS (2007)	B (2003)	B (2008)	DK (2004)	F (2003)	F (2008)	NL (2000)	NL (2003)	NL (2005)	NL (2007)	UK (1998)	UK (2003)	UK (2008)	WFP (2004)
Animal Rights Exremists																X	
Taliban		X	X	X												X	
Non state actors.	X		X				X										
Humanitarian Emergencies																	
Human Rights Abuse	X				X										X		X
Famine	X			X											X		X
Humanitarian Disasters	X	X	X	X	X			X		X	X	X	X	X	X	X	X
Pandemics			X	X		X			X	X		X	X			X	X
Civil Emergencies	X	X			X		X		X	X	X	X	X			X	X
Natural Disasters					X				X	X	X	X	X			X	X

Figure 3-2

Figures 3-3 to 3-6 visualise the trends in this table by referent. The curves in these diagrams represent changes in the number of parameters that are identified for each group and for each of the referents. For all countries, except Belgium, the *Trouble Spots* category contains the highest number of specific references (in this case to countries or regions). This may suggest that the regional dimension of threat assessment is seen by most referents as one of the most important parameters of the security environment that deserve mention in these high-level documents. In second position, and first in Belgium, we find the parameters concerning Drivers. Specific Actors and Humanitarian Emergencies receive comparatively less attention. Striking trends in these diagrams include:

- The sharp decline in the Netherlands in the number of *Trouble Spots* specified in the documents, in contrast to most other referents where they tended to increase – slightly for most, more sharply in France;
- Belgium's unique focus on (more general) *Drivers* at the expense of *Trouble Spots*
- The small number of concrete 'enemies' (the *Actors* category) that are singled out in these documents

As previously mentioned, the impact of the September 11th and 2002 Bali terrorist attacks

continues to influence Australian defence policy planning (see the 2% increase in the *Trouble Spots* category since 2003). This is reflected in the *2003 Defence White Paper* as an emerging threat of terrorist networks, such as Jemaah Islamiyah, representing a group *"prepared to take up the Al Qaida cause and that Australia has identified as a target".*[1] This emergent threat provides a plausible explanation for the percentage increase in both the *Risks* and *Actors* category. Furthermore, the increasing trend within the *Drivers* category since 2005 may be a reflection of the threats emerging from 'fragile states' in the Asia Pacific region. The realisation that Australia's security concerns are directly linked to their immediate neighbours is indicated in the *2007 Defence White Paper*. According to this report the *"proximity of weak states in our region means that Australia must take their [neighbouring states] vulnerabilities seriously and work with governments and others to offer help".*[2] Thus, the impact of September 11th and 2002 Bali terrorist attacks continues to serve as a guiding principle for defence policy planning.

Belgium

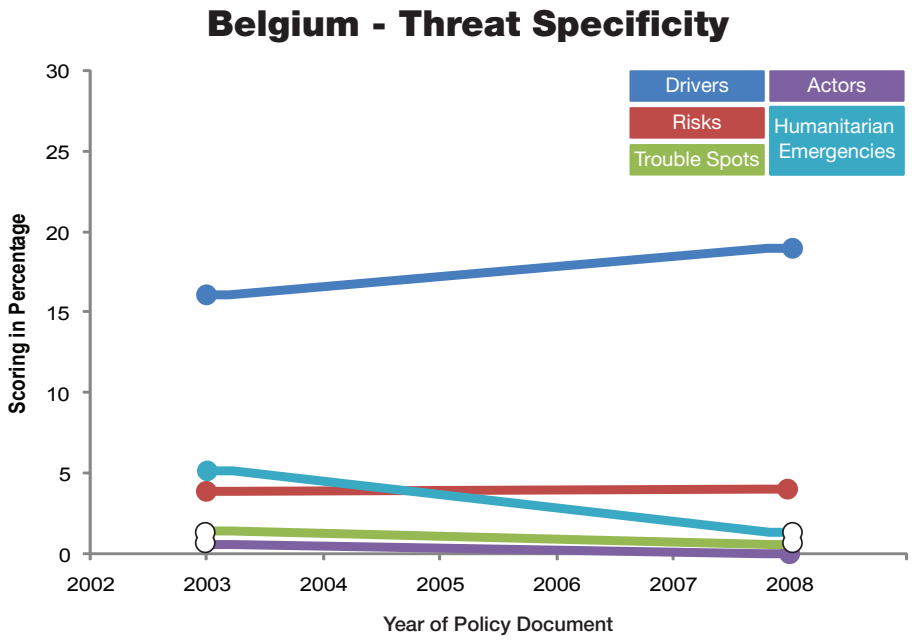


Figure 3-3

In Belgium we note an increasing trend in the degree of specificity in statements concerning *Drivers*. Overall, the *Actors* category receives the lowest number of parameters and only slightly more attention is given to *Trouble Spots*. Most of the attention is centred on the *Drivers*. This differs significantly from the other referents when comparing the percentages scored. The rest of the parameters experience a decreasing trend except the *Risk* parameter which stays at

about the same level. Overall, Belgian defence documents seem based more on ambitions than on threats.

France

If we compare the *2003 Bill of Law* with the *2008 White Paper* we see that the *Threats* category receives more specific attention. The most striking finding is the dramatic increase in the number of *Trouble Spots* identified. This interest in locations is also found back in France's ambition statements where it defines key areas of conflict prevention and intervention capabilities operations centred on the

> *priority geographical axis from the Atlantic to the Mediterranean, the Arab-Persian Gulf and the Indian Ocean*[3].

The levels for *Risks* and *Drivers* move slightly upwards in perfect synchronicity, as both go from 6% to 10% from 2003 to 2008.

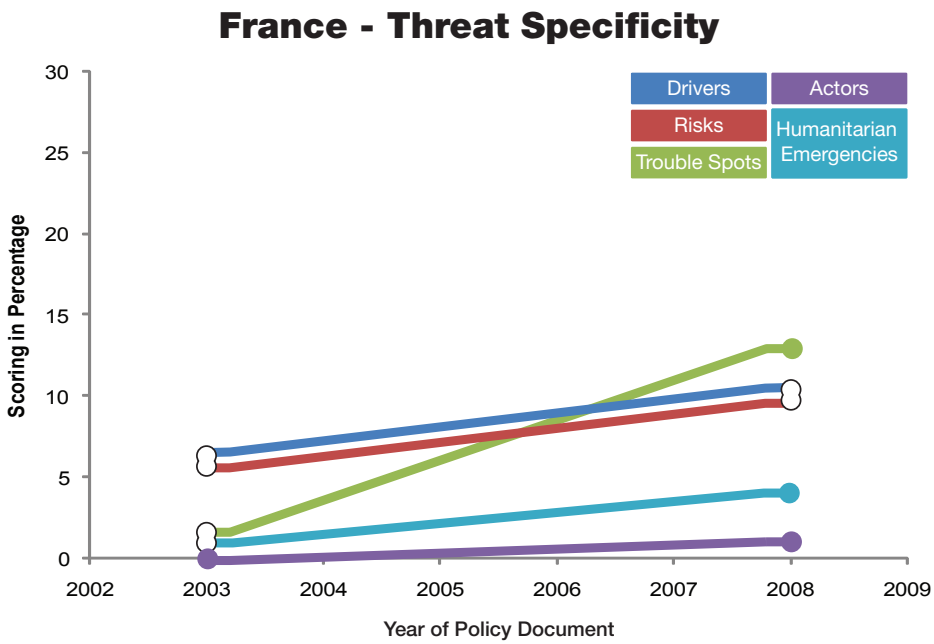


Figure 3-4

Worth noting in the *2008 White Paper* is that France is the only referent to mention risks stemming from the development of new weapons and the use of outer space as an emerging dimension in warfare. Also striking is France's growing specificity on the issue of humanitarian emergencies, which steadily increased from 2003 to 2008. This trend may be explained by a

growing awareness of the potential threats posed by fragile or weak states, especially during times of crises.

Netherlands

According to our coding of the relevant texts, references to *Trouble Spots* in the Netherlands are quite specific in comparison to other countries, even though they have experienced a strongly decreasing trend from 27% in 2000 to 11% in 2007. The most stable parameter in the policy documents is the *Humanitarian Emergencies* category, which registers at around 5%. Since a decrease in 2003, the focus on *Drivers* has been increasing to the point where it shares the role of most important parameter with *Trouble Spots* in 2007. The difference in specificity levels between 2000 and the other years is striking and may suggest a more acute understanding of the deep uncertainty in the security environment.

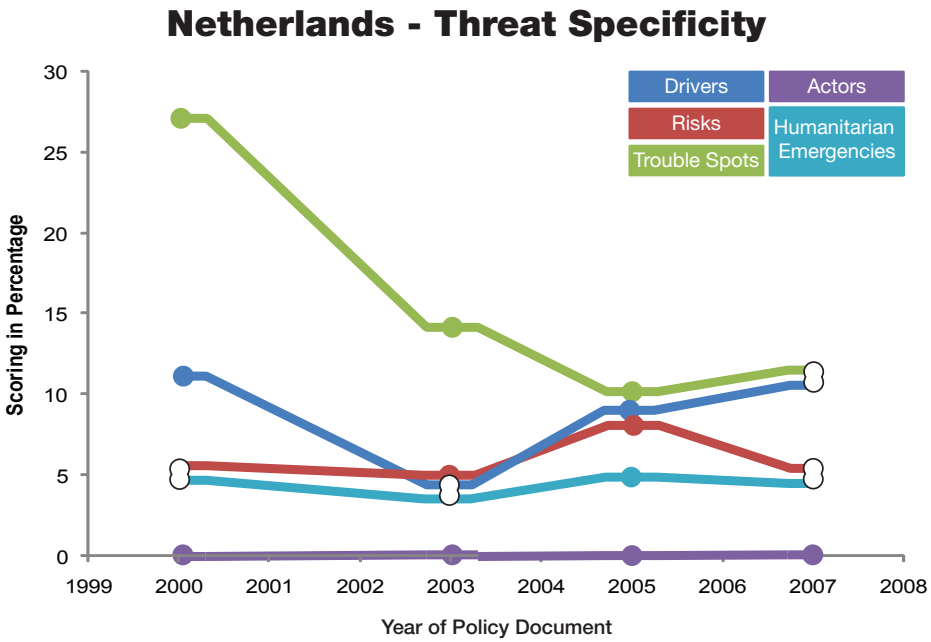


Figure 3-5

United Kingdom

The United Kingdom places high emphasis on the specification of *Trouble Spots* in their policy documents. This may reflect the expeditionary character of their Armed Forces. Over the years there has been a slight increase in identifying *Drivers* more specifically. After a period of steady decline, the *Risk* category experiences a notable increase post 2003. Over the years there has

been a slight increase for the *Humanitarian Emergencies* parameters from 1% to 5%.

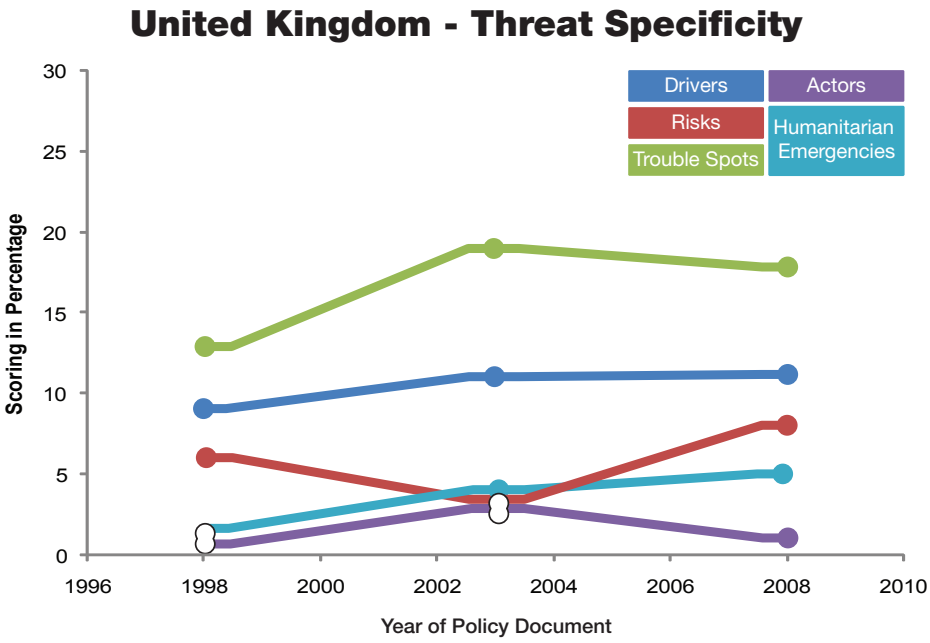


Figure 3-6

Ambitions – Shape and Specificity

A second important high-level policy parameter is the actual ambition level that policymakers ascribe to their Armed Forces. Whereas the description of the security environment mostly reflects a more passive (but still subjective) perception of the demands that could be put upon the Armed Forces, the ambition level makes specific and active political choices about the supply of 'security' a country is willing to provide to meet those demands.

There exist many preconceived notions about the alleged defence-'gutsiness' of countries. But to the best of our knowledge, there have been no efforts to date to develop a method to test these preconceived notions on the basis of a more rigorous analysis of the actual documents. We put some extra effort in finding an analytically honest way of doing this, also because the definition of the future ambition level for the Dutch Armed Forces is such an important element in the current bottom-up defence review (*Future Policy Survey*). The basis for the HCSS assessment of the referents' ambition levels is provided by the same high-level policy documents since 1998, (Figure 3-1) as well as the highest level budget publications. This chapter presents

the main findings with respect to both the content and the specificity of the referents' ambition levels. More details on the methodology and the actual coding of the various parameters can be found in the annexes.

This chapter focuses on two main dimensions of the ambition level:

» The overall level of military assertiveness (the HCSS Audax Index), and

» An in-depth analysis of the patterns and trends that can be found back in the high-level policy documents since 2000.

The HCSS Audax Index

The HCSS Audax Index represents an overall view of a referent's total defence ambition and is based on the following six indicators:

1. **Reach:** The explicit mentioning of the geographical expanse within which the country is willing to take military action.
2. **Concurrency:** The amount of operations a country is willing to engage in simultaneously (normalised for the size of the country).
3. **Interoperability:** The degree to which countries are willing to remain interoperable with other (mostly militarily more capable) nations (like the US or the UK).
4. **Unilateralism:** The level of international agreement needed to justify military action (i.e. is a United Nations mandate explicitly required for military action or not).
5. **Pre-emption:** The willingness to take pre-emptive military action in order to counter possible developing threats.
6. **Violence spectrum:** The explicit mention of the level of violence with which the country is willing to operate (e.g. explicitly also in the highest regions of the violence spectrum or not). [iv]

The radar charts represent the values of these parameters for each country as coded on the basis of the afore-mentioned documents. To give a notional but concrete example: a country with a totally 'full' radar chart would be a country that is willing to send troops all over the globe in a number of concurrent operations engaging, if necessary, even pre-emptively and at the highest levels of violence and without a UN mandate all while remaining fully interoperable at the highest levels with the United States.

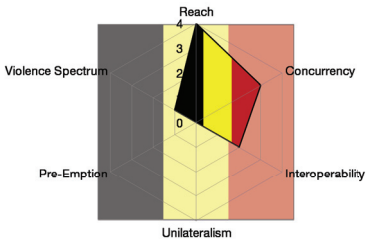
One immediate observation that emerges from a comparison of the various radar charts is that both Australia and the UK score significantly higher on *Unilateralism* and *Pre-emption*. Visually, this is illustrated by the skewed graphs of France, Belgium and Denmark and the rounder graphs of Australia and the United Kingdom. This distinction between the two Anglo-Saxon countries and the others is interesting because there we shall see a similar divide in the logic of

iv) For a full overview of the methodology for the Audax Index consult the annex

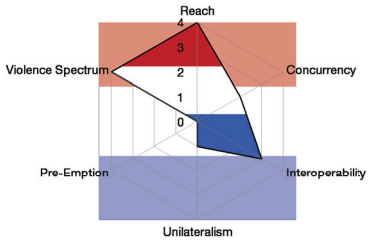
HCSS Audax Index

World Food Programme (2007)

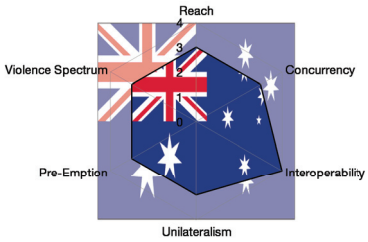
Belgium (2007)



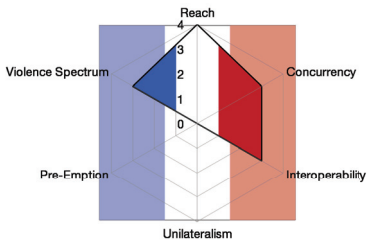
Netherlands (2007)



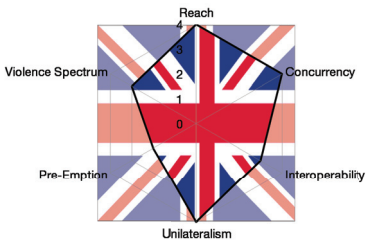
Australia (2007)



France (2007)



United Kingdom (2007)



Denmark (2007)

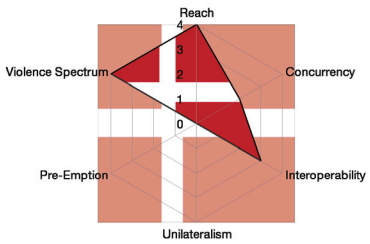


Figure 3-7

their capability development processes (Chapter 4).

When we look at the radar charts we note that all of the countries score high on the *Reach* parameter. This represents a big change for the European referents who were reluctant to engage 'out of area' at the end of the Cold War. The charts show that this reluctance has now been overcome. Only Australia scores a '3' whereas the rest scores the maximum of '4'. This illustrates the commonly shared (post-September 11th) assumption that threats have become globalised and that events in one region have spill-over effects elsewhere. A common theme therefore in all the high-level documents under review is that the countries' interests benefit from a more stable and secure world. It will be interesting to observe to which extent this global focus will withstand the possible consequences of the current financial-economic crisis.

The Specificity of Ambition

As with the analysis of the security environment, the HCSS team also analysed patterns and trends in the specificity with which the ambition level is described in the high level documents. This is done on the basis of the following four categories:

1. **What:** This category is comprised of parameters that specify important elements at the core of defence policy such as *Interests, Principles, Vision, Protection* against various threats, *Actions* that have to be undertaken, etc.
2. **Who:** This category consists of indicators that illustrate the nature of the relationship a referent wishes to have with another nation. These relationships are categorised as: *Unilateral, Bilateral, Multilateral* and *Humanitarian.*
3. **Where:** Geographical locations such as regions and countries where referents want to materialise their *What*-ambitions. These include: *National, Regional, and International*.
4. **When:** Category focused on indicators that contain a time element such as short or long term planning horizons. These include: *Focus (long or short-term)* and *Action*.

Each category is in turn subdivided into individual concepts and then scored on the basis of the HCSS coding scheme. The following table presents the findings of our coding of the high-level policy documents around these four categories. To illustrate: within the *What* category, all referents (with the exception of France) claim the ambition of wanting to make the world more secure, whereas the ambition to maintain the free flow of natural resources only really emerged in the second half of this decade.

The Specificity of Ambition

Ambition	AUS (2000)	AUS (2003)	AUS (2005)	AUS (2007)	B (2003)	B (2008)	DK (2004)	F (2003)	F (2008)	NL (2000)	NL (2003)	NL (2005)	NL (2007)	UK (1998)	UK (2003)	UK (2008)	WFP (2004)
What																	
Interests																	
National Interests		X	X	X	X		X	X	X	X				X	X	X	
Economic Development														X	X		
Secure world	X		X	X	X	X	X			X	X	X		X	X	X	
Free flow of natural resources				X					X						X		
Principles																	
Society				X			X						X			X	
Responsibility	X						X							X		X	
Transparency					X	X											
Human rights						X	X			X				X			X
International order of law					X	X				X	X	X				X	X
Freedom							X		X	X				X	X		
Protection of allies					X	X					X	X	X				
Democracy					X	X	X							X			
Vision																	
Prosperity															X	X	
Leadership				X		X		X				X	X	X	X		X
force for good														X	X		
Protection																	
Threats (direct/indirect)		X	X	X		X	X	X	X					X		X	
Coercion									X								
Attack	X	X		X		X	X		X								
WMDs	X	X	X			X	X				X			X			
Terrorism		X	X			X	X		X		X	X		X	X		
Attack on computer networks									X								
Fragile States			X			X								X	X	X	

Figure 3-8

The Specificity of Ambition

Ambition	AUS (2000)	AUS (2003)	AUS (2005)	AUS (2007)	B (2003)	B (2008)	DK (2004)	F (2003)	F (2008)	NL (2000)	NL (2003)	NL (2005)	NL (2007)	UK (1998)	UK (2003)	UK (2008)	WFP (2004)
Crime						X			X					X			
Action																	
Capability Improvement of Armed Forces		X	X		X	X	X	X	X	X	X	X		X		X	
Technological innovation								X			X	X	X				
Cooperative/cooperation	X	X			X		X	X	X	X	X			X		X	X
Humanitarian/Peace			X		X	X	X	X	X	X	X	X	X	X	X		X
"Daily" Tasks		X			X	X			X	X	X			X	X		
Diplomacy		X				X								X			
Image Improvement					X	X											X
Non-Proliferation		X				X	X		X					X			
Who																	
Unilateral																	
Citizens/People				X	X	X	X	X	X		X			X		X	
Government	X	X	X		X	X	X		X	X	X	X		X		X	X
Defence Aparatus		X			X		X		X	X	X	X		X		X	
Nation					X	X	X	X	X	X	X	X	X	X	X	X	
Bilateral																	
Africa					X	X		X	X								
Latin America																	
United States			X		X	X			X					X	X		
Other countries						X		X		X							
Multilateral																	
Neighbors	X																
Allies				X	X		X							X			X
EU					X	X	X	X	X	X	X	X	X	X	X	X	
UN	X				X	X	X			X		X	X	X	X	X	X
NATO					X	X	X	X	X	X	X	X	X	X	X	X	
OSCE					X					X				X			
ESDP						X	X			X					X		

Figure 3-8

The Specificity of Ambition

Ambition	AUS (2000)	AUS (2003)	AUS (2005)	AUS (2007)	B (2003)	B (2008)	DK (2004)	F (2003)	F (2008)	NL (2000)	NL (2003)	NL (2005)	NL (2007)	UK (1998)	UK (2003)	UK (2008)	WFP (2004)
International Community	X	X			X	X				X	X	X	X	X	X		X
Humanitarian																	
Cimic						X	X					X	X			X	X
Where																	
National																	
Home Security					X	X	X	X	X	X	X	X	X	X	X	X	
National Sovereignty				X			X	X	X	X	X	X	X				
Home Bias				X													
Overseas Territories								X	X	X	X	X	X	X	X	X	
Citizens abroad						X		X	X			X		X	X		
Regional																	
Middle East						X		X						X			
Balkans						X								X			
Mediterranean																	
Europe					X		X	X	X					X	X		
Asia									X					X			
Asia Pacific	X	X	X	X													
Africa					X	X	X	X	X					X			
International																	
International		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Space									X								
When																	
Focus																	
Short Term								X		X	X	X	X			X	X
Long Term	X		X		X	X	X	X	X	X	X	X		X		X	X
Action																	
Anticipation									X							X	X
Prevention		X	X		X	X	X	X	X					X		X	X
Respond		X	X				X		X					X			X
conflict managment					X	X					X	X					

Figure 3-8

The Specificity of Ambition

Ambition	AUS (2000)	AUS (2003)	AUS (2005)	AUS (2007)	B (2003)	B (2008)	DK (2004)	F (2003)	F (2008)	NL (2000)	NL (2003)	NL (2005)	NL (2007)	UK (1998)	UK (2003)	UK (2008)	WFP (2004)
Intervention						X			X						X		
Reconstruction						X			X		X						

Figure 3-8

Some elements are consistent and present in almost all of the documents and are also stable over time. Not surprisingly, core activities of the Armed Forces such as defending the national territory, or protecting the nation's interests and citizens are mentioned in every country. Another recurrent theme in the policy documents is the improvement of the (mainly technology-oriented) capabilities of the Armed Forces. This aspect is often put in the context of the changed security environment since the end of the Cold War. Another area of increased interest is the operation of Armed Forces within alliances such as the United Nations, NATO or the European Union. Finally, participation in humanitarian missions is also frequently mentioned. It may be worth mentioning that France is the only country to single out space for special attention.

These findings also illustrate an increase in the demand for Armed Forces to become more expeditionary in nature, as witnessed in the emphasis put in most documents on improving rapid reaction capabilities.

We will now describe these results in more detail for each referent.

Australia

Australia scores relatively highly in terms of *Reach* and *Unilateralism*, and generally maintains a fairly robust defence posture. The Australian Defence Force (ADF) has a capacity of about 50'000 service personnel, of which 7'000 are intended to be available at high readiness: 3'000 service personnel to provide light, air mobile forces for immediate deployment; and, roughly 4'000 to deploy within 30 days.

With respect to the *Reach* category, Australia offers an interesting comparison to other referents. Australian high-level documents mention the need for the capability of going beyond Australia´s own immediate region in order to partake in military actions. However, as stated in their *2007 Defence Update*, it is clear that Australia's strategic and military point of gravity remains closer to its territory.

The Australian Defence Force has given the highest priority to the interoperability of its equipment, intelligence, and technology branches. This occurs not only within its own forces and domestic actors (i.e. police and fire-fighters), but also with its allies. Although Australia has a self-reliance principle for defence, most of the assertive or proactive measures are seen primarily through the prism of their bilateral relationship with the United States. On the whole, Australia clearly seeks to work with allies in the region and with the international community as a whole. Policy papers also clearly state Australia's intent to partake in pre-emptive operations.

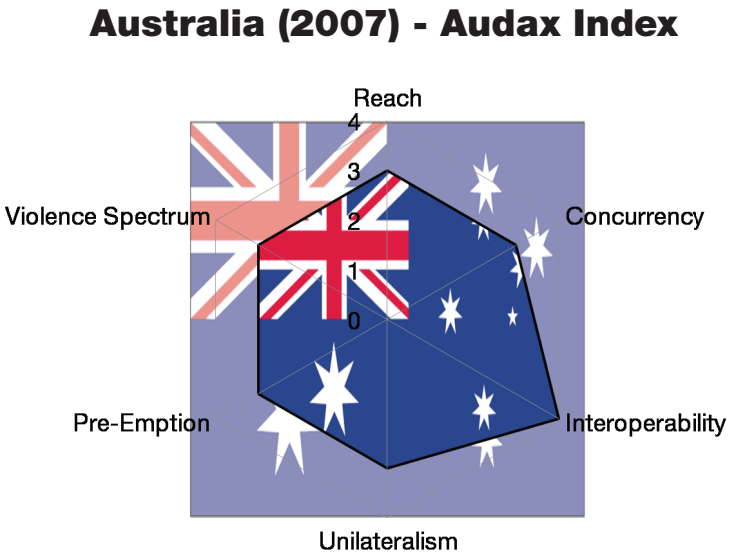


Figure 3-9

With regard to the violence spectrum, the assumption is that most of the Australian operations will be on the lower end. However, the Australian Defence Force is also asked to prepare for high violence scenarios. This preparedness is demonstrated by its contributions to high violence operations in the War on Terror, such as Operation Slipper, which is the Australian operation in Afghanistan. The Australian approach is likely influenced by its unique geopolitical position, as a sparsely populated continent in the middle of two oceans. Australia does not share a border with any country, which keeps it free from most – if not all – territorial threats. Its strongest ally is clearly the US, which explains Australia's singular focus on interoperability.

The adjacent illustration reflects a transformational view of the ambition of Australian defence, most notably between 2000 and 2003. For example, the 7% increase in the *What* category is best understood as a direct impact of the September 11th and 2002 Bali terrorist attacks. Prior to these attacks, the core pillar of Australia's defence policy addressed the need for securing its maritime borders from direct foreign attack. However, a significant diversion from the *2000 White Paper* illustrates the reaction and realisation of terrorism. As the Australian *Defence*

White Paper (2003) states, *"the terrorist attacks in the U.S. and Bali... demonstrate the reach of terrorism and show that our region is no longer immune"*.[4] Furthermore, given the shift in the perception of risk from a conventional to a more asymmetric nature, the percentage increase in both the *Where* and *Who* category since 2003 corresponds accordingly. This increase reflects the need for Australia to become more pro-active in their defence approach towards the Asia Pacific region. As stated in their *2007 Defence Update*, Australia *"must undercut support for terrorism by promoting stable, democratic societies"*.[5] This goal emerged from the *2005 Defence White Paper*, as Australia recognised the need to place more emphasis *"on helping regional states improve maritime security and build their counter-terrorism capabilities"*.[6] One of the ways Australia has been able to re-align its regional defence posture has been through the strengthening of their alliance with the United States. Although their regional focus has increased, the relative decrease of 3% within the *Who* category may reflect the trend of relying on the geo-strategic relationship with the United States.

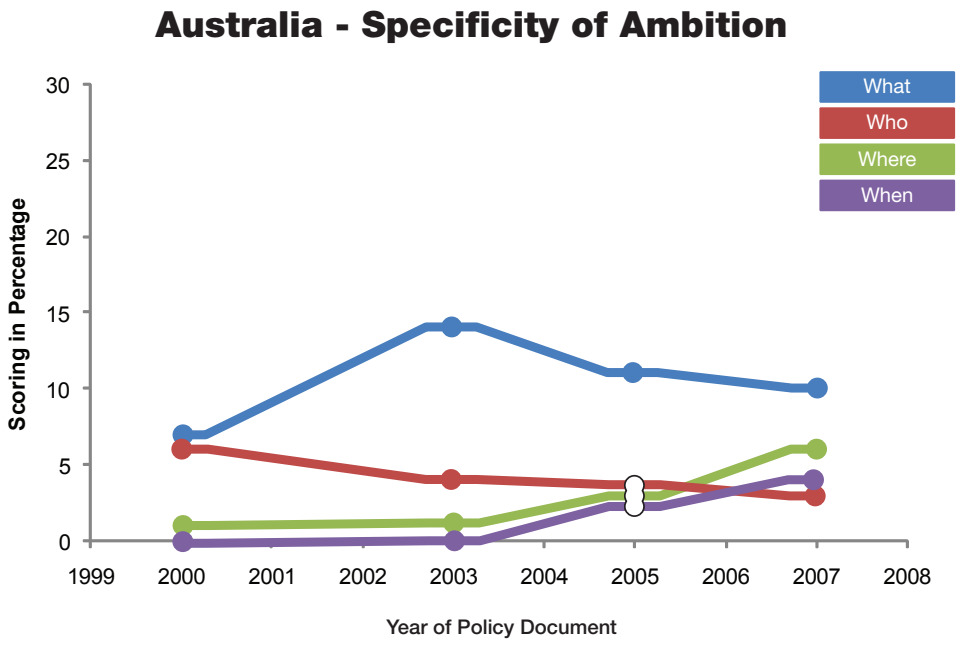


Figure 3-10

In the 2000 Australian *Defence White Paper* and subsequent *Defence Updates*, most of the attention is given to the *What* category (i.e. *Interests, Principles, Vision, Protection, Action*). The protection of the country and its citizens against threats is emphasised as an important fundament of defence policy, as well as global security, free flow of national resources, WMD, fragile states, etc. Since the *2000 White Paper*, an increasing emphasis has been placed on prevention and response. An rise in the scoring of the terminology relating to these terms has facilitated an overall increase in the *When* category, as depicted in the annex, from 0% from

2000 and 2003 to 3% in 2005 and 4% in 2007.

Belgium

Explicit in Belgian policy documents is the view that Belgian national security is not only part of the globalised world, but is directly dependent on it. As a result, Belgian defence policy articulates the country's need and willingness to operate anywhere in the world.

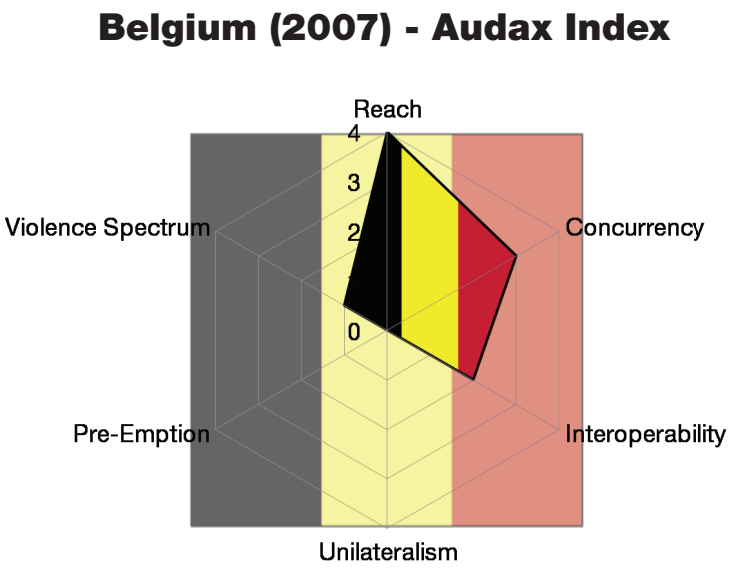


Figure 3-11

With regard to *Concurrency*, Belgium claims a willingness to increase its concurrent involvement in international operations. This is reflected in the intention to increase its contributions to international operations by 35%, which would represent 15% of the total number of Belgian troops. Policy documents further stress that the army must be interoperable with other government departments, while realising the need for improving interoperability with its allies and the United Nations. However, specifics regarding the increased need for interoperability are not given. There is no explicit mention of interoperability with more militarily potent nations. Conducting military operations is done explicitly within a multilateral environment and only when a United Nations mandate is present. Therefore Belgium scores a '0' on both *Pre-emption* and *Unilateralism*.

Although the *White Paper* emphasises the need for conflict prevention, the ambition in this area has a clear reactive character, especially with regard to the deployment of military forces. We therefore score Belgium with the lowest possible value for the *Pre-emption* parameter. Concerning the *Violence Spectrum*, Belgium policy documents state that Armed Forces must be capable of operating along its entirety. However, considering the totality of the statements,

it is clear that Belgium's activities will focus primarily on lower-intensity peacekeeping missions. This leads to a rather low score on the *Violence Spectrum* parameter.

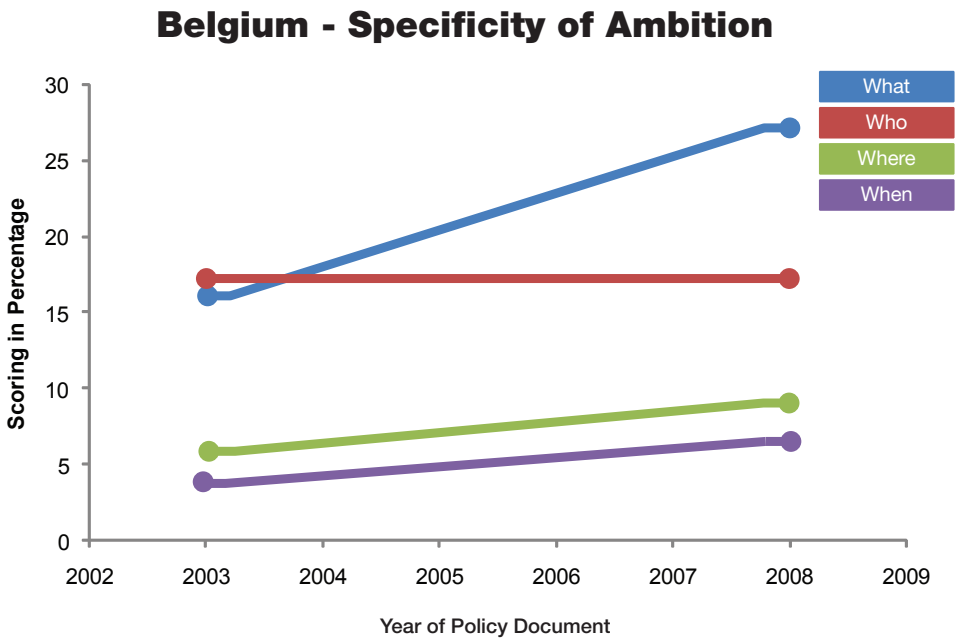


Figure 3-12

The *2008 Belgian Defence White Paper* is more specific than its 2003 predecessor. This reflects a boost in the ambition level of the Belgian Armed Forces, due to a change in government. When all indicators and subcategories are accounted for, our overall analysis depicts a significant increase in the number of total ambition parameters from 43% in 2003 to 60% in 2008. The largest increase can be found in the *What* category where the share of mentioned indicators went from 16% to 27% as illustrated in Figure 3-12. This rise is almost all due to an increased discussion of the need to defence the country against various threats, such as WMD, fragile states, international crime, etc. The categories dealing with the temporal aspect (i.e. preventive policies) and the geographical component have increased, albeit only modestly.

The main findings we distilled from the evolution of the 2003 to the 2008 policy documents is that Belgian decision makers want to adopt a more pro-active stance in the international community, as well as contribute more to international military operations. This is apparent from the significant increase in the number of troops available for these operations.

Denmark[v]

In its *Defence Agreement* the Danish government clearly states that it will act internationally in order to prevent threats to its national security as well increase Danish expeditionary capacity. The *Agreement* states that some 2'000 soldiers must be on permanent alert for rapid deployment in international operations. This corresponds to about 10% of their total manpower.

A key element of the Danish approach to security is the concept of 'total defence'. This entails that the Armed Forces must be able to cooperate with civil actors while being able to conduct civil tasks themselves. There is considerable attention given to the capability of cooperating in an alliance, such as NATO's Rapid Response Force.

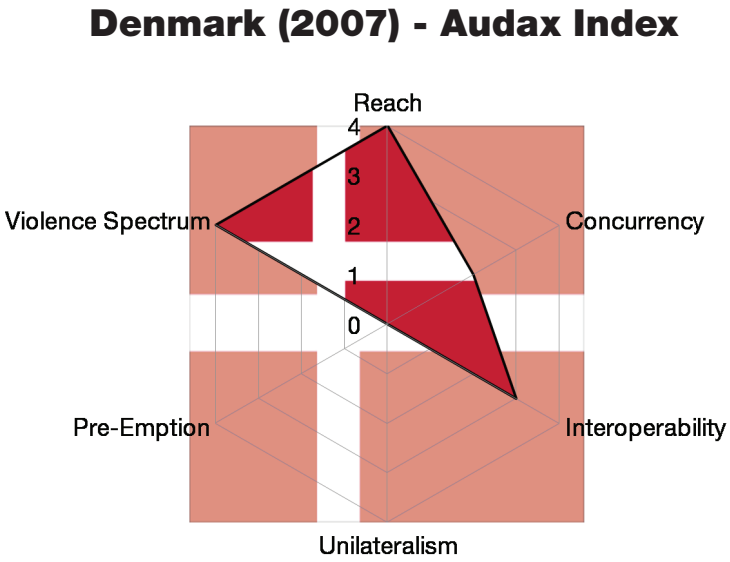


Figure 3-13

With regard to conducting military operations, Danish policy documents state several times that Denmark wants to improve its engagement in United Nations, European Union and NATO. There is a clear emphasis on the need for legitimisation through the UN Charter and consequently no mention is made about pre-emptive action in any context. Still, the Danish documents explicitly state a willingness to operate across the whole violence spectrum.

v) The Who, What, When and Where ambition trend analysis was not conducted due an absence of relevant documents in English.

France

The French stress the fact that they will act globally in order to guarantee their national safety. However, there is also a clear focus on specific regions, namely the Western and Eastern seaboards of Africa and the Persian Gulf. It has a similar definition as the Australian *Reach* parameter, and is therefore scored in the same way. However, only the French explicitly mention space as part of their line of defence. As such, they are assigned a higher value regarding the *Reach* parameter.

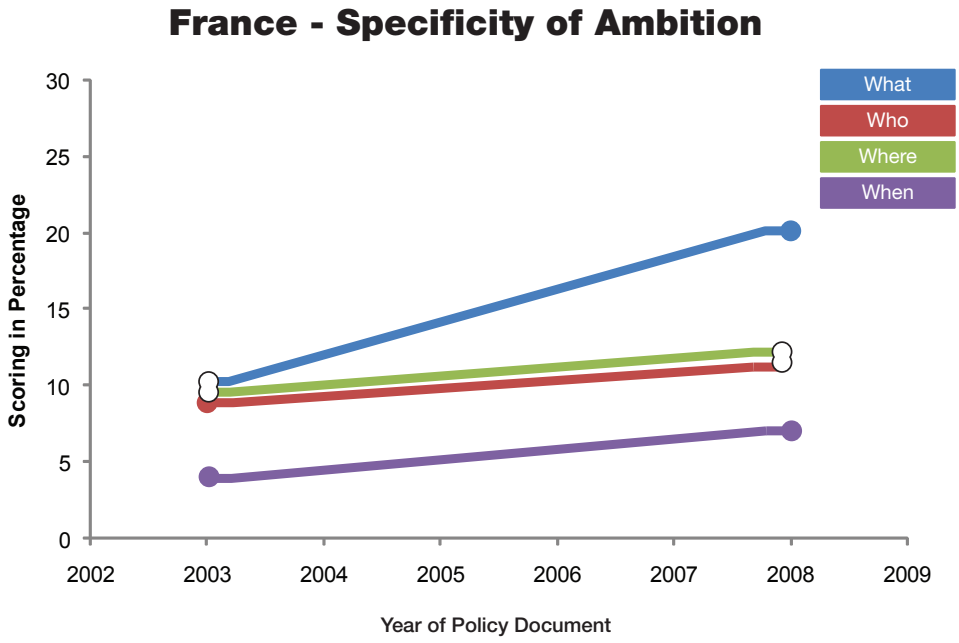


Figure 3-14

Out of a total of 259'050 troops, 45'000 have to be available for rapid deployment, or approximately 17% of their total force. Furthermore, the French emphasise an interoperability requirement of their army with civilian actors and cooperation with other countries, but without providing much detail. In regards to the conduct of military operations, the French clearly state in the *Livre Blanc* that in theory a UN mandate is needed prior to engaging in military operations. Similarly, there is a clear preference to operate within an alliance or coalition.

Although the policy documents state that preventive actions and interventions are at the core of French defence policy, no explicit mention is made of pre-emption. It is stated that the French army must have the capabilities to operate in a wide variety of scenarios, including situations where humanitarian aid is required.

Unlike the other referents, France publishes very few White Papers. A fourteen year publishing gap exists between the *Livre Blanc of 2008* and the *Livre Blanc of 1994*. We therefore used the 2003-2008 *Military Programming Law* (*Loi de Programmation Militaire*), which has enough substance to be comparable to the high-level documents of the other referents.

According to the *2008 French White Paper on Defence and National Security* a fundamental pillar of French defence policy is *"increasing the freedom of action for France"*[7].This desire to incorporate more flexibility within its defence policy stems from the emerging threat of mass terrorism, and the proliferation of weapons of mass destruction. This trend is reflected by the sharp 10% increase in the *What* category. Prior to the publication of the *Livre Blanc of 2008*, France's main defence policy was primarily based on the *Livre Blanc of 1994*. Given the changing nature of the international system since 1994, the 2008 publication offers insight into the defence needs of France within the 21st century. The steady percentage increases in the *Who*, *Where* and *When* categories reflect this transformation and re-orientation of defence policy objectives. France is the only country in our analysis where the incorporation of *Trouble Spots* in defence planning takes a prominent place in the documents. This trend should continue to increase as France continues to re-define its security parameters. For example, based on the *2008 White Paper* France anticipates that *"future tensions involving energy, food and water as well as strategic raw materials, can lead directly to major crises in one or several parts of the world"*[8]. France's defence ambitions also express a willingness to cooperate in – and possibly lead – European military operations. Consequently, it also argues for the development of a European defence industry.

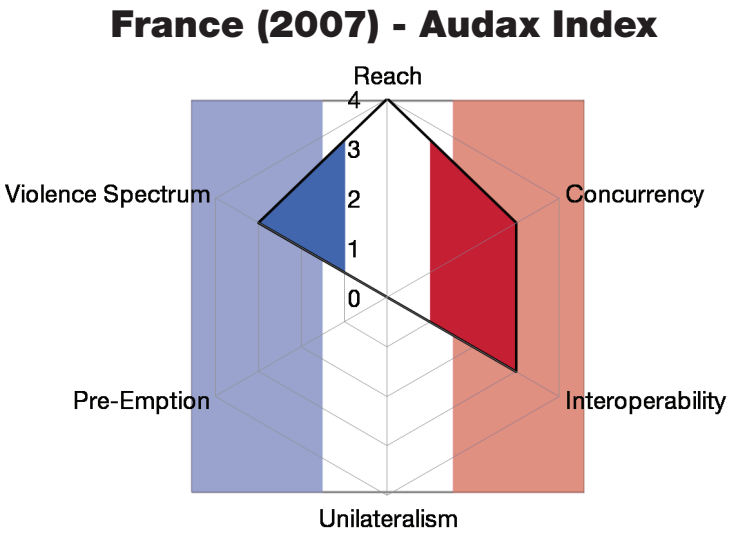


Figure 3-15

The Netherlands

In its policy papers the Dutch government stresses a preference to be seen as a reliable international partner. Thus its policy uses an internationally- oriented approach. The Netherlands want to increase the expeditionary capacities of their Armed Forces and are willing to operate wherever needed. Of a total of 50'800 soldiers, 6'000 are expected to be deployable every year. In addition, 4'600 soldiers should be available permanently and sustainably – approximately 12% of their total capacity.

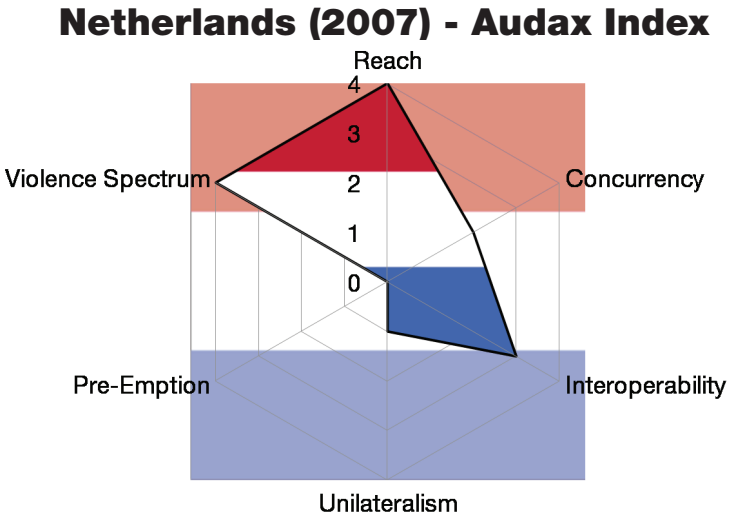


Figure 3-16

The Netherlands places a high priority on making its equipment, intelligence, and technology branches interoperable. This priority is placed not only within its own forces and domestic actors, but it also calls for more cooperation with its allies. Unsurprisingly, the Dutch strongly prefer to operate as part of a coalition. However, they do not explicitly state that a United Nations mandate is required for the justification of military operations. This could reflect the Netherlands' unique position of standing in between the other European countries and the Anglo-Saxon nations, especially with regard to the *Unilateralism* parameter. However, no mention is made of pre-emptive action, as demonstrated by the shard-like contour of the Audax Index. In general, the Dutch appear to take a reactive position with regards to international military operations, preferring to get involved only in support of its allies (i.e. the wars in Iraq and Afghanistan).

The Dutch are the only referent in our sample to clearly and explicitly state that they must be able to operate at the higher levels of the violence spectrum and they demonstrate a willingness to do so. They also desire an active role during the beginning phases of an operation. However, limitations do exist. A preference is stated to limit participation on the higher end of the violence

spectrum for a maximum of one year. Nevertheless, they are willing to contribute to three operations at a lower level concurrently.

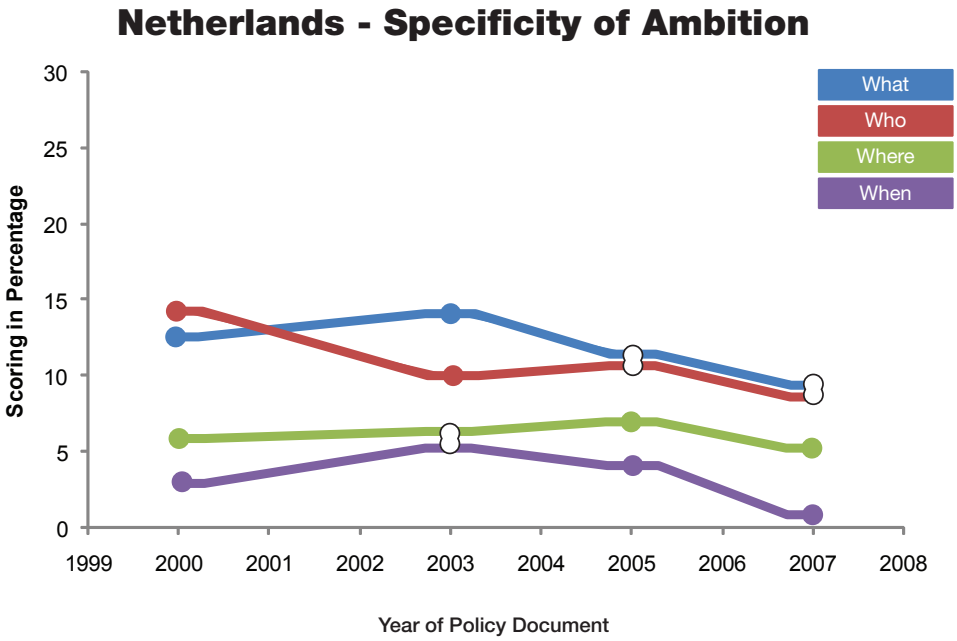


Figure 3-17

Over recent years the specificity of the Dutch defence policy documents, as well as the length of the documents, has decreased. For example, the *Defensienota 2000* contained around 60,000 words, in comparison to similar documents pertaining to these issues the average number of words for the *Prinsjesdagbrief* (2003) and the *Actualisering van de Prinsjesdagbrief* (2005) are approximately around 20,000 per document.

Over time most categories fluctuate in their values. Only the *Where* category remained relatively stable with a score of approximately 6%. The *When* category steadily increases from 2000 until 2003. This trend may illustrate the greater attention paid to conflict management and reconstruction. Furthermore, it may correlate with the events of September 11th, which demanded a more preventive orientation to conflict management. Although the *What* and *Who* category fluctuate over the years, both demonstrate an overall decrease in the number of indicators scored. However, a focus on cooperation with other international actors, such as the European Union, NATO or the United Nations, remains consistently significant.

United Kingdom

Due to the changing nature of security since the end of the Cold War – as exemplified by the emerging threat of terrorism and the proliferation of weapons of mass destruction – the United Kingdom has redefined its role in the international community. Wherever a situation may arise that (directly or indirectly) threatens British national interests, the UK expresses its willingness to engage in military operations. This willingness to operate globally in a number of concurrent operations is reflected in the scores of the *Concurrency* parameter. Furthermore, 20% of the United Kingdom's Armed Forces are currently in international operations, and the country is prepared to maintain this level as long as necessary.

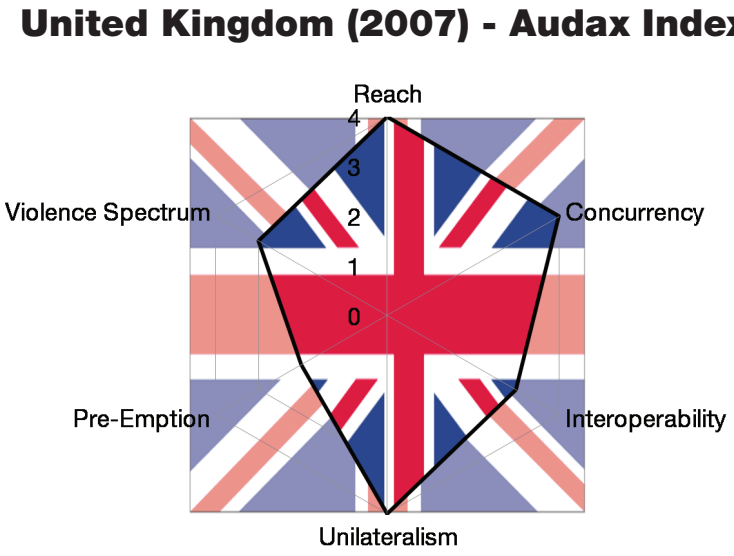


Figure 3-18

Although the latest British White Paper does not mention specific plans with respect to troop deployment abroad, the proactive tone of the document leads us to assume that there will be no significant change in policy as compared to the 2003 levels. We therefore awarded them a value based on the current data. Throughout the 2008 policy document, the British forcefully state the need for an integrated approach in combating threats with regard to their national security. This integrated approach not only pertains to the separate branches of the Armed Forces, but includes other government departments and actors from the private sector. Although the *British National Security Strategy of 2008* places emphasis on utilising a multi-lateral approach, the possibility for unilateral action remains an 'option on the table'. Moreover, the British strongly express the need for preventive operations, especially in regards to weak and fragile states. We therefore assigned a score of '2' on the *Pre-emption* parameter. Finally, the *British National Security Strategy 2008* states that the Armed Forces must have the capacity to engage across

the entire violence spectrum.

Of all the policy documents, the *British 1998 White Paper* was perhaps the most complete and certainly the one with the highest specificity levels (comparable only to the *2008 French White Paper*). This may reflect the fact that it was the first White Paper under the Blair administration, which set out to write a definitive policy for the post- Cold War era. Certainly the 1998 policy was ambitious in nature, as it introduced the concept of being a *"Force for Good in the world"*[9] as part of the mission statement of defence.

The sharp decline in the *What* category between 1998 and 2003 may indicate the seminal nature of the *1998 Strategic Defence Review* rather than a shift in focus. This is because the 1998 SDR was also a conscious distancing from two decades of Conservative Party policy. Although the *2003 White Paper* reiterated many of the assumptions of its 1998 predecessor, it spent significantly less attention on the *What* category. Consequently, there is less specificity regarding new capabilities, non-proliferation, responsibility, human rights, etc. Although many of the earlier priorities remained in place when Gordon Brown came to power, with the exception that more attention was paid to the tenets of anticipation and prevention in defence planning.

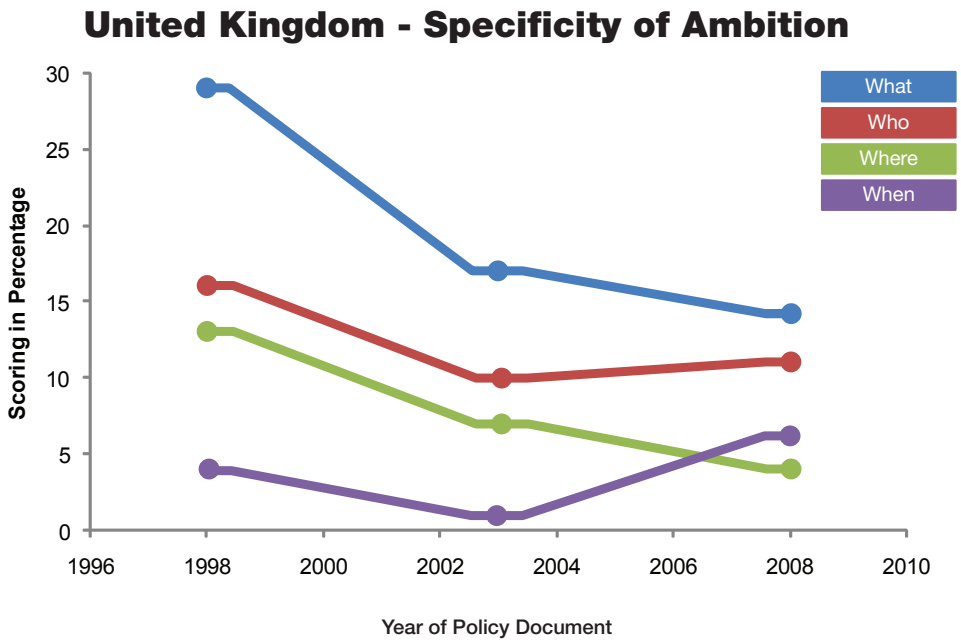


Figure 3-19

World Food Programme[vi]

In 2007 the World Food Programme had operations in over 70 countries. Its mission statement makes it clear that it aims to maintain the capabilities and readiness to partake in any operation deemed necessary, anywhere in the world. Over 90% of their staff is deployed away from headquarters conducting operations in regional or field offices abroad. This is not surprising because maintaining a certain amount of decentralisation in order to enable immediate action in all parts of the world constitutes a cornerstone of its policy.

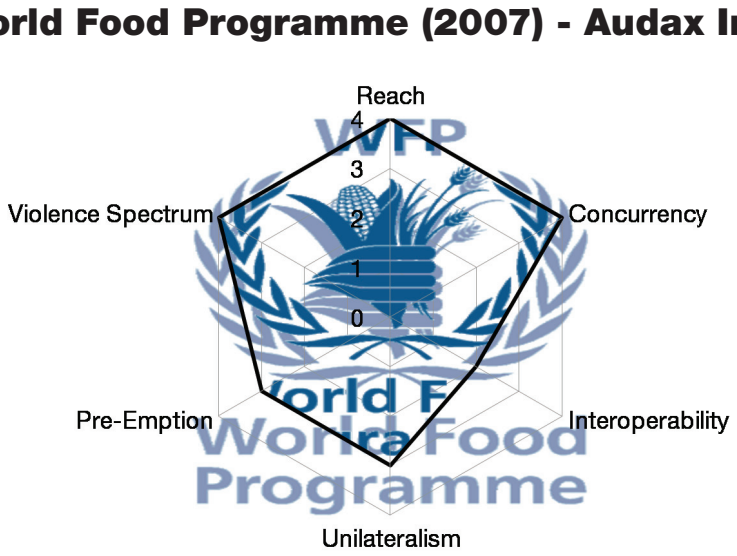


Figure 3-20

In accordance with its mandate, the World Food Programme consistently coordinates with other organisations and governments. However, the concept of maintaining a high degree of technological interoperability does not feature prominently in the policy documentation. When it comes to technical matters (i.e. medical facilities, communications, transportation) the World Food Programme largely relies on other governments and organisations to fill these capacity gaps. As an appendage of the United Nations, all actions engaged by the World Food Programme are inherently subjugated to United Nations approval. That being said, the World Food Programme can act as a semi-autonomous organisation, especially with regards to obtaining, managing, and implementing its funds. In addition, it also preserves the liberty of selecting and initiating its field operations according to pre-established criteria. Due to the very nature of emergency relief, many of the its operations are reactionary to current events, but all of its programmes have elements of prevention built in to them in order to lower a stricken

vi) The Who, What, When and Where ambition trend analysis was not conducted due an absence of relevant documents prior to 2004, and the current Strategic Plan for 2008-2011 was not published during this portion of the analysis

population's vulnerability to repeat crisis.

The World Food Programme demonstrates a willingness to enter conflict zones without assistance if necessary. However, in reality, unilateral action is extremely rare. As a humanitarian aid agency the WFP is not regularly targeted in the same manner as the military referents. Its assistance is generally appreciated in even the most violent conflicts (e.g. Afghanistan, Darfur, Somalia, and the Sudan). The WFP is willing to initiate operations in any country it deems in crisis, as long as it is not specifically barred by the national governments of which it is trying to help. As such, the *Reach* score is on par with the other referents.

Supplemental: Text Analysis on Number of Words Concerning Ambitions

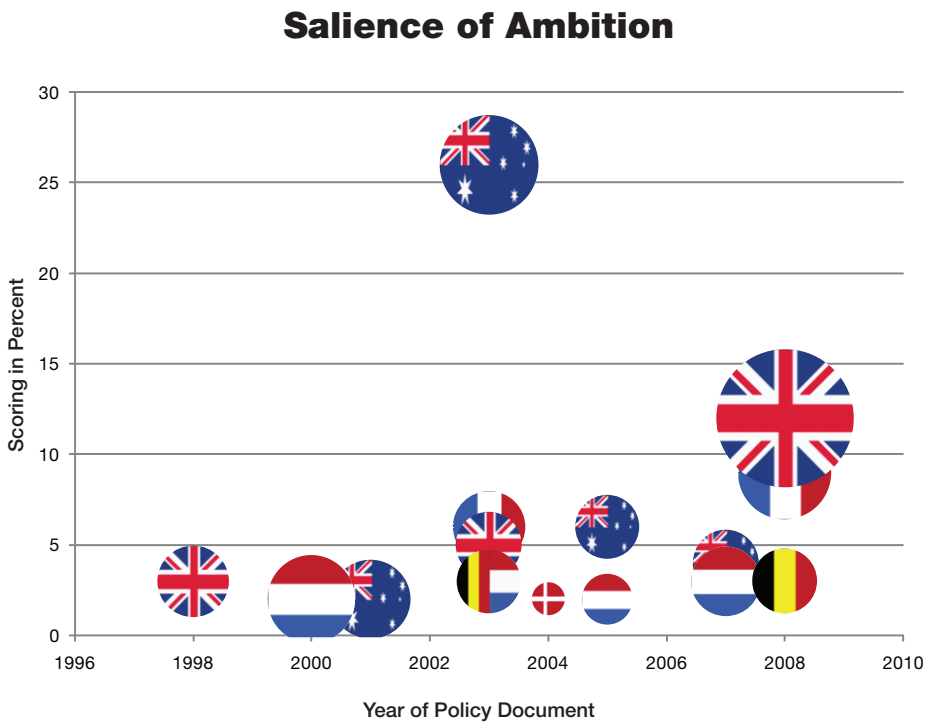


Figure 3-21

Figure 3-19 shows the size of the absolute number of words concerning ambition (the physical size of the bubble), as well as the percentage in regard with the total text of the document. The graph shows that Belgium has become much more elaborate and specific in expressing its defence ambitions. We can also see the striking difference in the United Kingdom if we compare the 1998 level of the number of words concerning ambition with those of 2003 and 2008. Although we were only able to analyse one Danish Defence document, a surprising feature of their policy statement is the amount of 'space' allocated to its ambition as compared

to the other referents. This may however, reflect the Defence Agreement´s use as an expression of consensus across parliament. The Australians have a peak in 2003 in their overall ambition which correlates to the nature of their threat assessments at the time. One of Australia's main security concerns during this period involved the threat of terrorist groups and/or Al Qaeda sympathisers seeking to target its mainland.

High-Level Resource Parameters

The final piece of guidance the political leadership gives the actual planners in terms of high-level policy parameters – after the description of what might happen and what role the Armed Forces are expected to play in that future security environment – is to provide the defence organisation with resource parameters. For this purpose, the HCSS team went looking for indications of forward-looking policy guidance on resources in the available policy and budgetary documents for all referents.

This section starts with an overview of the different parameters that are used by referents to give guidance to defence planners on resources. It continues with an overview of the major budgetary decisions per referent as concrete examples of how threats, ambition, and resource parameters manifest themselves in major acquisition projects and force restructuring initiatives. The final part of this section devotes some special attention to the three main groups of resource parameters we identified: the planned growth rate for defence, the level of savings mandated by government, and projections on future troop levels. We thus hope to capture some of the most fundamental building blocks of resource parameterisation: mandated resource outflows (i.e. growth), mandated resource constraints (i.e. savings) and the allocation of the single most important resource (i.e. service personnel levels).

Overview of Resource Parameters

To identify the ways in which referents specify their high-level resource parameters, we have again coded the available policy and budgetary documents of all referents. This yielded the following spreadsheet comparing resource allocations per country per document across six categories:

- Departmental allocation parameters
- Personnel parameters
- Investment parameters
- Financial parameters
- Operational parameters
- Strategic and capability parameters

Budget Overview

Budget	AUS 1999/2000	AUS 2002/2003	AUS 2005/2006	AUS 2008/2009	B (2003)	B (2008)	DK 2004	F 2003	F 2008	F 2009	UK 2001/2002	UK 2004/2005	UK 2007/2008
Departmental Allocation Parameters	X	X	X	X	X	X	X	X			X	X	X
Distribution by Service Branches	X	X	X	X	X	X	X	X			X	X	X
Distribution by Large Sub-Departments			X	X							X	X	X
Distribution by Research and Technology Departments			X	X	X	X		X	X	X		X	X
Personnel Parameters	X	X	X	X			X	X	X	X	X	X	X
Recruitment/Retention	X	X	X	X			X	X	X		X	X	X
Salary	X	X	X	X	X				X	X	X	X	X
Provisions for Defence Families/ Medical/Dental Care	X	X	X	X							X	X	X
Pension/Retirement		X	X	X					X		X	X	X
Housing for Personnel/Families		X	X	X	X	X					X	X	X
Investment Parameters	X	X	X	X	X	X		X	X	X	X	X	X
Acquisition	X	X	X	X		X	X	X	X	X	X	X	X
Defence Sales (Equipment)	X	X	X	X	X	X					‡	‡	X
Facilities Investment	X	X	X	X	X	X	X			X			X
Asset/Property Sales/Disposal	X	X	X	X		X	X		X		X	X	X
Financial Parameters	X	X	X	X			X		X	X	X	X	X
Prospective Budget Given as % of GDP	X		X	X	X						X		
Savings and Efficiencies	X	X	X	X			X				X	X	X
Appropriations Carried Forward			X	X									
Costing Model				X		X							
Desired Real Growth	X		X	X							X	X	X
Equity Injection	X	X	X	X			X						
GDP Deflator		X	X	X									
Audit	X	X	X	X	X	X							
Operational Funding Parameters	X	X	X	X	X	X		X	X	X		X	X
Substantive International and Coalitional Operations	X	X	X	X			X		X	X		X	X

Figure 3-22

Budget Overview

Budget	AUS 1999/2000	AUS 2002/2003	AUS 2005/2006	AUS 2008/2009	B (2003)	B (2008)	DK 2004	F 2003	F 2008	F 2009	UK 2001/2002	UK 2004/2005	UK 2007/2008
Regional and Localized Cooperative Operations	X	X	X	X									
Domestic and Homeland Operations	X	X	X	X		X		X	X	X		X	X
Strategic and Capability Parameters	X	X	X	X						X	X	X	X
Intelligence Capability	X	X	X	X			X				X	X	X
Infrastructural Protection Capability				X									
Counterterrorism Capability	X	X	X	X								X	†
White Paper Capability		X	X	X			X	X		X		X	X

Figure 3-22

‡ See Asset Disposals † See Intel Cap. Above.

Overview of Major Budgetary Decisions per Referent

Australia

In the *2000 White Paper*, the Australian Defence Force set the policy course for the next decade. In order to modernise itself the ADF established its annual budget growth rate at 3% in real terms until 2010. This way, the proportion of GDP spent on defence will remain at 1.9%. The budget is constrained by four key pressures: personnel costs, operating costs, investment costs in new capability and increased readiness costs.

The major investments described in the seminal *2000 White Paper* were the purchase of new surface ships for the navy fleet, and the replacement of the F/A-18 for the Air Force. According to the *2003 Defence Update*, important new measures were taken by the government as a response to the threat of terrorism, which included the establishment of a Tactical Assault Group and an Incident Response Regiment. In addition, long term projects included the Joint Strike Fighter, Airborne Early Warning & Control aircraft and the Collin's class submarines. It was hoped that the completion of these long term projects would enhance the Australian Defence Force's interoperability with the United States Armed Forces. However, the *2005 Defence Update* identified a significant budget constraint brought about by high and sustained operational tempo. The sustained 'OPTEMPO' depreciated material more rapidly than expected,

while concurrency pressures were also putting strain on logistics, communications and health support. In order to overcome these challenges, key investments were made, such as the purchase of new platforms that provided greater mobility, fire support and maximise network capabilities. These platforms included: M1A1 Abrams tanks, and Tiger and MRH90 helicopters. Other important new purchases were air warfare destroyers and Unmanned Aerial Vehicles (UAVs).

The subsequent *2007 Defence Update* emphasised the priority of purchasing new military hardware, such as two new amphibious ships, air warfare destroyers, the C-17 Globemaster, and a squadron of F/A-18F's. As in 2005, the procurement and integration of M1A1 Abrams tanks and a range of UAVs were mandated. Furthermore, a total of 20.5 Billion AUS$ became available for the purchase of new hardware, and an additional 3.1 Billion AUS$ was allocated for the recruitment and retention of service personnel. These investments were made in order to achieve the goal of adding one to two infantry battalions to the army.

Belgium

Allocation of the Belgian defence budget a runs along three main parameters: 1) Personnel; 2) Operation; and, 3) Investment. Traditionally, Belgium's military budget was characterised by very high personnel expenses. By 2015 Belgium aims to have a 50-25-25 distribution over Personnel, Operation and Investment. In order to reduce personnel costs a reduction of the Armed Forces to a service member level of 35'000 is the desired goal by that time.

In 2003 the three main issues concerning defence budget policy included the increase of credit for international operations, the acquisition of new equipment and a reduction of service members. A key assumption of Belgian policy is that the Armed Forces would operate more efficiently in order to reduce the costs of operation.

The aim of reducing operation costs to 25% share of the total budget was a benchmark expressed in the 2008 defence budget. Due to the amount of debt, there were not adequate finances allocated for new investments. Therefore, in order to fund the necessary investments it was decided to sell a portion of infrastructure and materials. To meet the 50-25-25 standard for 2015, the 2003 policy continues to serve as a guideline for curbing the personnel expenses. However, in order to achieve the desired objectives established in the *White Paper*, the need for increasing the percentage of the budget allocated for investments became apparent. For example, investment included the replacement of the old A-310 aircraft, the acquisition of a frigate, and several transport vehicles for the transformation of the land component of the Armed Forces.

Denmark

The *Danish Defence Agreement of 2004* was based on the four year interval from 2005 to 2009, and focuses mainly on strengthening the Armed Forces in two areas:

- International deployable capabilities and
- The ability to counter acts of terrorism and their after effects.

The Danish desire for a more efficient army includes, amongst other factors, reorganisation and purchasing of new equipment. The goal for budget allocation has been set at 60% for the operational structure, and 40% for the support structure. The list of new equipment includes the following: 180 Leopard 1 tanks, 3 patrol vessels, 4 maritime helicopters and a Hercules C-130 J. Furthermore, the F-16 fleet and the Lynx helicopters will be upgraded, as well as allocating 400M DKK intended for a five year IT programme. For international operations it was specified that 900M DKK will be made available.

France

The *French 2003 Bill of Law* was to be implemented from 2003-2008. The corresponding budget policy had the following three main points:

- The establishment of a Personnel Consolidation Fund in order to keep military personnel employed within the Armed Forces by offering flexible jobs and circumstances.
- Investments in the equipment and facilities of the operational reserves.
- Development and acquisition of equipment in order to modernise the deterrent force systems, projection and mobility force systems, and the deep strike force systems.

As previously mentioned, a fourteen year publication gap exists between the *Defence White Papers* of 1994 and 2008. The 2008 publication reflected a re-organisation of the budgetary system by incorporating more transparency in the defence budgetary planning. However, pensions and war allowances are kept outside of the budget. One notable change has been a 10% increase allocated for investing in new equipment. For example, the French will spend as much as 17B € on new platforms, such as 60 new Rafale fighter planes, 3 frigates, 22 NH90TTH helicopters and 332 VBCIs.[vii] They also seek to replace their current fleet of nuclear submarines which are scheduled to remain in operation until 2017. Furthermore, the budget allocated for international operations is set at 510M € for 2009.

vii) Véhicule Blindé de Combat d'Infanterie (Armoured vehicle for infantry combat)

United Kingdom

The British defence budget – as expressed in the *Spending Plans* for 2001-2002, 2004-2005 & 2007-2008 – is split into two programmes. The largest share goes to the Provision of Defence Capability while a much smaller part is allocated for Conflict Prevention and Unprogrammed Operations. Since 2004, the Provision of Defence Capability has been divided into the following subcategories[viii]: 1) Front Line (2004)/Operation (2007), 2) Personnel, 3) Logistics, Central and 4) Procurement. In addition, retired pay and pensions are also paid from the defence budget.

Between 2001 and 2007 there is a decreasing trend in the budget allocation for Unprogrammed Operations/Conflict Prevention. In 2001 the amount for this programme allocated for a two year interval was £182M. However, in 2004 its budget was significantly reduced to £50M for two year iteration. By 2007, the budget allocation for the same programme amounted to £44M for a one year interval. The long term investment projects set out in the expenditure plans are not centred on equipment acquisition, for example, the renovation of accommodations and IT projects. An important aspect of the British investment strategy is the establishment of Public-Private Partnerships, in which the defence organisation seeks to collaborate with private entrepreneurs in order to deliver efficient services. Since 2004, investments have been made in order to envisage the modern peacekeeping and humanitarian intervention role of the Armed Forces. New equipment has been purchased, and extra funds have been allocated for modernising logistics and IT systems. The primary investments designed to modernise expeditionary capabilities included the following: 232 Eurofighters, 2 new aircraft carriers, and additional air transport capability for the Air Force.

Key Resource Parameters

Planned Growth

One of the observed ways in which policymakers provide resource guidance to defence planners, is by establishing planned percentage-changes over (or under) existing levels of defence expenditures. Figure 3-21 shows the planned growth in the defence budget if explicitly stated in the available documents. Although explanations for these trends are speculative, one possible reason concerning Australia and the United Kingdom is that they consider their current level of growth as adequate, or the growth rate is based on pre-established agreements i.e. Australia has stated a fixed growth rate of 3% in real terms over the next ten years. We observe that Belgium is attempting to catch up (but also note that this is from a low baseline).

viii) Defence Estates

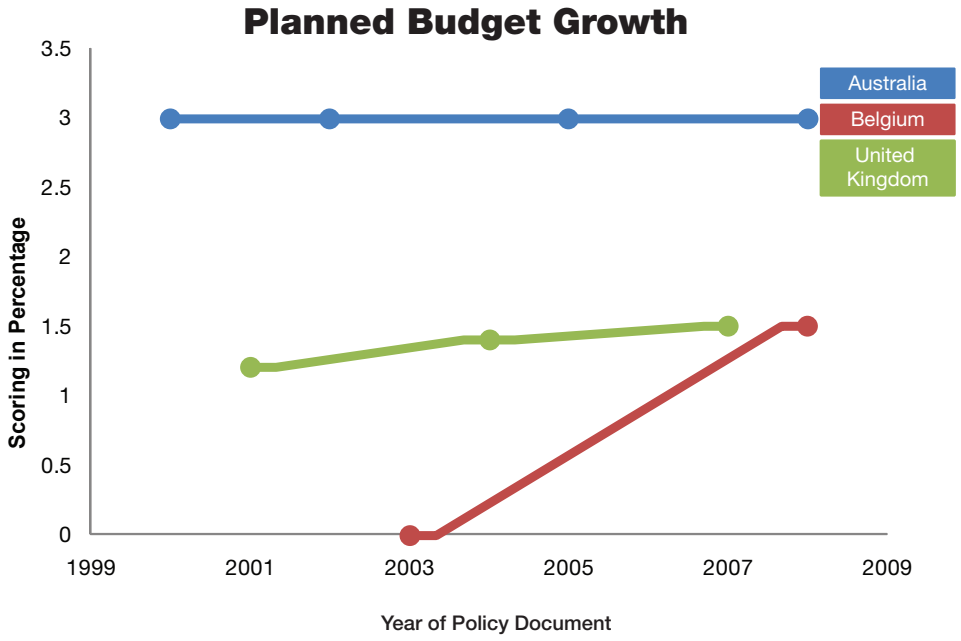


Figure 3-23

Savings

Another way to provide resource guidance to defence planners is to mandate the amount of absolute savings over existing plans. Figure 3-22. demonstrates that between 2001 and 2004 the British mandated 2.5% savings in their defence budget. By 2007, this amount has increased sharply to 6.6%. Likewise, the Australians have also drastically increased savings in their 2008 budget. Previously, the share was around 1%; however the new savings level will be increased to 4.8%. This figure reflects the growing importance and expectation in both Australia and the United Kingdom for budgetary savings, particularly in the after 2004. Furthermore Figure 3-22 depicts that the United Kingdom and Belgium want to increase real growth within the budgetary years during the period under review.

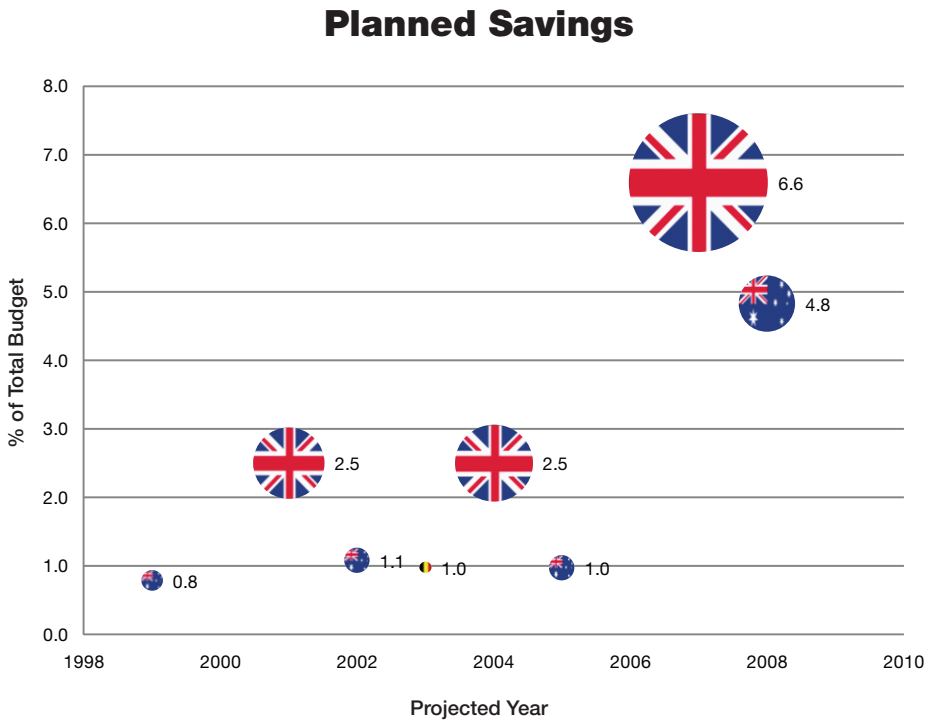


Figure 3-24

Number of Service Personnel

Policymakers not only provide defence planners with financial parameters (more money, less money, different budget structure, etc.) they also provide resource guidance in the form of service member levels. While the two (people and money) are clearly connected, the continuing difficulty for most defence organisations is to monetarily value their activities (see Chapter 5 on performance management). This challenge makes more 'precise' resource parameters attractive to policymakers. Figure 3-23 depicts the year that service personnel projection levels were established, and where these levels where to be maintained.

The three smaller countries set troop levels with the longest time horizons. This would suggest that they place greater emphasis on personnel levels, rather than other variables, such as investment in new technologies. This in turn may reflect a slower pace of technological modernisation.

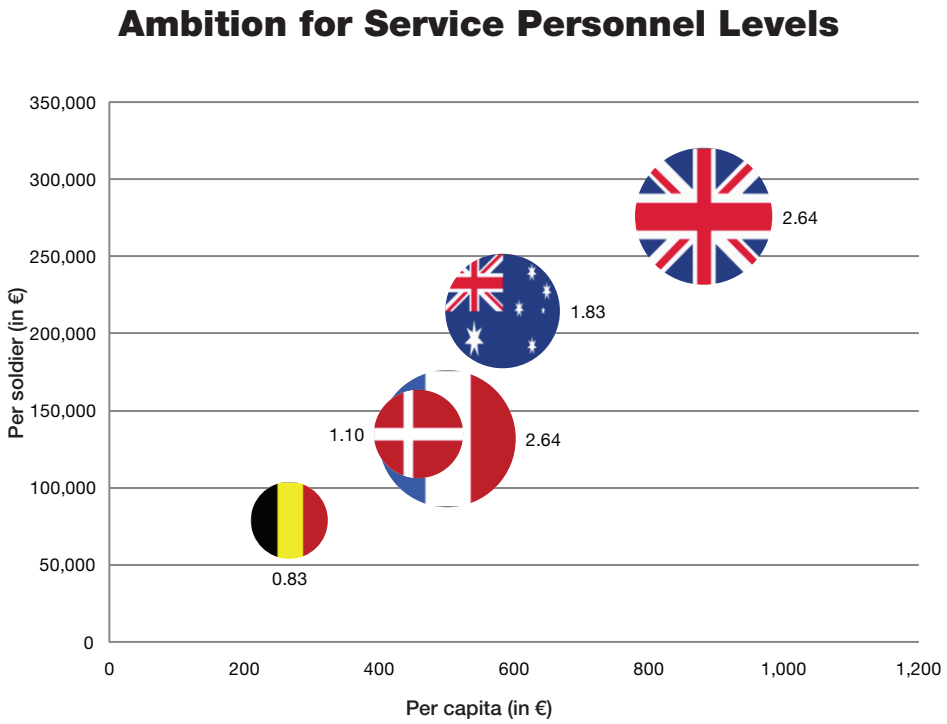


Figure 3-25

However, within the confines of the high-level documents examined, a fixed policy regarding these levels is not discussed. While France's service personnel fluctuates, a fixed policy on the matter is not discussed in their *White Paper*. Instead, the French only describe the number of new applicants they need in order to continue policy objectives. On the other hand, the Belgians established their service personnel objectives in 2000, and have maintained the goal of attaining these levels by 2015. To their credit, it became apparent in 2008 that the 2015 target would be achieved by 2011. The *2005 Danish Defence Agreement*, which established the service member objectives to 2009, reflects the standard publication interval for the *Agreement*, and the electoral cycle of the Danish government, but a projection beyond 2009 is not yet available.

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4 Capability Generation

Capabilities are at the heart of any defence effort and getting them 'right' has been, is, and will remain a fiendishly difficult task. During the Cold War (and especially since the introduction of PPBS-systems in the 1960s), capability generation developed as an increasingly sophisticated analytical process that attempts to make the process through which policy is translated into capabilities more systematic and transparent. Large sums of money were invested (especially in the larger countries) into various tools and techniques (including a substantial modelling effort) to support this. After the end of the Cold War, it quickly became clear that the existing analytical suite had to be substantially retooled. New ideas and approaches about how capabilities could be generated in more optimal ways emerged relatively quickly (Capabilities-Based Planning – Davis).[1] But the uncertainties of the new strategic environment combined with radically changed financial priorities in many countries ('peace dividend') led to a situation where these ideas were not so easily converted into new useable tools. This chapter documents where the referents

Capability Building Processes

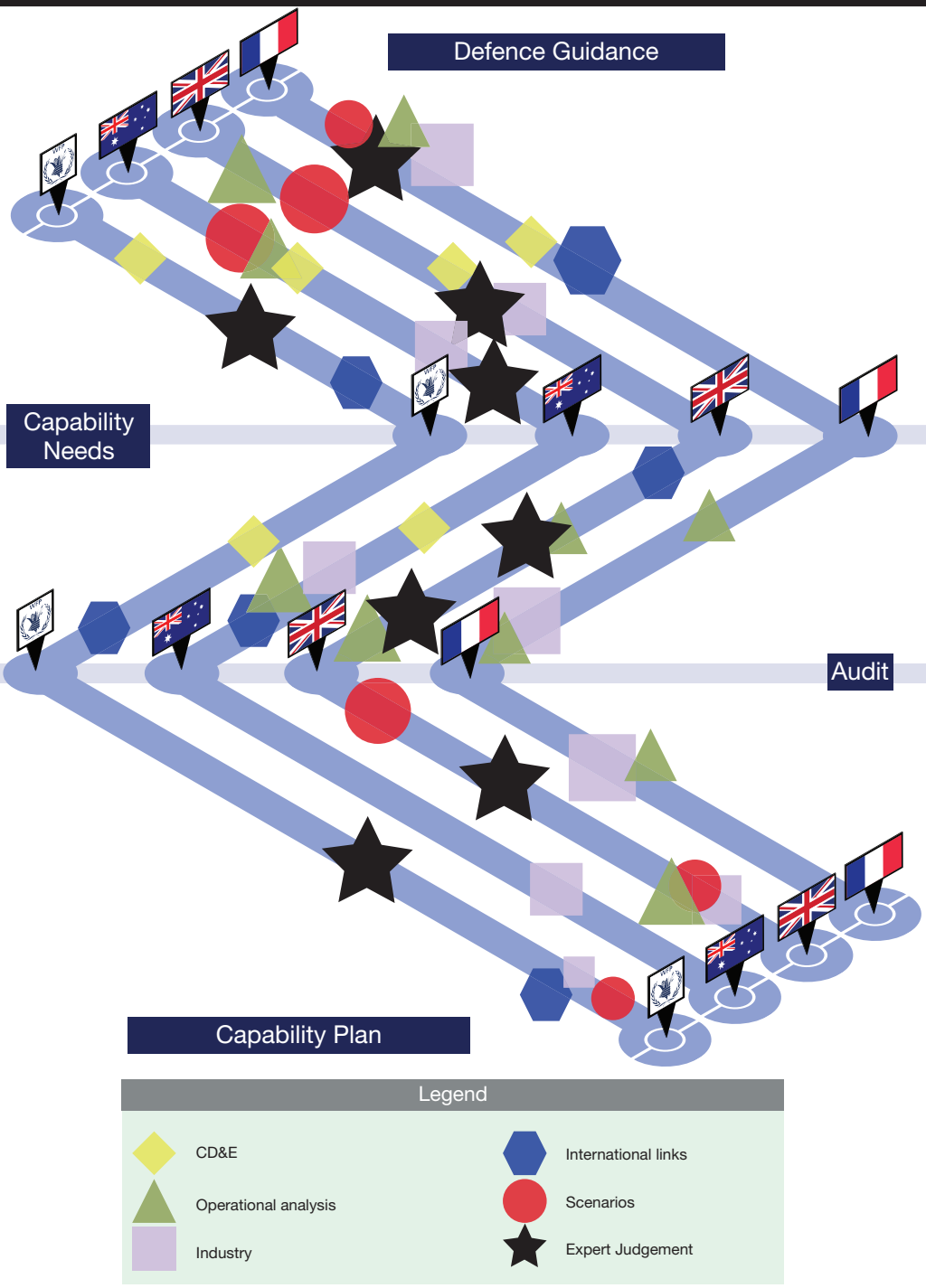


Figure 4-1

examined for this study currently stand in this difficult and slow transition to genuine capabilities-based planning.

The process of capability generation is both complex and obfuscated. This yields many difficulties for the type of analysis we embark upon in this chapter. Problems include documentation gaps due to the lack of public transparency, significant differences in the way countries have organised their defence planning efforts (with a quite dense series of manuals and documents in some countries, and hardly any in others). This chapter nevertheless applies the TNO benchmarking approach to find meaningful ways to compare the referents. It is structured in three parts:

- In the **first part**, we describe the generic scheme (which we call the 'Z-Chart') we developed to allow for a systematic comparison of the capability generation processes of the various referents and the building blocks that are used in those processes;
- In the **second part**, we use the generic scheme to describe the processes of capability generation in the referents;
- Finally, we **benchmark a number of elements** of the capability generation that we (in close coordination with the Dutch MoD) assessed as being important. These include definitional differences, breakdowns of capabilities, the use of scenarios and the kind of scenarios, the use of capability audits, risk management studies and balance-of-investment studies, the overall placing of capability generation in the organisation, the regularity of the process and its forward-looking nature, the incorporation of new technological developments as well as the level of cooperation with industry. The differences between the referents are expressed in the form of slidebars.

One final note as introduction to the chapter: as stated the capability generation process remains opaque in many countries. This is why Belgium was not included in the referents for this (or the next) chapter, as HCSS felt the documentation that was provided by the Belgian MoD was insufficient to reliably code it. In the Danish case, we felt somewhat more confident in our ability to score some elements of the Danish system on the basis of the information provided. But we were unable to piece together a Z-Chart for Denmark.

Descriptions of Capability Generation Processes

Capability generation is a complex undertaking that can be looked at from a variety of different perspectives. It can be analysed from an *institutional perspective:* as an allocation of responsibilities to bureaucratic agencies. It can also be viewed as a series of sequential steps taken to get from point A to B (*process-based perspective*). Our description of the capability generation efforts of the referents is primarily focused on the underlying functional logic (*functional perspective*) of the process – which functional tasks the referents execute in order to translate the higher-level policy guidance into a set of defence capabilities. This chapter will thus attempt to describe the main underlying logic of modern-day capability generation with its various functional building blocks.

Generic Z-Chart

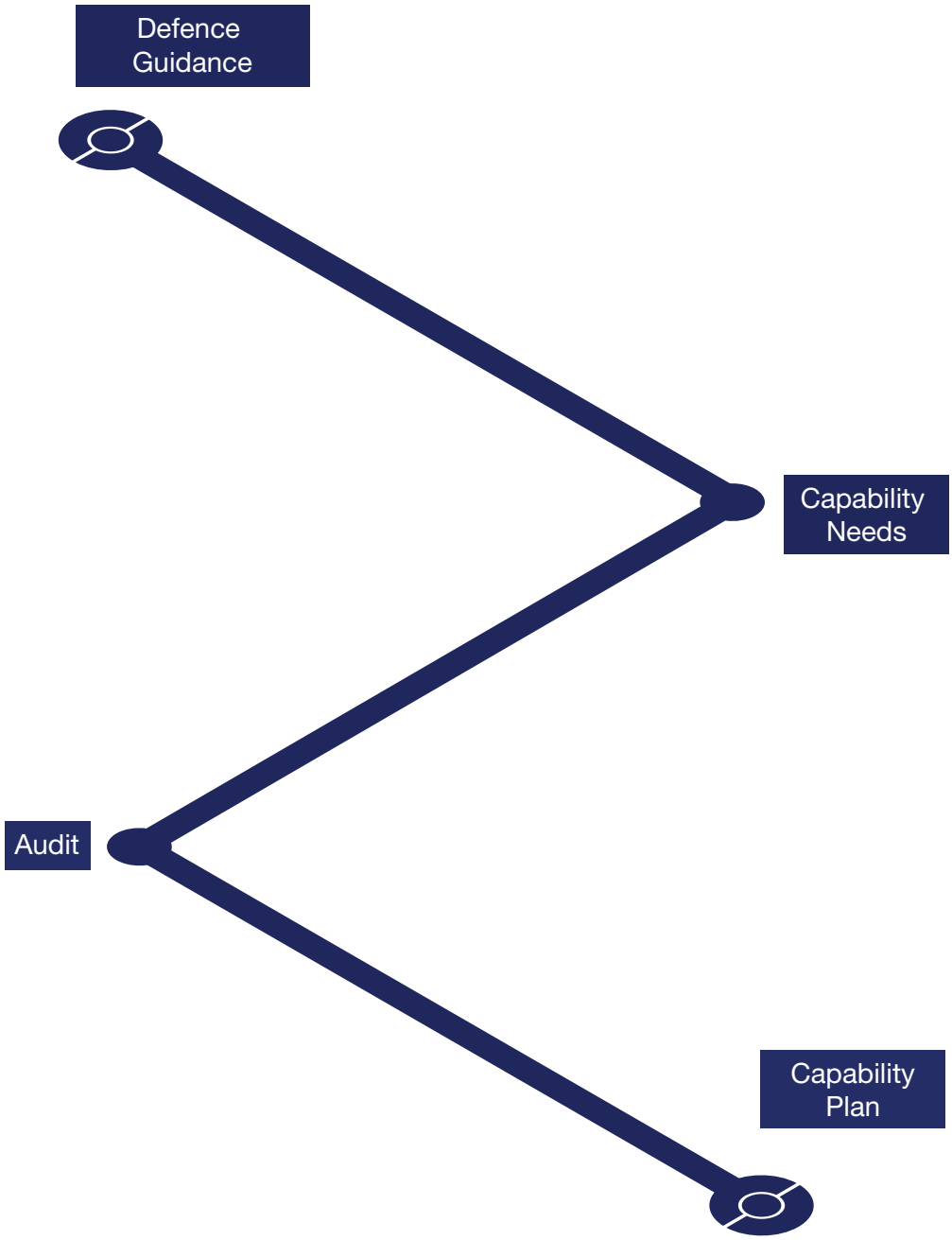


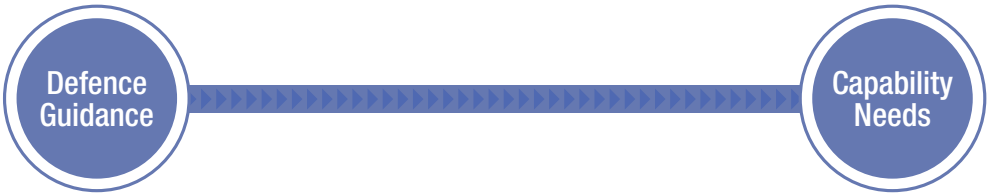
Figure 4-2

Understanding the Z-Charts

Given the differences in organisational structures and processes between referents, we present the capability generation process by dissecting it into a number of key generic functional 'building blocks' that can be found back in all (or at least most) referents. We present these main building blocks as anchor points in a Z-shaped diagram we call a 'Z-Chart (Figure 4-2)'.

The Z-Chart represents our notional reconceptualisation of the capability generation process in each referent. Read from the top left to the bottom right, it follows the process along three main lines, with the turning points signalling a transition from one stage to another. Although depicted as a linear path from the reception of High Level Policy Guidance to a Capability Plan, the actual processes themselves need not be, nor should they be viewed as, purely linear. All capability generation schemes are channelled through an intricate bureaucratic machinery that goes through a multitude of processes and sub-processes (often simultaneously and /or iterated) and is sometimes redirected as the strategic environment dictates.

Stage 1



The first line starting at the top left represents the effort to translate the high-level policy guidance (see Chapter 3) coming down from the highest levels of political leadership into a corresponding set of capability requirements. Generally speaking, this stage remains quite opaque for reasons of both methodological complexity and national security-related sensitivities. There is, however, a clear commonality in the actions taken and the concepts that emerge as the referent's process unfolds from one pole end to another. At the same time, the exact shape, sequencing and impact of these various elements will vary from organisation to organisation.

The first step in this first stage is the translation of high-level policy guidance into a set of more concrete planning assumptions that defence planners can actually work with. These planning assumptions specify things like the types of missions, the scale and level of concurrency. Given the quite abstract and sometimes nebulous nature of many higher-level policy documents (especially for national security), this translation process is far from trivial, and requires close interaction between the more 'political-military' parts of the defence organisations and their more 'military-technical' and operational counterparts. High-level documents, for instance, will often stipulate that defence organisations have to be able to cover a number of threats

without specifying exactly how many of such contingencies their Armed Forces are supposed to be able to cover simultaneously. Defence planners argue that without such specifications, it is practically impossible to answer the essential 'how much is enough'-question. Defence planning assumptions (which vary in shape, scope, and across the referents) are therefore typically found back in separate (and usually classified) documents.

On the basis of these defence planning assumptions, defence planners use a number of different analytical building blocks to 'engineer' capability packages. These include (and many of them re-occur in subsequent stages of capability generation):

- **Scenarios** are used to help referents operationalise the strategic environment within which may have to operate in the future. This environment will usually be described in the higher-level documents, but typically at a level of abstraction that makes deriving concrete capability choices from these threats difficult if not impossible. Mandating that a referent has to be able to execute a certain number of peace support operations in failed or failing states, for instance, says little about terrain, climate, distance, permissiveness of the security environment, alliance partners, degree of host nation support, etc. Yet these are precisely the critical planning parameters that are required for making concrete choices (for operational planning and – in the mind of most defence planners – also for forward defence planning) because only they can guide decisions on the types of strategic or tactical mobility, on force protection, etc. Therefore, defence planners typically develop a set of more detailed 'planning' scenarios that will embody some additional concrete situation-specific planning assumptions they feel are required to make informed and robust choices. Scenarios thus become a vital input in identifying capability strengths and weaknesses, and may aid a whole-of-force capability balance-of-investment[i]. The inputs, degree of specificity, and the exact narrative of the scenarios are increasingly bolstered by modelling, simulation and scientific experimentation by and/or with the defence analytical community.
- **Partition schemes**. Military capabilities – and *a fortiori* defence or security capabilities – span an extremely broad (and – as nations start moving towards more comprehensive security planning approaches – increasingly broadening) array. To manage this complexity, various referents use different partition schemes to cut up the larger area of 'defence (or security) capabilities' into more manageable subareas. Traditionally, this was done essentially along the lines of the different operational environments (air, land, sea) as embodied in the services. While still of great importance, it is increasingly recognised in all examined countries that the environment-based partition scheme, and the stovepiping that results from it, leads to a number of dysfunctional consequences (like duplication, 'holes', lack of interoperability, etc.) We have therefore seen a number of more *functional* partition schemes emerge to either complement or even replace the *service-based* one.
- **Time horizons**. The time horizon of defence organisations is unusually long in comparison with most other government departments and even – with the possible exception of highly capital-intensive industries such as the petrochemical sector – with the private sector. This means that, just as with the partition schemes for 'capability' as such, defence organisations also have to break down the 20+ year time horizon

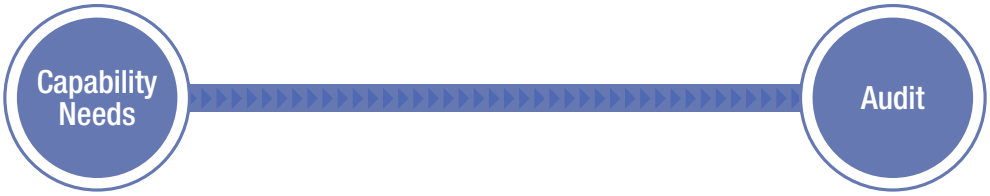
i) By this we mean a trade-off analysis of the benefits and consequences of prioritising one capability across the entire defence force at the expense of another in a resource-constrained environment.

into more manageable 'epochs' (e.g. priorities for the first 5 years, for the subsequent 10 years, and for beyond that). As with any partition scheme, this creates seams (e.g. tensions between short-term capability priorities and medium-term ones) that different countries address in different ways (and with differing degrees of success).

- **Operational concepts**. In the last decade, the larger (at least Anglo-Saxon) countries have also added 'concepts of operations' (also called 'operational concepts') to the analytical suite they use to translate policy into capability requirements. The thinking behind this addition is that before any scenario can be translated into capability requirements, one would like to have an idea about HOW the challenges in that scenario can be addressed. These concepts come in various forms and shapes and are used at different levels in different referents. An (early) example, for instance, is the concept of network-enabled capabilities. Defence concepts like these seldom develop in a vacuum and often arise from the interplay between scenarios, scientific experimentation and validation, and military judgment.
- **Military judgment.** Despite the emergence of various analytical support tools for defence planning, the role of military judgment remains central. All participants in the process remain acutely aware of the various limitations of the existing suite of software-based support tools. This means that in the final analysis, the experiences and intuitions of the uniformed military (but increasingly also of non-military operators and experts) remain central to ensure the integrity and the quality of the entire process.
- **Operational analysis.** Scientific support to defence planning has increased significantly in size and scope in the past decades – including in the translation from policy to capability requirements. This manifests itself in various analytical support software tools that increasingly try to crystallize expert judgment, scientific knowledge and empirically validated findings into traceable tools that can help elucidate some of the key choices to be made in the process.
- **Industry input.** Depending on the referent, contact with the defence industrial community will start either sooner or later in this stage, especially when scenarios identify a deficiency entailing a significant technological or acquisition dimension. Furthermore, the defence technical research community may also rely on data from the defence industry in the course of validating scenario mathematical models, narratives, and outputs and to aid a whole of force capability balance-of-investment.

These building blocks are assembled by the various referents into a set of capability requirements – capabilities that are derived from the higher-level policy guidance by means of the analysis carried out (with the help of the building blocks) in stage one.

Stage 2



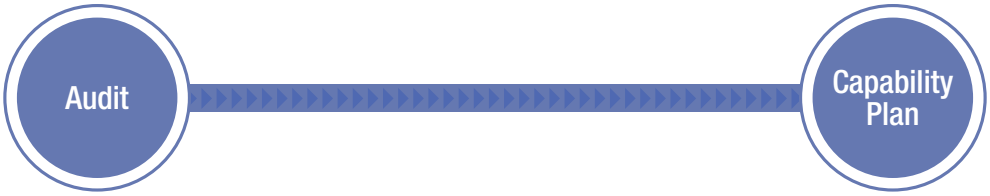
The second step in this stage entails a referent's attempt to funnel a (typically broad) array of capability requirements into a coherent set of capability packages that have been audited against baseline capabilities (capabilities that either already exist or are in the pipeline). In most referents, this stage will include the translation of the capability requirements into concrete capability goals ('*soll*'-situation) for each element of the prevailing partition scheme. Typically, this generates a set of capability shortfalls that will then have to be remedied on the basis of some additional analysis that will take place in stage 3.

This stage ends when the referents conduct an internal assessment, i.e. an 'audit', of the capability packages stemming from the judgements rendered on the first axis. A 'capability audit' represents a form of 'health check' without recommendations, i.e. it tells you what will happen if nothing is changed or how well the currently planned force will meet the goals. Subsequent balance-of-investment studies will then inform you about what you can actually afford to fix in Stage 3. The audit was introduced to replace a system where managers only looked for gaps to justify increased investment. The audit forced them to acknowledge where they were strong and where they had surplus[ii]. Should the referent have a stand alone capability generation group, its most intense efforts will probably gravitate towards conducting such an audit.

In reality, the development of concepts and of specific capability options may occur with significant overlap. This is why in many of the referents we observe a reoccurrence throughout the various stages of scientific experimentation or scenario work, with much attention being given to ensure that the capability packages proposed are in line with certain defence concepts the referent wants to adhere to from start to finish. Typically these concept development plans are known to as 'roadmaps'. The audit may also include an examination of interoperability issues depending on the primacy the organisation places on various strategic partnerships.

ii) We are indebted to Dr. Ben Taylor from DRDC-Canada for this insight.

Stage 3

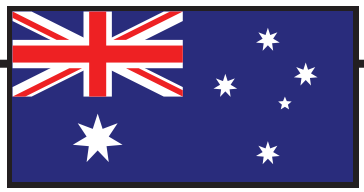


The final axis on the capability generation path is marked by the capstone output – a specific capability generation plan (for countries typically the defence plan) that outlines what, when, and how much of each capability option will be implemented (and procured). At this point, the options will be clearly articulated and the scope of the endeavour will be narrowed considerably.

In this last stage of the capability generation process a number of different (but highly interconnected) tools are increasingly being used:

- **Capability investigations** – once a capability shortfall has been identified in stages 1 and 2, there may still remain various options to fill that capability shortfall from a purely operational point of view. E.g. if strategic lift is identified as a critical shortfall (as it has within the NATO Alliance for well over a decade), defence planners will still have to investigate the various options available for this – e.g. whether to buy it, lease it, or invest in 'real options'; whether to go for airlift or sealift; which options to go for within air lift, etc. The trade-off analysis between these various capability options lies at the heart of these 'capability investigations', which focus primarily on optimal operational effectiveness.
- **Balance-of-investment studies** – many defence organisations are also increasingly starting to factor in value-for-money considerations in their capability generation processes. Money has always been an important consideration in defence planning, but recent cost trends, spectacular cost overruns, shrinking defence budgets and a general increased emphasis on government performance management have made the financial dimension more imperative than ever. We increasingly see balance-of-investment studies appearing at the level of individual capabilities (especially for the high-ticket items), but still see little publicly available evidence of it at the macro-level (e.g. whether one gets more overall 'defence value-for-money' from say fighter jets or C4ISR).
- **Risk management** – Recent experiences with cost overruns or the acquisition of suboptimal capabilities have honed our defence organisations' interest in and sensitivity to, risk analysis. Even if a referent has succeeded in identifying the optimal option for addressing a capability shortfall from an operational effectiveness point of view AND from a value-for-money point of view, there may be a number of risk factors that may make another option preferable. As with balance-of-investment studies, we are increasingly finding these considerations at the programme-level, or even within some of the partition elements (e.g. capability sub-areas such as 'mobility'), but much less so at the macro-level (e.g. risk management for major technological disruptions).

Australia



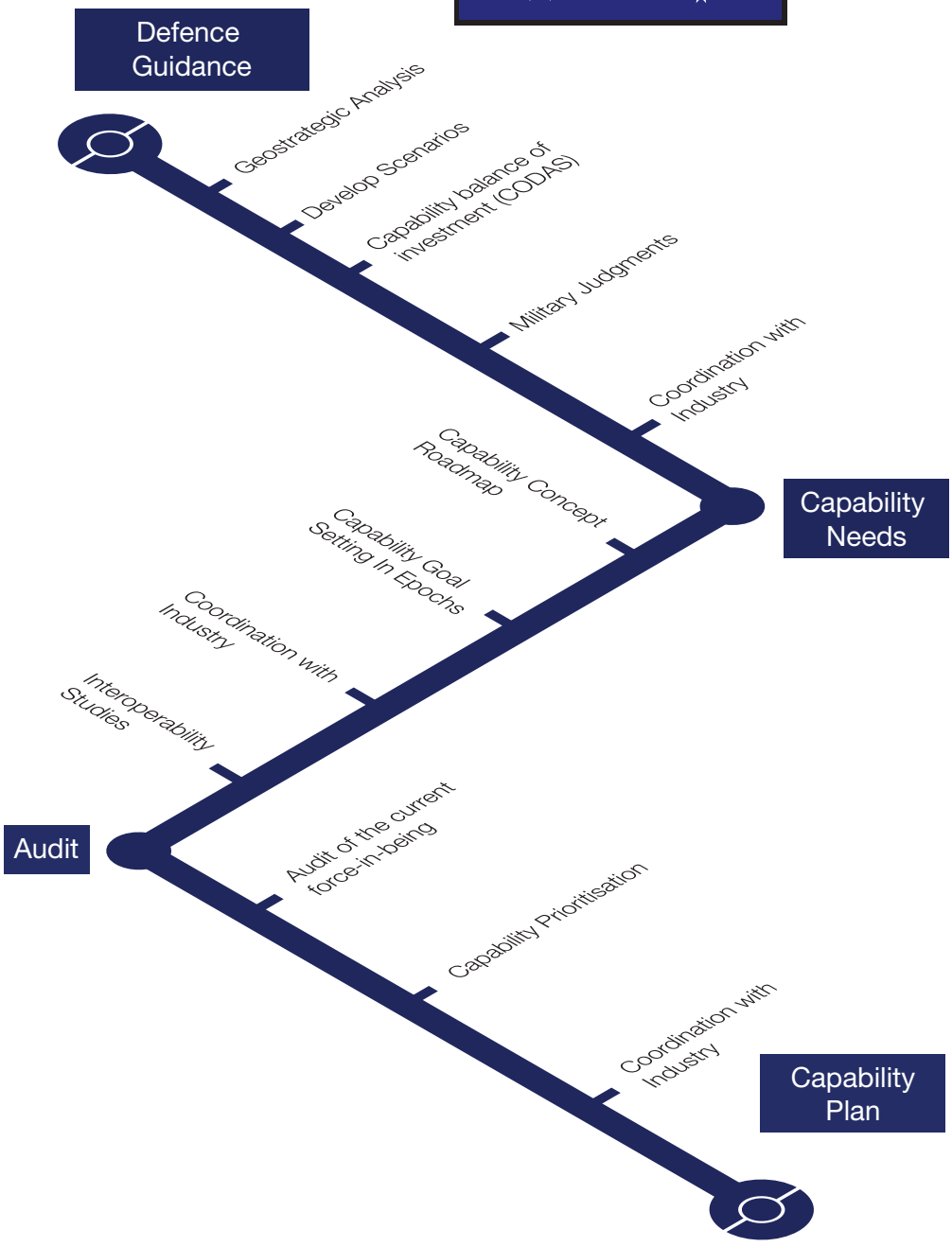
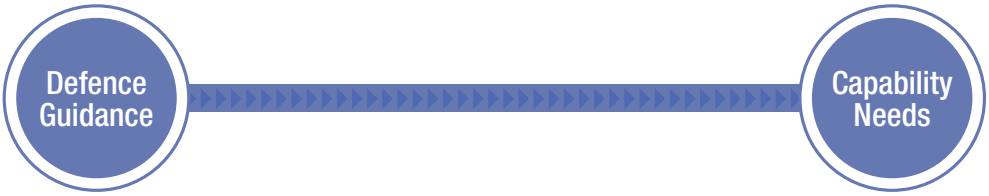


Figure 4-3

After these analyses, all that remains is to reassemble the various capability packages into an overall defence capability plan. This requires close coordination with the defence industrial community, and it is here that the building block icon of industry makes a universal appearance. The process concludes with an annual performance assessment designed to measure the effectiveness of the referent in achieving its capability objectives within the mandates and confines of the High Level Policy Guidance. In essence closing a strategic 'sense and response' feedback loop, this assessment has its own systems and methodologies, known as performance management, which will be addressed in Chapter 6.

Australia

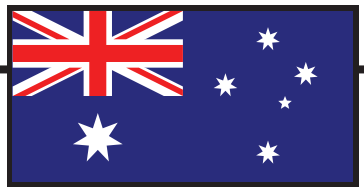
Stage 1



This stage is characterised by the interplay between scenario development, concept development and the use of experimentation to validate both. The block labelled High Level Policy Guidance represents the mandates and constraints the Australian political leadership imposes on the ADF in the pursuit of Australia's national interests. Typically these parameters are defined by two competing influences – political ambition and budgetary constraints. The block labelled Capability Needs represents the formation of a general array of capability concepts that correspond to the High Level Policy Guidance.

On the basis of the High-Level Policy Guidance, the ADF attempts to operationalise its strategic environment by developing scenarios in which its military may have to operate. In order for capability staffs to get the most authoritative guidance on strategic priorities, the Defence Planning Group outlines contingencies Australia might face according to time epochs. From the present day to five years out is devoted to preparedness planning. Ten to fifteen years out is the purview of force structure planning and capability generation. Finally, concept development occurs on a twenty year horizon. The contingencies identified by the DPG are represented as scenarios in the *Australian Illustrative Planning Scenarios set (AIPS)*. They are intended to provide the context when assessing future capability options. These scenarios are in turn validated via the use of scientific experimentation and balanced against emerging concepts in defence planning (e.g. network-centric warfare). The relationship between the three is interdependent, as one concept is often measured against its impact on another. For example, recognising that the concept of network centric warfare will be prevalent in future conflicts, the ADF must develop scenarios with a mind towards this future capability.

Australia



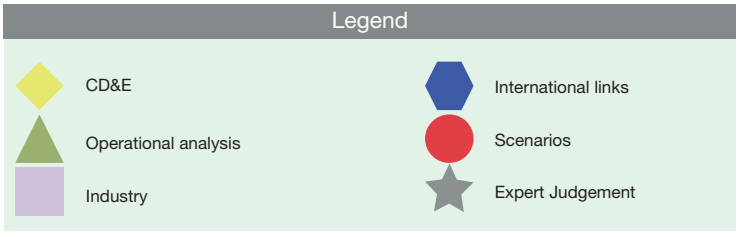


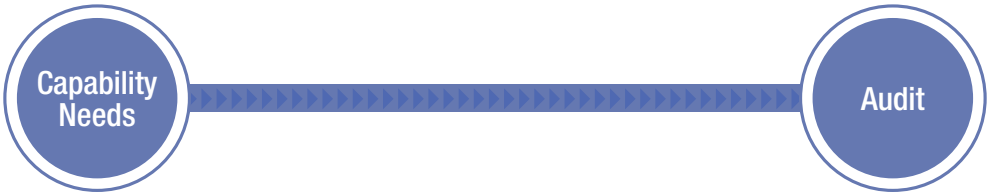
Figure 4-4

Part and parcel of capability generation is military judgement, which represents the collective experience and recommendations of ADF senior military leadership. Obviously, military judgement is relied upon at various levels throughout the system, but as the starting point for capability generation, it plays its most prominent role here. Military judgement is also the least transparent, falling more to the realm of the humanities than the architecture of bureaucracy or the stable logic of scientific method.

Once the concepts of scenario development and military judgement have been applied, the first in a series of consultations begins with the defence industry. This is to ensure that general defence planning objectives and likely scenarios can be met with an adequate industrial capacity. For the ADF, industry involvement is the one building block that gets reused in equal measure along all three axes.

Stage 2

This stage is largely devoted to filtering relatively abstract capability goals through three principal concepts: defence industry involvement, emerging concepts in defence planning as a whole,



and interoperability issues with other Armed Forces. Again, each one is validated via the use of scientific experimentation and analysis.

The Audit label at the pole end of the axis represents a two-tiered analysis of the capability options that have been filtered through the concepts mentioned above. At one level the audit examines the ramifications each capability option will have and determines if the option in question warrants further development. On another level, the capability audit is a thorough examination of the capabilities projected by the current force-in-being. In Australia this process is known as the *Defence Capability Update (DCU)* and has the following potential outcomes:

- To re-scope, delete, advance, or defer projects within the existing 10 year *Defence Capability Plan*;
- To prioritise some capability options for further analysis ;
- To recommend changes to capability or strategic priorities; or
- To suggest new capability options for further consideration

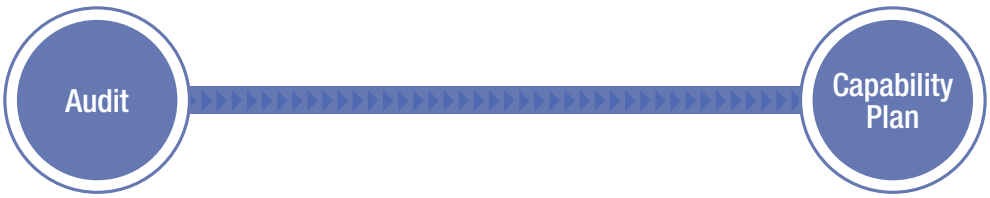
The DCU arrives at its conclusions by conducting Force Options Testing, a Key Asset Review (examining the accuracy of the Useful Life and Planned Withdraw Date records of major assets)

and a series of workshops at General Officer level to prioritise and assign responsibility for specific capability studies.

The DCU relies on a common analytical framework built on four components: (1) the capability taxonomy (i.e. the choice on how to divide the capabilities), (2) the fundamental inputs to capability (personnel, organisation, collective training, major systems, supplies, facilities, support, and command and management), (3) the context of a given scenario, and finally (4) the applicable time horizon within which a capability will be needed.

Stage 3

Having formulated its strategic objectives and weighed its capability options, the ADF then draws up a single capability generation plan that outlines which, when, how many, and for how



much of each capability platform will be invested over the next ten years. Simply known as the Capability Development Plan it details:

- Project descriptions and interrelationships with projects at various stages of development
- Industry opportunities for acquisition and through life support
- Expected delivery dates
- The responsible points of contact at the Defence Material Organisation and the Capability Deneration Group

Naturally, the concept of defence industry involvement plays a prominent role on this axis. Although the end of the Z-Chart is relatively sparse it should not be taken as a measure of inactivity as scenario development, scientific experimentation, international interoperability, and other concepts have fulfilled their purpose in bring the ADF this far. As mentioned in the introduction, the process concludes with an annual performance assessment designed to measure the effectiveness of the referent in achieving its capability objectives within the mandates and confines of the High Level Policy Guidance. This assessment has its own systems and methodologies, known as performance management (see Chapter 5).

Denmark

Limitations. Our analysis of the capability generation process for the Danish Defence Force is exceptionally limited for a variety of reasons. Chief among them was a language barrier which drastically reduced the amount of materials available for the analysis. As a comparatively small defence organisation, there may be little pragmatic need or resources available for extensive documentation on the capability generation process. While some data concerning performance management in the DDF was present, very little could be ascertained as to the methodologies that are used in translating High Level Policy Guidance and processes into capability generation. The assessments and flag placements presented in this chapter are therefore derived from inferences based on the limited material at hand as opposed to the more extensive and in-depth analysis of primary source material that we carried out for the other referents). As such, the capability generation overview does not follow the same format as other referents and no Z-Chart is given so as not to give a misleading impression.

Capability generation in the Danish Defence Force. Like other referents, capability generation in the DDF begins with taking High Level Policy Guidance from Parliament and formulating a broad range of concepts and options. In Denmark, Parliament and the DDF have a legal framework that establishes the relationship between the two. The main instrument of this dialogue is the *Danish Defence Act*, a law Parliament passes laying the foundation for the purpose, mission and tasks of Danish Defence. It is updated on an ad hoc basis as major shifts in the strategic environment occur, for example after the Cold war and 9-11. Having established the broad legal concepts that define the relationship, Parliament passes a *Danish Defence Agreement*, normally for a five year period, which prioritises the tasks, structure, and organisation of Defence – including the main materiel acquisitions and the projected budget for the period. From the documentation available it seems the concepts of international cooperation and interoperability feature prominently in the *Defence Agreement.*

Contrary to other referents, the *Defence Agreement* t already specifies a number of concrete capability choices for the various services, which therefore no longer have to be developed in a separate process by the MoD. Yet the MoD still develops its own document, the *"Consolidated Implementation Basis for "Danish Defence Agreement 2005 – 2009""* to further work out the tasks of the *Defence Agreement*. The *Consolidated Implementation Basis* is essentially a supplemental executive summary that explains how the ambitions stated in the *Defence Agreement* will tangibly affect the DDF in terms of cost, manpower and organisational structuring. However, it remains unclear on what – if any – analytical basis or methodologies the capability goals described in the Defence Agreement (or the *Consolidated Implementation Basis)* are arrived at.

Having renewed its legal relationship with Parliament, the DDF attempts to refine a broad array

France

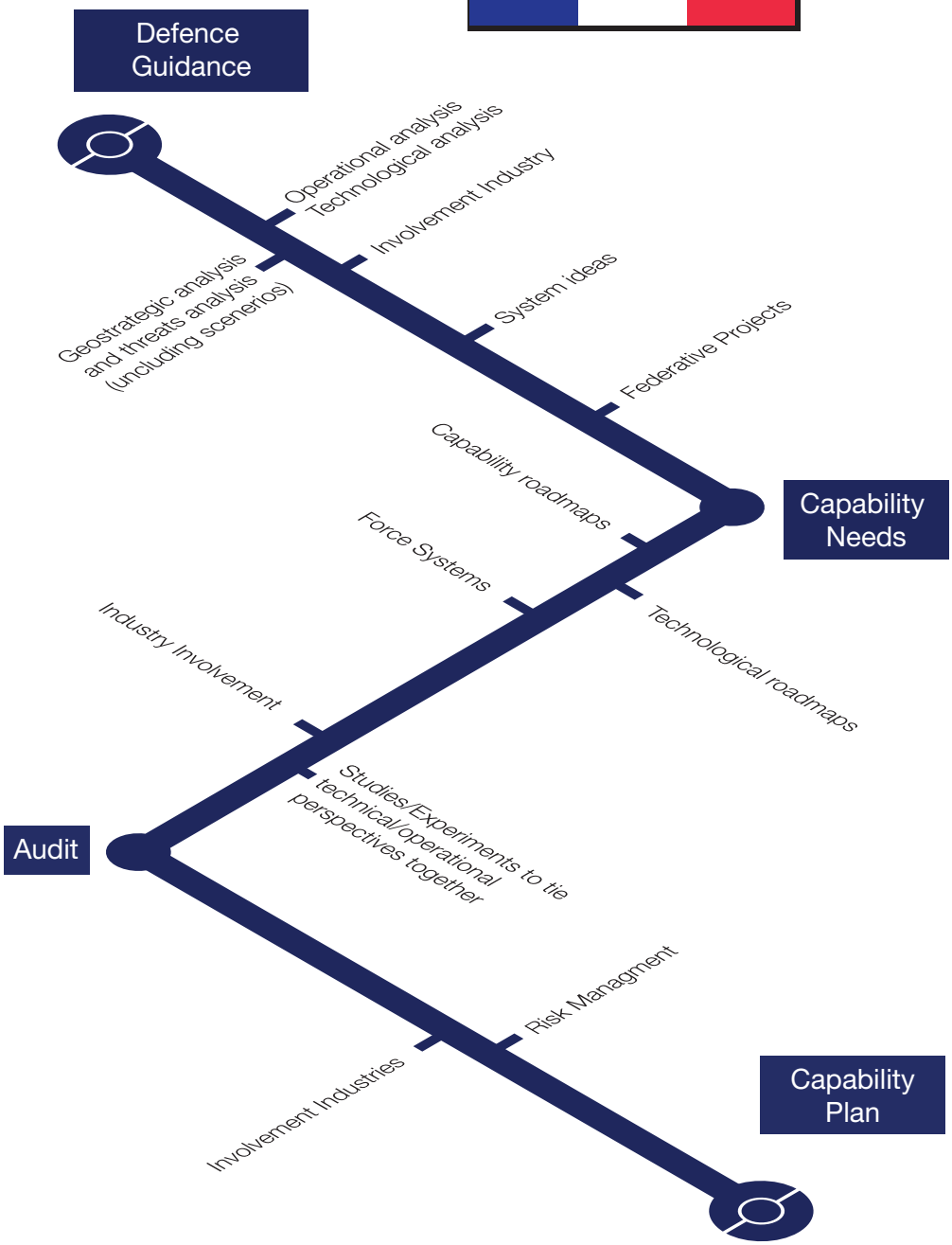


Figure 4-5

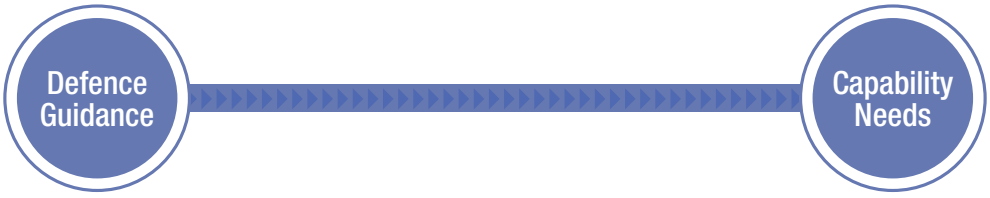
of capability concepts into a more coherent set of packages and specific options. As is the case with many defence organisations, concept development and the development of capability options occur with significant overlap. Denmark is unique at this stage for two reasons. The most striking of which appears to be the absence of any systemic use of scenarios and scientific experimentation or methodologies to validate and test emerging defence concepts. While it almost certain that the DDF uses scenarios at the operational level for specific missions, no reference could be found as to the DDF's use of scenarios as an instrument to aid their interpretation of the High Level Policy Guidance.

The DDF's objective during the last leg of the capability generation remains the same as other referents. It is marked by a capstone output – a specific capability generation plan that outlines what, when, and how much of each option will be implemented. As previously stated, the scope of the endeavour has narrowed considerably. All that remains is to forecast an appropriate budget for the various capability packages. Defence industry involvement plays a prominent role here. Policies and procedures do exist for procurement and acquisition, but there was little evidence of a consolidated or embedded process that links these policies to an all encompassing capability generation plan.

In short, capability generation for the DDF is characterized by much more detailed, fixed-term and politically quite inclusive high-level document that then is further developed within the DDF. We found, however, no evidence of a specialised path dealing exclusively with capability generation as a basis for this further development.

France

Stage 1



In Stage 1 the French Ministry of Defence receives its High Level Policy Guidance from the highest political authorities in the country in the form of a White Book (*Livre blanc*) on Defence (and since 2008 also on Security) which serves as the basis for capability generation. The key players in the capability generation process are the French Arms Procurement Agency (DGA) and the Joint Staff (EMA). The important role played by the DGA, which updates and publishes the *Plan Prospectif* à 30 Ans (PP30) – a thirty year forward-looking document with a strong technological focus – on a yearly basis, is one of the important characteristics of the French capability generation process.

France

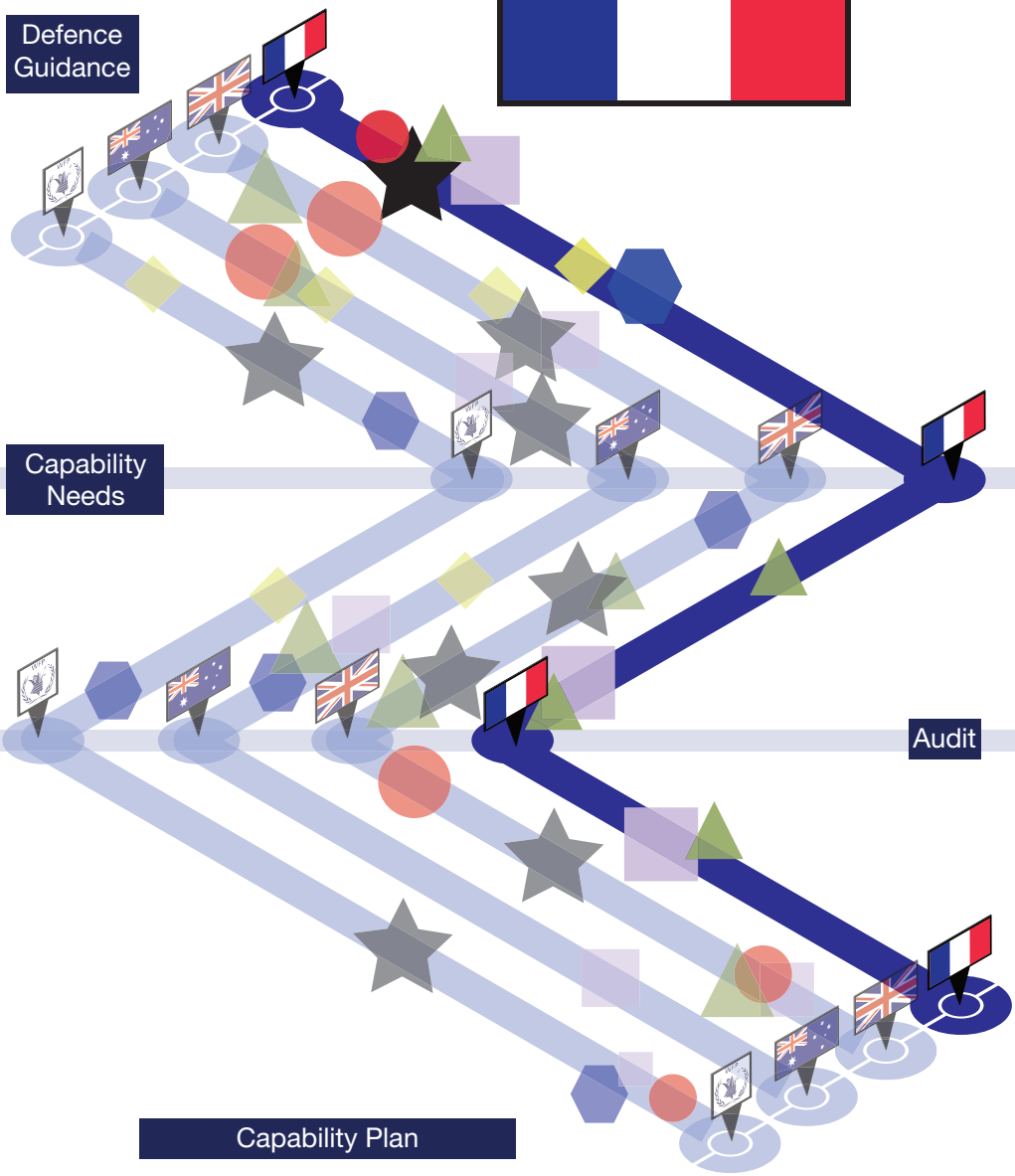


Figure 4-6

This process (as articulated in the PP30) is informed by four perspectives: *threat* and *geostrategic* perspectives – provided by the Strategic Affairs Delegation (DAS); an operational perspective – provided by the EMA; and a *technological* perspective, which the DGA itself provides. The *threat* and *geostrategic* perspectives focus on the (1) speed, (2) extent and (3) intensity of development, specifically insofar as these impact on technological developments.

The *operational* and especially *technological* perspectives seem to dominate the capability process. It also is interesting to note that EMA and DGA appear to work in two separate, hierarchical logics. It remains unclear on the basic of the publicly available documents how both are eventually brought together and the two perspectives are balanced.

The technological perspective results in systems which are then brought together by the Force Architects (ASF) as Systems of Systems (SoS), in keeping with the engineer-like approach used throughout the DGA. The technological perspective is supported by simulation and experimentation performed mainly by the Technical-Operational Laboratory (LTO), which is intended to provide coherence between the force systems and operational requirements (as its name already implies). The LTO is relatively new (founded in 2005) and seems to have started on the level of a battle lab, the expertise of which positioned it uniquely well to bring together also the higher level operational and technological analyses.

On the whole it seems that the *technological* perspective carries a great deal of weight, not only judging by the texts alone, but also by the preponderance of the DGA in the process. It is also noteworthy that industry is already in this stage explicitly involved. Industry on the whole seems clearly integrated into the capability generation process. This should not come as a surprise: relations with industry carry a lot of weight in the French defence organisation, including arms exports as an explicit element of its overall policy.

The counterparts for the ASF in the *operational* perspective are the Operational Coherence Officers (OCO). Less documentation is available on this perspective, but we know that concepts and doctrine are developed through the Joint Forces Centre for Concept Development, Doctrine and Experimentation (CICDE). While scenarios are referenced here and there in the texts, they do not appear to fulfil the gatekeeper-like function they do in the Anglo-Saxon capability generation processes. Partly, this may be due to a relative paucity of publically available documentation on the EMA side, but it is probably a good indicator of the overall role of scenarios, although information on whether scenarios are parameterised or specific is therefore lacking.

These three different analytical perspectives – threat, operational and technological – are used to build the next central element in French capability generation: the Ideas of Systems (IdS). The system ideas are brought together by the force system architects (ASF) through federative projects (PF) which are projects that unite into an organised and consistent whole the predicted capability needs and the work that needs to be undertaken in order to prepare future operations.

The Technological, Operational and Geostrategic Perspective in French Capability Generation

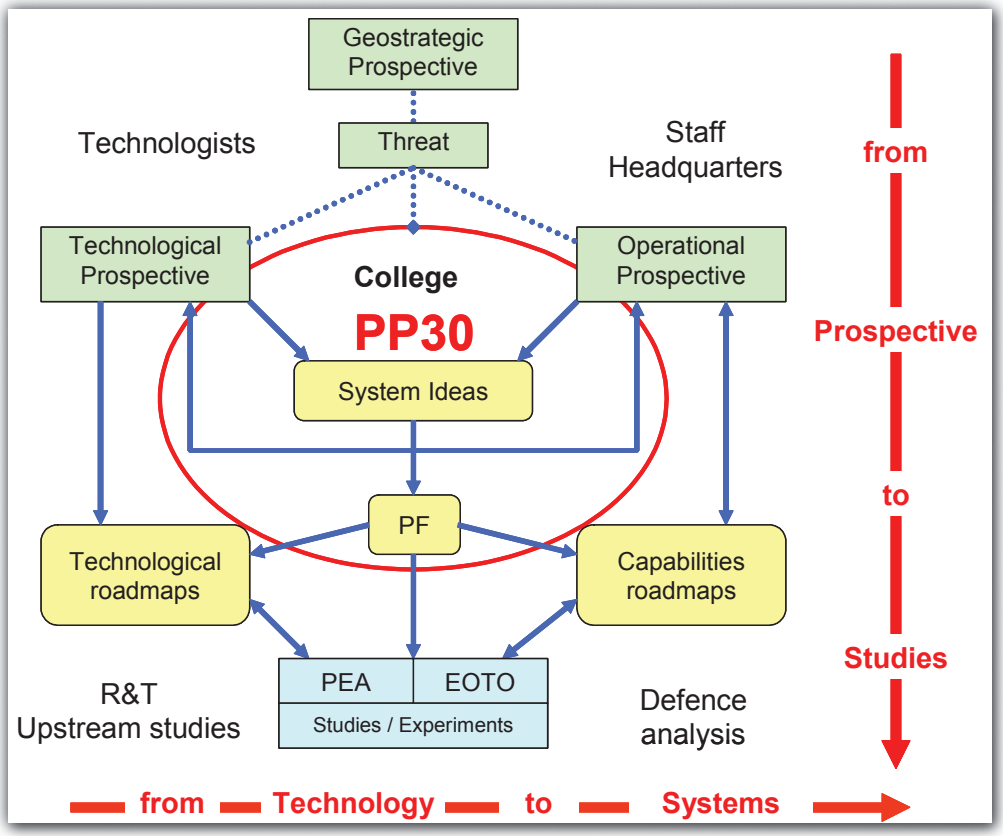
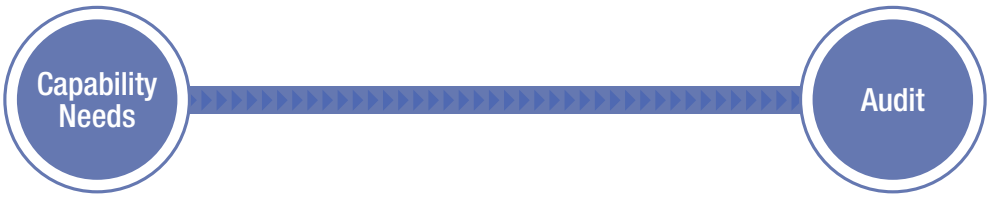


Figure 4-7[2]

Stage 2



Through further studies and experiments this process of system ideas and federating projects lead to force systems which:

> *[...]bring together coherent military capabilities, working together towards a common operational objective. Considering all the force systems together allows an overall evaluation of the ability of the armed forces to complete their missions in different contexts.*

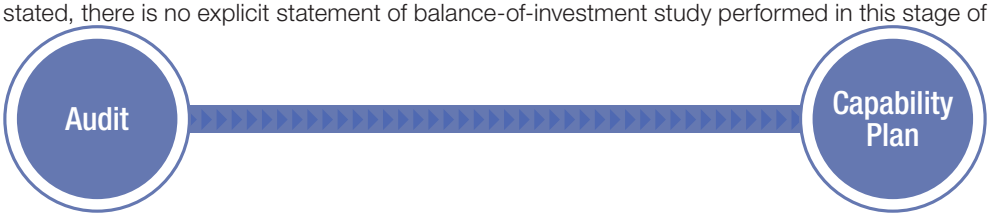
As described above, the force systems are brought together through 'systems of-systems' thinking.

The operational and technological analyses result in (1) capability roadmaps and (2) technological roadmaps.

How the outcomes from both the *technological* and the *operational* perspectives are brought together is not entirely clear, although the LTO, with its capabilities in the area of studies and experiments (perhaps including scenarios and simulations), presumably plays a role in this by contributing analyses to both the DGA and the EMA. The following steps in the French capability generation cycle are even more difficult to track. There is no explicit mention in the main documents discussing capability development of audit studies or balance-of-investment studies being performed. Some of the reflexive judgments of both types seem to be included into the broader, PP30 driven process, and in essence the overall judgements expected through these methodologies might already be performed through the federating projects, the system of systems and the experimentation and simulation analyses executed by the LTO.

Stage 3

The final stage of capability generation which results in the capability plans is also poorly documented in the open source material. Two important elements which are definitely represented in the final stage are continued industry involvement and risk management (although the later is underrepresented in comparison to the Anglo-Saxon countries under study here). As stated, there is no explicit statement of balance-of-investment study performed in this stage of



the capability generation process. We could assume that some of these functions have already been performed in the previous stages, but again, the lack of material makes final judgement inconclusive.

United Kingdom

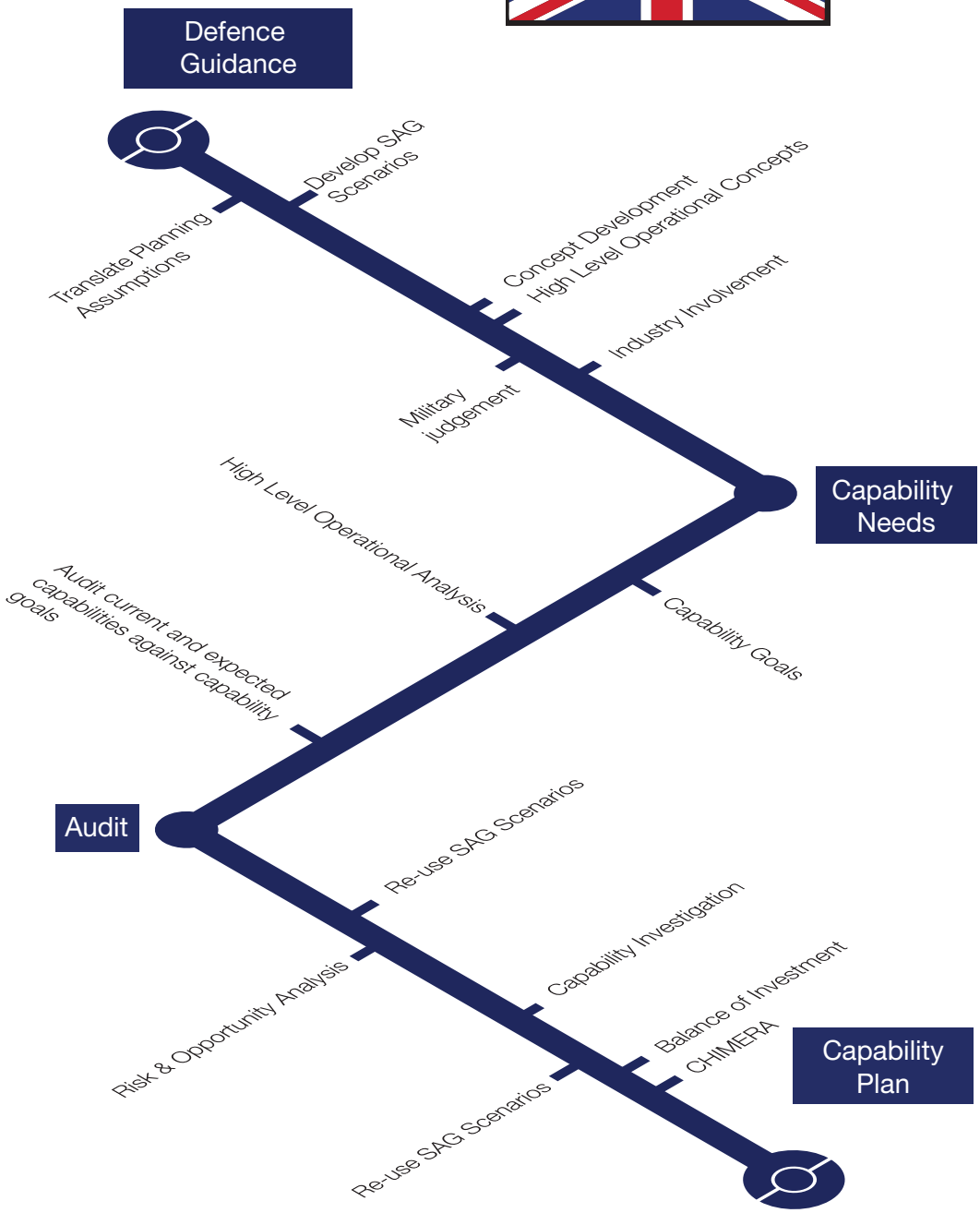
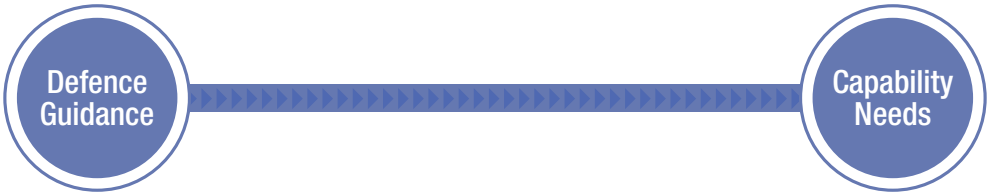


Figure 4-8

United Kingdom

Stage 1



In the first stage, the United Kingdom Ministry of Defence receives its High Level Policy Guidance from two main documents:

- The UK Government's first *National Security Strategy* (March 2008), which brings together the objectives and plans of all departments, agencies and forces involved in protecting the UK's national security, and provides the overarching policy framework for Defence; and
- From its *Defence Policy* as set out in the *Defence White Paper 2003: Delivering Security in a Changing World.*

This Policy Guidance is subsequently translated into the *Defence Planning Assumptions* (DPAs) by the MOD central staff and written out in the *Defence Strategic Guidance* (DSG). The *Defence Planning Assumptions* set out what the Armed Forces should be capable of doing in order to meet policy requirements, in the form of detailed parameters specifying ´What, Where, When, With Whom and for How Long´, i.e. the type of missions the MOD should be capable of performing, also insofar as scale and concurrency are concerned. The main goal of the first phase is then to translate the DPAs into a set of capabilities that are required in order to achieve the desired effects and campaign outcomes. This is the core activity for the Directors of Equipment Capability (DECs) within the Equipment Capability Customer (ECC) organisation, working with MOD central policy staff.

The translation from DPAs into capabilities takes place through Concept Development, High Level Operational Analysis (HLOA) and Military Judgement. Oversight and direction of concept development is provided by the Development, Concepts and Doctrine Centre (DCDC), which was established after the *1998 Strategic Defence Review*.

Within this translation, the scenarios provided by the Studies Assumption Groups (SAG) play a central role, especially since they are referenced again and again in further stages of the process. The HLOA studies, commissioned on behalf of the Joint Capabilities Board (JCB) and by DCDC Force Development on behalf of the Policy Director, develop simulated campaigns for a wide range of SAG scenarios (forty plus). These provide a set of operational contexts that are intended to be representative of the full set of operations laid out in the planning assumptions. Campaigns are developed for different epochs and take account of the contributions of coalition

United Kingdom

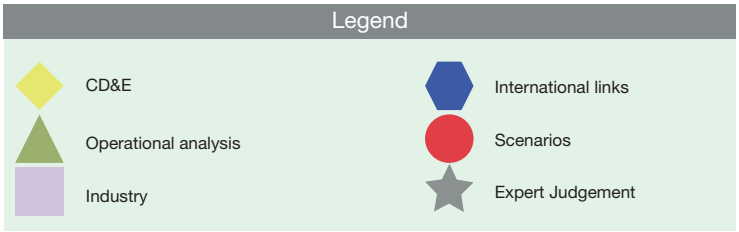


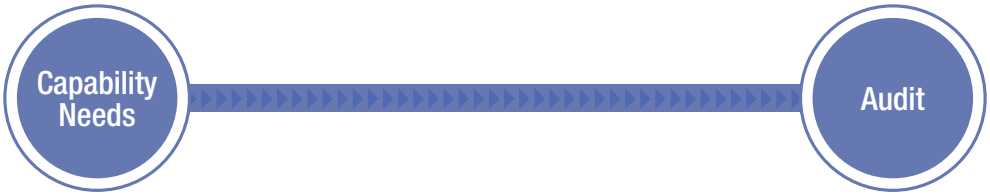
Figure 4-9

partners, so as to provide a context from which desired capability goals can be derived. An illustration given of such a capability goal in the *Capability Management Handbook for Strategic Reach*: the timely movement of Force Elements & Enablers at Readiness to locations, of which the relevant metrics would therefore be time, volume and/or payload and range. For example: the Movement of 6000 linear metres (lims) over 3000 nautical miles (nm) within fourteen days.

The capability descriptions – as laid out in the *ECC Capability Taxonomy* – are expressed purely in capability terms and are not in terms of platforms, systems or operation types. The emphasis is on effects to be accomplished and not merely on the means (or even less on the purely material means) with which to accomplish them. The capability generation process also takes account of shifting capability goals – both due to changing policy guidance as well as new or changing threats – and examines the capability and operational perspectives in various epochs.

Capability goals are thus set in a three-part process: 1) definition of the goal itself (the effect to be achieved), 2) definition of a measure of effectiveness (MoE – a measure of how good a capability has to be), and 3) a benchmark (the minimum level of each capability needed to achieve the scenario objectives).

Stage 2



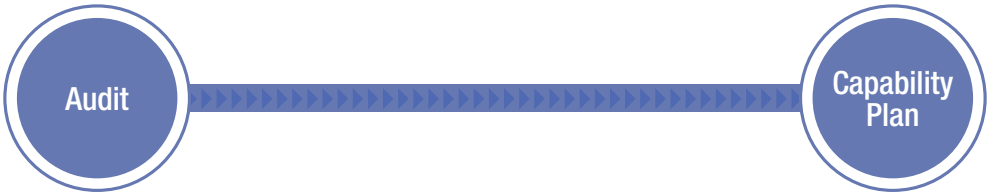
Proceeding from the assessment of needed capabilities and their associated goals in the previous stage, a baseline audit is performed. The capability audit evaluates the capability delivered by current and planned systems, manpower and infrastructure (i.e. force elements and enablers) in different epochs against the capability goal established in Stage 1, in order to identify and quantify capability shortfalls and surpluses. The audit tests both the quality of the capabilities and the ability to support the various sets of concurrent operations defined in the DPAs. It therefore reuses the scenarios provided through SAG.

This audit is performed across Defence Lines of Development (DLOD) plans as well as against capability, R&T, industry, programme and commercial data to develop a baseline assessment of capability for both the present and the future. The audit makes explicit use of the metrics established during the formulation of the capability goals, and especially the measures of effectiveness. An illustration of a baseline description from the Director Equipment Capability (DEC) for 'reach' is: able to transport 5500 lims over distance of 3000 nm within twenty days, reducing from 5500 to 5000 lims in second epoch, but increasing to 6000 lims over distance

of 3000 nm within 14 days in the third and fourth epoch. The emphasis on quantitative over qualitative is a conscious choice, and further explicated in the *Capability Audit Handbook*.

Stage 3

After having established the parameters of current and future capabilities through the



establishment of capability goals as well as an audit against current and planned capabilities, the succeeding stage seeks to quantify the tolerable operational risk and then prioritise the need for addressing each shortfall, making use of the surpluses identified in the audit. Since capability can be delivered through various mixes of platforms, force elements and force enablers, in this stage the optimal balance of force groupings is identified, including possibilities enabled by emergent technologies and industrial capacity.

At the beginning of this stage the various capability audit reports are assessed and synthesised for consideration by the JCB. The JCB then decides on possible more extensive, follow-up capability investigations, as well as balance-of-investment studies to aid in weighing the options for the ECC in total.

For each investigation, the previously identified shortfalls, surpluses and opportunities are taken as a whole, to examine which capability options could meet the requirements in a range of operational concepts. The investigations make use of the scenarios again, as well as the demands laid out in the DPAs, by identifying a representative range of vignettes, which include the appropriate contextual information and required effects. Through a series of workshops involving equipment capability staff, technologists, concepts and doctrine staff, representatives from the end user (i.e. the Armed Forces) as well as representatives from industry, the concepts which are the result of this process are then assessed and filtered for feasibility and affordability.

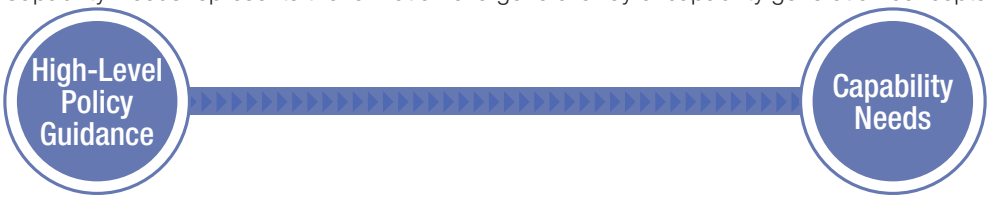
Finally, the balance-of-investment (BoI) studies identify the operational impact of expected risks, as well as formulate the most robust approaches to deal with them. For the balance-of-investment studies, the SAG scenarios are again consulted and a specialised suite of models – among which CHIMERA – is used (see for further reading section at the end of the chapter).

The concluding phase of stage three brings together the various options and establishes the strategies and programme plans that support and inform the *Capability Management Plan* (CMP) and the *Defence Plan*, which sets out Defence's key performance priorities for the next four years.

World Food Programme

Stage 1

For the World Food Programme, the High Level Policy Guidance consists of the mandates and constraints the WFP must face in pursuit of its Strategic Objectives, most notably the truncated financial planning span born of a budget that is heavily donation dependant. The block labelled Capability Needs represents the formation of a general array of capability generation concepts



in response to the High Level Policy Guidance. However, as an organisation with 90% of its personnel deployed in the field (!), the term capability generation is usually understood in the context of developing the capacity of other regions to prevent food crisis, and is not necessarily taken as a process to enhance the WFP's overall effectiveness. Confusion arises as the former is not possible without the later. As such, the WFP is still a referent defence organisations can learn from.

The Executive Board has formulated five Strategic Objectives they feel contribute to the United Nations Millennium Development Goals. Running parallel to the Strategic Objectives are seven Management Priorities the WFP uses to steer its administrative efforts towards them. Overall, the stage is characterised by the interplay between the formulation of Strategic Objectives, 'Executive Judgement', and 'International Interoperability' with other humanitarian aid organisations. At this level, the WFP's methodology for formulating Strategic Objectives is opaque. While an attempt is made to formulate the Objectives in line with the Results Based Management S.M.A.R.T. methodology, (Specific, Measurable, Achievable, Relevant, and Time bound) in reality, it is not a perfect fit. In fact, a review comparing the Objectives to the individual S.M.A.R.T. elements found shortcomings in nearly every aspect of tailoring the Objectives to the S.M.A.R.T. methodology. Of all the concepts chosen for exploration in the study, only 'Executive Judgement' and 'International Interoperability' come to the fore at this stage. Like 'Military Judgement', 'Executive Judgement' is an impenetrable dimension representing the combined judgements and experience of the WFP senior officials. It is a concept at the heart of formulating Strategic Objectives, but little evidence is provided as to how exactly this is done. What is clear is that the WFP articulates a pressing need for interagency synchronisation from its highest level policy documents; hence the concept of International Interoperability is plotted on the first axis.

World Food Programme

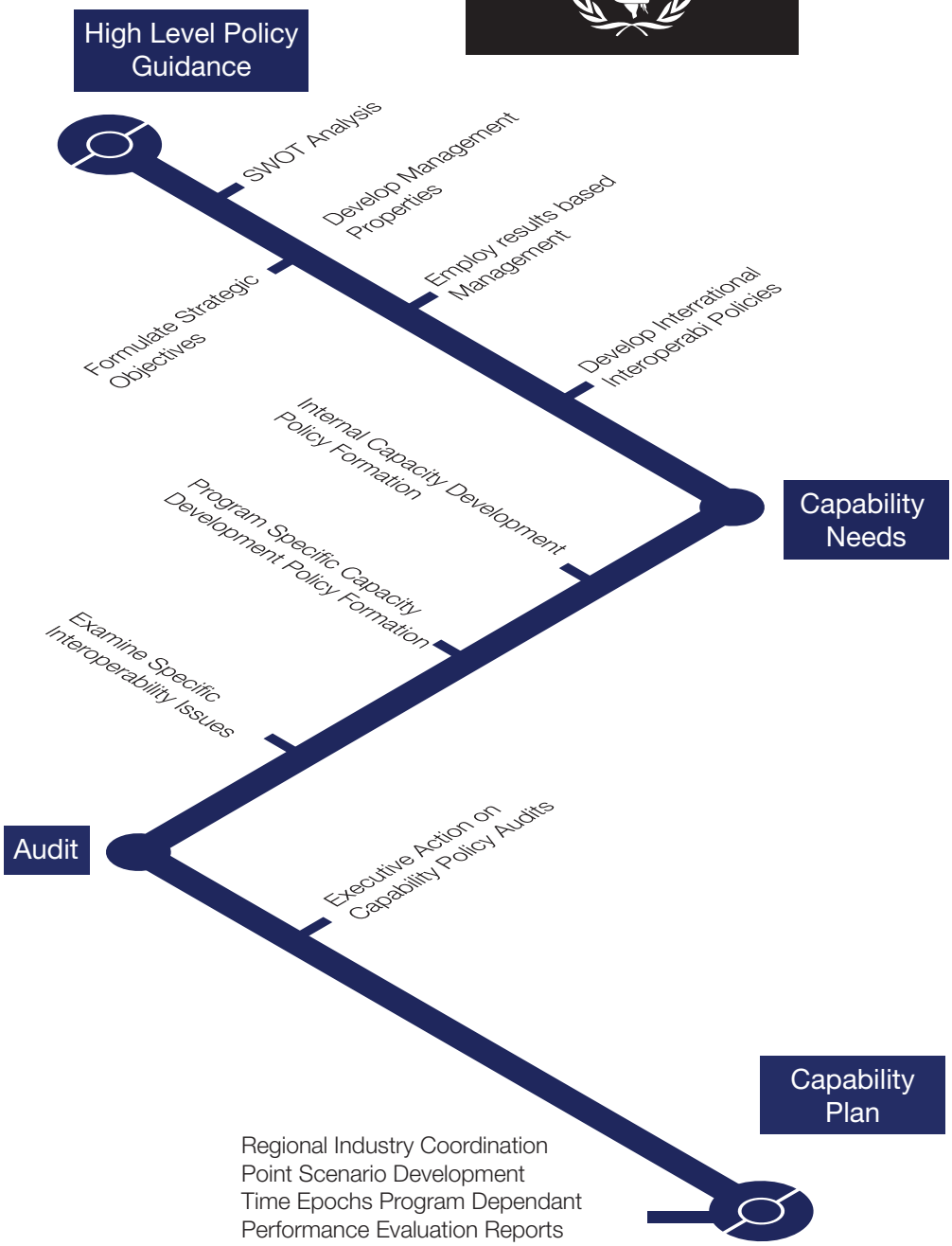
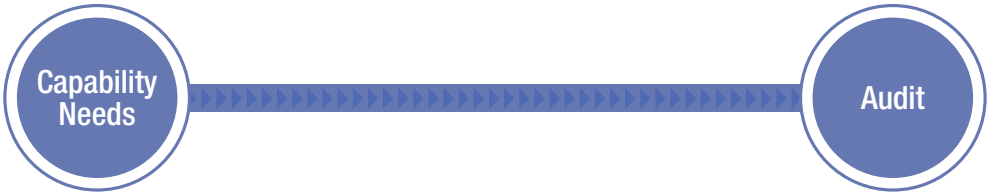


Figure 4-10

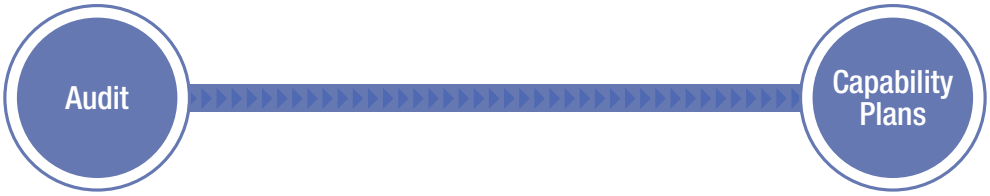
Stage 2



Having defined its Strategic Objectives the next step consists of selecting a broad set of capability concepts and refining them via a Capability Audit. In this respect the WFP is similar to the military referents but differences quickly emerge. Capability concepts in the WFP fall into two categories, those that enable capability generation within the organisation itself, and those that enable the capabilities of host nations to combat malnourishment. This duality of intent manifests itself in a Z-Chart that appears relatively concept-rich at the pole ends, but sparse along the middle axis. Because capability policies and methodology are articulated at the Executive Board level, and taken directly to the field where the majority of the effort is directed, a one-size-fits-all procedure is not published. External capability generation is also contingent upon whether or not the aid is for short term disaster relief or part of a prolonged sustainable development project.

Capability audits of policies related to the WFP's internal functioning are conducted by the Office of Evaluation and by hired consultants. The audits enable the WFP to refine whether or not the capability concepts under consideration (for example reducing female vulnerability to malnourishment) should be undertaken through internal restructuring or by empowering WFP field officers with a set of tools to see it through. The internal policy audit process is largely tailored to the individual topic at hand and structured in accordance with the needs of the Office of Evaluation. In other words, while there is certainly a bureaucratic communication chain and rules of procedure, the internal capability audit process does not mirror the complex architecture of the Australian Defence Organisation or the United Kingdom defence planners, where the capability audit is examined according to a rigid, predetermined set of issues that are then divided into time epochs.

Stage 3



Having conducted its capability audits, the WFP is set to initiate its chosen capability generation plans. These plans may entail a full restructuring of capability development objectives internally,

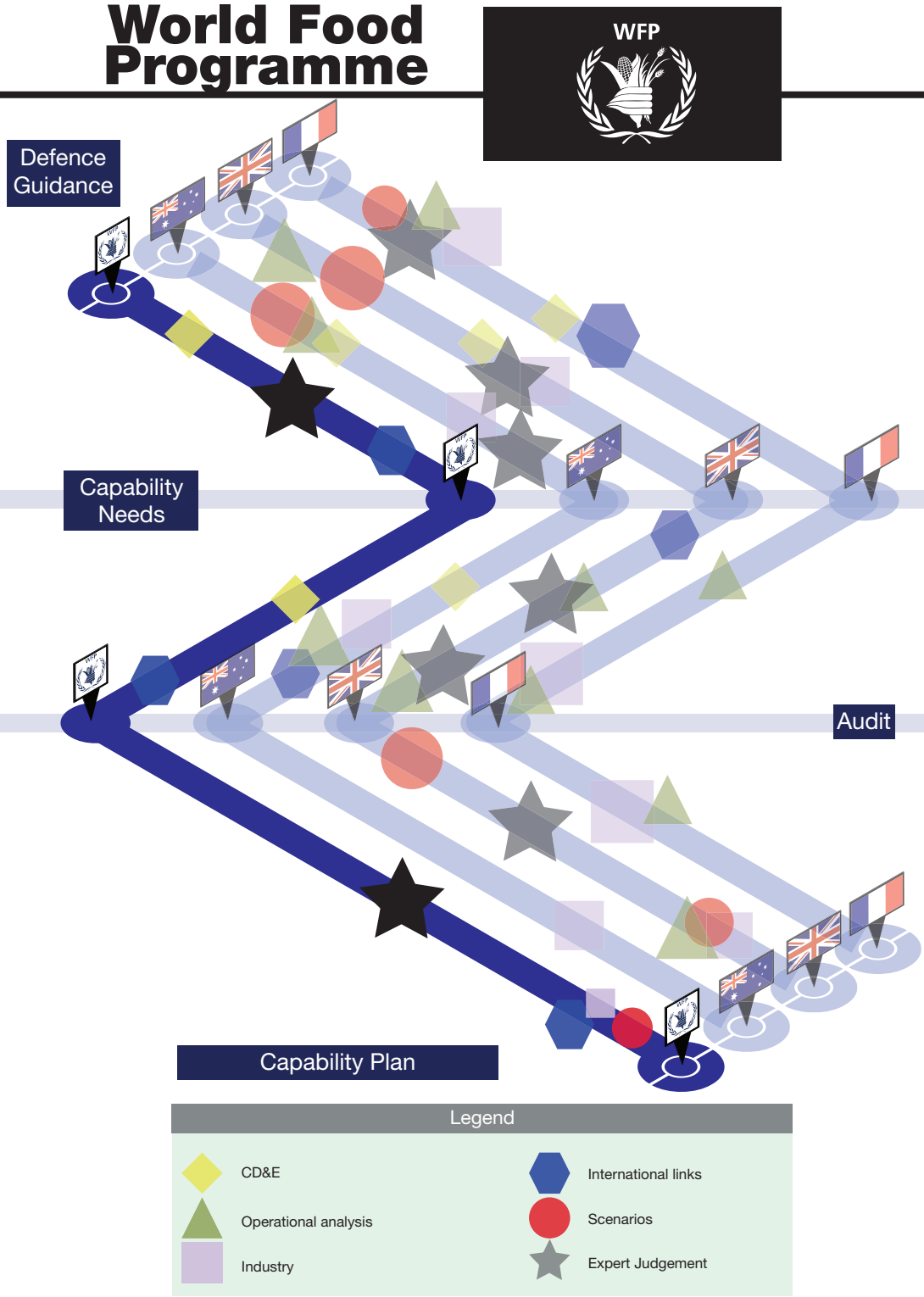

World Food Programme
WFP
Defence Guidance
Capability Needs
Audit
Capability Plan
Legend
CD&E
Operational analysis
Industry
International links
Scenarios
Expert Judgement

Figure 4-11

or they may be limited to the operational level. As a fairly decentralized organisation, most of the emphasis is placed on formulating capability development plans for host nations, and not for the organisation itself. In this respect, the WFP Z-Chart is bottom heavy. Executive Judgment is also prevalent at this stage, as the results from the capability policy audits must be internalised by senior management. Depending upon management's reaction to the audits, capability development plans are cleared to move forward. What is striking is that the most robust interactions between the concepts explored in this study occur in the field at the very end of capability generation path. For example, 'Industry Involvement' makes its first substantial impact later in the game because the WFP does not stockpile huge reserves of food indefinitely (or any other equivalent of the material acquisition projects of the defence organisations). Preference is given to buying food regionally, so that a flood of free produce does not devalue local crops and begin a downward spiral of dependency. Unlike military organisations, the WFP limits its use of scenarios to examining market fluctuations and what impact they may have on certain demographic groups. While economic scenario development may entail some scientific experimentation, the concept is not employed as a critical input so far. Economic scenario analysis empowers a tighter relationship with regional industries and other aid agencies within a given territory.

What Are 'Capabilities': Defined per Referent

Definitions

Australia: Capability is the power to achieve a desired operational effect in a nominated environment, within a specified time, and to sustain that effect for a designated period. Capability is generated by Fundamental Inputs to Capability comprising organisation, personnel, collective training, major systems, supplies, facilities, support, command and management.[3]

France: A force system brings together coherent military capabilities, working together towards a common operational objective. Considering all the force systems together allows an overall evaluation of the ability of the armed forces to complete their missions in different contexts.[4]

United Kingdom: Capability is defined as the enduring ability to generate a desired operational outcome or effect, and is relative to the threat, physical environment and the contributions of coalition partners.[5]

Deconstructing various definitions of capability shows that the UK and Australia are very similar: a focus on environment, and on sustaining or enduring effect. Specifically, the emphasis on outcome/effect is interesting because it seems to show the influence of Effects-Based Planning.

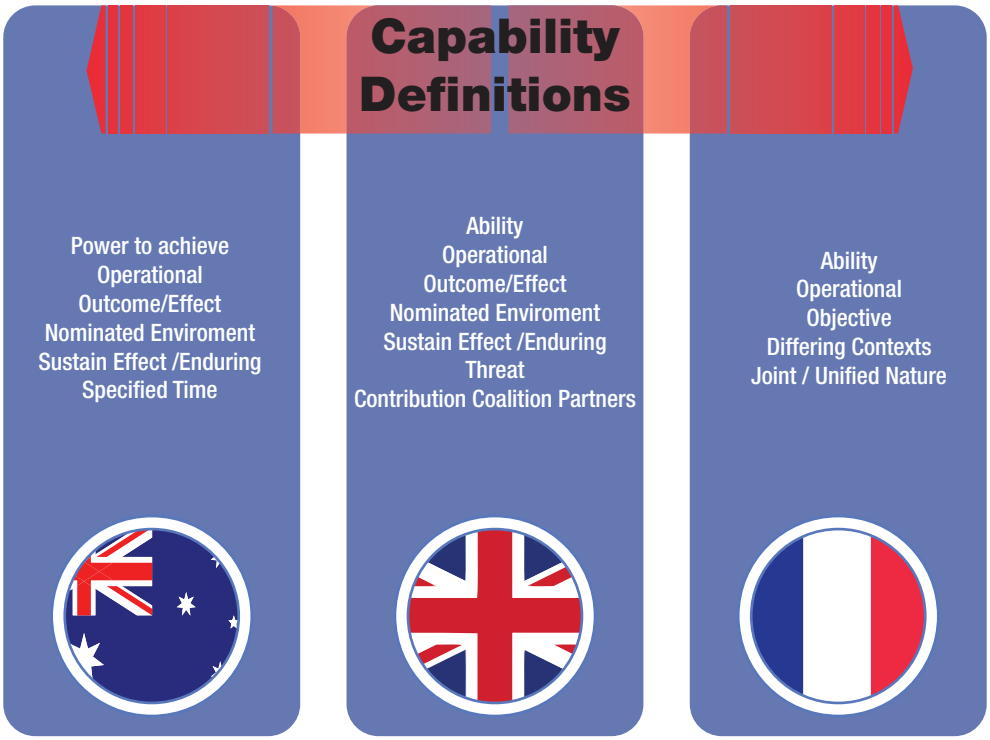


Figure 4-12

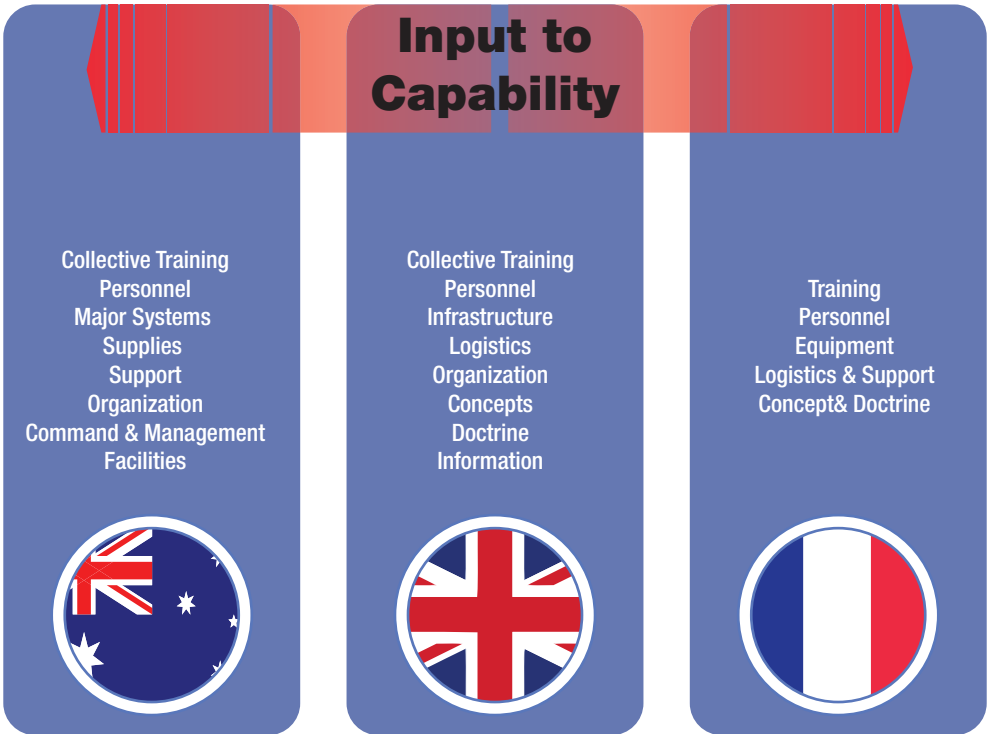


Figure 4-13

It is worth noting that capability definitions are ever changing as the perfect simple definition eludes national staffing processes. All of these definitions share the common concept of 'bringing things together to get things done'. The key idea is that you start with what needs to be done and work back to an affordable force that can do it. This is fundamentally different to starting with what you have and working out how to improve it (or keep as much of it as possible if facing cuts).

A capability is thus the ability to do something (the US Joint Staffs have a rule that the definition of all capabilities must start with *'the ability to...'*). While a capability may be delivered by a single system or force element type it is never the case that a capability has the same name as a piece of equipment. There is no such thing as a 'fighter capability'. There may be a capability defined as *'the ability to control airspace'* which might be delivered by fighter units comprising aircraft, bases, training systems etc.

Partition Schemes

Apart from the breakdown of definitions, we also compared the partition schemes of the capabilities of the referents – the way in which they subdivide the broader concept of capability into smaller elements. As mentioned, the environments/services have now essentially

disappeared from the partition schemes (e.g. manoeuvre is no longer broken down in air/land/sea manoeuvre). It is clear that countries are still struggling to find the optimal partition containing as few useful elements as possible without losing the essential characteristics of the military value chain.

Overall there is a tendency to streamline capabilities as efficiently as possible and continue to pare them down, as specifically the French case shows. While all nations share a common core of capabilities applicable to conventional military war fighting operations there is less consistency in the coverage on non-core areas. For example the top level UK structure specifically covers counterterrorism and the French structure Deterrence. There is also recognition in some countries of the need to establish a partition scheme based not simply on logic but also to provide a tier of coherent capability portfolios that provide an intermediate level of management between single capabilities and the whole-of-force level.

Inputs to capabilities

A quick glance shows us that each country shares several basic elements: training, personnel, material/systems/equipment, and support and logistics. Again, Australia and the UK have a great deal in common with only slight differences (for example ´information´ as an UK input).

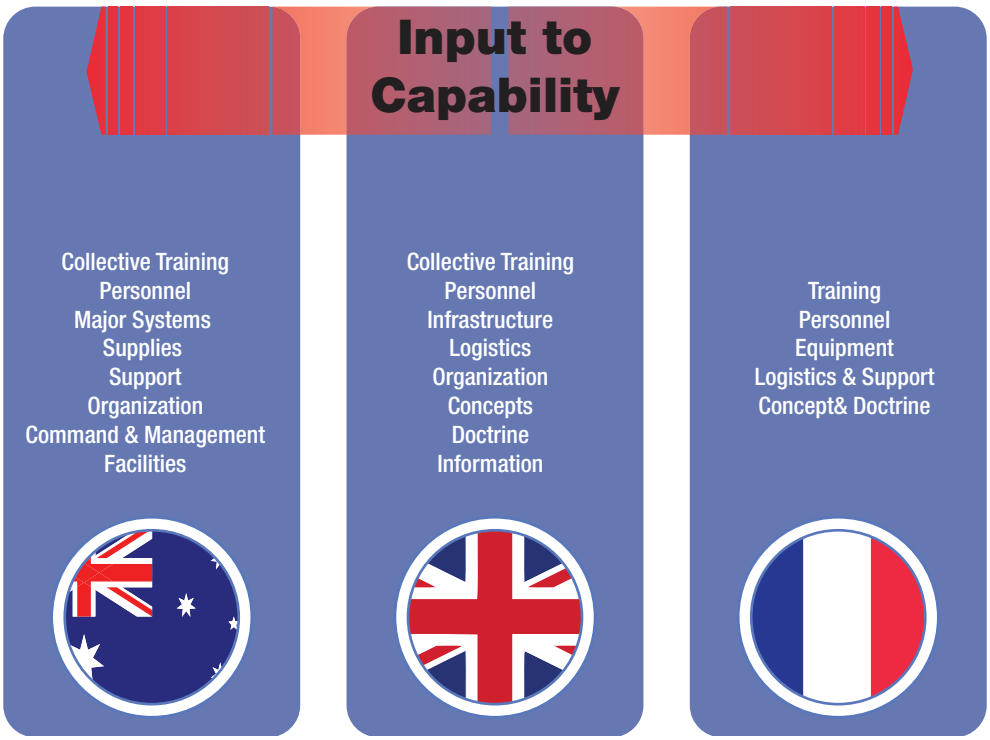


Figure 4-14

The key role of these constructs is to serve as reminders of the set of inputs that need to be integrated into capabilities. As was mentioned under the definition of capability, a fighter aircraft does not provide an airspace control capability. Combining aircraft and weapons (Equipment) with pilots and ground crew (Personnel) trained (Training) to operate to approved procedures and tactics (Concepts & Doctrine) and with an appropriate support system (Logistics and Support) provides a capability to control airspace. The more mature implementations of capability based planning explicitly acknowledge this integration role (as in the UK Through Life Capability Management Initiative) while less mature ones can still confuse equipment with capability.

With maturity comes recognition that capability partition schemes are not dependent upon current service structures or major platforms. Capabilities are effectively 'immortal' as the solutions continue to evolve along all of the inputs. Capability partitions and inputs are arbitrary yet intended to be enduring while capability solutions and goals are concrete and transient.

Conceptualising Capability

How each nation defines capability has significant ramifications for their planning process, internal bureaucratic organisation, modelling, and the conceptual framework for translating political ambitions into concrete response options. In this vein, we have attempted to deconstruct the various terminologies of capability in an effort to arrive at a deeper understanding of how each nation operationalises such an abstract term.

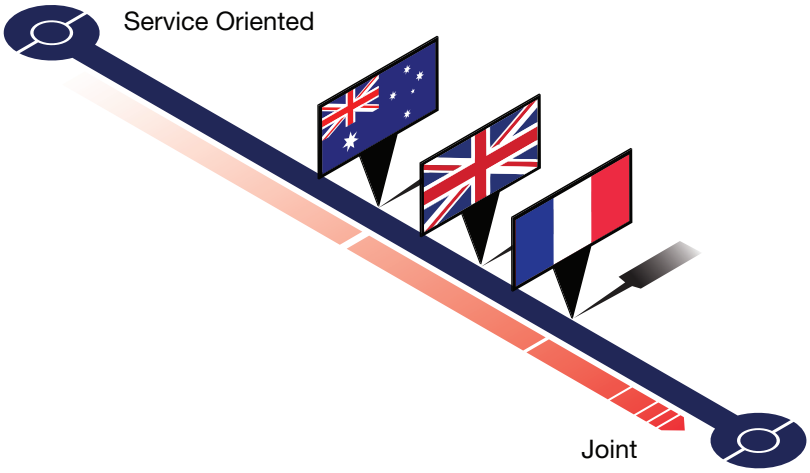
The capabilities per country are broken down along two major lines: (1) breakdown of definitions along lines of materially-, operationally- or strategically-oriented, and (2) the degree to which the taxonomy of capability is service-oriented or joint-orientated.

Service vs. Joint

The service vs. joint slidebar is our interpretation of whether capability generation is oriented toward the individual service branches, or if there is an emphasis on conceptualising capabilities as an inter-service effort that transcends the individual service branches.

The shift towards capability represents the intention to moving beyond the strict service orientation based on environments inherent in the Cold War era, which led to a number of dysfunctional consequences (like duplication, 'holes', lack of interoperability, etc.) Since then there has been a trend to break up the old service branch stovepipes and replace them with a more functional logic. Of the three referents for which we had the most thorough descriptions, the French capability taxonomy is most clearly distanced from the service orientation. All services have been integrated into the Engagement and Combat Force System (EC) after 2008 which carries within itself the Deep strike (PROF), Air-land (TER), Air-sea (MAR) and Air-space

Service-Oriented vs. Joint



Breakdown of Definitions

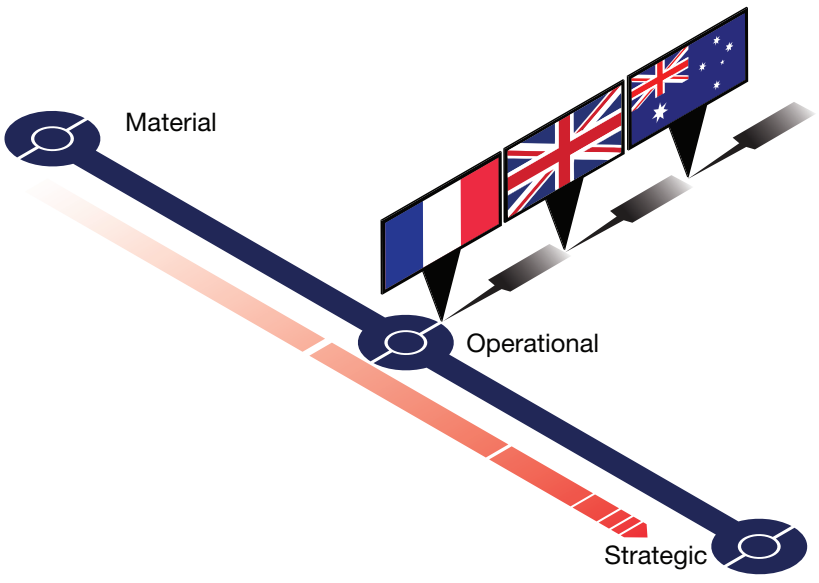


Figure 4-15

(AIR) pre-2008 capabilities. The UK capability taxonomy seems to be more clearly derived from a service orientation: for example Control & Denial of Above Water Battlespace, Control & Denial of Under Water Battlespace, Control & Denial of Theatre Airspace and Control & Denial of Land Close Battlespace. Australia's tends to partition its discourse about capability along service branch lines. The *Capability Development Manual* states that of the seven Capability Managers - who are charged to raise, train, and sustain in-service capabilities through the coordination of the Fundamental Inputs to Capability (FIC) - three are the Service Chiefs and the Chief of Joint Operations. The other three are the Chiefs of Information, Intelligence and Corporate Services. As such, a significant portion of the concept of capability management is still funnelled through the pre-existing service breach partitions.

Denmark is not represented because no doctrinal definition of capability could be found.

Breakdown of definitions

This slidebar is intended to gauge whether definitions of capability are more operational or material in nature, or whether they encompass a strategic dimension.

The shift towards a more strategic definition represents the intention to move towards a conceptual framework where the emphasis on inventories of military means – equipment, personnel, doctrine, etc – has shifted more to the ends these means should accomplish. At the same time, however, we have to point out that all of these definitions remain primarily within the military realm and have not truly embraced a more comprehensive whole-of-government capabilities approach.

Capability Task Lists

Having defined the term 'capability', each nation must go about determining which tasks defence forces must be able to accomplish in order to achieve a desired level of capability. A task list is defined as each nation's highest level publication of a uniformed set of tasks Defence should be able to perform. There are a variety of conceptual frameworks and categorisation schemes Defence can embrace, and each one has implications for their respective capability generation methodologies.

Activity vs. outcome

The Activity vs. Outcome slidebar is our interpretation as to what degree each task is orientated towards conducting an activity (a ´task´ in the most conservative understanding of the term) or whether the task list is orientated to the achievement of certain outcomes (the aggregate end product from the accomplishment of many specific tasks).

The distinctions between the four referents are clearer here. Australia's task list appears to us to be the one that comes closest to the 'outcome' end of the slidebar. The reasoning for this assessment lies not in the literal reading of the 'laundry list' of the Australian Joint Essential Task List (ASJETL), but on the logic underpinning the construction of the ASJETL to achieve positive outcomes in six functional areas: Direction, Intelligence, Shape, Conduct, Protect, and Sustain and Administer. Partitioning Joint Essential Tasks into these functional area outcomes is intended to provide vertical linkages to all ASJETs at the tactical, operational and strategic levels. The United Kingdom has a much more diverse list of tasks, a sampling of which shows the more strategic mixed with the fairly specific operational tasks: (among others) Military Aid to the Civil, Power in Northern Ireland, Defence and Security of the Sovereign Base Areas of Cyprus, Peace Enforcement, Power Projection, Evacuation of British Citizens Overseas, Public Duties and VIP transport and Integrity of UK Airspace.

An advantage of an activity-oriented task list is the clarity of roles and responsibilities. Denmark's use of the cascading tasking hierarchy and the Defence Management Cockpit software give some indication that significant effort is directed at task delegation and activity management, thus clarifying roles and responsibilities throughout the DDF. Conversely, the advantage of a more outcome-oriented task list is the clearer insight into the contribution of a task to the total strategy, which facilitates the prioritisation of activities.

The Effect of Effects-Based Planning

Effects-based planning has emerged as a cornerstone of military planning in the first decade of the twenty-first century. This slidebar represents our interpretation of the extent to which the tenets of effects based planning have been embedded in the capability generation process of each referent.

In addition to examining all available documents related to capability generation, a text analysis examining the frequency of words related to effects based planning was conducted to gauge the extent of the impact the concept of Effects-Based Planning has had on the capability generation process of each referent, along with an assessment of how central the concept was based on the placing within the hierarchy of the text. The influence of the concept of 'effects' is prominent within the UK and Australian *White Paper* and capability documents. However, certainly in the UK, the centrality of effects has declined between the 2003 and the 2007 and 2008 documents. In Australia this shift is less prevalent and not applicable to the longer-term capability planning documents, where effects are still deeply ingrained into the capability planning logic. In Denmark it seems more peripheral to capability planning.

The clearest outlier here is the WFP, which uses an entirely Results-Based model for all its planning, as mandated to all UNDP organisations. However this should be seen in light of the

divergent nature of the WFP relative to defence organisations. As explained above, the WFP is hindered in its ability to conduct long range planning and resource acquisition due to budget parameters that are heavily influenced by annual donations. Its model is geared towards short term adaptation as unforeseen crisis emerge. Within that context, it is noteworthy that the WFP's focus extends beyond delivering food: its explicit strategic priority is to improve the resilience of countries and regions to food insecurity through a myriad of activity including education, vulnerability analysis and sustainable development projects.

Components of the Capability Generation Process

Capability audit, risk management and balance-of-investment are all methodological tools within the capability generation process that aim to assist in defining capability shortfalls or surpluses, determining how the risk of failure in one element of can affect another, and making final decisions on the overall worth of capabilities including a cost-benefit perspective. The level of institutionalisation of these three facets is therefore a good indicator of how transparent the prioritisation of certain capabilities over others is within the capability generation process.

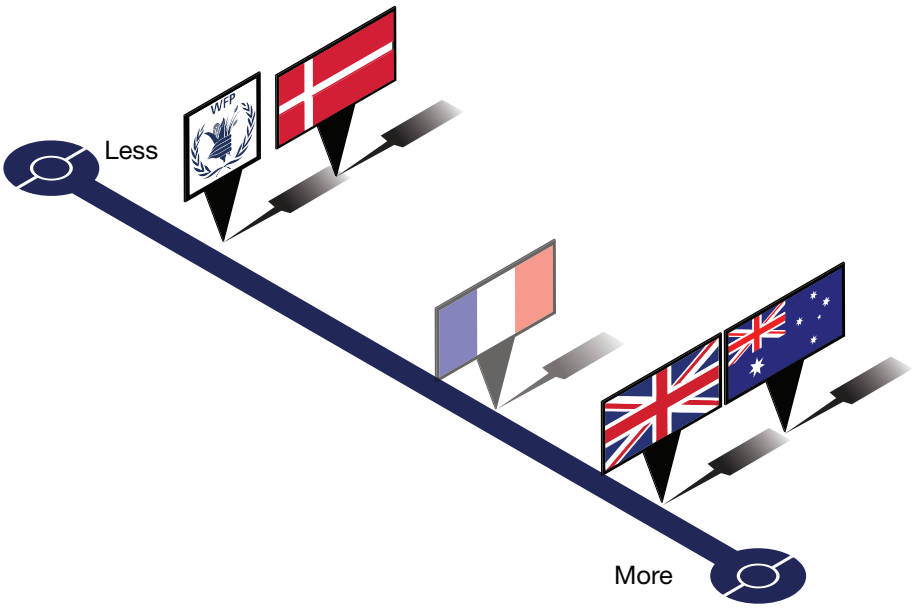
Institutionalisation of the Capability Gap Audit

By capability gap audit we mean the degree to which defence organisations incorporate a specific methodology to identify capability shortfalls or surpluses. The audit process generally takes place after capability goals have been established through analysis and concept development. The audit takes stock of the current and planned capability and sets these against the goals, thus identifying areas to divest or invest in.

Both the UK and Australia have explicitly made capability gap audits an institutionalised element of capability generation. In Australia, for example, the capability gap analysis comes in two guises. The first is a whole-of-force capability balance-of-investment using tools such as CODAS, and occurs at the earliest stages. (See Z-Charts above). The second gap analysis is the *Defence Capability Update* which focuses on the force-in-being and refines specific deficiencies in relation to the investment of one capability platform over another. While elements of the auditing function are present in the French process, there is no explicit mention of an audit methodology. The similarities between the British and Australian system are emphasised by their shared Capability Based Planning approach.

Although the World Food Programme conducts regular evaluations concerning the totality of its performance in achieving its stated Strategic Objectives, a regular evaluation process devoted to Strategic Objective Five (capacity development) is still being refined. The WFP does have a stand alone Office of Evaluation and contracts with outside consultants on an ad hoc basis, but as noted in the OE's *Evaluation of WFP's Capacity Development Policy,* "shortfalls remain

Institutionalisation of Capability Gap Audit



Institutionalisation of Risk Management

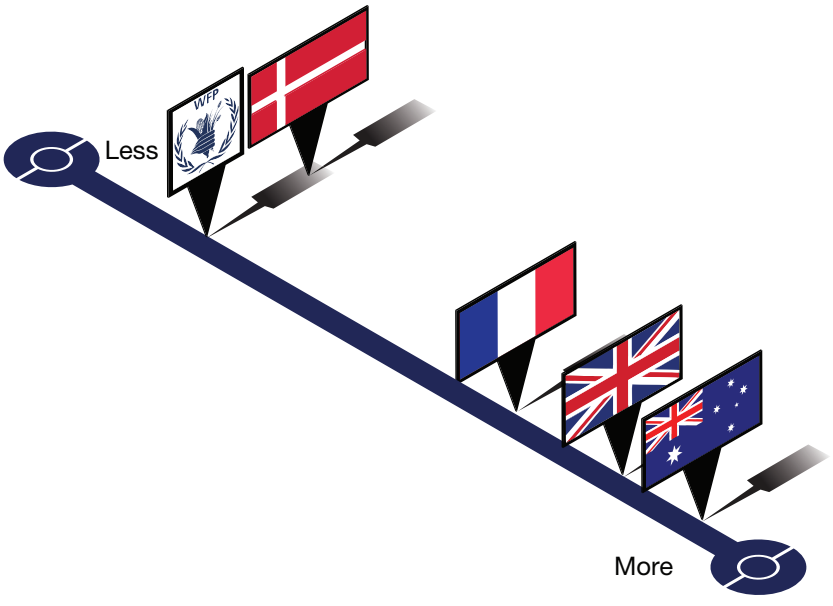


Figure 4-16

in accurately assessing capacity development i.e. a capability gap audit. Chief among these difficulties is the lack of robust metrics. The difficulty was manifest in the WFP 2007 Annual Performance Report which sought to assess Capacity Development along with the other Strategic Objectives:

> *Outcome measurement for Strategic Objective 5 remains problematic. Corporate indicators have not been identified, with some country offices reporting on specific programme indicators and others describing activities related to the Strategic Objective. The most frequently used output indicators were number of training sessions/workshops held, number of counterpart staff trained and number of studies conducted.* [6]

Institutionalisation of Risk Management

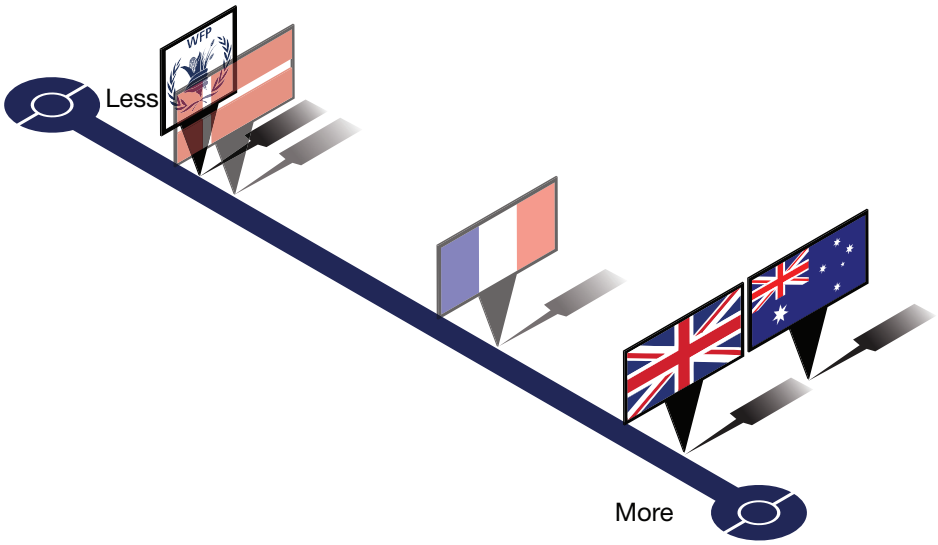
Risk is defined as the impact of failure on one element of capability generation in impeding the achievement of another. Risk comes in a myriad of forms: financial, physical and strategic. The emphasis among these referents seems to be mainly on the first two. To date, the strategic risk dimension seems to be lacking in all referents. Currently, risk management takes place after the capability audit has established the shortfalls and surpluses between current and expected capabilities and the capability goals. During the risk management stage different options are weighed against each other, and an evaluation of the possibility of one impacting the other is made. The result is a prioritisation of the various capability options. The risk management slidebar is our interpretation as to what degree a formal risk management methodology is embedded in each nation's capability generation process.

Risk management in the ADF appears to be exceptionally institutionalised and refined in its capability generation process. In conjunction with capability generation, risk management has its own department, a standardised methodology for conducting risk analysis, and a comprehensive management framework that is distributed throughout the organisation. Risk management is also incorporated into each evaluation per performance target in the *Defence Annual Report*.

Institutionalisation of Balance-of-Investment Studies

By this parameter we mean to ascertain to what degree Defence incorporates a methodology for conducting a cost-benefit analysis for the development of one capability over another, balancing both a capability's 'worth' in functional terms of the capability as well as financial terms . This is an important trend, as it allows defence organisations to move away from what could be called 'marginal planning' towards more systemic planning. In 'marginal planning', there is solely a replacement of capabilities that have come to the end of their life-cycle, and

Institutionalisation of Balance-of-Investment Studies



Number of Scenarios Used

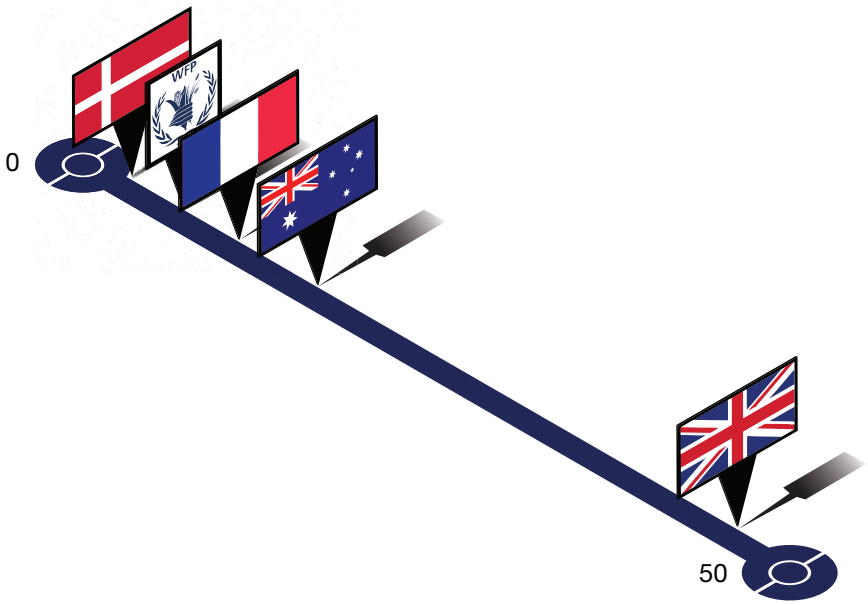


Figure 4-17

defence planning is essentially confined to such exercises 'on the margin'. The trend towards more insight into the basic balance-of-investment considerations should enable policymakers to move towards more systemic planning methods.

In an idealised sequential approach, the balance-of-investment studies take place after the prioritisation inherent to the risk management system. In practice, balance-of-investment studies are often done simultaneously with risk management.

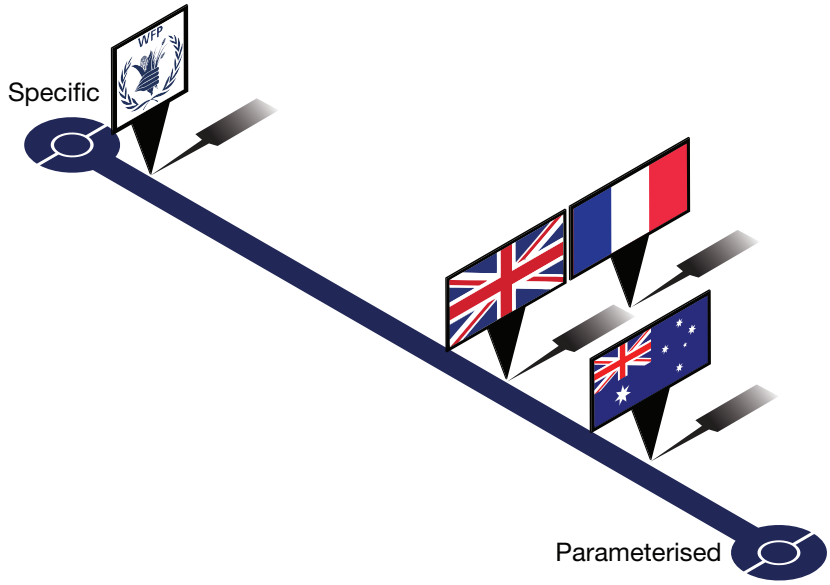
The differences between the referents here are quite pronounced. The UK and Australia have both explicitly formalised a balance-of-investment analysis into their planning processes, which shows how thoroughly the logic of capability based planning is engrained in these two countries. In Australia, this whole of force analysis is conducted by the Defence Planning Group and is an important factor for the Capability Development Group's *Defence Capability Update* which examines specific capability platforms. The data on France is somewhat inconclusive, since the more concrete elements of their capability planning are not as accessible as the earlier phase where needs are determined. It appears that balance-of-investment analysis is subsumed into the PP30 studies, but it is not explicitly stated as such. Data is also inconclusive on Denmark and the question is less relevant for the WFP which does little capability planning of its own.

Special mention needs to be made of the usage of the specialised tools in the UK and Australia for performing balance-of-investment studies. The UK appears to have developed a suite of tools for Strategic Balance of Investment analysis, of which we have some information on one particular tool – the Combined Highly Integrated Method for Effectively Rebalancing Assets (CHIMERA). Australia uses a tool known as the Capability Options Development and Analysis System (CODAS). Of further note is the explicit usage in the UK of the SAG scenarios for performing balance-of-investment studies, making the SAG scenarios a recurring element in all stages of British capability generation.

The use of Scenarios in Capability Generation

Scenarios are used to help referents operationalise the strategic environment within which they may have to operate in the future. Consequently, scenarios provide the context for capabilities based planning and are an integral part for the remainder of the capability generation process, being referenced and reused throughout the process. We examined the use of scenarios with respect to the number of scenarios used, their degree of specificity, and how pivotal their role is in each referent. Because scenarios (or in broader terms – foresight) plays an essential role in capability generation, their robustness and capacity to adequately inform defence planners warrants closer examination.

Specificity of Scenarios



Centrality of Scenarios

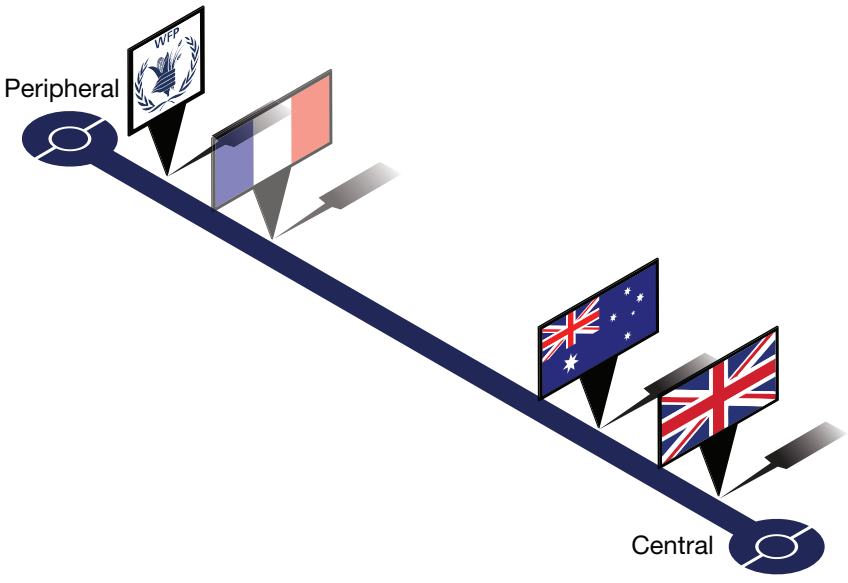


Figure 4-18

Number of Scenarios Used

This slidebar measures the number of scenarios used in each defence planning cycle (not for operational planning). The number of scenarios may be related to their degree of specificity, and – by extension – to how robust they are in handling uncertainty in the strategic environment.

Of the referents under review here, the UK makes the most use of scenarios by far. In the biannual Defence Strategic Guidance exercise the UK defence planners develop and run forty-six scenarios. The Australian Defence Force typically develops approximately 10 Illustrative Planning Scenarios per year. The AIPS are used at the highest level of defence planning to map the long term strategic environment. While there are only 10 AIPS a multitude of operational scenarios are also used for specific operational planning. Information on France is sketchy on this point, but there seems to be less emphasis on scenarios and more on broader geostrategic analysis. From the limited material available, it appears that Denmark makes no use of scenarios in informing their capability generation process. As for the WFP, there appears no predetermined number of scenarios that the WFP uses. Rather, scenarios are constructed on an ad hoc basis as part and parcel of the vulnerability assessment phase in Emergency Food Security Assessment.

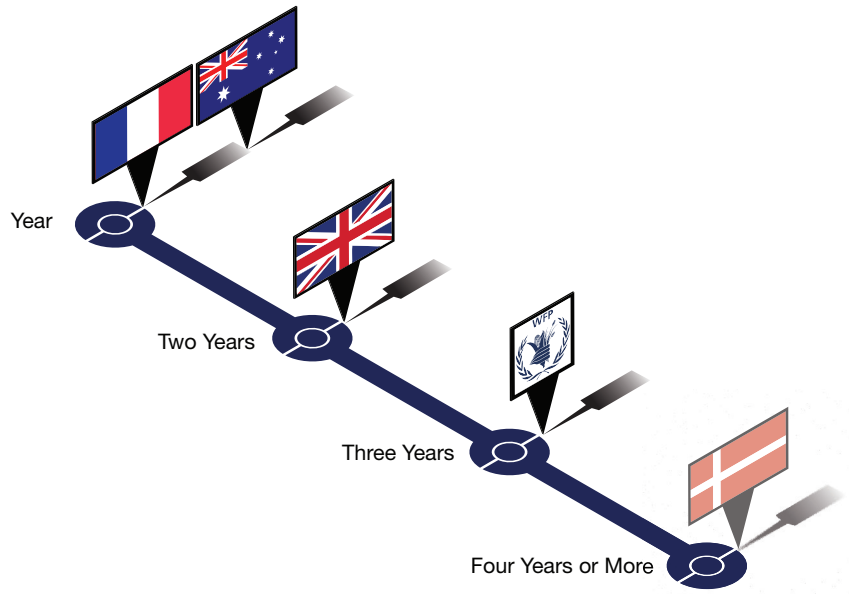
Specificity of Scenarios

This slidebar represents our interpretation of the degree of specificity in the scenarios used to facilitate the capability generation process. Ideally, scenarios should cover the full spectrum of military activities. A wider set of scenarios is increasingly seen as a better guarantee for capabilities that are more robust against future shocks. At the same time, a highly specific set of scenarios (point scenarios) is increasingly seen as being vulnerable to unforeseen shifts in the strategic landscape. The problem here is that often the highly specific scenarios that are used for operational (or short-term contingency) planning are 'dual-used' as long-term scenarios for forward defence planning. This allows military planners, who tend to be much more familiar (and comfortable) with operational planning than with forward planning, to fall back on existing planning 'investments' that typically suffer from excessive 'presentism'. Succumbing to the temptation of turning forward defence planning into a form of glorified operational planning, however, means that typically insufficient uncertainty is built into the scenarios, thus leading to suboptimal capability choices.

To deal with the 'point scenario' problem, some key countries are building in 'shocks' or 'branches' around their existing scenario set – and we clearly are seeing a trend towards more parameterised approaches to foresight.

The Australian Illustrative Scenarios represent the highest level of scenarios use in defence planning. Due to their broad strategic outlook and long time horizon (15-25 years) the AIPS tend

Publication Interval of Key Capability Planning Documents



Overall Use of Time Epochs in Capability Generation

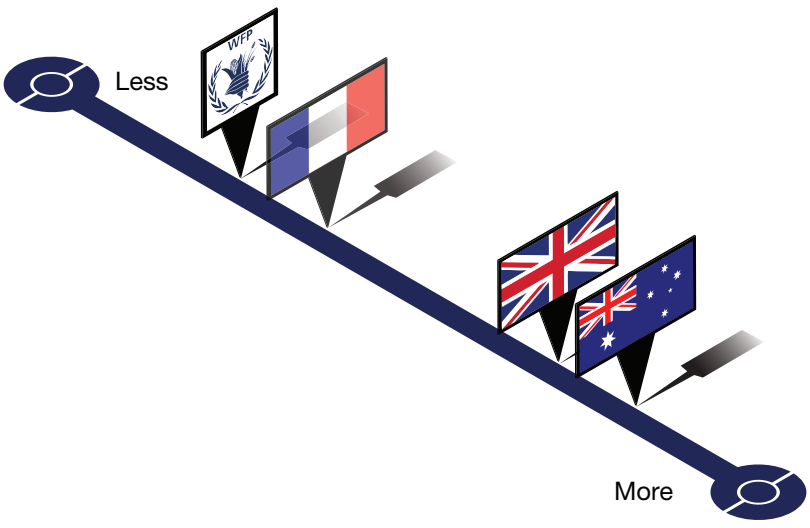


Figure 4-19

to be parameterised. More specific operational scenarios are developed at the command level to plan specific operational campaigns. The UK scenarios are at the campaign level, taking in account the contributions of allies and played out in different time epochs.

WFP scenarios are limited to exploring the effects of market shocks on food consumption rates for various groups on people, and are used a vulnerability assessment tool – not necessarily as a dedicated input to capability generation.

Centrality of Scenarios

This slidebar represents our interpretation as how central the use of scenarios is in the capability generation process of each referent. It is an overall assessment on the primacy of scenarios to defence planners. Indicators include explicit statements in key planning documents and the immediacy and expressed impact scenarios have on the capability generation Z-Charts.

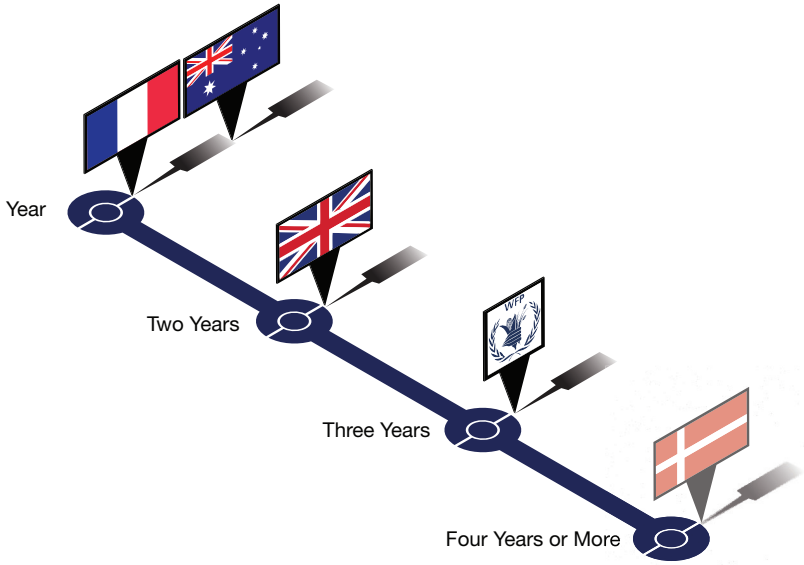
The underlying assumption here is that the riches of scenarios increases the likelihood of having the right kind of capabilities in the future. The robustness can be achieved in two ways: by increasing the number of specific scenarios or by making a lesser number more parameterised. The first is the approach taken by the UK, the second that of Australia. The UK develops and runs forty-six scenarios in its biannual Defence Strategic Guidance exercise. Australia – the other proponent of capability based planning under review here – runs significantly less scenarios (ten), but seems to have made these less specific and encompassing more parameters than the UK has.

France is the odd one out in these slidebars, and difficult to judge, as we stated earlier in the chapter. As far as is ascertainable from the public available material, the French defence planners do not rely on scenarios for determining their capability needs, but instead on the foresight performed through the PP30. It is worth noting that these foresights are parameterised, dealing with the technological, threat and operational perspectives expected for the next thirty years, within which ruptures, trends and uncertainties are identified.

Scenarios play the most prominent role in capability generation in the UK. The Studies Assumption Group (SAG) scenarios have been integrated into every step of the process: determining capability needs, performing a capability audit, managing risk as well as drawing a balance-of-investment outlook.

Scenarios are not part of the WFP capability planning, since it does so little that is comparable to the defence organisations. Its analysis and scenarios takes place only before operational planning, and specifically reflects the likely impact of WFP action on local food prices and the development of markets.

Time Horizons of Concepts



Time Epochs Used in Scenarios

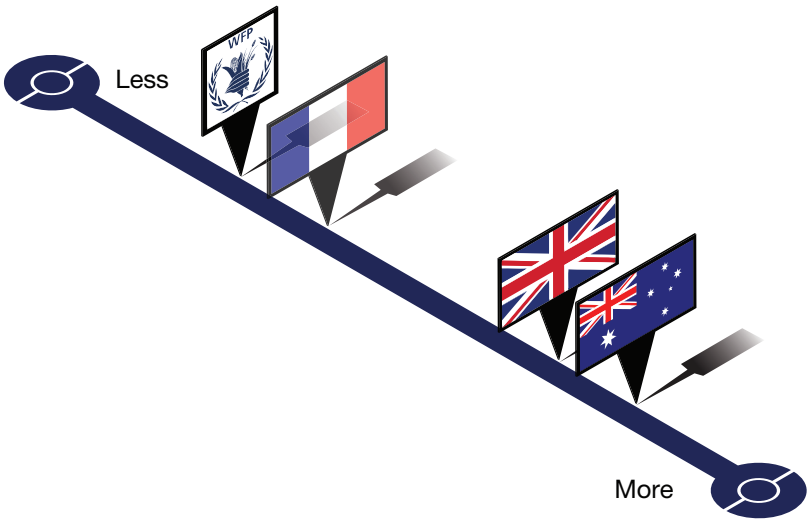


Figure 4-20

Publication Interval of the Key Capability Planning Documents

By examining the publication interval of the key documents concerning capability generation, we may gain insight into the scale of effort, the degree of institutionalisation, and the prominence of capability generation as a standalone process within the whole of defence planning.

The most consistent activity is employed by Australia and France, both of which update their documents on a yearly basis. Whether this represents a lesser or greater degree of thoroughness is difficult to judge. Denmark is presented as a transparent flag because while its key Strategic document, the *Defence Agreement*, is only published every five years, there may be regular publications concerning capability generation not assessable to the research team.

Time Epochs in Capability Generation

Time epochs are one of many conceptual partition schemes and analytical frameworks in which capability generation can be understood. Time horizons are a useful tool for establishing relationships between concepts and action. No plan is complete without some reference to the time in which it is to be enacted. The same is true for capability generation, which is why the following slidebars summarise the farthest time horizons used by planners for concept development, within scenario and foresight activity, and finally within acquisition.

Overall Use of Time Epochs in Capability Generation

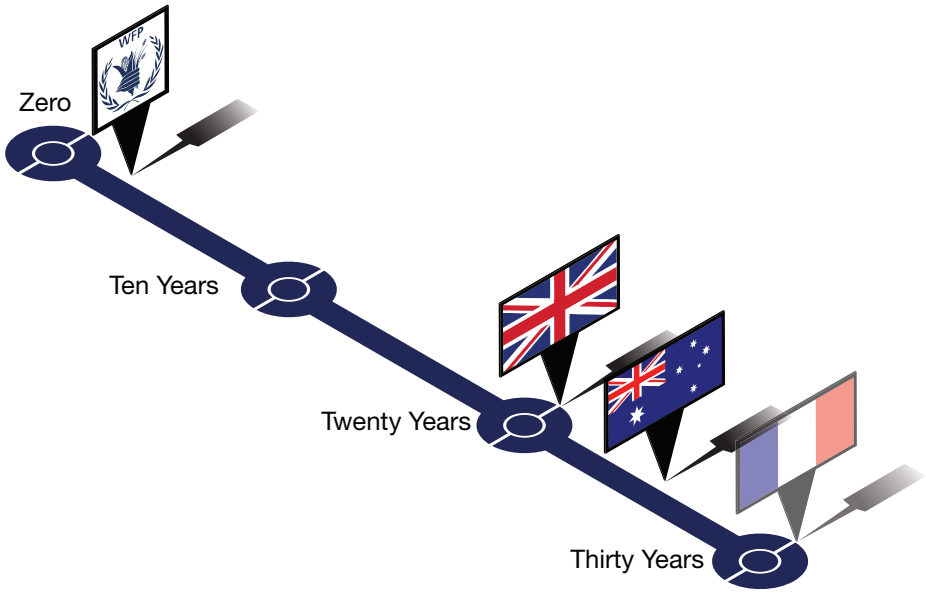
This slidebar shows the extent to which time epochs play an explicit part of the capability generation process. In other words, this is a cumulative score in how far the building blocks are analysed in different timescales, whether scenarios take into account shifting situations, and so on. The value of applying different epochs to all these aspects of capability generation is that it could work as a measure of increasing overall robustness and probing the validity of assumptions.

Overall, both Australia and the UK consistently use different time epochs for both their concepts and scenarios.

Time Horizons of Concepts

This slidebar benchmarks how far into the future Defence incorporates emerging concepts (for example, the concept of network centric warfare) into their capability generation process.

Time Horizons of Acquisition Process



Transparency

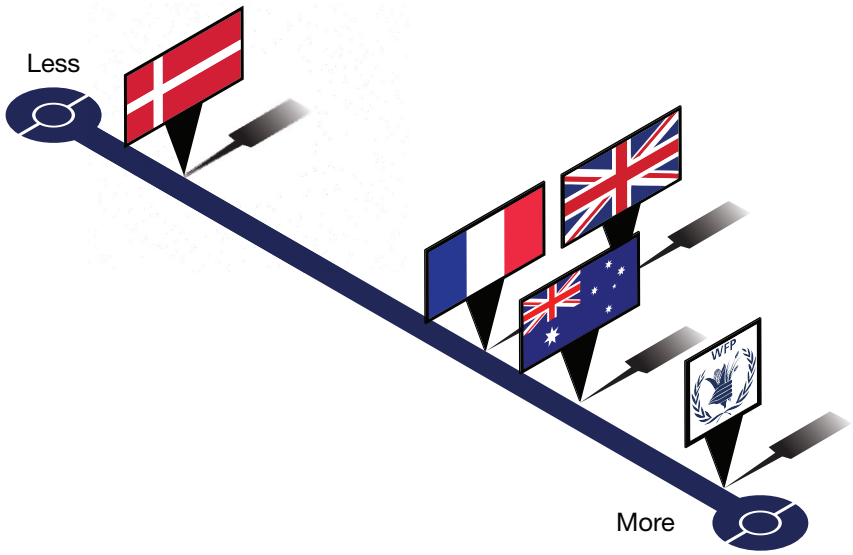


Figure 4-21

It is our interpretation of a nation's emphasis on being future orientated and sensitive to the evolution of the strategic environment.

Time Epochs Used in Scenarios

As previously stated, the use of time epochs is one of many conceptual partition schemes and analytical frameworks in which capability generation can be understood. In this vein, the utilisation of time epochs in scenarios warrants examination.

Time Horizons of Acquisition Process

Our examination of time epochs also extends to the acquisition process associated with capability generation. This slidebar is a benchmark of the most influential time horizons in each referent's acquisition process.

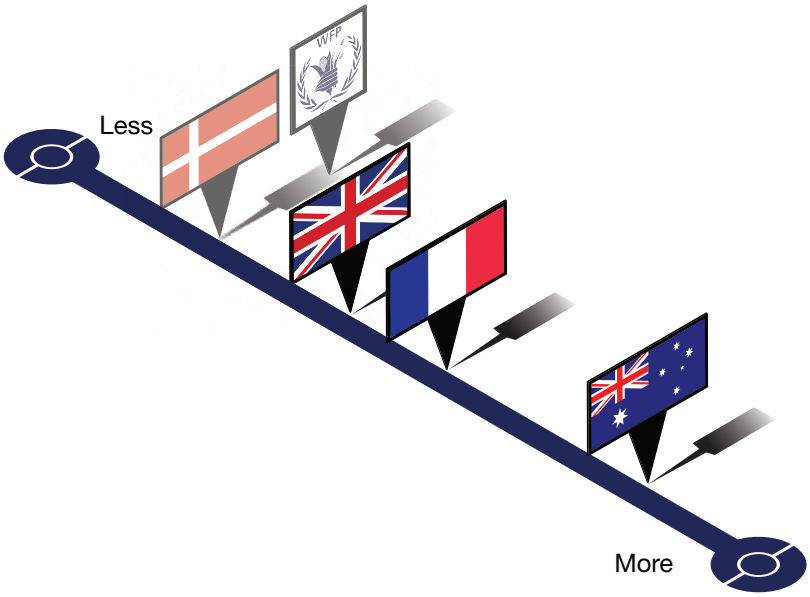
For all three aspects the French time horizons are the furthest out, based on the continuous updating of the thirty year forward looking PP30. The overall differences between France, the UK and Australia are slight however. For the UK and Australia, the furthest concepts and scenarios are closer around the twenty to twenty-five years.

Essentially, there are three time frames in which Australia clusters its planning considerations. Each cycle has its own set of publications specifying gaols, processes, and plans. They are: the 'Rapid Adaptation Cycle' (0-5 years) which focuses on the force-in-being, 'Capability Development' (10 years), and abstract concept development (20+ years). The UK uses four epochs for its concept stages, dividing the twenty years in four five-year increments (0-5, 6-10, 11-15, 16-20). The scenarios the UK uses are also played out in the different time epochs, to validate their robustness. In France there seems to be a division into different epochs as well: these are however not clearly articulated. The World Food Programme does not incorporate rigid time epochs into its capacity development process.

Organisational Characteristics of the Capability Planning Process

The organisational nature of a referent's capability planning process is examined along three axes. The first attempts to gauge the degree to which a referent's capability planning process is widely distributed, and whether the process is explained in clear steps. The second slidebar is our interpretation of the degree of clarity with which the roles and responsibilities of the key stakeholders are defined. Finally, an overall assessment on the scale of effort a referent devotes to capability generation is made by examining whether there is a separate department dedicated to it. Assessing how the process is embedded into the organisation along these three

Clarity of Roles and Responsibilities



Scale of Effort

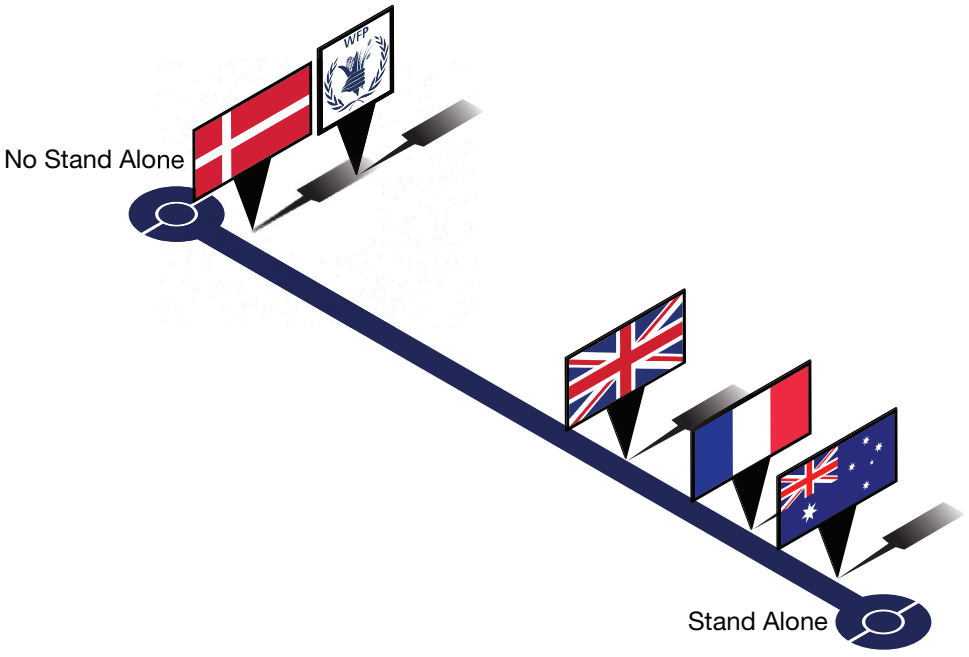


Figure 4-22

axes will give us an indication as to the degree of importance capability generation is given in each referent. As a highly embedded process is likely to unify defence planning and increase its effectiveness.

Transparency

We study the degree of transparency in each nation's capability generation process as a metric to determine how methodologically formal that process is, and by extension, as a measure to what extent capability generation is incorporated into defence as a whole. Some indicators of transparency are the volume of publically assessable materials on the process, and whether those materials offer through and coherent explanations.

The most transparent referent is the WFP. As a UN agency it is not subject to the veil of national security and must justify its expenditures as an international institution. Overall, capability generation in the Australian Defence Force is quite transparent. The document structure is formalised and clearly hierarchical, with each handbook or manual referencing the preceding document and delineating the steps taken and actors involved.

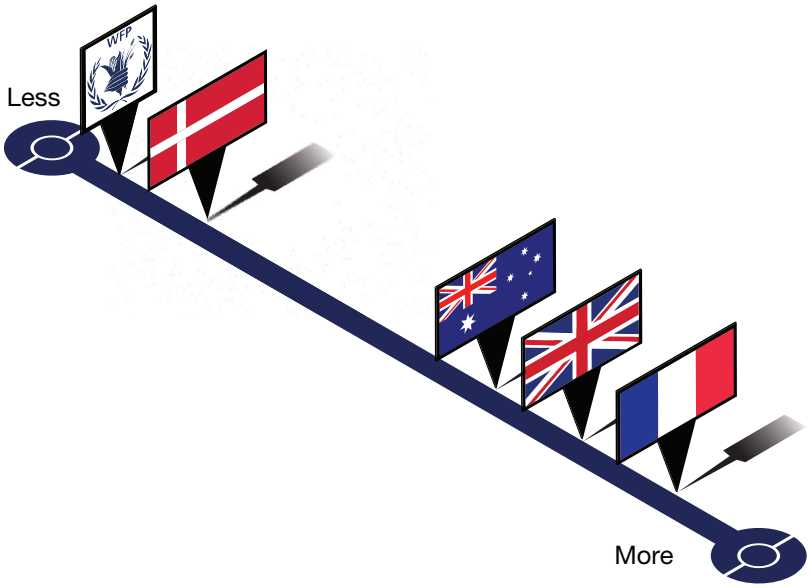
The UK provided a difficult case, since its central (publically available) document (the *Capability Management Handbook*) as the interim guidance for the Through Life Capability Management process which was being introduced in 2007, but which represents a 'second generation' evolution of the process being followed since 2000. However, the document offers a clear breakdown into stages of the capability generation process, which includes examples at each stage of the development, which imply that the underlying principles of capability based planning seem to be thoroughly institutionalised. A short public summary of the French PP30 is accessible, and its use and underlying logic are referenced in other documents (unlike the UK document). There is however less material (and less examples) available for France on methodology in the more specific parts of the planning process, especially those further down in the Z-Chart. Denmark´s placing as the least transparent is due to a lack of publically accessible material, specifically in English.

Clarity of Roles and Responsibilities

This slidebar is our interpretation as to how clearly defined the roles and responsibilities of each stakeholder are in the capability generation process. It may be seen as a possible indicator as to the degree of institutionalisation, the scale of effort, or the primacy capability generation is given in each referent.

The clearest allocations of roles and responsibilities can be found in Australia and France. In both cases central documents consistently name and define the same limited number of groups, as well as provide a clear hierarchy and timeline of contributions. In the UK case however, where a

Implications of Emerging Technologies



Involvement of Industry

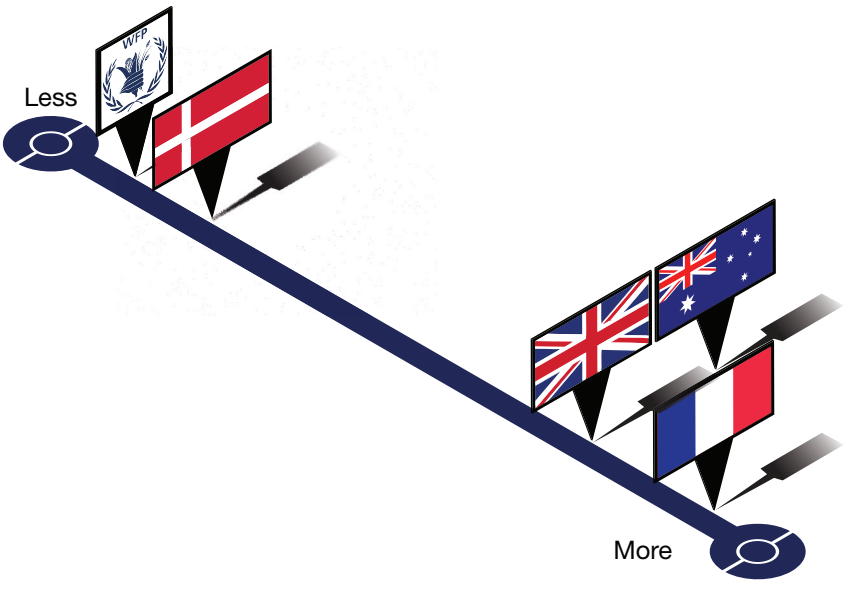


Figure 4-23

wide array of groups and sub-organisation is presented, both the level of actual involvement as well as hierarchical allocation within the process seem unclear.

Scale of Effort

This slidebar represents our interpretation of the overall level of effort a referent puts into the capability generation process. Key indicators include the existence of stand alone organisations devoted to capability generation, or the volume and availability of materials concerning a referent's capability generation process.

Together with the clarity (or lack thereof) concerning roles and responsibilities, a salient indicator of overall effort is whether a stand-alone sub-organisation is involved on a fulltime basis with capability generation. The most well-defined example is the Capability Development Group (CDG) in the Australian Defence Force. The CDG is built up of divisions which in other countries seem to be separated: a Capability Systems Division (CS Div), Capability, Investment and Resources Division (CIR Div), Capability and Plans Branch (C&P), Office of Interoperability, Directorate of Trials (DTRIALS), Australian Defence Simulation Office (ADSO) and DSTO Planning and Guidance Branch. In the French case, the French armament procurement agency (DGA), and specifically its Force System Architects (ASF) group coordinates the efforts of analytical efforts of the technological and operational perspectives, brings these together into system ideas which are then assembled into force system, i.e. capabilities. Similarly, in the UK, the Equipment Capability Customer (ECC) is responsible for assessing and prioritising capability requirements and constructing a balanced and affordable Equipment Plan that meets them. Its remit is similar to the Australian CDG but it is structured by capability domain rather than function. The ECC is responsible for hosting the working groups that perform the integrating role across the central planning and service organisations, ensuring that activities on all lines of development are managed coherently.

Implications of Emerging Technologies

This slidebar is our interpretation of the degree to which the emergence of new technologies is taken into account during the capability generation process. Key indicators include the existence of standalone organisations tasked to examine the issue, specific publications outlining new technologies in defence planning, or explicit statements within other defence planning documents.

Of the three large defence organisations, France incorporates emerging technologies most explicitly into its capability generation process. Along with the operational perspective (and to a lesser degree threat perspective) the technological perspective is the most important input for the system idea phase. It is this explicit nature which puts France further this slidebar. However

both Australia and the UK use technological studies in their respective processes.

Involvement of Industry

This slidebar represents our interpretation of the degree to which the defence industry impacts the military decision making process and capability generation within each referent. Key indicators include the availability of specific publications relating to the issue, or explicit statements regarding the role of industry in capability generation.

Industry is involved at all stages in Australia, France and the UK: whether it is in the analysis of defining capability needs, the managing of risk and making cost assessments, or the actual acquisition process. Special mention has to be made here of France, since it possesses an even more integrated role for industry, incorporating even arms exports into an explicit function of DGA and an overall priority of defence policy. The prominence of industry in French planning could perhaps be derived from France´s international posture, which aims for less dependency on the US as well as a desire to strengthen national champions.

The smaller stature of Danish Defence makes a stand-alone analysis and technology development function difficult, which is why industry only plays a role in the acquisition process. For the WFP, insofar applicable, industry only is involved before operations in countries or region, since there is no long-term acquisition or capability generation process.

It is difficult to assess whether industry involvement is beneficial to capability planning or to its detriment. Assuming that the desired result is a well-balanced range of effective capabilities along with the most efficient cost-benefit distribution possible, deep industry involvement can contribute to both objectives as well as damage these. Involvement with analysis can increase the awareness of technological possibilities and threats but also steer the defence organisation into long-running, expensive and above all unnecessary acquisition cycles. The determinant factor here is how independent defence planners are from industry insofar as their analytical resources are concerned. We can postulate that this might perhaps be a greater problem to smaller defence organisations than larger ones, the latter of which can sooner afford their own analysis.

For Further Reading

The following section covers analytical tools and techniques in use by the referents. While the examples are not intended as a full representation of the national toolsets, they do give a fair impression of what´s on the market insofar as costing, risk management and balance-of-investment studies are concerned. As such, they offer several possible avenues of exploration towards building and expanding the current methods and models available to the Dutch

government.

Costing Through the Use of Scenarios: United Kingdom

Most of the referents studied here have some form of methodology for determining capability needs and performing capability audits. It is however more difficult to find systems which links an overall assessment of capabilities to the costs required, i.e. costing.

The UK does have such a system, for which it reuses the SAG scenarios and which is completely integrated with the other methodologies and concepts used in the capability generation process.

> *A rapidly applicable capability investigation technique which compares the effectiveness, risk and costs associated with different approaches to delivering military capability across an entire campaign. Costing capability provides a framework (derived from Defence Strategic Guidance (DSG)) which can be used to structure military judgement and OA results at campaign level, and includes a number of decomposed SAG scenarios. The technique allows the high level analysis of different force groupings, equipment, and operating procedures in the delivery of the desired effect. It provides traceable evidence based upon a consistent data model that can be embedded into a repeatable management process.*
>
> *The technique is based around a generic framework of military operations, traceable to the Defence Capability Framework (DCF), ECC Taxonomy, and JETL. This framework is characterised by a network of tasks linked by dependencies, which interact to demonstrate how a campaign is fought. The framework can be used to rapidly generate campaign-specific mapping of tasks and dependencies, by applying a context and timescale eg a range of SAG scenario chronologies and threats. The resulting map shows the complete picture of how capability is used operationally, how the individual capabilities depend on each other and the various paths that deliver an effect.*
>
> *The campaign descriptions can then be used to answer specific questions:*
>
> » *A Capability investment question - Should I invest in heavy or medium lift strategic mobility capability.*

» *A Force Grouping question – Which military platform, Ship, Aircraft or Submarine, should I use to deliver a Deep Attack capability.*

» *A programme cancellation question - What is the impact to capability if I cancel the procurement of a military platform.*

The campaign descriptions can make use of structured military judgement and/or the outputs from more quantitative or detailed OA models to enable trade-offs between effectiveness, cost and risk. This in turn can trigger more detailed OA to explore specific performance issues and quantify the impact to campaign success.

The development and application of Costing Capability has been undertaken by Polaris Consulting Limited (Polaris) with support from CORDA.

Stages 0-1 from the United Kingdom Costing System

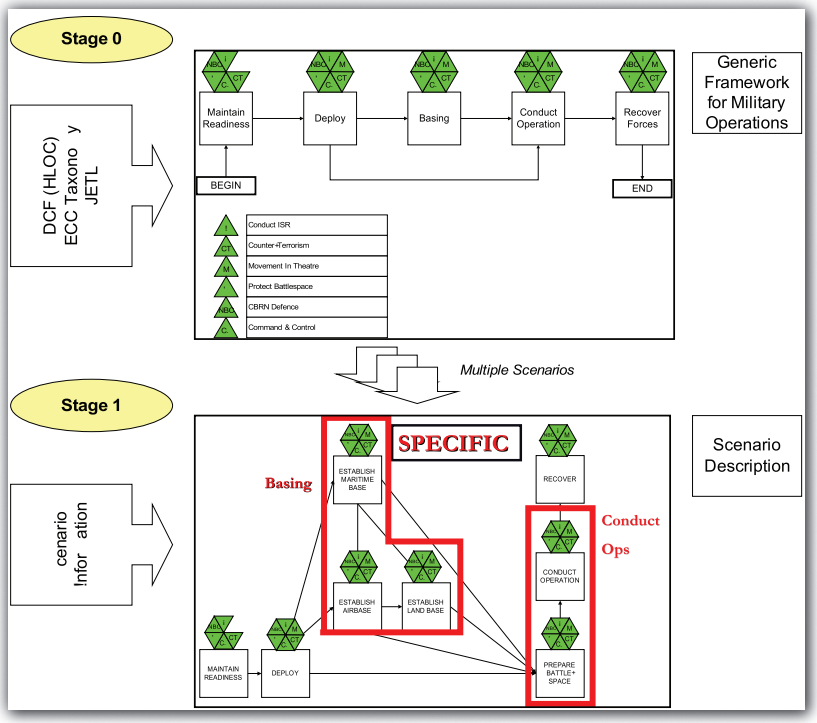


Figure 4-24[7]

Stages 2-4 from the United Kingdom Costing System

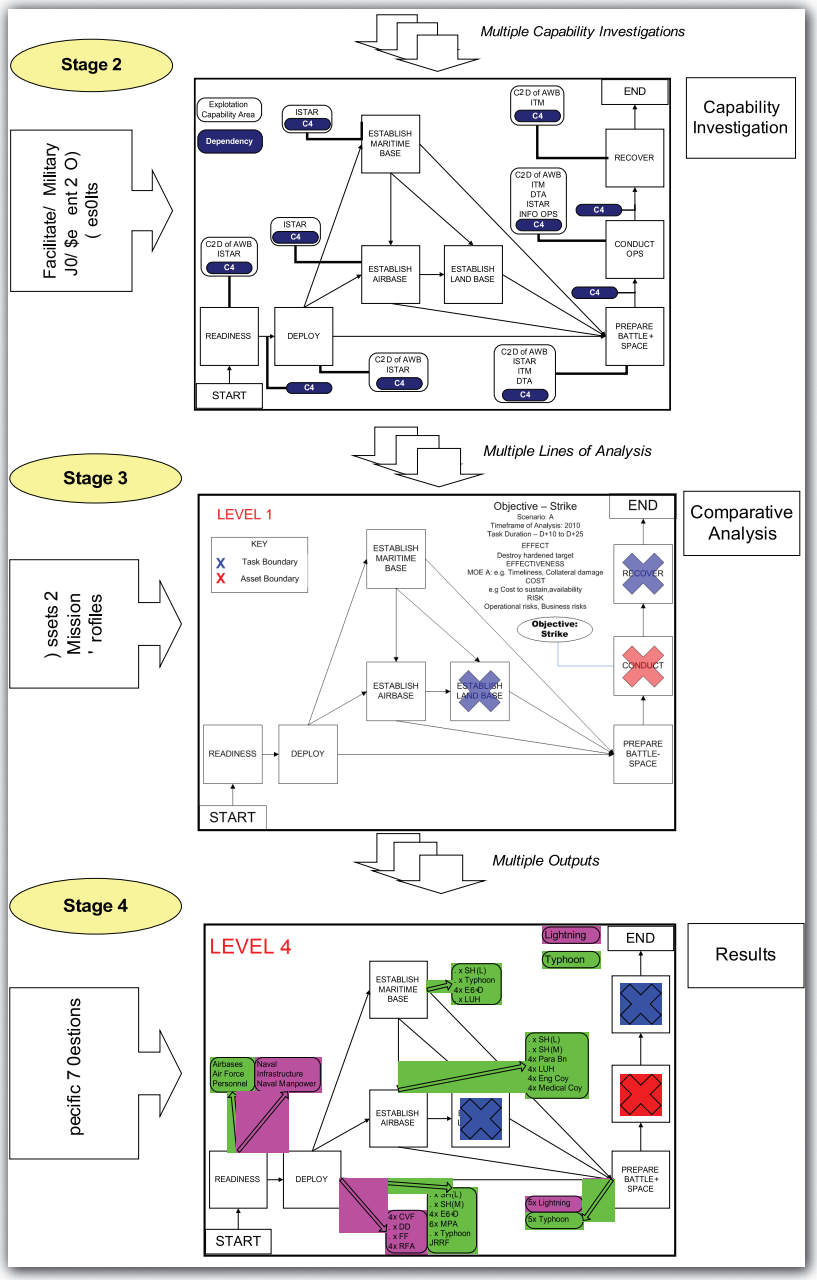


Figure 4-25[8]

Balance-of-Investment: CHIMERA and CODAS

The United Kingdom uses CHIMERA - a spreadsheet modelling based system - as a method to test the impact of new capabilities and balance costs and needs. CHIMERA is

> *a flexible and re-useable tool that has been in long-term use in informing future UK force structures. The model considers five sets of assumptions on force structure: the numbers and readiness profiles of each asset in the force structure, the set of assets required to undertake each scenario effectively, allowed asset substitutions, the cost of each asset, and the combinations of scenarios that are to be tested. The model calculates the number of asset shortfalls and surpluses for each scenario combination, after all possible asset substitutions have been considered. If required, CHIMERA then rebalances the force structure, by using money saved by removing surpluses to buy more of the assets that are in shortfall.*[9]

Overview of CHIMERA System

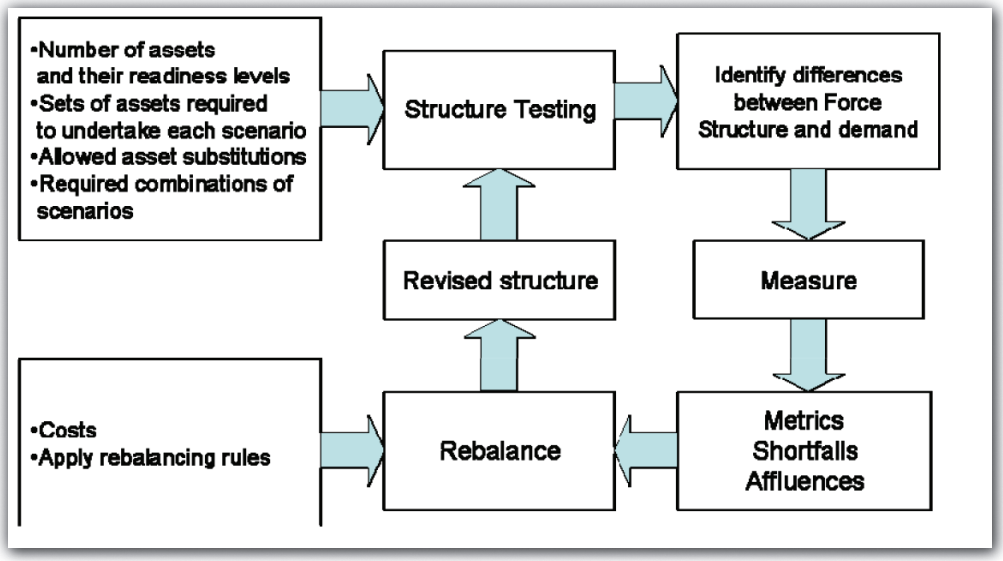


Figure 4-26[10]

Further details of the system are not publically available.

The UK has other macro-level studies at a more mature level than the CHIMERA system. Of these, the strategic balance-of-investment Study (STRATBOI) was briefed to NATO SAS-072

last year. Predecessor studies of this type go back to the late 1990s, but are not universal in their coverage.

CODAS and Capability Options Analysis

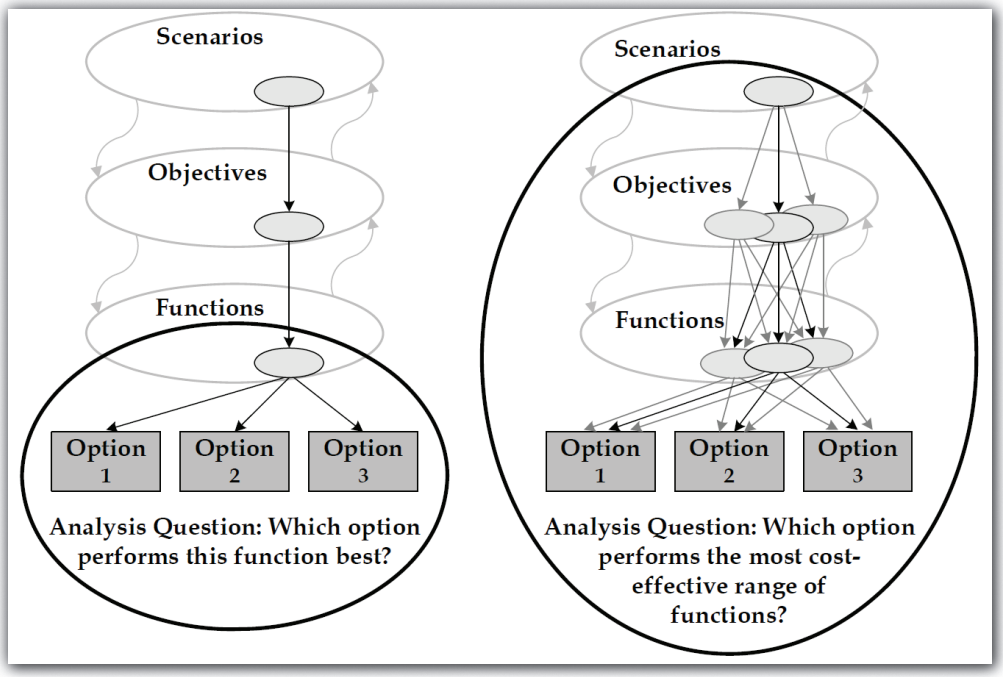


Figure 4-27[11]

Australia also has a specific methodological tool – the Capability Options Development and Analysis System (CODAS) - which is capable of weighing the potentials of one capability platform over another. Furthermore, CODAS is supplemented by a complex and through bureaucratic system that is highly regulated and documented in great detail, as evidenced in the *Strategic Planning Framework Handbook* and the Preparedness Management System.

CODAS can:

> *...link strategic guidance and future force options, identify capability gaps and deficiencies, develop and compare capability options, and produce migration paths between current and future capabilities. CODAS possesses the methodological support necessary for performing the various activities within the Army Capability Modernization Process, and has become an inherent part of the process.*[12]

Capability Options Analyses may examine the performance of specific capability options against the strategic requirements linked to them via a single chain of functions and objectives; or compare options with each other against a wide range of functions and objectives in the entire linkage area

CODAS facilitates capability options analysis in determining the most cost effective solutions.

CODAS treats

> *the Army as a system of systems and supports the development of a whole-of-force design and the necessary capability migration pathways. But this approach can be applied at levels below that of the entire Army, for example, to isolate and analyse a specific capability. Any capability is linked to the effects it creates via the functions it performs and/or the operational objectives it helps realise, and ultimately via the strategic linkage to the requirements generated in view of a particular scenario. Also a capability may be linked at FIC level to other capabilities and individual FIC elements it impacts on. Thus any capability can be treated as a system within the whole-of- force system and the Capability Options Analyses as part of CODAS applied to it.* [13]

Risk Management

The role of risk management in the ADF is summarised in the Australian Defence Risk Management Framework (DRMF) provides for, and obligates, all Defence personnel

> *to implement risk management in any activity, thus creating the conditions for an entirely new risk management culture within the ADO. Furthermore, this recent approach is directed to making better use of opportunities rather than to minimising losses or avoiding risk altogether, which has been the objective of the traditional approach. Thus a new, more enterprising aspect of the approach is revealed. DRMF has created a solid unified basis for decision making at all levels from the individual to the key strategic, and above all to the enterprise ones. Its elements are suitable for implementation by anyone in the ADO, in any sort of activity, be it analysis, training or acquisition. Risk management provides support in the decision-making process by exploring issues in an organised and structured way. It may bring clarity in current positions, uncover new insights and identify potential opportunities.*[14]

Overview of the Australian Risk Management System

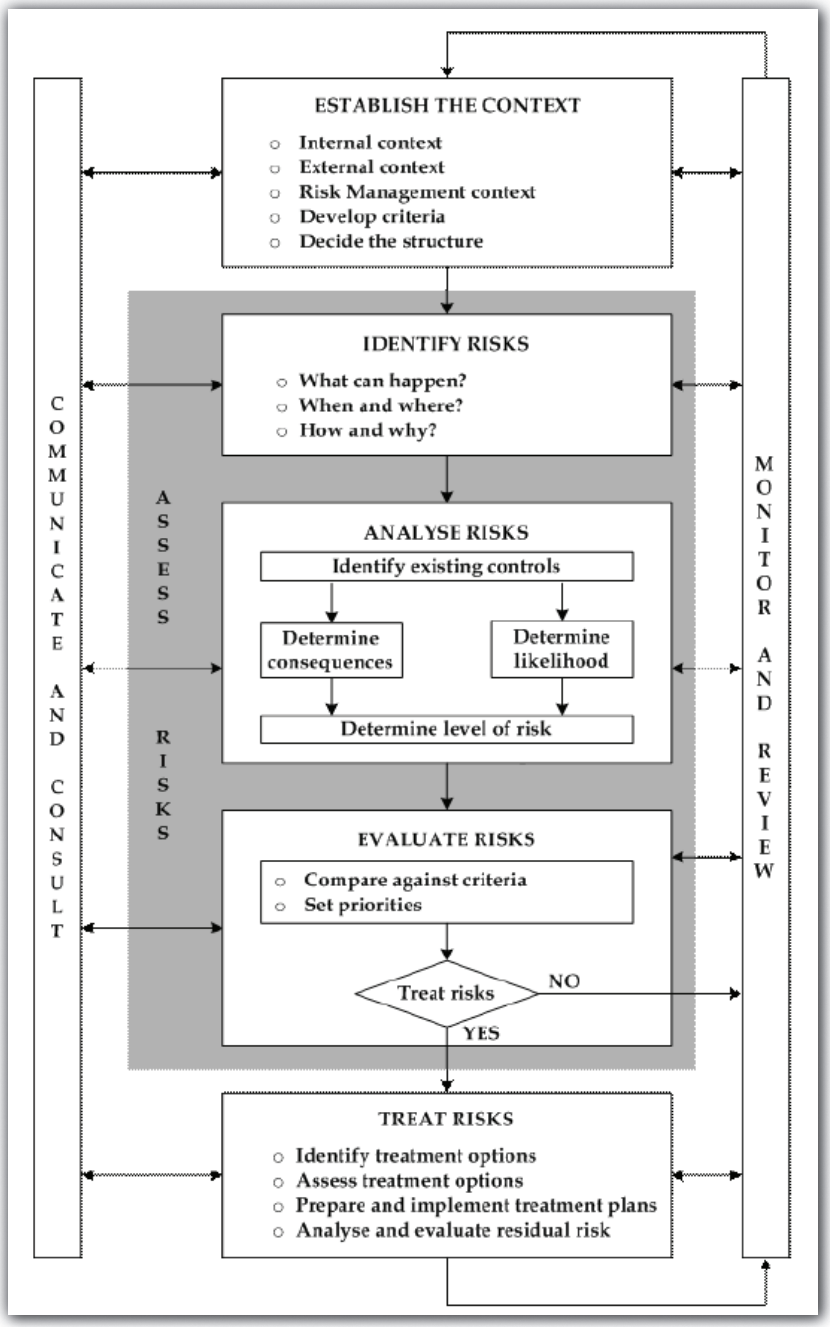


Figure 4-28[15]

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5 Performance Management

As a concept, performance management has slowly found its way from the private business community to the Ministries of Defence over the past two decades. As Webb and Blandin report,

> *All over the world, and at all levels of government, Performance Based Management Systems (PBMS) are growing both in terms of their usage and their importance. Terms such as 'performance management,' 'balanced scorecard,' and 'performance budgeting' spring up in all kinds of discussions on what it means to have an effective government*[1].

Government agencies – and more pressingly, their parliaments – are no longer satisfied with explanations anchored in financial statistics or operational minutiae and wish to judge departments' performance with an eye towards strategic accomplishment. Beginning in the nineteen sixties, the United States Department of Defense emerged as the main proponent

for rationalising reporting mechanisms to reflect the lessons learned and best practices of the business community. This trend has been slower to develop in defence communities outside of the US (not unsurprising if one considers that the US DoD almost outspends the entire world on defence expenditures), but started to take root in larger defence organisations in Europe during the nineties.

In order to place the findings in their proper context we must first clarify what performance management is. We define performance management as a subset of systems and methodologies that fall under the auspices of defence planning and are intended to (1) measure the performance either quantitatively or qualitatively against previously established goals and then (2) to adapt the existing defence policy based on performance measured against selected indicators. Here we define defence planning as the entirety of a process that begins with high level policy guidance: a nation's strategic ambition, and the allocated resources available to achieve it, i.e. the budget. Having defined the aspirations and limitations set before them, defence planners must decide which capabilities are needed to accomplish their objectives in a resource constrained environment. A capability is any material, resource or action that enables the achievement of an objective. It can be a weapons platform, human ability, technological innovation, etc. This is the process of capability development, as examined in Chapter 4. Having chosen a set of capabilities to pursue, defence planners must evaluate how effective they are in developing them – this is performance management: the ability to constantly 'steer' the organisation in the appropriate direction.

Overview of Performance Management Systems

Australia

The Outcomes and Outputs framework is the dominant system of performance management in the ADF. It enables the broad ambitions outlined in *The Defence White Paper*, and the more focused objectives of the *Defence Portfolio and Budget Statements*, to be measured. Although the framework is not directly applied against all of the ambition statements in the *White Paper*, some of its major initiatives (for example, Defence's commitment to grow by 3% per annum in real terms through the next decade) have their own reporting section in the *Portfolio and Budget Statements.*

> *All government agencies that receive appropriations from Parliament are required to report on the basis of the Outcomes and Outputs framework….The framework recognises that the Government delivers benefits to the Australian community (Outcomes) primarily through administered items and agencies' goods and services (Outputs), which are delivered against specific performance*

> *benchmarks or targets. Planned Outcomes are defined as the results or impacts on the community or the environment that the Government intends to achieve. Appropriations by Parliament are made according to the purposes specified by government outcomes. In turn, all agency Outputs must contribute directly or indirectly to the realisation of a specified Outcome[2].*

The Outcome/Output framework is the logical architecture used to frame and measure performance accomplishment at the highest levels and is supported by a hierarchy of documents:

> *Annual Reports, Portfolio Budget and Additional Estimates Statements are the principal formal accountability mechanisms between the Government, departments and the Parliament. Portfolio Budget Statements set out performance targets for departmental outputs[3].”*
>
> *“In addition, Defence’s Annual Reports are designed to link performance during the year under review with performance forecasts contained in the Portfolio Budget Statements for the following year[4].*

The annual *Defence Portfolio and Budget Statements* are intended to articulate and quantify the ADF’s forward-looking performance targets. As such, the ADF must report its performance to Parliament against the backdrop of the three Defence Departmental Outcomes listed in them. They are[5]:

> *Defence Departmental Outcome 1: Australia’s national interests are protected and advanced through the provision of military capabilities and the promotion of security and stability;*
>
> *Defence Departmental Outcome 2: Military operations and other tasks directed by the Government to achieve the desired results; and*
>
> *Defence Departmental Outcome 3: Defence’s support to the Australian community and civilian authorities to achieve the desired results.*

While held accountable to Parliament against these three Departmental Outcomes, the ADF further measures the effects it wishes to achieve in the strategic environment by reporting

against specific Planned Outcomes for Performance. There are seven total Planned Outcomes, six of which focus on the delivery of military capability, and one dealing with administrative performance. An excerpt of these Planned Outcomes from the *Defence Portfolio and Budget Statements* is given below.

> *Planned Outcomes are defined as the results or impacts on the community or the environment that the Government intends to achieve*[6].

Planned Outcomes for Performance

OUTCOME ONE	OUTCOME TWO	OUTCOME THREE
Command of Operations in Defence of Australia and its Interests	**Navy Capability for the Defence of Australia and its Interests**	**Army Capability for the Defence of Australia and its Interests**
(Commander Joint Operations)	**(Chief of Navy)**	**(Chief of Army)**
Outputs		
1.1 Command of Operations	**2.1** Capability for Major Surface Combatant Operations	**3.1** Capability for Special Operations
1.2 Defence Force Military Operations and Exercises	**2.2** Capability for Naval Aviation Operations	**3.2** Capability for Medium Combined Arms Operations
1.3 Contribution to National Support Tasks	**2.3** Capability for Patrol Boat Operations	**3.3** Capability for Light Combined Arms Operations
	2.4 Capability for Submarine Operations	**3.4** Capability for Army Aviation Operations
	2.5 Capability for Afloat Support	**3.5** Capability for Ground-Based Air Defence
	2.6 Capability for Mine Warfare	**3.6** Capability for Combat Support Operations
	2.7 Capability for Amphibious Lift	**3.7** Capability for Regional Surveillance
	2.8 Capability for Hydrographic, Meteorological and Oceanographic Operations	**3.8** Capability for Operational Logistic Support to Land Forces
		3.9 Capability for Motorised Combined Arms Operations
		3.10 Capability for Protective Operations

Figure 5-1

Planned Outcomes are achieved via the delivery of Outputs. Usually these Outputs are discussed in terms of 'capability' (see *Output Structure for Planned Outcomes* #2, 3, and 4) but Outputs can also be categorised in other terms such as 'Command' ' International Policy', and ' Intelligence' (see Outputs 1.1, 5.1, and 6.1, respectively).

Each Output is then assigned a set of Performance Targets and indicators the ADF uses to measure the effectiveness of an Output's contribution to the attainment of a Planned Performance Outcome. The Planned Performance Outcome is in turn designed to contribute to the three Departmental Outcomes mandated by Parliament.

An example of an Output's Performance Targets and indicators is given below. The performance targets desired for the upcoming year are given on the left as an excerpt from the *Portfolio Budget Statements*, and the evaluation on achieving them is given on the right from the *Defence Annual Report,* in this case: Output 3.4 (Capability for Army Aviation Operations), of Planned Outcome Three (Army Capability for the Defence of Australia and Interests). The Output is further broken down into a qualitative description of its purpose and contribution, followed by a list of the indicators used, and a description of the Outputs' Performance Targets. The selection of indicators is dependent on the Output itself. Whenever possible, the ADF tries to quantify them (for example, the projected number of aircraft and flying hours for the year ahead) but this is not always possible. Output 3.4, its Performance Targets, indicators and Outcome 3 itself, fall under the auspices of Defence Departmental Outcome One

> *Australia's national interests are protected and advanced through the provision of military capabilities and the promotion of security and stability.*

Planned vs Actual Performance

OUTPUT 3.4 – CAPABILITY FOR ARMY AVIATION OPERATIONS

Output 3.4 contributes primarily to the strategic tasks of defending Australia, securing our immediate neighbourhood, supporting wider interests and supporting peacetime national tasks. The capability provides aircraft, which are maintained at high readiness, for mobility through tactical troop lift, command and liaison, and reconnaissance operations.
Output 3.4 is based on 16th Brigade (Aviation) and consists of:

- two aviation regiments;
- one independent (Black Hawk) aviation squadron; and
- one independent fixed wing squadron.

The forecast flying hours for 2007-08 are shown in Table 5.3.3.

The Army aviation capability will benefit from the increase in logistic support funding for the Black Hawk helicopters.

Table 5.3.3: Army Aviation Aircraft

Aircraft	Number	Flying Hours 2007–08
CH-47D Chinook	6	1,270
S-70A9 Black Hawk	34	7,500
B-206 Kiowa	41	10,000
UH-1H Iroquois	25	500
Armed Reconnaissance Helicopter Tiger	14	5,500
MRH-90 Multi-role Helicopter	2	200
B300 King Air 350	3	2,000

Performance Targets

- Achieve levels of preparedness directed by the Chief of the Defence Force for military response options with a warning time of less than 12 months.
- Achieve a level of training that maintains core skills and professional standards across all warfare areas.

Output 3.4 Capability for Army Aviation Operations

	Performance targets	Performance
Quality	Achieve levels of preparedness directed by the CDF for military response options with a warning time of less than 12 months.	**Substantially achieved.** Almost all levels of preparedness for military response options were met. Certain deficiencies in the SA-70 Black Hawk helicopter resulted in some limitations to a few response options. The capability also continued to acquire the armed reconnaissance helicopter and multi-role helicopter assets.
	Achieve a level of training that maintains core skills and professional standards across all warfare areas.	**Achieved.** The capability has been heavily committed to operations both offshore and domestically, which has provided the opportunity to practise core skills and professional standards across most warfare areas.
Quantity	34 S-70A9 Black Hawk - 7,500 flying hours	**Substantially achieved.** 84.6 per cent (6,348 flying hours). Black Hawk flying hours have not been achieved due to deep maintenance capacity limitations.
	41 B-206 Kiowa - 8,750 (10,000[1]) flying hours	**Substantially achieved.** 82.4 per cent (7,212 flying hours). Kiowa flying hours are decreasing as the aircraft is progressively withdrawn from service.
	6 CH-47D Chinook - 1,270 flying hours	**Substantially achieved.** 90 per cent (1,143 flying hours).
	25 UH-1H Iroquois - 500 flying hours	**Substantially achieved.** 90.2 per cent (451 flying hours). Iroquois was withdrawn from service in September 2007.
	14 ARH Tiger - 1,010 flying hours	**Achieved.** 98.4 per cent (994 flying hours). ARH pilot training flying hours are steadily increasing as planned.
	2 MRH-90 - 200 flying hours	**Not Achieved.** 7 per cent (14 flying hours). First two aircraft are undertaking test and evaluation activities.
	3 B-300 King Air - 2,100 (2,000[1]) flying hours	**Achieved.** 100.6 per cent (2,113 flying hours).

Figure 5-2[7]

Having established what is to be achieved and how that achievement is to be measured, the ADF must also specify who contributes to these goals and group these contributors in a coherent manner. Hence, the development of the Output Group Contribution structure:

Defence Outcome and Output Group Structure with Group Contributors

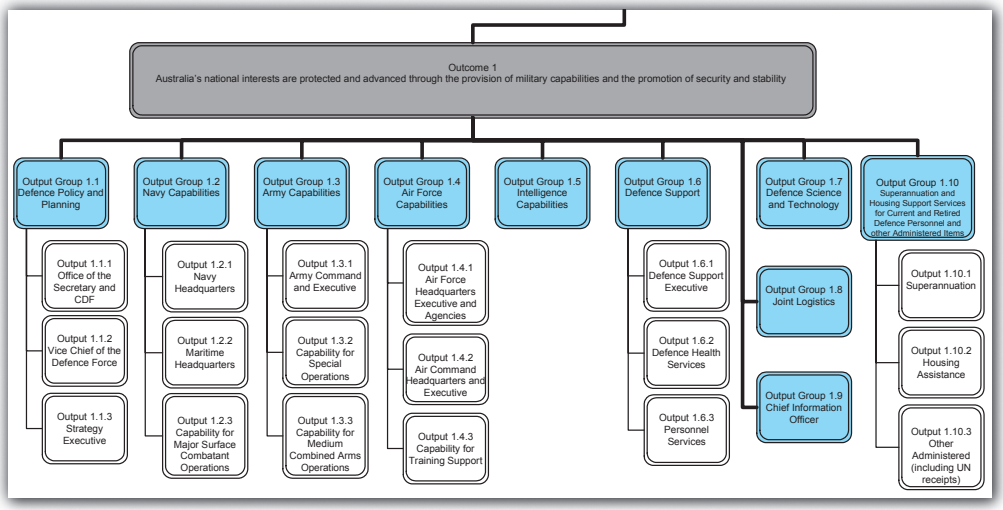


Figure 5-3[8]

In the diagram *Defence Output and Outcome Structure,* clusters of similar Outputs are stove-piped into 'Output Group Contributors'.[i]

There are ten Output Group Contributors for Defence Departmental Outcome One,

> *Australia's national interests are protected and advanced through the provision of military capabilities and the promotion of security and stability.*

Two Output Group Contributors for Defence Departmental Outcome Two,

> *Military operations and other tasks directed by the Government to achieve the desired results.*

One Output Group Contributor for Defence Departmental Outcome Three,

> *Defence's support to the Australian community and civilian authorities to achieve the desired results.*

i) Structures for Departmental Outcome Two and Three are not shown.

The Defence Material Organisation (DMO) is treated as a separate entity with its own Departmental Outcome, Output Group Contributors, and Outputs. Use of this framework is confined to the defence *Portfolio Budget Statements*, and the *Annual Reports*. Two other performance management methodologies exist specifically to measure unit preparedness and defence contractor performance but these are not linked to the Output/Outcome model. Together these systems comprise the entire performance management logic and feedback loop. The separate methodologies for evaluating unit preparedness and contractor performance are addressed later.

While various reports mention use of the '*Defence Matters' Balanced Scorecard'* from 2000-2004, no documents showing the scorecard itself were found. After 2004 there is no mention of the Defence BSC. The lack of utility in the Balanced Scorecard methodology was documented in *Modern Management Practices in the ADO,* by Colonel Phil Winter of the Centre for Defence and Strategic Studies. He found that

> *...recent visits to several regional ADO Headquarters indicated it [the Defence Matters Balanced Scorecard] is not used and does not suit the operational level military culture. Instead, information is simply reported through proven reporting chains, and traditional orders are preferred to get the tactical job done...[The BSC] has little utility below formation level nor does its language reflect the military culture despite widespread implementation workshops*[9].

Denmark

Like Australia, Denmark's system of performance management originated from external pressure – specifically criticism by the Danish Parliament's Public Accounts Committee that the DDF was unable to correlate its operational costs to the Overall Defence Tasks outlined in the *Catalogue of Defence Tasks*. In response, the DDF initiated a reorganisation of its process, known as DeMap – the Danish Defence Management Project. DeMap reconceptualised the DDF into a business model where the defence establishment is simplified into two functional areas: Internal and External production. Internal Production supplies the services demanded by the operational environment. In order furnish these services Internal Production is built upon four elements: Personnel, Material, Defence IT, and Infrastructure. All of which fall under the umbrella of Support Production. Once these elements are combined they build Force Generation. Force Generation in turn enables Force Employment, one of the principal elements of the second functional area of the defence business model, namely External Production. Force Employment then allows for operational capability. Operational capability nets final outcomes, hopefully to the achievement of the objectives stated in the *Danish Defence Agreement* and the *Catalogue of Defence Tasks*. Providing the critical link between Internal and External Production are the Operational Commands.

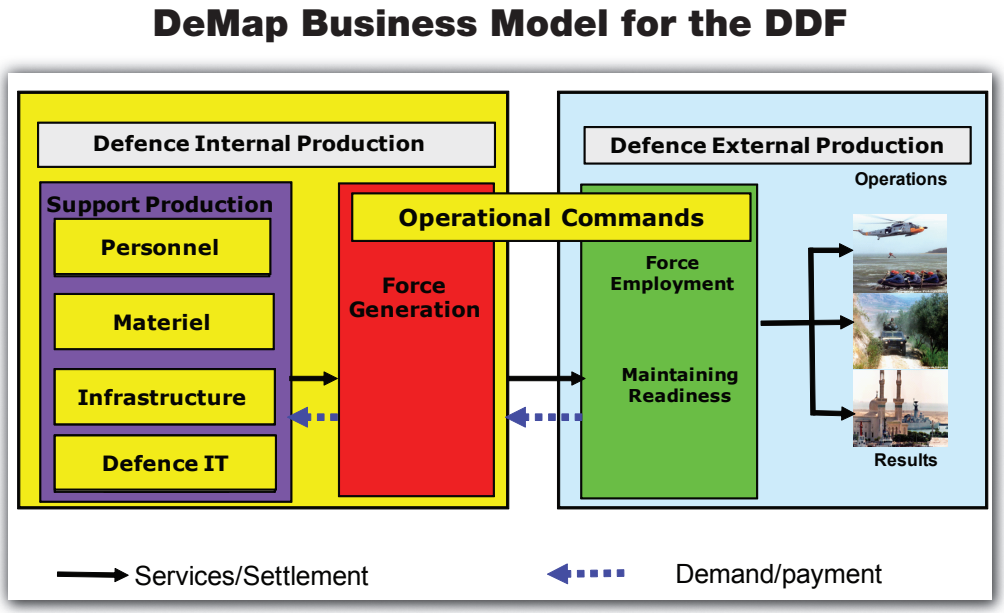


Figure 5-4[10]

The Operational Commands also provide a link to the legal arrangements established between the DDF and the citizenry. The primary legal arrangements are the *2001 Defence Act* and the five year *Defence Agreement* (see Chapter 3). The link is established via the five Overall Tasks under Force Employment and one Overall Task under Force Generation. For each objective stated in the *2001 Defence Act*, there is a corresponding task established in the *Catalogue of Defence Tasks*.

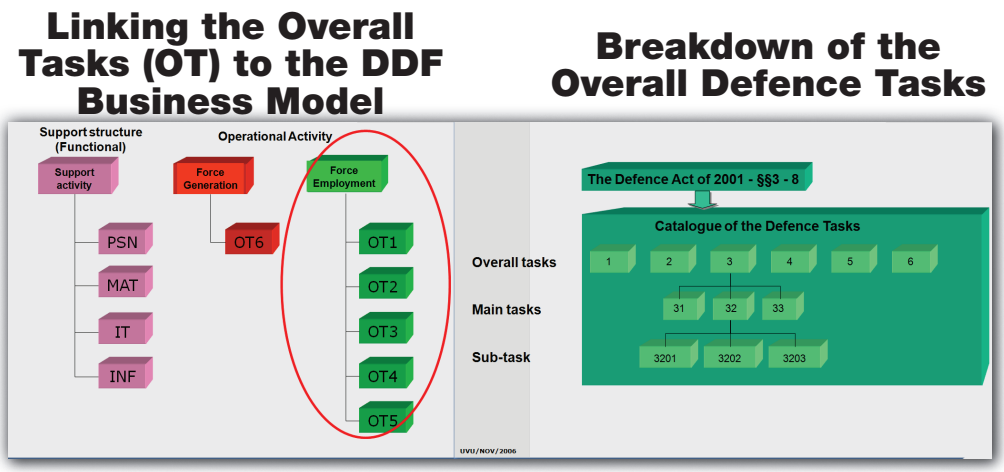


Figure 5-5[11] [12]

The DDF possess a clear model to assess, weigh, and calculate quantitative Key Performance Indicators (KPI) in tandem with a Commander's Assessment, which is an integral part of each performance evaluation. KPI layout is essentially divided between the aggregate calculations of specific KPI's balanced against the chief executive's military judgment. This pattern is repeated in a cascading manner from Overall Tasks to Main Tasks to Service Tasks. Note the 'CO Assessment of KPI' on the left – a quantitative measure – and the 'CO Assessment of Task Performance' – the CDR's qualitative military judgment, on the right side of the figure 'KPI Layout'. The balance between the CDR's assessment and the KPI calculation is ultimately aggregated into a percentage. Each percentage is categorised within four intervals: red for Not Satisfactory, yellow for Above/Below Satisfactory, green for Satisfactory, and blue for Above Satisfactory.

Cascading Structure of the KPI Layout and Tasking Hierarchy

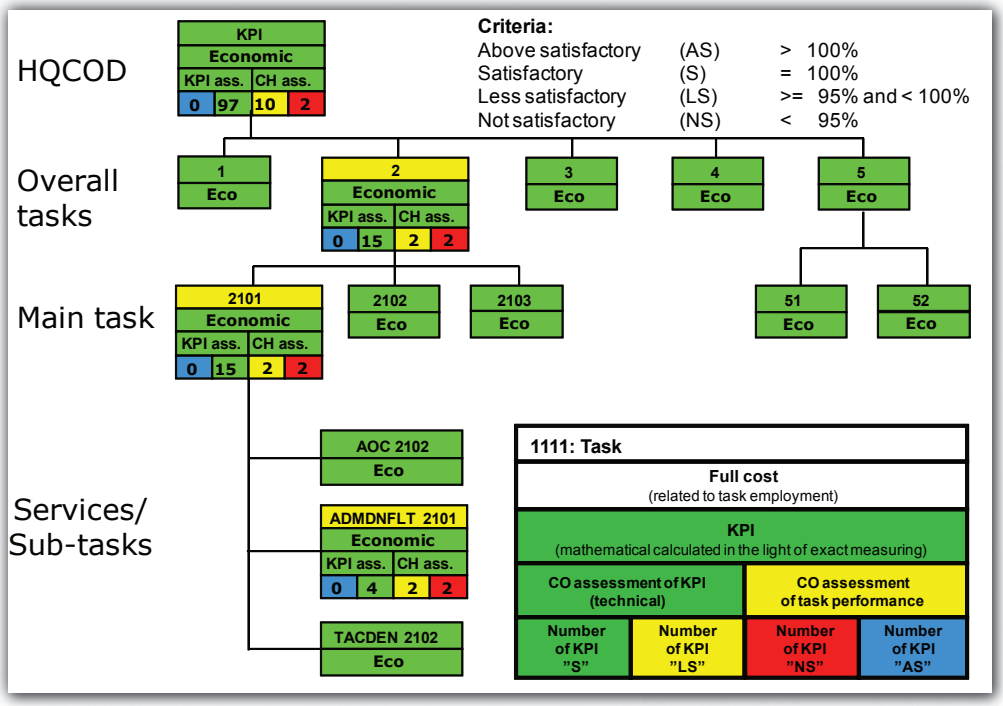


Figure 5-6[13]

At the lowest unit of analysis, each KPI consists of two Measuring Points or metrics, which build the Key Performance Indicators ultimately used to measure success in accomplishing the specified sub-task, in this case Maritime Environmental Surveillance. These two metrics (planned vs. actual airborne hours.) form the basis for establishing a percentage of effectiveness of the sub-task, i.e. the number of airborne hours actually achieved in performing maritime

environmental surveillance. That KPI percentage is then placed within a performance bandwidth to make a quantified assessment. The performance management feedback loop concludes when the data is aggregated in the *Annual Performance Report*.

Sample Performance Management Reporting Structure

Mesuring points:		JAN	FEB	MAR	APR	MAJ	JUN	JUL	AUG	SEP	OKT	NOV	DEC	Total		
Planed airborne hour	Antal	42	41	42	41	42	41	42	42	41	42	42	42	500		
Actual airborne hour	Antal	36	31	44	26	48	48	32	45	56	52	0	0	418		
KPI:		JAN	FEB	MAR	APR	MAJ	JUN	JUL	AUG	SEP	OKT	NOV	DEC	**KPI %**	**Mdr.**	**Year to per.**
Environmental Surveillance, airborne hour	Åtp.	0,86	0,76	1,05	0,63	1,14	1,17	0,76	1,07	1,37	1,24	0,00	0,00	100,5%		
	Mdr.	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1,24	0,00	0,00	123,8%		

Figure 5-7[14]

France

The French Defence performance management system is unique among the referents since it is the one that is most fully integrated into a government-wide effort towards greater accountability among all Ministries. This move towards greater accountability gained momentum in the last decade. Similar in many ways to the Australian system, this reform was inspired by a severe sense of crisis.

Since 1959 – the founding of the Fifth Republic – the budgetary confines and limits for government expenditures had been laid out in the organic law of finances, the *Loi organique relative aux lois de finances* (LOLF) in which accountability received relatively short shrift. In contrast to the United Kingdom, Parliament in this Fifth French Republic has never held much leverage over the executive (although the latest constitutional changes in July 2008 have somewhat strengthened its role). Furthermore, the dominance of the Ministry of Finance had enabled a ´culture of means´ in which various ministries, like fiefdoms, competed with each other for the maximum amount of financial credits. To many observers, it had become obvious that the ministries were often overspending and little control existed over their actions.

The movement for reform reached critical mass in the nineties, to a large degree inspired by far-reaching developments in the field of public management in the United Kingdom, the Nordic countries, New Zealand, Australia and Canada. Encouraged by the President of Parliament, Didier Migaud, the *rapporteur général* of the financial commission of Parliament, set about redesigning the system. The mounting sense of crisis due to government overspending and lack of accountability was so great that the politically precarious step towards reform still managed to pass in spite of potential vetoes by Government, Parliament and the Senate. This culminated in the latest organic law of finances, a constitutional bylaw that was adopted in August 2001 and replaced the 1959 LOLF.

The new LOLF divides the budget into missions, programmes and actions. A **mission** covers

a series of programmes designed to contribute to a specific public policy. A mission can involve a single ministry or several ministries. A **programme** covers a coherent set of activities of a single ministry directed at a specific objective. An **action** covers a set of operational means to implement the programme. In the draft budget for 2008, there were 34 missions (plus 14 missions annexed to the general budget), 132 programmes (plus 38 programmes annexed to the general budget) and 605 actions (in the general budget). Among the 34 missions ten were interministerial.

As to the integration of performance information in the budget system, the LOLF prescribes an extensive performance reporting process. This process is integrated into the budget cycle through two new types of mandatory budget documents, namely annual performance plans (*Projets Annuels de Performances*, PAP) and annual performance reports (*Rapports Annuels de Performances*, RAP). For a given mission, the PAP provides a detailed description of its purpose, goals, policy targets and performance indicators. As part of the annual budget act, the PAP documents are forward looking and are meant to contribute to the public debate about the costs and benefits of public policy. The RAPs are published in the first quarter along with the budget review act; they focus on performance achievements and provide detailed information on programme implementation and results. The RAPs are thus backward looking and tend to contribute to the public debate on the administration's performance.

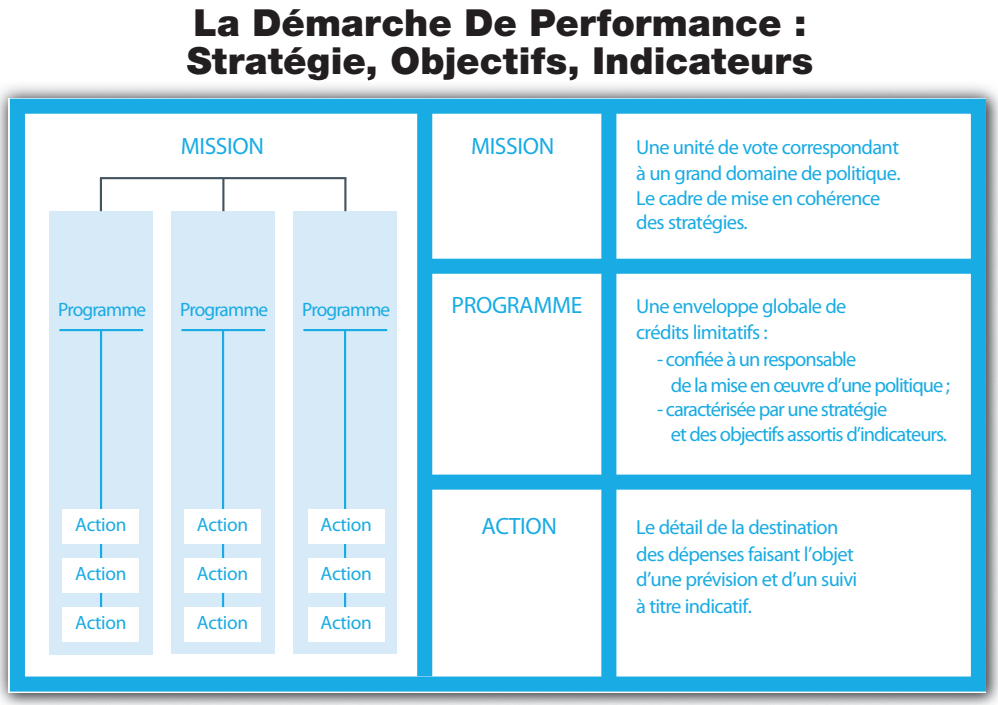


Figure 5-8[15]

The PAP presents (1) the strategy underlying each programme, (2) an overview of each programme and the actions which belong to it, (3) the performance objectives and the indicators by which it is judged, (4) a justification of all credits requested per programme, (5) those responsible for its delivery, and finally (6) the costs associated with each action.

In the report each programme is discussed in the following manner: the objectives and actions attached to it, resource allocation and usage, indicators and results achieved. Of note is the clear way in which the choice for indicators is explained as well as the transparent manner in which performance and the financial dimension are connected within the report.

It is explicitly stated in the guide to the *Guide lecture de PAP* performance manual that the strategic objectives have to meet the following requirements: (1) the joint characteristics of the objectives have to be presented (limited in number, essential, based on the demands and capabilities of citizens, users and contributors), (2) and they should possess specific characteristics (clear, and measurable by key indicators). Of further note, is that the strategic objectives have to achieve three type of 'effects' (not to be confused with the strategic effects of MOD): (1) social-economic effectiveness, (2) quality of service and (3) efficiency of service.

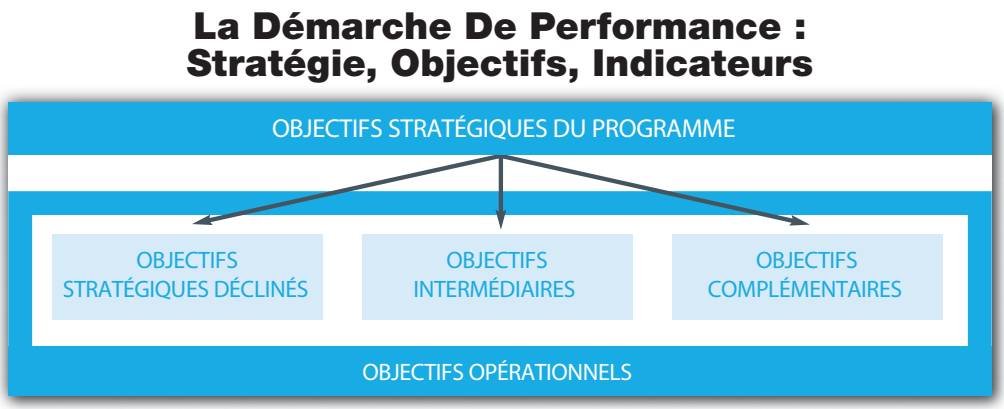


Figure 5-9[16]

Furthermore, it is emphasised that the indicators have to be: (1) pertinent, (2) useful, (3) solid, and (4) verifiable and auditable.

The objectives are set by the Government and the Ministries, but have to be approved by Parliament. The salience of objectives and indicators is reviewed regularly. Each of the fifteen Ministries has its own inquisitor to audit the performance management of the system, except the Ministry of Finance, which is audited by the President (showing the special position that the Ministry of Finance maintains).

In its 2009 PAP, the activities of the French Ministry of Defence were grouped into four

programmes: programme 144: *Environnement et Prospective de la Politique de Défense* (Environment and Prospective of Defence politics), programme 178 : *Préparation et Emploi des Forces*. (Preparation and Deployment of Forces), programme 212 : *Soutien de la Politique de la Défense.* Support of Defence Politics and programme 146 : *Équipement des forces*. (Equipment of forces).These four programmes contained 22 objectives, 40 indicators, and 129 sub-indicators.

Of note is programme 144 (Environment and Prospective of Defence Politics), which basically grades the performance of the French defence organisation's preparation for future eventualities. Included in this evaluation is the force system analysis (like the PP30) which was discussed in Chapter 4.

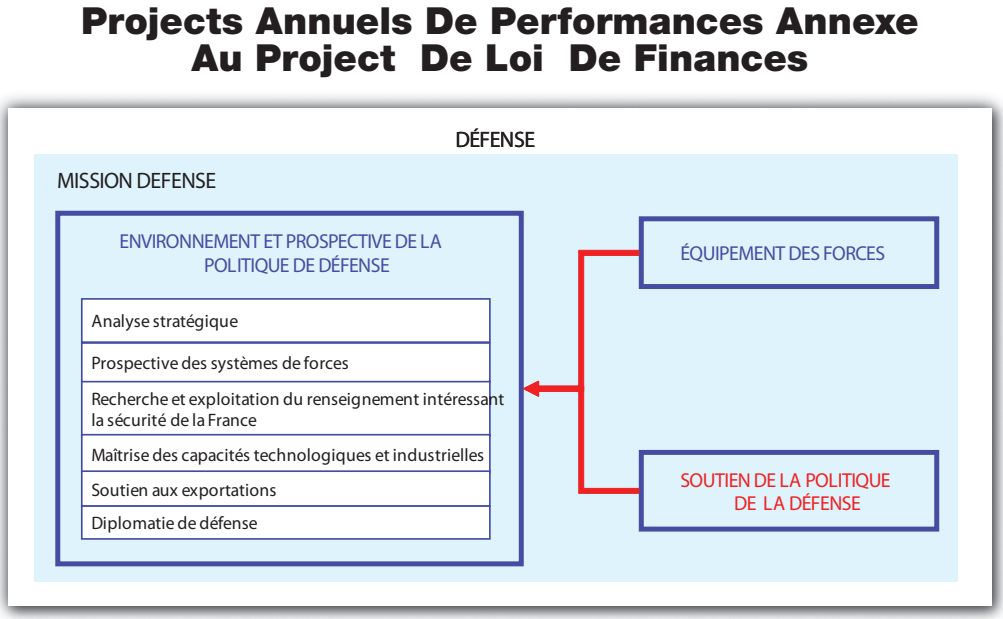


Figure 5-10[17]

Furthermore, the French use a Balanced Scorecard (*Tableau de bord*) system. While the exact details of the system for the MoD are not as accessible as the British one, we do know that it also serves for the strategic management of defence. The various objectives are grouped in a hierarchical, cascading manner, so that the mutual and crosscutting dependencies are clear.

Projects Annuels De Performances Annexe Au Project De Loi De Finances

RÉCAPITULATION DES ACTIONS

- ACTION n° 01 : Analyse stratégique
- ACTION n° 02 : Prospective des systèmes de forces
- ACTION n° 03 : Recherche et exploitation du renseignement intéressant la sécurité de la France
- ACTION n° 04 : Maîtrise des capacités technologiques et industrielles
- ACTION n° 05 : Soutien aux exportations
- ACTION n° 06 : Dip lomatie de défense

Numéro et intitulé de l'action		Autorisations d'engagement	Crédits de paiement
01	Analyse stratégique	5 695 000	4 095 201
02	Prospective des systèmes de forces	38 880 762	38 880 762
03	Recherche et exploitation du renseignement intéressant la sécurité de la France	640 251 717	577 151 717
04	Maîtrise des capacités technologiques et industrielles (libellé modifié)	1 048 764 574	999 464 373
05	Soutien aux exportations	20 344 175	20 344 175
06	Diplomatie de défense	102 314 688	95 989 688
Totaux		**1 856 250 916**	**1 735 925 916**

RÉCAPITULATION DES OBJECTIFS ET INDICATEURS DE PERFORMANCE

OBJECTIF 1 **Renforcer une démarche prospective européenne en matière de sécurité et de défense en promouvant une démarche prospective commune**

INDICATEUR 1.1 Taux de coopération européenne en mati ère de prospective, de recherche et de technologie

OBJECTIF 2 **Améliorer le niveau de sécurité des forces et du patrimoine industriel et économique lié à la défense (DPSD)**

INDICATEUR 2.1 Taux d'avis émis dans les délais prescrits

INDICATEUR 2.2 Taux des sites du domaine militaire et des sites industriels et économiques liés à la défense inspectés dans les délais prescrits

OBJECTIF 3 **Développer les capacités scientifiques technologiques et industrielles nécessaires aux systèmes d'équipement futurs**

INDICATEUR 3.1 Taux de progression des technologies spécifiques nécessaires à la défense

INDICATEUR 3.2 Performance de traitement des dossiers d'investissements étrangers en France

INDICATEUR 3.3 Performance du dispositif de formation des grandes écoles de la DGA

INDICATEUR 3.4 Part des études amont contractualisées vers les PME/PMI

OBJECTIF 4 **Optimiser l'activité étatique de promotion et de contrôle de l'exportation dans le domaine de la défense**

INDICATEUR 4.1 Coût de la direction du développement international dans les contrats de vente à l'exportation

INDICATEUR 4.2 Délai de traitement des dossiers d'exportation de matériels de guerre

OBJECTIF 5 **Conduire et piloter la diplomatie de défense**

INDICATEUR 5.1 Taux de réalisation du plan de rationalisation de la représentation diplomatique de défense

INDICATEUR 5.2 Taux de réalisation des plans de coopération

Figure 5-11[18]

United Kingdom

As with many other organisations in the public sector during the nineties, the Ministry of Defence in the United Kingdom felt pressure to increase the transparency of its budgetary allocations and to improve its overall performance. This pressure led to the introduction of a new performance management system, on top of which a government-wide measure was added in 2004, after the *Spending Review*. We will discuss the Balanced Scorecard first, then the Public Service Agreements.

The foundation for the new system that was introduced in 2000 was the Balanced Scorecard, a methodology which derives from the business world and was introduced by Kaplan and Norton in the early nineties. The underlying idea of the Balanced Scorecard as used in the business world is to guide leadership towards thinking about outcomes instead of only financial inputs. The scorecard is intended to provide the information for strategic assessments and in its basic form encompasses four dimensions: Financial, Customer, Internal Business Processes, and Learning & Growth. This basic model has gone through various incarnations and is adapted differently in various organisations.

Likewise, the United Kingdom MOD has adapted the scorecard every year since it came into use, consistently adding, moving, integrating and subtracting subcategories from the basic format, as well as changing the titles of the four major categories, to better reflect their intent and relationship to the organisation. The *2007-2008 Balanced Scorecard* covers: *Purpose, Resources, Enabling Process and Future*, has 15 subcategories, 71 targets and 192 indicators.

The basic categories and objectives are set out in the Defence Plan, which is the formulation of policy by the Defence Board for a four-year period. The Scorecard, however, reflects that changes are made in the interim periods as well. The *Defence Plan* and the *Defence Balanced Scorecard* are deliberately designed to evolve over time to reflect emerging top level priorities and changes in the organisation of the Department.

For example, significant changes in 2007-08 include: a revision of the structure of the *Future* section to focus more clearly on change and future capabilities; the merging of *Personnel* and *Manpower* into a single integrated *People* chapter; the merging of logistics and equipment acquisition into *Equipment and Support*, to reflect their closer integration in the Defence Equipment and Support organisation under the Defence Acquisition Change Programme; the merging financial and efficiency reporting into a single chapter, and so on.

The Balanced Scorecard is integrated into the organisation at every level, although the prominence of specific categories – such as *Purpose* – may decrease or increase on other levels. At the higher levels, a quarterly performance report exists to track performance against the emerging financial position. Furthermore, the *Defence Balanced Scorecard* is underpinned

by scorecards at Top Level Budgetholder (TLB) level. Finally, the annual report is designed according to the logic of the Scorecard.

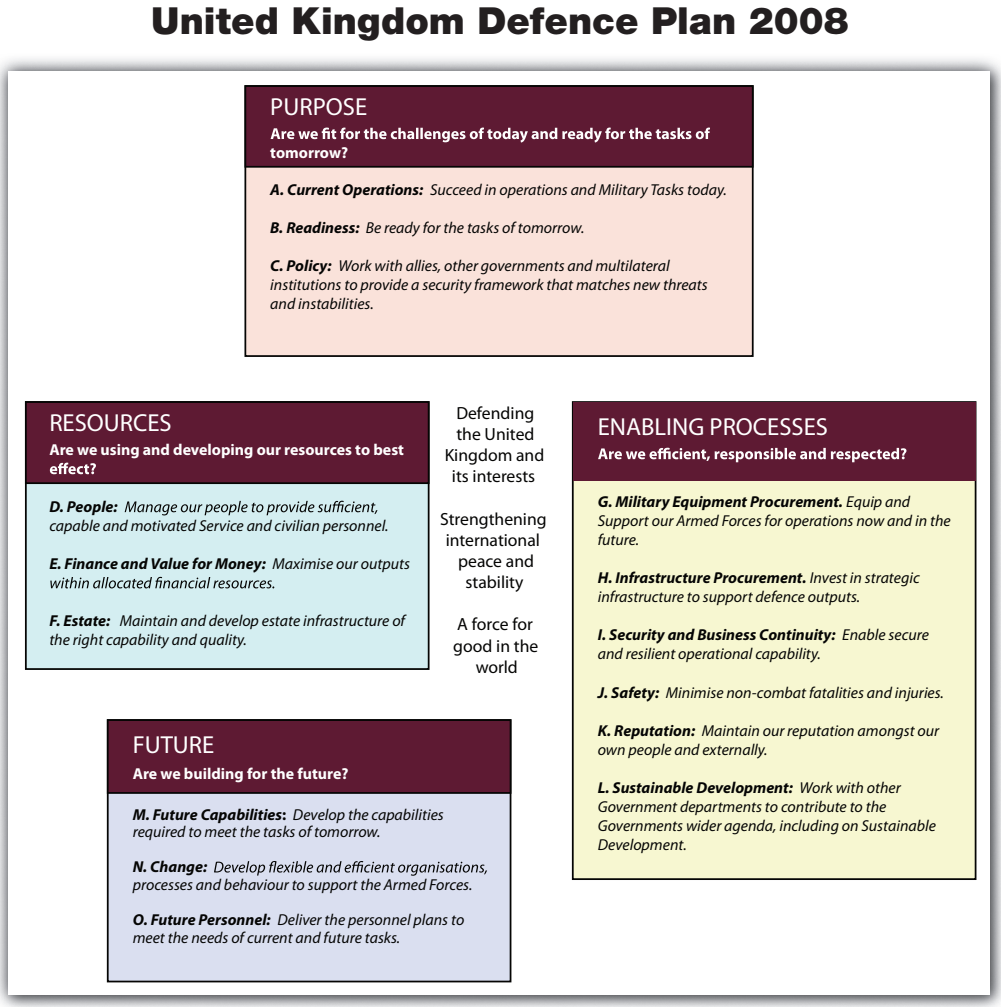


Figure 5-12[19]

From 2004 onwards the scorecard logic was joined by another effort – this one a government-wide one. Every three years, Government conducts a cross-departmental *Spending Review*. On the basis of the *2004 Spending Review*, a system of *Public Service Agreement* (PSA) Objectives and Targets were set. In the Defence department these were implemented next to, and on top of, the Balanced Scorecard.

The Ministry of Defence 'vision' is reflected by the *Public Service Agreements* divided into three objectives and six targets:

> *Objective I: Achieve success in the Military Tasks we undertake at home and abroad; Objective II: Be ready to respond to the tasks that might arise; Objective III: Build for the future.*

Furthermore, an extra Spending Review Efficiency Target is added on top of these performance targets.

Example of Target 1[ii]

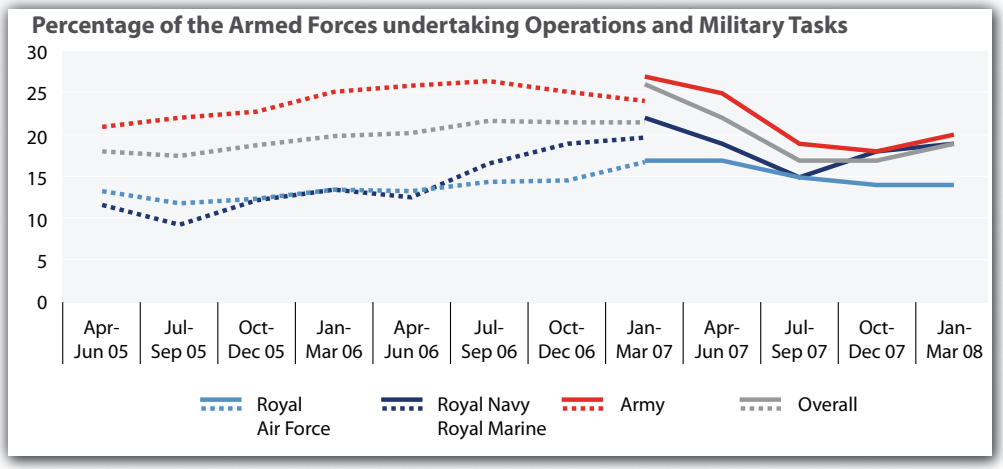


Figure 5-13[20]

Example of Target 2[iii]

Figure 5-14[21]

ii) Achieve the objectives established by Ministers for Operations and other Military Tasks in which the United Kingdom's Armed Forces are involved, including those providing support to our civil authorities

iii) Improve effectiveness of the United Kingdom contribution to conflict prevention and management

The emphasis to ingrate performance across government is reflected by three crosscutting, interdepartmental performance targets: PSA 26. *Reduce risk to United Kingdom and its interests overseas from International Terrorism*; PSA 30.

> *A global and regional reduction in conflict and its impact through improved United Kingdom and international efforts to prevent, manage and resolve conflict, and to create the conditions required for effective state-building and economic development; and PSA 27. Lead the global effort to avoid dangerous climate change.*

From the 2005 annual reports onwards, the six PSA targets were integrated into the Balanced Scorecard. In most cases, there was significant overlap with existing priorities, in others they were added onto existing categories.

The introduction of the scorecard method into the British performance system was intended to streamline thinking and lead to clearer strategic goals, fewer key targets, and more rigorous ways of measuring progress. The scorecard also brought greater balance to the Department's consideration of key issues so that, for the first time, the Defence Board (formerly known as the Defence Management Board – responsible to the Ministers for the full range of Defence business, other than the conduct of operations) has an overview and a clear insight into the linkages that drive performance. Like the French system, a great emphasis is put on achieving strategic results. This is reflected in the following categorisation*: Purpose* (the Operations, Readiness and Policy subcategories) ; *Future* (specifically Future Capabilities, Change, Future Personnel subcategories); *Enabling Process* (specifically Military Equipment for operations now and in the future subcategory).

The importance of strategy is further underlined by the creation of a new Strategy Director post under the auspices of the Head Office Streamlining Programme. Furthermore, it is likely that another incarnation of the scorecard will take place, this time more radical than before, where all other categories of the scorecard will become subservient to an *Outcomes* category. The intention is to clarify that financial resource, and enabling process 'feed' the eventual policy and political objectives of Defence as a whole.

The World Food Programme

Results Based Management is the dominant system the WFP employs to evaluate its attainment of both its Strategic Objectives and its aligned goals. (2008–2011) frames WFP's vision, mission and strategic direction on the basis of five Strategic Objectives and fourteen aligned goals.

The World Food Programme's Five Strategic Objectives are[22]:

- Save lives in crisis situations.
- Protect livelihoods in crisis situations and enhance resilience to shocks.
- Support the improved nutrition and health status of children, mothers and other vulnerable people.
- Support access to education and reduce gender disparity in access to education and skills training.
- Strengthen the capacities of countries and regions to establish and manage food-assistance and hunger-reduction programmes.

Results Based Management is a logic model that partitions activities and results into a linear hierarchy in order to illustrate the management process from the lowest level of actions (inputs) to the cumulative effect of said inputs- the impacts. Adjoining the traditional input/outcome relationship is the 'Results Chain'. The Results Chain is the causal sequence that defines the necessary order of events needed to achieve the desired objectives, and operationalises these events at each layer of analysis- inputs, activities, outputs, and finally outcomes and impacts. The WFP's Results Based Management (RBM) has more layers of analysis than referents with similar input/outcome structures, such as Australia. Of note are the addition of activities at the lower end, and 'impact' at the top of the hierarchy. The elements of RBM, the Results Chain, and operational evaluation practices are linked together via the *Standard Logic Framework*.

The World Food Programme Results Chain

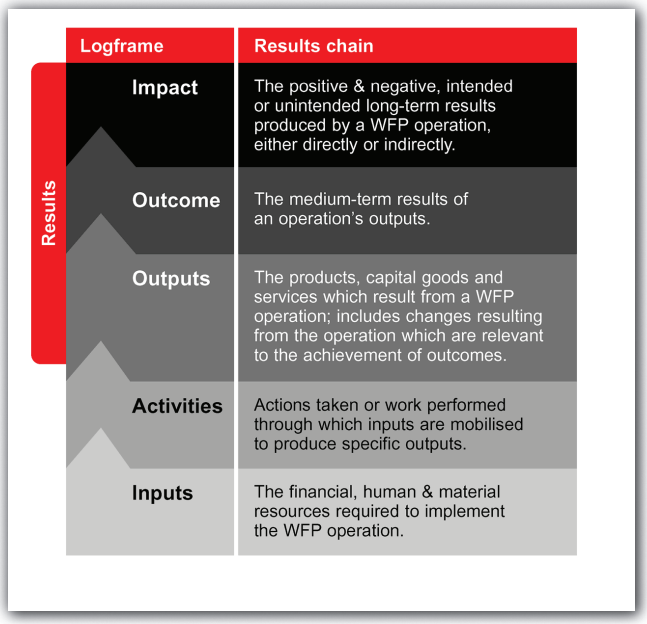


Figure5-15[23]

Linking RBM and Monitoring and Evaluation into a Standardised Logic Framework

What the operation will do; what it seeks to achieve	How performance will be measured		Factors outside management control that may affect project performance
Logframe hierarchy	**Performance indicators**	**Means of verification**	**Assumptions and risks**
Impact	**(Impact)**		
Higher objective to which this operation, along with others, is intended to contribute	Indicators (increasingly standardised) to measure programme performance	The programme evaluation system	Risks regarding strategic impact
Outcome	**(Outcomes)**		
The outcome of an operation. The change in beneficiary behaviour, systems or institutional performance because of the combined output strategy and key assumptions	Measures that describe the accomplishment of the Outcome. The value, benefit and return on the investment	People, events, processes, sources of data for organising the operation's evaluation system	Risk regarding programme level impact
Outputs			
The actual deliverables. What the operation can be held accountable for producing	Output indicators that measure the goods & services finally delivered by the operation	People, events, processes, sources of data – supervision & monitoring system for validating the operation's design	Risks regarding design effectiveness
Activities	**Inputs/Resources**		
The main activity clusters that must be undertaken in order to accomplish the Outputs	Budget by activity. Monetary, physical & human resources required to produce the outputs	People, events, processes, sources of data – monitoring system for validating implementation progress	Risks regarding implementation & efficiency

Figure 5-16[24]

> *In the standard logical framework matrix, the objectives hierarchy (column 1) and the assumptions and risks (column 4) articulate the operation's design. The performance indicators (column 2) and means of verification (column 3) describe Monitoring and Evaluation functions that serve to test whether or not the hypothesis articulated in the operation design holds true*[25].

Having established a framework in which to anchor the performance management system, the World Food Programme must establish when and how to report the data collected using RBM methodology. The cyclicality of the performance management feedback loop is dependent on the type of program, the amount of money invested, and its perceived strategic value by the Executive Board. As such, evaluations at the operational level are conducted in the following manner (*excerpt from the Monitoring and Evaluation Guidelines*)[26]:

At least one of the following three exercises must be undertaken during or after the lifetime of any operation lasting longer than twelve months.

- **Country Office led self-evaluations** include all operations lasting longer than twelve months and take place prior to the planning of a new phase or at the operations' close.
- **Country Office or Regional Bureau-led evaluations** include any operation at any time if a management need arises and if issues cannot be dealt with through self-evaluation; and any operation if the cumulative budget of all phases exceeds US $50 million and if the last evaluation took place more than three years previously.
- **OEDE managed evaluations** include all first-generation Country Programmes; any operation if the cumulative budget of all phases exceeds US $50 million and if the previous evaluation took place more than three years previously (if such an evaluation is not undertaken by the Country Office or Regional Bureau); any operation, thematic or policy evaluation requested by the Executive Board or by senior management.

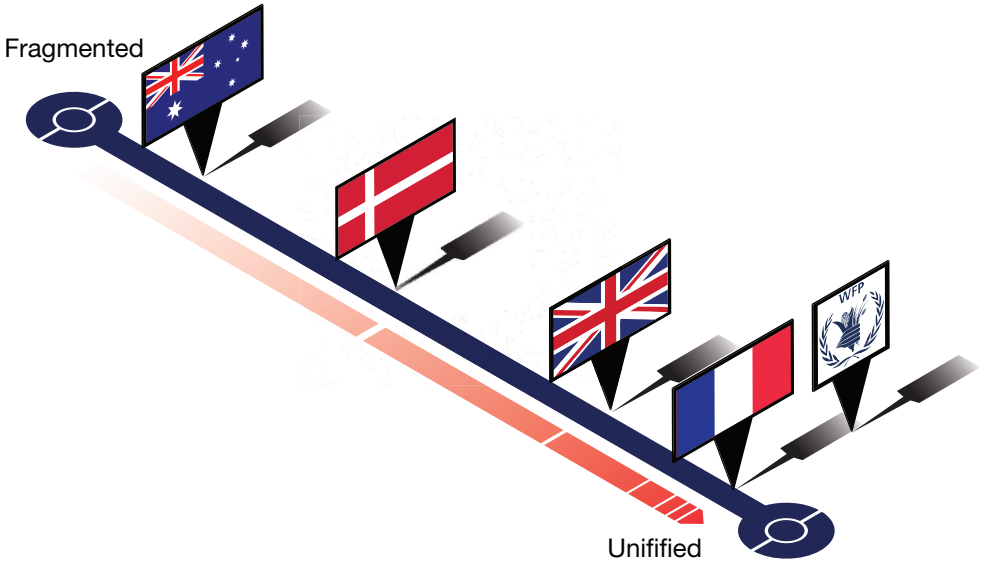
The evaluation procedures above are largely devoted to informing staff at the regional and country levels. For the purposes of aggregating data in a standard format, the World Food Programme also publishes *Standardized Project Reports*, which are a critical input into the highest performance management evaluation, the *Annual Performance Report*. *The Annual Performance Report* adheres to the RBM methodology with the notable absence of the impact layer of analysis, though it may be subsumed under the banner of outcome. The publication of the *Annual Report* closes the feedback loop at the Executive Board level. Major findings from the *Annual Report* will inform the publication of a new *Strategic Plan* every three years, or may compel further ad hoc evaluations as the Board deems necessary. A sample reporting format used in the *Annual Performance Report* is given below.

The World Food Programme's Strategic Results Framework, 2009

Strategic Objective 1: Save Lives in Crisis Situations		
General food distribution **Selective feeding** (includes therapeutic, supplementary and vulnerable group feeding)	**Output 1.1:** **Timely provision of food in sufficient quantity for targeted beneficiaries in conflict and disaster affected areas** **Indicator 1.1.1:** Actual beneficiaries receiving WFP food assistance through each activity as a percentage of planned beneficiaries, by project category, age group, sex. **Indicator 1.1.2:** Actual mt of food distributed through each activity as a percentage of planned distributions, by project category, commodity. **Indicator 1.1.3:** Percentage of general food distributions occurring more than 7 days later than the planned date of distribution (pilot indicator).	**Outcome 1.1:** **Reduced and/or stabilized acute malnutrition in an identified population in conflict and disaster affected areas** **Indicator 1.1.1:** Prevalence of acute malnutrition among under-5s in an identified population by gender, assessed using weight-for-height. **Outcome 1.2:** **Reduced and/or stabilized mortality in an identified population in conflict and disaster affected areas** **Indicator 1.2.1:** Crude mortality rate in an identified population (pilot indicator – SMART[iii] initiative). **Indicator 1.2.2:** Under-5 mortality rate in an identified population (pilot indicator – SMART[iii] initiative).
Strategic Objective 2: Protect Livelihoods in Crisis Situations and Enhance Resilience to Shocks		
General food distribution **Support to safety net programmes (includes programmes reaching HIV/AIDS** impacted households) FFW/FFA **FFT** (includes life skills training and training for income-generating activities)	**Output 2.1**: **Timely provision of food in sufficient quantity for targeted beneficiaries in crisis and transition situations or vulnerable to shocks** **Indicator 2.1.1:** Actual beneficiaries receiving WFP food assistance through each activity as a percentage of planned beneficiaries, by project category, age group, sex. **Indicator 2.1.2:** Actual mt of food distributed through each activity as a percentage of planned distributions, by project category, commodity. **Indicator 2.1.3:** Actual participants in each activity as a percentage of planned participants, by sex.	**Outcome 2.1:** **Increased ability to meet food needs within targeted households in crisis situations or vulnerable to shocks** **Indicator 2.1.1:** Proportion of beneficiary household expenditures devoted to food.[iv] **Indicator 2.1.2:** An indicator on dietary diversity is under review.[v] **Outcome 2.2:** **Increased ability to manage shocks within targeted households in crisis situations or vulnerable to shocks** **Indicator 2.2.1:** Appropriate indicators under discussion[vi].

Figure 5-17[26]

Uniformity and Coherence



Government-Wide Approach

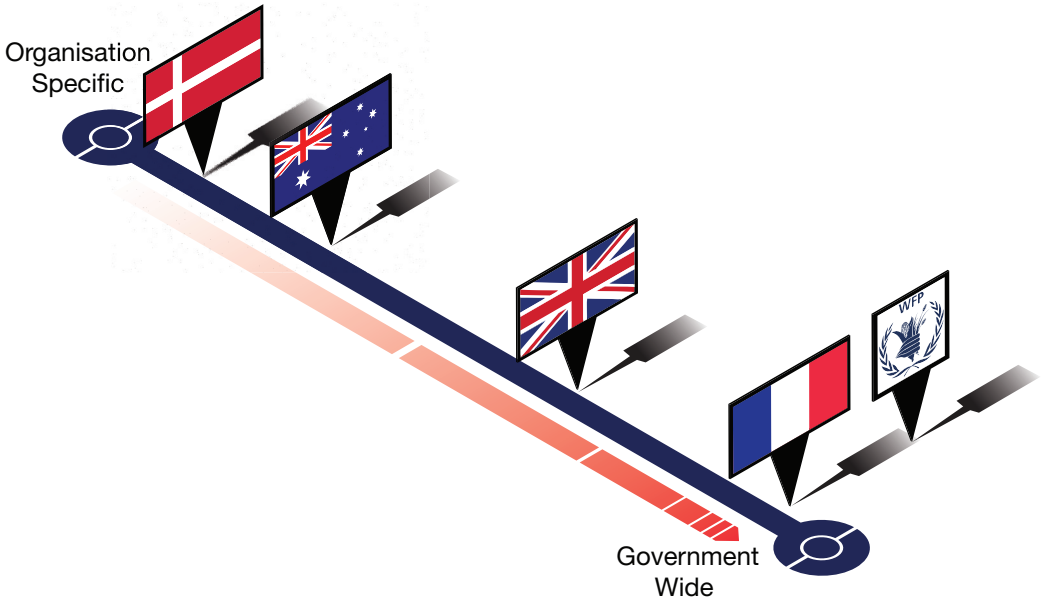


Figure 5-18

Benchmarking Referents

The Uniformity and Coherence of Performance Management Systems

This slidebar visualises the degree of coherence and uniformity in the performance management system for each referent. Key influences on the assessment include whether the performance management system has a single, identifiable logic framework, an examination of whether it is employed across all departments, and whether the system is prevalent in other reports in a referent's organisation. It is essentially an analysis of the individual elements any performance management system would have to possess in order to connect it to policy, finance, and operations.

Many of the referents share indicators that move them in the direction of uniformity. A single logic architecture is increasingly common, and is usually transferred into the reporting format of key performance reviews. The difficulty arises in trying to develop a performance management system that can be applied across different government departments. While logic frameworks (Results-Based Management, input/outcome structures, etc.) may be incorporated across a variety of departments, transposing specific objectives and measures of success from one to another has proven beyond the current grasp of virtually all referents.

Australia has adopted a single logic framework, the Output/Outcome model, to assess the totality of effectiveness in achieving its strategic objectives, but different performance management methodologies are used throughout the ADF service branches and supporting organisations. Most notably, the Preparedness Management System and the Defence Material Organisation's Earned Value Management. The former is designed to assess unit preparedness of within specific bandwidths of time and alert levels. The latter is limited to measuring the ability of defence contractors to deliver against promised targets and is limited to use in the ADF's Defence Material Organisation.

We assess the French Performance Management system as quite unified and centralised, because it is part of a genuine government-wide effort, and is explicitly formalised insofar as roles and responsibilities are concerned. All ministries are required to establish objectives, methods and indicators in advance on the basis of a common template which are then reviewed. Although not referenced as explicitly in the French performance documents (the RAP and the PAP) as in the United Kingdom, the French MoD utilises a Balanced Scorecard throughout the organisation, with progress on all levels and in the various organisations built into the main scorecard in a cascade.

The United Kingdom performance management system is somewhat split: it is partly built on the logic of the Balanced Scorecard unique to the MoD, and partly through the *Public*

Service Agreements, a government-wide effort. While this can be confusing, the entire defence organisation's performance is reported through the scorecard. This applies to all service branches and at all levels, as far as we can tell. While forming the structure of the annual reporting system, it also provides the basis of the quarterly performance reports. So, with a slight caveat, we judged the United Kingdom system as relatively (and increasingly) unified, though less so than France.

The World Food Programme's performance management system is assessed as highly unified because Results Based Management is the only methodology used, and possesses a single common logic framework that is strictly adhered to and used throughout the United Nations. While indicators and targets for performance management at the operational level are chosen by program leaders, the principles and underlying methodologies for employing RBM are outlined in the *Monitoring and Evaluation (M&E) Guidelines*, the definitive source for employing RBM at this level. The RBM structure is also embedded into the WFP *Annual Performance Report.* This establishes a link between employing RBM at operational and strategic levels.

Although Denmark uses a highly synchronised performance management architecture that establishes direct links from the Overall Defence Tasks down to the lowest key performance indicators, that architecture does not (yet?) appear to extend to its annual budget reports. From the available literature, Denmark's performance management system, as it relates to the use of *The Defence Catalogue of Tasks*, the selection of key performance indicators, and managerial tools such as the *Defence Management Cockpit,* seems limited to those sources. To date, no mention has been found concerning the use of this system, software, or logic architecture by any other agency in the Danish government.

A Government-Wide Approach to Performance Management

This slidebar expresses whether or not a referent's performance management methodology is part of a government-wide effort or only applies to the Defence organisation. In the case of the World Food Programme, it is an assessment of whether or not the performance management model is used in other United Nations agencies. Key influences on the assessment include the use of the system in other reports, and whether any individual components of a system such as goals, indicators, performance targets etc... are shared among other government agencies.

Overall, there appears to be a shift towards a government wide approach, although many referents find this difficult to implement. The WFP and France are at the forefront of this trend. The World Food Programme's Results-Based Management is used throughout the United Nations. The enactment of which stems from recommendations by the *2006 Steering Committee on the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies.* France has institutionalised its methodology to such an extent that the same reporting template is employed across numerous ministries.

Each French ministry has a forward looking PAP – which establishes objectives and indicators, as well as laying out budget parameters – and an annual review in the form of the RAP. The government delegates an auditor to review not only the performance of the ministries, but also the objectives and indicators. The thoroughness of this approach seems exceptional among the referents. While the Australian Minister of Finance requires all ministries to use the Outcomes/ Outputs framework, goals and indicators are not applied to agencies outside the ADF. Denmark embraces a whole of government approach to defence planning, but their model of cascading task hierarchies and KPI calculation techniques are limited to the Danish Defence Force. The United Kingdom presents an interesting case since its Ministry of Defence essentially uses two separate logics. The first is the Balanced Scorecard which was instituted in 2000, and reviews the progress of Defence across four separate categories. This methodology seems to be established within the Ministry and is not part of a government-wide effort. The second are the *Public Service Agreements* which were introduced after the *2004 Spending Review*, as a review concerning the performance of all ministries. The two logics make an uncomfortable fit as presented in the annual reports.

The Linkage Between Goals and Indicators

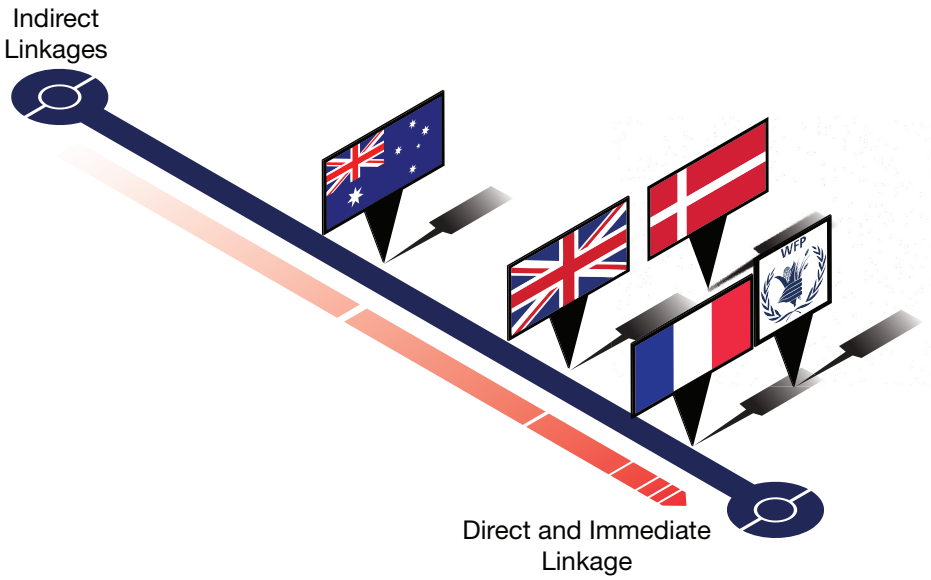
This slidebar assesses the strength and immediacy of the correlation between goals (desired outcomes) and the indicators used to measure success or failure to achieve them. Key influences on the assessment include whether or not the central document evaluating performance management specifies the goals it is measuring against, or whether there is a direct reference to a separate document denoting what the goals are. It also includes an examination of how the system is linked to the highest objectives of each referent, whether a formal appraisal concerning how goals and indicators would ideally connect is conducted, and the totality of the materials available on the subject.

The French system has an annual stand-alone document (the forward looking PAP) that establishes the contours of each program, lists its objectives, and establishes (with argumentation) the indicators to be used. On the basis of this document, the annual report (RAP) reviews progress which also serves as input into the indicators to be established for the following year. Furthermore, the validity of objectives and indicators of each ministry are reviewed annually by a special ´inquisitor´.

The United Kingdom also establishes objectives in a forward-looking document – the *Defence Plan* – but this is (usually) published every four years. The argumentation for each objective and indicator is less thorough here than in the French example. However, the annual report spends more time explaining the chosen indicators.

At a lower unit of analysis, we can say that Australia's inputs are linked to outputs and outcomes. However, if we define the highest ADF objectives as those stated in the *Defence White Paper*,

Linkage Between Goals and Indicators



Quantified vs Qualified

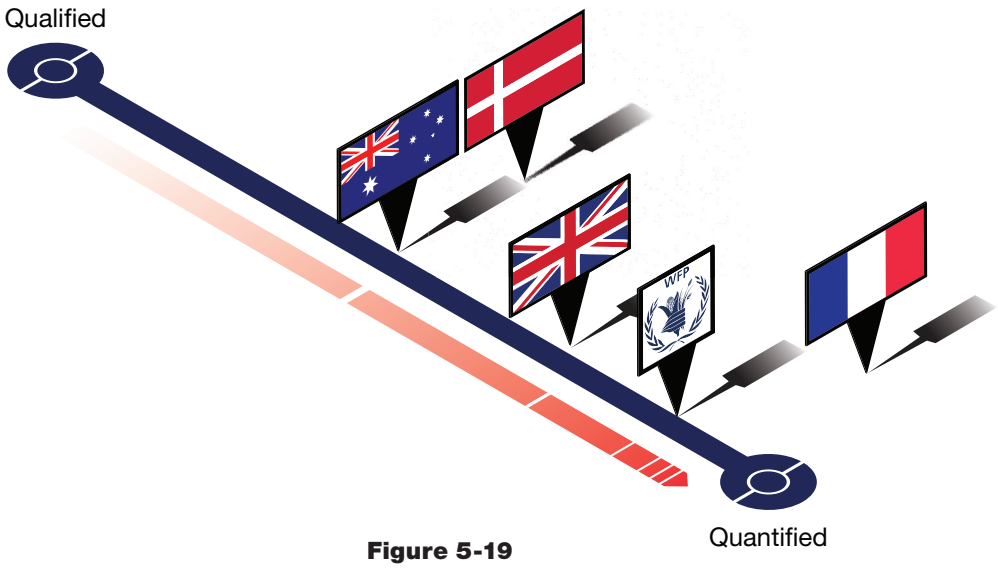


Figure 5-19

then direct links to them are not expressed as a verbatim translation from the *White Paper* to the *Defence Annual Report* or the *Defence Portfolio Budget Statements*. Although major initiatives from the *White Paper* and subsequent *Defence Updates* are periodically referenced as influences, the linkage appears somewhat less direct than the other referents.

In contrast, the World Food Programme specifies in detail each performance target, indicator (planned and actual), and the outcome desired per Strategic Objective in one concise table in the *WFP Annual Performance Report.* Furthermore, the WFP has published *The Indicator Compendium*, a document used within the RBM model that establishes performance management targets against the five Strategic Objectives, and the seven Management Priorities. Separate from the *Indicator Compendium* are the *Monitoring and Evaluation (M&E) Guidelines* which are a set of specific methodologies the World Food Programme uses to assess the effectiveness of their field operations.

The Degree to Which Performance Management Indicators are Quantitatively or Qualitatively Orientated

This slidebar represents our assessment as to whether the totality of each referent's performance management indicators tend to be qualitative or whether they favour quantitative metrics.

Overall, the indicators used in the ADF are mostly quantified, as the services branches tend to have more indicators per Output in terms of raw numbers, and tend to favour concrete metrics. For example, the projected flight hours or the number of vehicles in service. However, there is a strong qualitative element to both the *Defence Portfolio and Budget Statements* and the *Defence Annual Report*. In both documents the summary tables for each target are partitioned into qualified and quantified statements, thus placing Australia closer to the qualified pole end.

Denmark's key performance indicators share the same qualified/quantified balance as the ADF's. While the DDF possess a clear and unified model used to assess, weigh, and calculate quantitative KPI's, a qualified Commander's Assessment is an in integral part of each performance evaluation. The KPI layout is essentially divided between the aggregate calculations of specific KPI's balanced and a chief executive's military judgment. This pattern is repeated in a cascading manner from Overall Tasks to Main Tasks to Service Tasks.

Practically all 129 (of the 2009 PAP) of France´s key performance indicators are quantitative. They are explicitly established before hand and arguments are presented for their inclusion. The indicators for their part have to be: (1) pertinent, (2) useful, (3) solid, and (4) verifiable and auditable. This applies to whether they are measuring the performance of the foresighting function or the readiness of land forces. Finally, all objectives and sub-indicators are reviewed on a continual basis by inquisitors.

The United Kingdom has more qualitative elements in its performance measurement. For example: most of the subchapters lead off with an essay to assess progress. Many of the sub-indicators themselves are also qualitative. Finally, there is no clear explanation in the main documentation why indicators have been chosen and whether they have been validated.

A stable and narrowly defined mandate facilitates the WFP's use concrete metrics. According to the 2007 WFP *Annual Performance Report* all sixteen indicators at the lower output level are quantifiable. At the higher outcome level, of the twenty indicators selected, sixteen are quantifiable. As such, the World Food Programme heavily favours quantifiable metrics.

The main tension within this parameter is between the desire to be 'S.M.A.R.T.' in the assessment of actual performance and the desire to become more strategic. Metrics at the lower and more operational level are clearly more 'mature' and precise, but an initial 'metric mania' now seems to have yielded to an attempt (certainly in the United Kingdom and also to some extent in France) to prioritise the genuinely strategic objectives, even if that forces the organisation away from the 'harder', neater (but less systemic or relevant) quantitative metric and towards 'softer', more qualitative - but arguably more meaningful - indicators. "Given the number of PBMS [performance based management systems – note of the authors] with 'good' intentions to connect strategy to performance measures, why do so many organisations fail to achieve their strategic goals? What could oppose such sound and obvious methods for managing performance? We believe at least part of the answer is 'metric mania,' an obsession with numbers that overshadows any concern for strategic results. As one government executive told us,

> *We are becoming metrics driven, and properly so. But how much of our measuring –and analysis of what we are measuring – and reporting on what we are measuring – could itself become non-value added effort?*

Is the formidable weapon of performance metrics missing the target and hitting the organisation in the foot? We believe the answer is yes, a little too often.

The Nature of the Performance Management Partition Schemes

The Degree to which Partition Schemes are Input Driven or Output Driven

The partition scheme breaks down the capabilities to be managed into categories, and can be used as a framework of '*hooks*'[28] to capture the underlying logic and emphasis of a system. This slidebar represents our interpretation as to what degree the partition schemes are outcome driven

or input driven. That is to say, do the main categories in which the performance management architecture is structured focus on inputs (activities or finance), or on the achievement of goals (outputs)? Key influences on the assessment include explicit statements concerning the logic framework, and an overall examination of the partition schemes in a referent's annual reports. However, it is beyond the scope of the study to make an assessment of an organisation's absolute success in achieving an outcome driven performance management system. Rather, placement on the slidebar is an attempt to illustrate our assessment as to what degree the system is designed to be outcome driven, and if there is an overall trend to move in that direction.

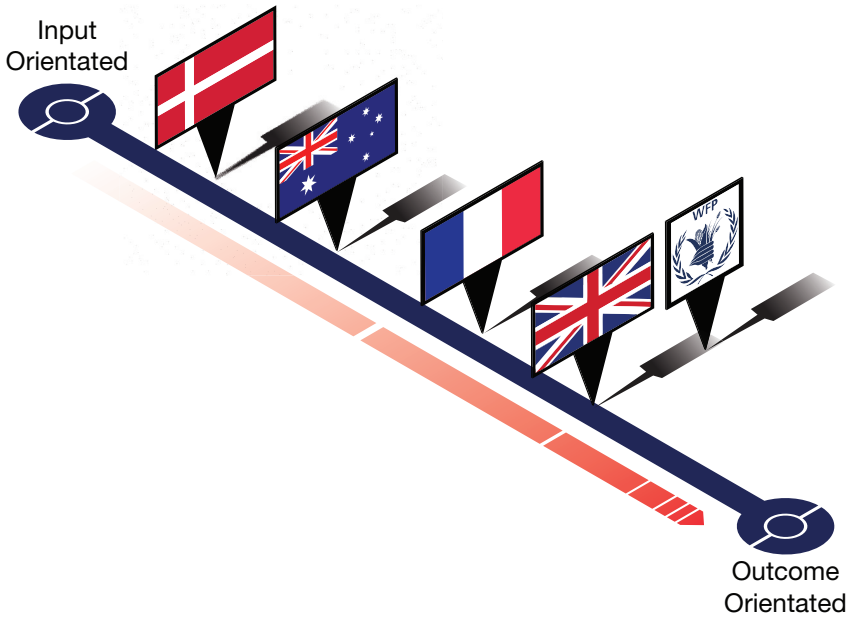
A common theme among the referents is a deliberate self-professed shift to outcome focused models that have their origins in the business community. In some cases such as Australia, the entire reporting structure is literally built around the terminology of 'output' and 'outcome'. The primacy of Australia's outcome focused model is best exemplified in the *Defence Portfolio and Budget Statements*:

> *All Government agencies that receive appropriations from Parliament are required to report on the basis of the Outcomes and Outputs framework….The framework recognises that the Government delivers benefits to the Australian community (Outcomes) primarily through administered items and agencies' goods and services (Outputs), which are delivered against specific performance benchmarks or targets. Planned Outcomes are defined as the results or impacts on the community or the environment that the Government intends to achieve. Appropriations by Parliament are made according to the purposes specified by government outcomes. In turn, all agency Outputs must contribute directly or indirectly to the realisation of a specified Outcome*[29].

These terms denote the top end of a hierarchal model built upon a foundation of performance targets and indicators (both quantified and qualified) that when aggregated, form Planned Outcomes for Performance. These Planned Outcomes are the building blocks for assessing the highest level defence outcomes, or as ADF calls them, Defence Departmental Outcomes. In other referents such as Denmark, the partitioning terminology is not as literal, but when examined in its entirety, the model is directed to reporting against the achievement Overall Tasks and is not predisposed to a one dimensional focus on resource expenditure.

The United Kingdom has a clear emphasis on broader outcomes. The four categories of the Balanced Scorecard are only input based to limited degree: (1) Purpose, (2) Enabling process, (3) Future and (4) Resources. Furthermore, there is discussion within the department to reorganise the system even further, making the other elements more subordinate to the purpose category.

Input vs Output Oriented



Service vs Joint-Centric

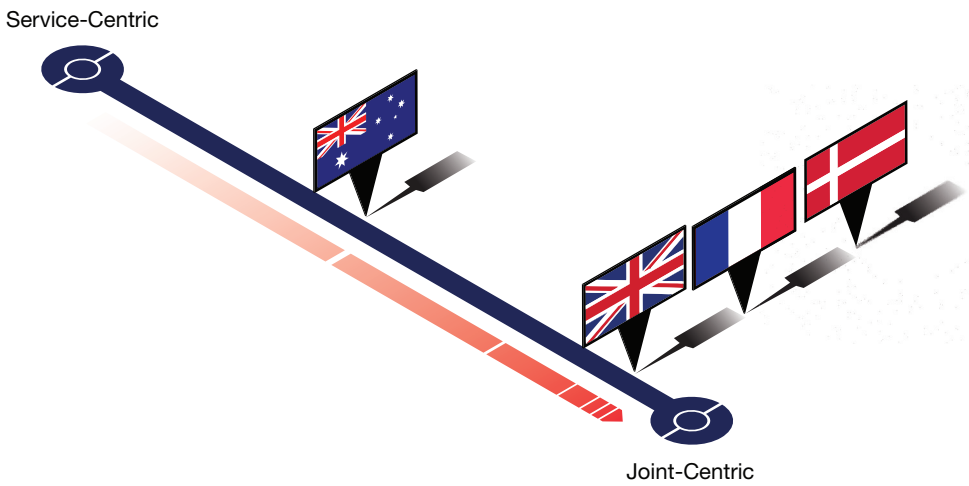


Figure 5-20

In France the movement is similar. The system was considered heavily input-based, and dominated by infighting between the various departments. To counter this trend, and improve the accountability of the ministries to parliament, there was an explicitly-stated drive to move from an input-based model to a results-based model – although results here are still framed in terms of outputs more than literal outcomes. The four defence programs which are the highest level grouping of performance management also show an orientation towards outputs: Environment and Political Prospective of Defence (144), Preparation and Deployment of Forces (178), Support of Defence Politics (212) and Equipment (146). Of note is that while the focus may be on outputs, these are still clearly linked to financial means in the French system.

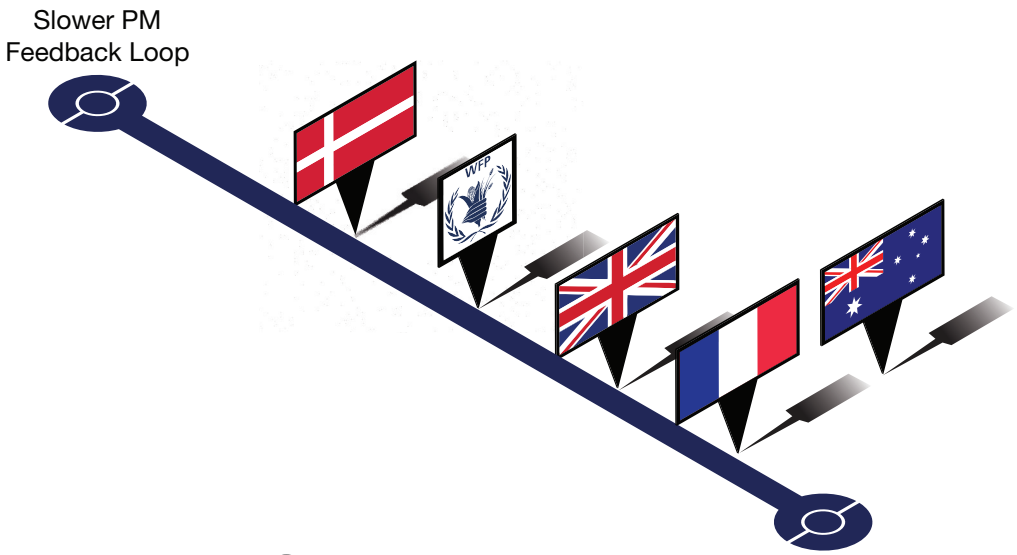
The World Food Programme utilises the Results Based Management partition scheme, with similar characteristics of the ADF's Outputs/Outcomes model, but adds the layers of 'activities' and 'impacts'. For the purposes of the study we interpret the term 'results' as synonymous with 'outcome' and note that Results Based Management (RBM) is deeply embedded throughout the World Food Programme.

The Degree to which Performance Management Partition Schemes are Service-Centric or Joint-Centric

This slidebar visualises the degree to which a performance management partition scheme is orientated towards the individual services, or whether the partition scheme transcends the service branches and focuses on joint inputs/throughputs/outputs/outcomes.

While the entirety of the ADF's performance management model is highly outcome focused, the individual service branches still play a prominent role in the partition scheme. Of the ten Output Group Contributors to Defence Departmental Outcome One, each branch denoted as an Output Group Contributor and has more individual Output components than the others. In contrast, Denmark's use of a cascading tasking tree incorporates the service branches at a much lower unit of analysis (the sub task level) thereby indicating a lower emphasis on partitioning performance evaluations based on the service branches. The French performance objectives – as grouped under the 'programmes' – seem to emphasise capabilities rather than services, at least insofar as the equipment program is concerned. Similarly, the United Kingdom´s Balanced Scorecard objectives show less attention is paid to the individual services. The World Food Programme is not represented as there is no comparable unit of analysis to service branches.

Cyclicality of Process



Cyclicality of Goal Setting

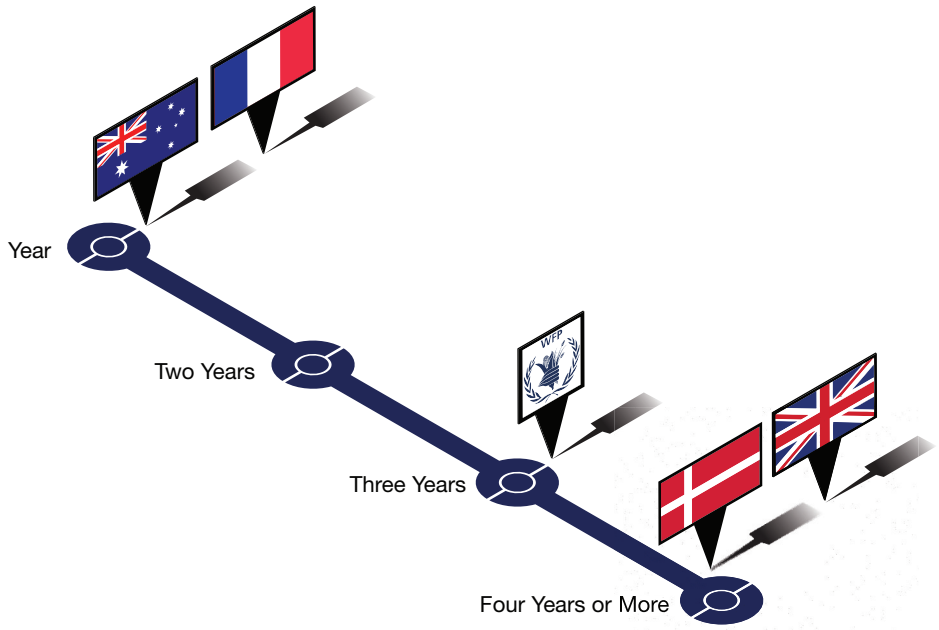


Figure 5-21

Cyclicality Issues in Performance Management

The Cyclicality of the Performance Management Process

This slidebar represents the rapidity and frequency with which the performance management feedback loop cycles throughout an organisation. The feedback loop is essentially the aggregate generic process of goal setting, assessing effectiveness and initiating adjustments to the assessments. Key influences on the evaluation include an examination of the cyclicality of top level goal setting, and the cyclicality of key evaluations in a performance management system.

Underpinning any measurement of cyclicality is the time lag between assessment and response at all levels, but determining these time lags is problematic for a number of reasons. First, comprehensive access to the data is limited due to confidentiality issues. Secondly, the inquirer must decide how deep in the military chain of command the examination should reach. It is important to note that performance management of a different stripe occurs with greater rapidity at lower command levels. This type of performance management is usually known as preparedness management. These systems typically consist of reports filed at regular intervals (sometimes daily) and comprise the individual data packets that are the building blocks of the lowest level indicators referenced in key performance evaluations. Depending on the cohesiveness of the system, these indicators may or may not be published in the highest level evaluations, and their contribution will be explicitly tied to strategic objectives. It is within this 'micro system' of performance management that the dialogue of assessment and response between senior officials occurs at the greatest speed. If the preparedness management system is software-based - as is the case with Denmark and Australia - the time lags between assessment and response (at this level) decrease.

An additional problem resides in the fact that all organisations clearly have a parallel 'black market' feedback loop, based more on phone calls and chance meetings in the hallway and thus off the record. These ad hoc dialogues are critical to an organisation's day-to-day success, and are often an efficient method to adapt to the pragmatic realties of day to day operations. But while efficient, the black market lacks traceability and hinders the ability of senior officials to come to accurate conclusions about the true nature of an organisation's resource expenditure, centre of gravity, and strategic position in relation to its established goals.

Referents such as Australia and France who conduct annual goal setting and evaluations at the highest level have a rapid performance management feedback loop. They are also aided by software applications and preparedness calculation tools at lower levels of command which can facilitate a faster cyclicality. However, given the five year increments between Danish *Defence Agreements*, the DDF system in total is rated somewhat slower than others despite utilising the Defence Management Cockpit software program.

The Cyclicality of Goal Setting in the Performance Management Process

This slidebar shows how frequently each referent's strategic objectives are revised. This should not be confused with how frequently the goals of the performance management system itself change. Rather, it benchmarks the cyclicality of change in the strategic objectives arrived at from the overall defence planning process. These objectives serve as the sounding board for any evaluation methodology. Key influences on the assessment are an examination of how frequently the highest level strategic objectives are published, and whether or not those objectives have changed from one publication to another.

The issue is complicated because the White Papers articulating a Defence organisations' highest goals are often quite abstract. Specific performance management methodologies do not tend to be applied until the publication of a less prominent document, such an annual budget report, which only then specifically articulates the performance targets and indicators to be used. Such is the case with Australia, whose performance management objectives are stated in concretely in the *Defence Portfolio and Budget Statements*. For example, Defence Departmental Outcome One

> *Australia's national interests are protected and advanced through the provision of military capabilities and the promotion of security and stability*[30]

is measured against the successful output delivery of seven Planned Performance Outcomes. Each of these Planned Performance Outcomes are in turn, comprised of individual outputs with specific performance targets and quantifiable indicators, thus establishing a link back to Defence Departmental Outcome One. No specific methodology such as this is applied to the broad ambition statements in the *Defence White Paper* or its biannual revisions, the *Defence Updates*. At the far end of the spectrum, Denmark only revises its strategic objectives (subject to a specific performance management methodology) every five years. In any case, the links between the White Papers (or similar high level policy documents) and the performance management system tend to be quite tenuous.

In the United Kingdom, objectives and indicators are set out in the *Defence Plan*, which generally covers a four-year period (although sometimes a short publication interval occurs). However, from one year to the next, objectives and indicators seem to be refined in the *Annual Report*. The linkage between the Defence Aim and objectives is not clearly articulated, although ostensibly the Defence Aim is at the heart of the objectives set out in the Balanced Scorecard.

The French system is the most clearly defined here, with an annual reiteration of programs, objectives and indicators through the forward-looking PAP. Today's explicit repetition seems to owe much to the claimed disorganised nature of the process in the preceding decades.

Occupying either end of the slidebar has certain advantages. On the one hand, Australia's and France´s frequent assessment allows for continuous evolution and refinement. The downside is that performance managers have to constantly adjust their actions to meet new objectives, which may increase operational volatility as executives struggle to 'steer' their departments from one objective to another. Denmark has the longest period of stability between revising its strategic its objectives, which may provide a greater degree of organisational stability but arguably at the expense of strategic adaptiveness.

The Cyclicality of the Highest Level Review Process in the Performance Management System

This slidebar represents how often the highest level evaluations on the achievement of strategic goals occur within each system. A key influence on this assessment in was an examination of the publication interval between the highest level performance management evaluations.

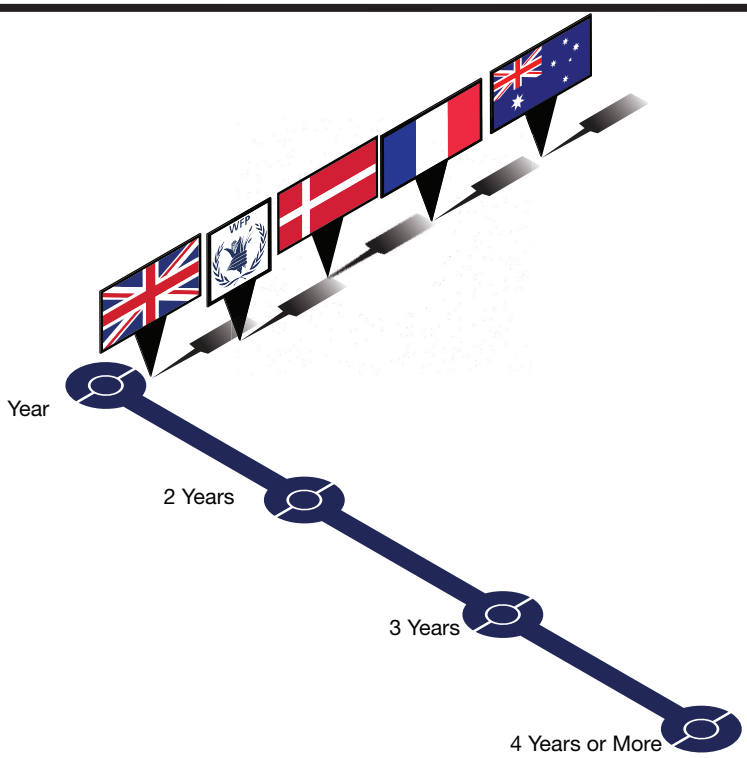
Although not wholly unanticipated, the slidebar is of interest if for no other reason than it is the one area where all referents assume identical positions. While there are significant variations in the cyclicality of goal setting and the overall rapidity of the performance management feedback loop, all referents conduct their highest performance management evaluation on an annual basis, where performance is judged alongside financial expenditures. Our intuition is that countries might increasingly move to more 'sense and respond' modes of performance management where cyclicality is not pre-ordained but made to depend on the environment.

The Strategic Orientation of Each Performance Management System

This slidebar represents our interpretation as to how strategically orientated each performance management system is. We use the term 'strategic' in the loosest sense of the word, as a way to articulate the extent to which each performance system is attuned to the 'high-level' policy expectations. It is a subjective assessment as to how all-encompassing goals and indicators are, coupled with an analysis of the degree to which performance management is truly anchored in the strategic planning process. For the purposes of the study, we define 'all-round' as the degree to which a model is able to link policy, finance and operations. There may be a fundamental tension between the degree of specificity in a performance management model (which improves the accuracy of the evaluations for a given objective) and a corresponding decrease in its flexibility and survivability, as objectives change in unison with unforeseen shifts in the strategic landscape.

When making an aggregate assessment of the performance management system, we examine the strategic nature of its building blocks: goals and indicators. In the aggregate, all of the referent's performance management systems tilt increasingly toward the strategic end of the slidebar.

Cyclicality of the Highest Level Review Process



Strategic Orientation of System

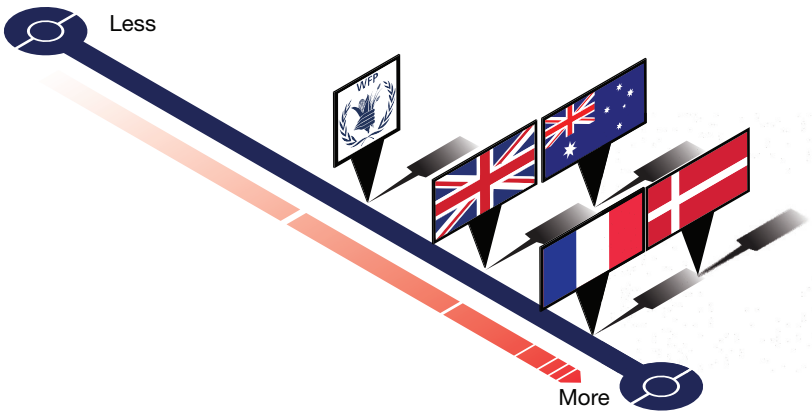


Figure 5-22

Compared to its military counterparts, the World Food Programme is a fairly decentralised organisation, in part because the WFP has a narrow mandate and the bulk of the performance management effort is geared towards assessing operational effectiveness. As such, the strategic orientation the WFP's performance management is lower than the military referents.

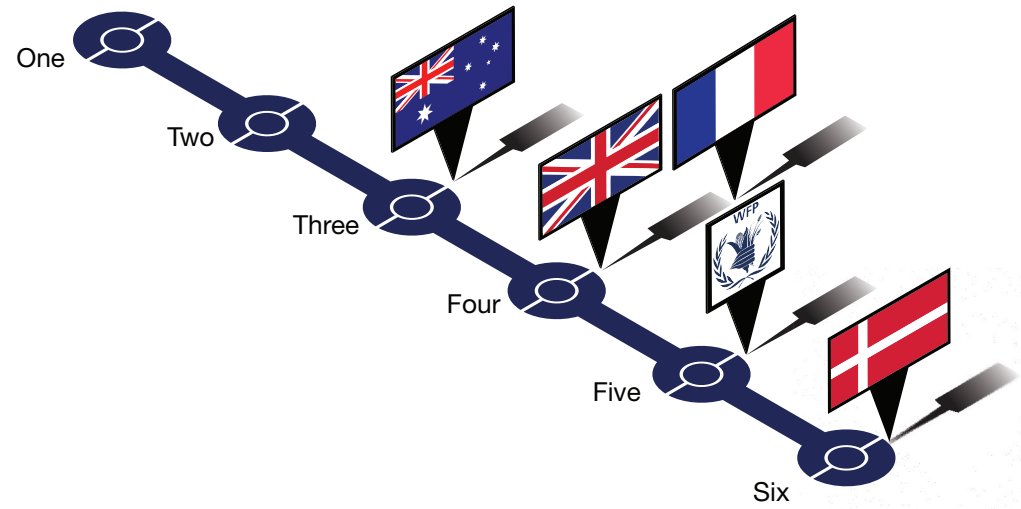
Assessing the strategic orientation of the Danish Defence management is difficult. At first glance, the detailed nature of the hierarchy of cascading taskings and KPI calculation methodology would appear to orientate the system towards lower levels of analysis and hence, be less 'strategic'. However, the objectives outlined in the Danish *Defence Act of 2001* are broad by design (and interestingly orientated to NATO's strategic needs with focus given to Central and Eastern Europe). The model also possesses a high degree of coherence and uniformity. These factors coupled with the five year intervals between revisions of the strategic objectives may offset the high degree of specificity built into the system, thereby enabling a broad outlook on performance management.

Likewise, Australia's performance management can be labelled as 'strategic' when examined in its entirety. Overall, the goals the ADF's system measures against are 'strategic'. The three Defence Departmental Outcomes paint the broadest picture of military purpose that can be expected. The seven Planned Defence Outcomes below them become more refined, as do each output's performance targets and indicators as you progress down the chain. Indicators in the ADF's system are not as robust, but this statement must be tempered with a caveat that it depends on the nature of the output to be measured. For example, some outputs in the Performance Targets of the *Defence Portfolio and Budget Statement* are inherently abstract (i.e. 'Intelligence') and don't lend themselves to quantitative indicators. One may argue that qualitative indicators are broader, and therefore 'strategic', but the judgment is largely subjective.

The French performance management system is strategic in its orientation. One of the four main programs within the system is the *Environment and Political Prospective of Defence* program which essentially evaluates the foresighting and analysis functions of defence, i.e. its preparation for the future. The French system uses a large amount of indicators to gauge whether objectives are being met, and also uses a distinctly quantitative approach. While this might make the system rigid and inflexible, the constant yearly re-evaluation of objectives and indicators could arguably be seen as a solution to this problem. Noteworthy, is the explicitly strategic use of the Balanced Scorecard with the broader policy strategic objective given the highest position, with the other categories cascading underneath it, and treated as inputs into policy. In fact, the integration of strategy into the French Balanced Scorecard system seems so successful that it won the Kaplan award (innovators of the Balanced Scorecard for the public sector).

The United Kingdom system of performance management shows many similarities to the French system. One of the four Balanced Scorecard categories is 'Purpose', under which falls

Number of Strategic Objectives Measured



Number of Second Tier Objectives Measured

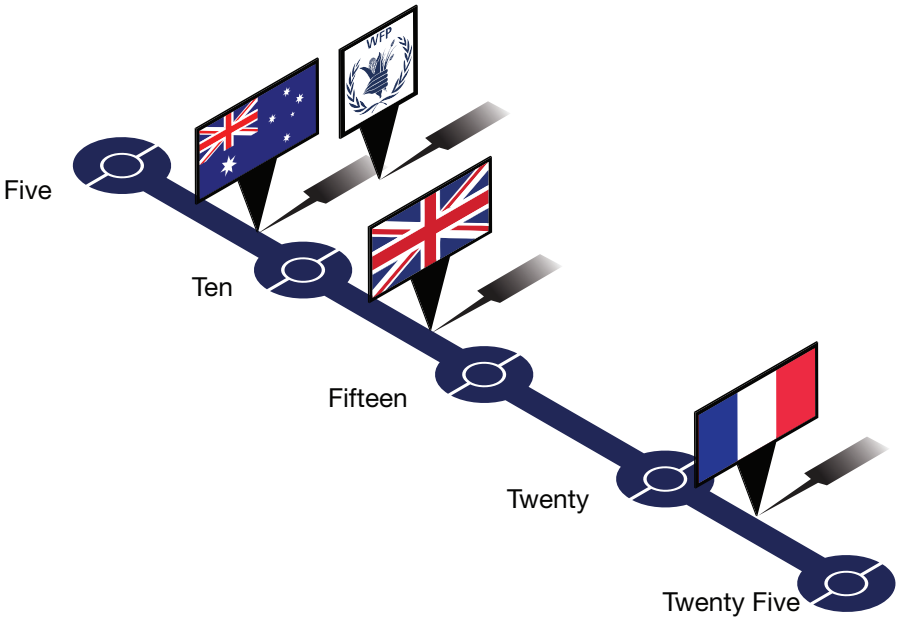


Figure 5-23

the articulation of the future needs for defence. The UK system is very indicator-heavy per objective, which should arguably provide a certain degree of robustness. The indicators are predominantly quantitative, but relatively more qualitative when compared to those used in the French system. The discrepancy of sorts between the logic of the *Public Service Agreements* (which are broad and take whole-of- government and society approach) and the more specific *Defence Balanced Scorecard* logic remains throughout. Of special note is that the MOD is unsatisfied with the integration of the strategic dimension, and is likely to redesign the Balanced Scorecard towards a more hierarchical system where the other dimensions feed the 'Purpose' category (similar perhaps to the current French Scorecard system).

Metrics Issues

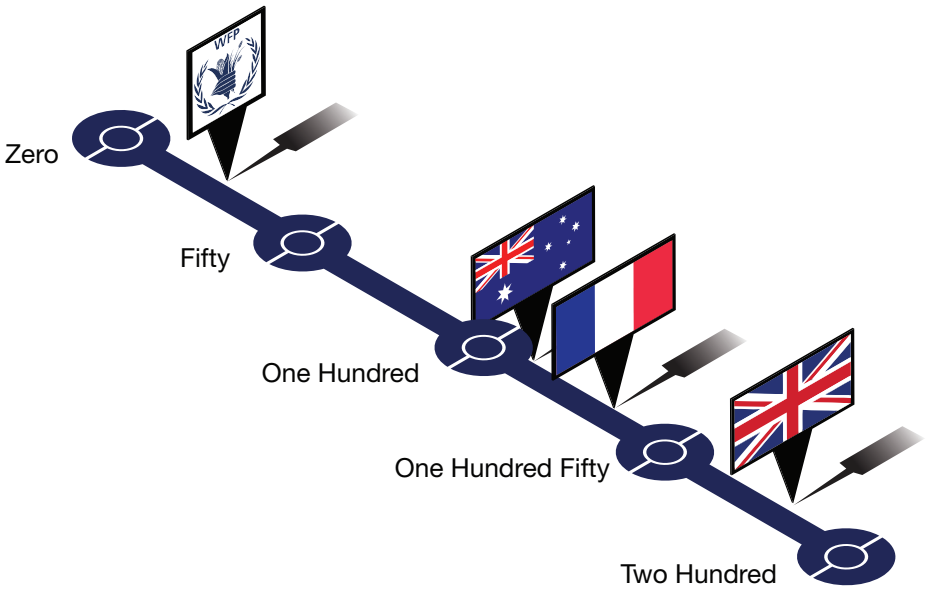
The Number of Strategic Objectives Measured

This slidebar visualises the number of highest level strategic objectives specified in the key performance management documents. It is worth clarifying that the goals we refer to are different from the kind of policy goals stated in the *Defence Aim* of a country. Defence White Papers may proclaim strategic goals, but these goals can be so abstract that a specific methodology is not applied until the publication of a less prominent document, such an annual budget report, which specifically articulates performance objectives, targets and the indicators to be used during the evaluation period. It is the highest level of performance objectives which is under review here.

At this level, the number of objectives remains relatively low, as is to be expected with systems that employ a hierarchal framework. Because these objectives rest on the top of the pyramid, they are few in number. The greatest variation among the referents occurs at lower levels of goal setting and indicator selection.

Australia has the fewest objectives subjected to their performance management methodology, the three Defence Departmental Outcomes. Beyond that, the seven Planned Performance Outcomes – a lower level of objectives - listed in the *Defence Portfolio and Budget Statements* are dependant on the Planned Output they measure, and generally range from three to ten. At the higher end of the slidebar, The World Food Programme has five Strategic Objectives which are measured against inputs given by operational commanders empowered to determination which indicators and programmes under their control contribute to the fulfilment of a particular Strategic Objective. Denmark occupies the pole end of the slidebar with its six Overall Defence Tasks, taken on a one-to- one basis from the six *Defence Act* Objectives. The French system utilises four programmes into which other objectives are grouped: Environment and Political Prospective of Defence (144), Preparation and Deployment of Forces (178), Support of Defence Politics (212) and Equipment (146). The United Kingdom has four categories in the Balanced

Number of Indicators Used in Key Documentation



Clarity of Roles and Responsibilities

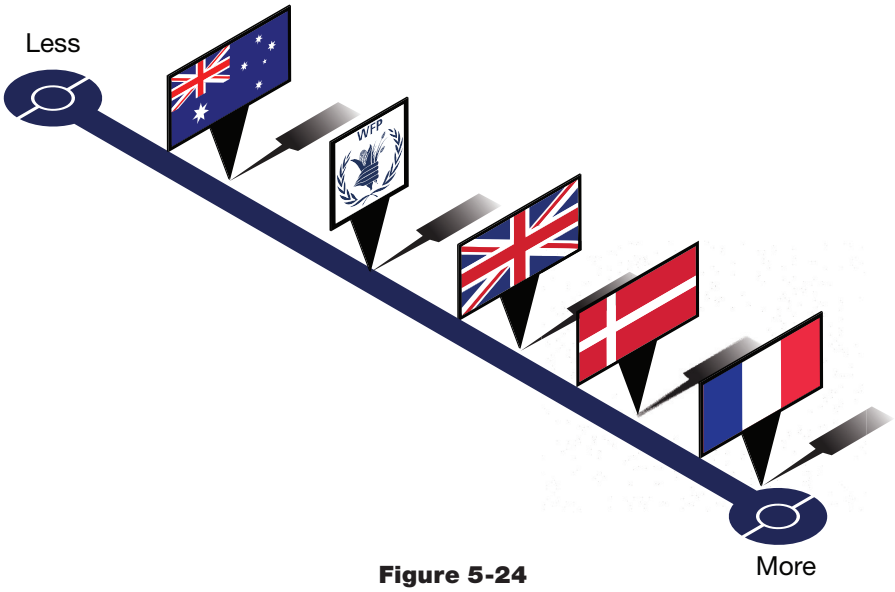


Figure 5-24

Scorecard system: Purpose, Resources, Enabling Process and Future Capabilities. We chose for the Balanced Scorecard instead of the six *Public Service Agreements* since the Balanced Scorecard logic is followed more consistently in the construction of the annual report.

The Number of Second Tier Objectives Measured

This slidebar represents the number of objectives that were specified at the level below the highest strategic objectives in the paragraph above, and which are an explication and breakdown of these objectives. The second tier objectives are however still of enough importance to be considered in the annual performance reports of defence as a whole.

While there are some differences in the number of the highest level strategic objectives, the greatest variation occurs at lower levels of analysis, where the truly difficult work of selecting specific outcomes and indicators takes place. Here we see the numbers range from seven to twenty five. Denmark is not examined as it was not possible to access the relevant documentation or the Defence Management Cockpit, a software based platform which disseminates all tasks just under the Overall Tasks, known as Main Tasks.

The Number of Indicators Used in Key Performance Management Documentation

This slidebar represents the number of indicators used to measure each performance objective stated in the highest level document. Just as there are layers of goals to be evaluated, there are also multiple layers of indicators used to assess them. However, due to fundamental differences in the structures and terminology of each system, we cannot definitely isolate separate layers of indicators that are applicable to all referents. Therefore, the slidebar defines the number of indicators as the total number used at all describable levels in the key performance management document. For example, while Denmark's hierarchal tasking model uses the term sub-indicators, Australia does not, so any evaluation of the term as applied to all referents must combine the terminology of indicator and sub-indicator.

The World Food Programme stands out among the referents both for the low number of indicators and the methodology used in reporting them. For each Strategic Objective, the WFP has three to five primary indicators. However, it is the responsibility of operational leaders to judge which Strategic Objective their operation or program contributes to. Furthermore, because each operation is different, field commanders determine which indicators are best suited to the task. If we examine the indicators submitted from the operational level in the *Annual Performance Report*, they range from thirteen to ninety one per Objective. If taken in their entirety, the total is over 300. If excluding this caveat in the WFP reporting methodology, the United Kingdom then has the most sub-indicators (192).

The Clarity of Roles and Responsibilities in the Performance Management Process

This slidebar is our interpretation how clearly defined the roles and responsibilities of stakeholders are in each system. Key influences on the assessment include an examination of how each methodology assigns the responsibility of selecting goals and indicators – the fundamental building blocks of any performance management system. In order to bring the feedback loop full circle, the system must also define who is responsible for the achievement the specified goals, outputs, and outcomes.

Australia is unique because the Minister of Finance approves the Output/Outcome reporting structure , but it is not specified who and how the specific Performance Targets outlined in the *Defence Portfolio and Budget Statements* are chosen. The French system specifies the parties responsible for each year's review: specifically the objectives and actions. The United Kingdom is clear to a certain extent, insofar as Top Level Budget Holders are concerned. There is also a distribution of responsibility across the risk management realm, but multiple names are assigned to each category of the balanced scorecard, so ultimately the clarity of roles and responsibilities is judged to be less well-defined. The World Food Programme is somewhat unclear in assigning responsibility for performance management at the Executive Board level. In their *Annual Performance Report*, there is no direct responsibility assigned in detail per Strategic Objective. However, the *WFP Indicator Compendium* directly assigns responsibility for the collection and interpretation of each indicator at lower levels of management.

Denmark's use of the Defence Command Performance Management Cockpit software allows for a clear dissemination of responsibility at every level of the performance management tasking hierarchy.

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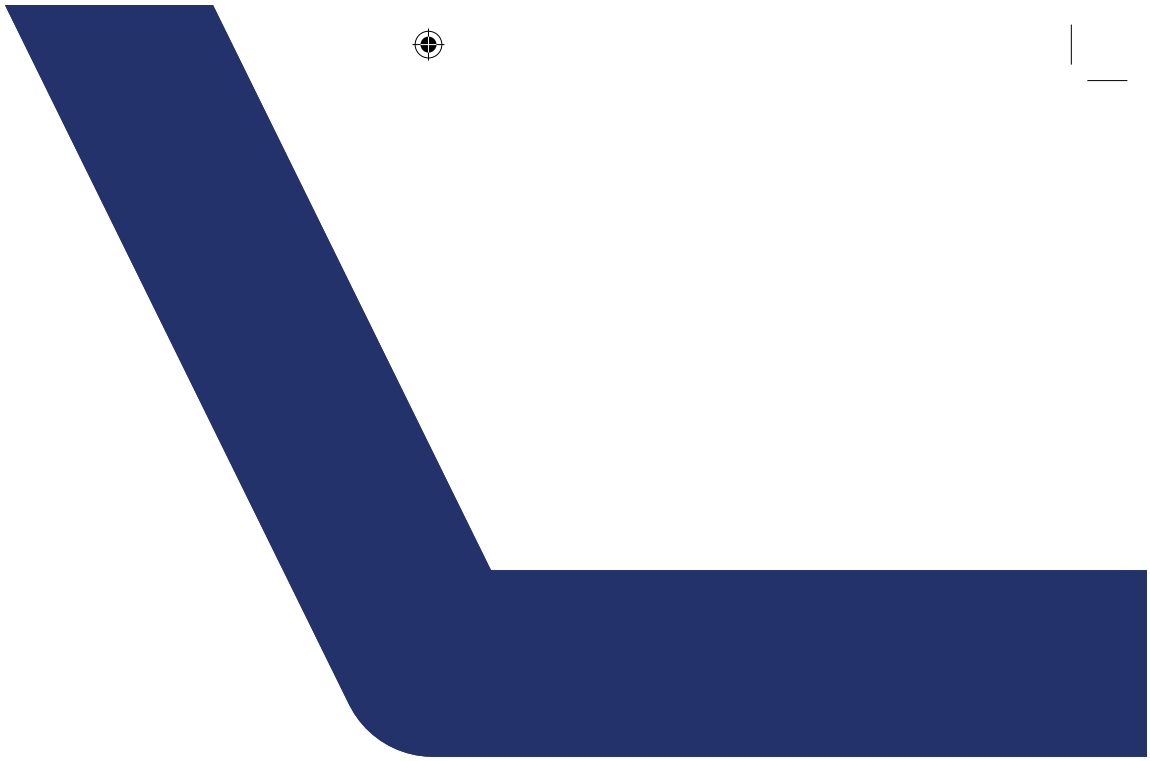

6 Closing the Loop?

Throughout the previous chapters we have analysed how the referents (1) define their highest level defence policy objectives, (2) translate these policy objectives into defence capabilities, and (3) measure and manage the performance of their organisation against the set objectives. This final chapter will analyse the extent to which these three separate exercises have started to coalesce into a genuine defence policy loop in which policy logically and transparently 'steers' the entire organisation and in which the feedback loops from the actual performance of the organisation start influencing policy.

The chapter starts by sketching an ideal-typical defence planning loop and then proceeds to analyse the extent to which the referent approach this loop.

The Ideal-typical Strategic Defence Management Loop

Ideally the defence planning process – also as described in a number of handbooks (*NATO Handbook on Long-Term Defence Planning; TTCP CBP*) – should work as follows.

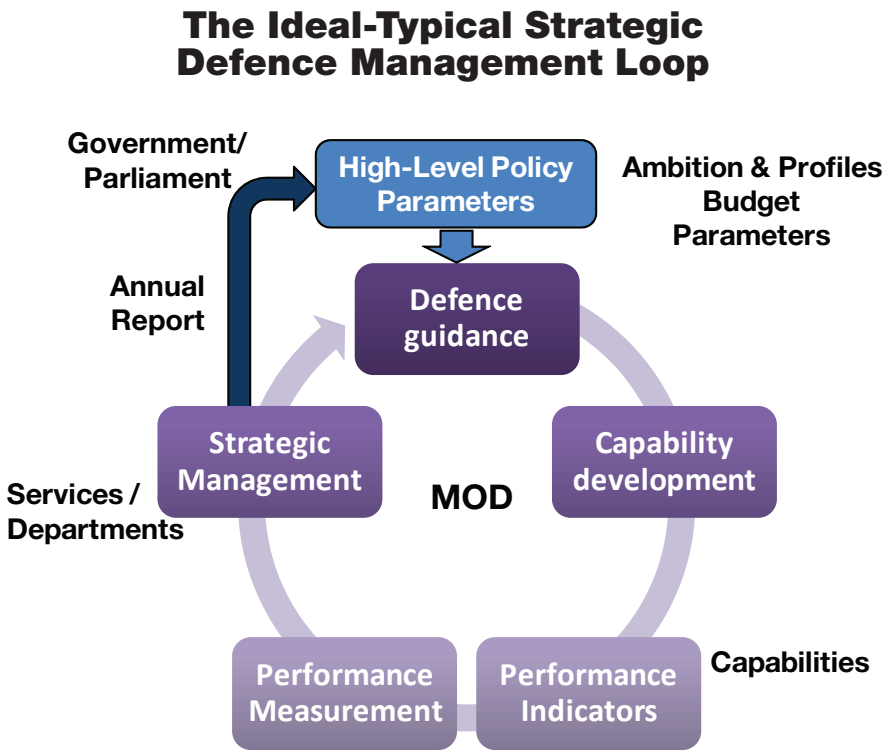

Figure 6-1

The highest political authorities define the high-level policy objectives for the organisation. These objectives are in essence the expression of a number of policy choices. But they also represent the high-level guidance (which we will call planning parameters) that is be provided to defence planners in order to create a defence posture that can accomplish the tasks set within the given resource constraints. This guidance should at least consist of a description of the security environment, a definition of the ambition level to which the organisation should aspire, and the resources that should be made available for achieving that ambition.

The planners within a (defence) organisation have to translate the political guidance they receive from the political leadership into meaningful parameters that can guide concrete choices. Examples of such concrete parameters may include: the type of missions, the area within the

violence spectrum they may operate, concurrency requirement missions, the long-term limits within budget, etc.

In the next stage, defence planners derive real capabilities from the defence guidance they were given and assemble them into a coherent defence force that can realise the high-level policy choices within the set budgetary constraints. This is accomplished via an analytical/political process that includes such elements as expert judgment, various methodological tools such as scenarios, capability audits, risk management studies, balance of investment studies, and so on.

Once capability choices have been materialised into a concrete defence posture, the organisation has to develop ways of assessing its own effectiveness and efficiency based on the results it achieves. To this end, performance measures are developed, monitored and reported first within the (defence) organisation itself, and then subsequently also to the highest-level political authorities that initially formulated the high-level policy parameters.

Finally, completing the loop, this strategic performance assessment should lead to a strategic reflection on – and possibly correction of – the course set out, i.e. 'steering on output'/strategic management. This final stage is arguably the key link in the strategic management loop, although in our analysis we are just now starting to see the bodies emerge in the referents that are in a position to exercise this form of strategic management.

We want to emphasise that, as with most processes, breaking a process 'chain' up in such separate 'links' does not do justice to the more complex interlinkages that already exist today between some of these various defence planning efforts. Yet we still found it analytically useful to separate these phases as, however interlinked they may – and must! – be, they still represent distinct analytical exercises that can only coalesce into one organic whole on the basis of a genuine strategic commitment to systemic defence planning.

The Real-Life Strategic Defence Management Loops

Although most referents have made major strides towards the idealtypical SDM-loop in the past few years, in our assessment the loop has not come together into one systemic 'end-to-end' strategic loop in **any** one of the referents we studied. We consider that to be the single most important finding of this study. We have, however, identified a number of 'best practices' throughout the loop in the various referents that other countries could certainly benefit from taking a closer look at.

We have noted already that the WFP has a very impressive method from which defence organisations can learn a lot. No defence organisation even comes close to the WFP's

90% deployability rate, to the tight fit between the strategic objectives and the performance management indicators, to the agile turn-around the WFP is able to make even on strategic matters (and based on concrete performance-based evidence). More details on this can be found back in the description of the WFP capability development and performance management processes in chapters 4 and 5.

In this chapter, we will focus primarily on the defence organisations that were examined in this study. Rather than analysing each referent individually, we will take a more general look at some of the (dis)connects we observed at the various interlinkages within the loop. One of the reasons we opted for this more 'broad-brush' approach in this chapter is that – contrary to the individual parts of the loop that were analysed chapters 4 and 5 – we did not find any detailed descriptions or analyses of the overall SDM-loop for any of the referent countries. This is in itself another interesting finding, especially given the significant chunk of the government expenditures that go to defence. A number of national supreme auditing instances (with the UK National Audit Office clearly in the lead within our set of referents[i]), for instance, are performing increasingly well-informed and sophisticated 'value-for-money' analyses in the defence field. Yet these studies generally tend to be limited to concrete procurement choices or smaller parts of the defence organisation, and not to the more 'systemic' issues that we attempt to address in this chapter. We do surmise that with the (very recent) advent of new and more 'strategic' performance management systems in a number of the referents (most prominently France and the UK – see Chapter 5) more systemic analyses will increasingly appear. But at this juncture in time, we are forced to rely mostly on our own analytical intuitions in this chapter. We will therefore not shy away from describing disconnects throughout the SDM loop, but we will describe them in general terms and will – where possible – only offer a number of concrete illustrations without claiming to be exhaustive.

We start out by presenting the overall picture in Figure 6-2, which already conveys our intuition that there remain many important disconnects that prevent the various feedback signals that we described in the idealtypical system from 'flowing' through the system.

From High-Level Policy Parameters to Defence Guidance

We suspect that there will always remain some (often legitimate and even useful) tension between the more political strategic choices politicians make and the more 'mundane', concrete planning parameters defence planners require to translate those choices into real capability options. But having acknowledged that, it is still important that strategic choices made by the highest political leadership can 'steer' the entire SDM-loop in the desired direction. Our analysis shows that there are a number of transmission belts through which this 'steering' ability is at

1) The US Government Accountability Office and the Congressional Research Service have also increasingly started looking at some of these more 'systemic' evaluations.

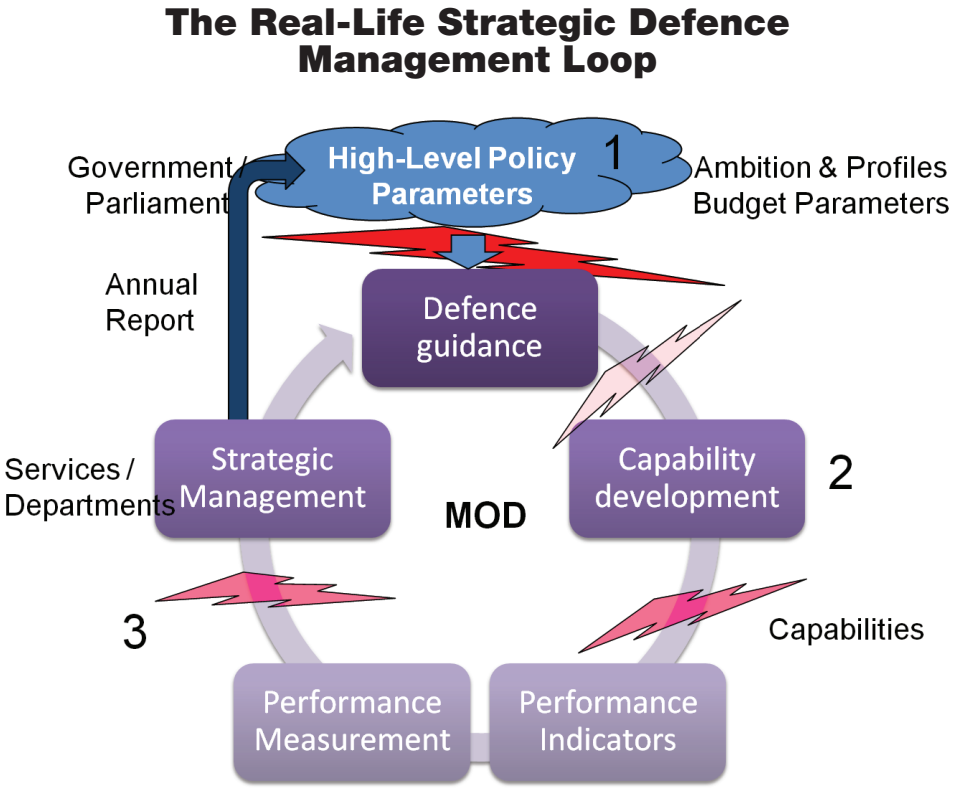

Figure 6-2

least partially achieved – even if most of these belts are not traceable. Policy changes we observed in the highest defence policy documents (e.g. a shift towards more expeditionary capabilities) did yield adjusted capability choices – after a (often suspiciously long) time lag. It is as yet impossible, for any of the referents, to trace back this adjustment to the analytical models used in these countries. This may be partially due to the fact that much of this planning occurs behind the veil of secrecy, but we still surmise that there really still remains an important disconnect here. If we analyse the current defence postures of most of the countries examined in this study, we still observe many 'legacy' systems (still suspiciously high numbers of heavy tanks, fighters or ASW-capabilities – just to name a few examples) that do not fit with to the description of the security environment in the policy papers.

One of the problems we already alluded to is the fact that many strategic reviews leading to new strategic policy documents tend to end up much heavier on politics than on policy. We do find some variance across the referents. Denmark's five -year *Defence Agreement*, for instance, goes into a remarkable degree of specificity for such a high-level document – even specifying concrete weapon systems and numbers. In this sense, Denmark essentially largely collapses the first two stages of the SDM loop (guidance and (major) capability choices) into one high-level

document. The advantage of this approach is that politicians (across the political spectrum) know exactly what they sign off on when they approve policy changes and that the military planners get stable expectations for a relatively long planning period. The disadvantage of this system is that some of the more adaptive, traceable and creative elements we find back in the capability development processes of larger countries such as France or the UK get lost – and with it some of the broader balance-of-investment insights. In Australia, France and the UK the high-level documents are clearly more open-ended and more political in nature. Although choices are made, they are not specifically spelled out in the level of detail that we find back in Denmark. This more detailed translation of the policy choices is left to the actual defence planners – typically in the MoDs and Defence staffs.

We assume that some of the analytics underpinning the capability development processes (e.g. the choice of scenarios or planning situations; the concurrency requirements) is influenced by the security assessments, missions, geographical locations or concurrency specifications described in the high-level policy documents (as seems the case with the *British Defence Planning Assumptions*). But no real insight into the precise nature of this connection can be gleaned from the available documentation.

We also note that the linkages between the high-level policy documents and defence performance management are either non-existent or tenuous at best. Performance management appears to have been much less on the mind of the drafters of the strategic reviews than the concrete capability choices. As defence performance management is climbing the policy ladder within our defence organisations, we observe a lot of 'reverse engineering' of existing policy goals (such as 'being a force of good in the world' in the UK) into performance indictors. But it seems clear to us that future generations of high-level policy documents would be well advised to include performance management elements '*ab ovo*'.

From Guidance to Capabilities

Of all the linkages within the SDM-loop, this is the one that has traditionally been the 'tightest', as it typically takes place within the confines of the very same defence organisation by the very same key players. We would argue, however, that this institutional 'tightness' does not necessarily guarantee the unequivocal derivation of capabilities from the defence guidance. Put differently, any defence guidance, however tightly specified by the political and/or MoD leadership, is still likely to leave much ambiguity with respect to the ultimate capability choices or the trade-offs between them. We have noted a trend in this phase towards more supporting analytical tools that at least offer the promise of a more traceable analytical pathway from guidance to capabilities. But in our assessment (which again is purely based on the publicly available information about these processes), none of the countries has reached such a stage quite yet (although the UK may be getting close with its impressive collection of models and

methodologies) and the tools they have are not used in the assessment of performance against high-level policy objectives. This means that what some call 'expert judgment' or others more irreverently BOOGSATT ('Bunch of Old Guys Sitting Around the Table') continues to play a dominant role in the capability derivation process. It is clear that this leaves a lot of room for logrolling (some may call it oligopolistic collusion), whereby the services, for instance, end up allowing each other to hold on to a number of their favourite pet-projects, even though these may not flow logically from the political guidance. There is as yet little evidence that the recent trend towards more 'jointness' has led to any fundamental breakthroughs in this quite pernicious logrolling tendency. It is our strong conviction that only transparent (macro-) analyses in the form of truly whole-of-force (and preferably even whole-of-government) balance-of-investments models of at least the high-level choices will allow the defence organisations to truly mitigate this problem.

From Capability Development to Performance Reporting

The linkage between the capability generation process and the performance measurement is one of the most tenuous ones in the entire SDM-loop. Although both exercises take place within the same defence organisation, we still find different players responsible for them. We have already pointed to the major differences between the more tactical and operational performance tracking and the higher-level, strategic performance tracking. The former is a typically very input-driven, bottom-up process in which military units tend to be the principal units of analysis and in which money is the main currency in which value is expressed. Performance reporting in most of the referents seems to have originally focused primarily on acquisition cycles and unit-level performance. There are two good reasons for this initial emphasis(1) both are (deceptively) easy to measure, and (2) they both offer the strongest noticeable effects in the short term (in a negative sense). Put succinctly, military commanders up the chain of command have been reporting on the readiness levels and actual operational employment of their units since at least the Cold War. The increased digitisation of this information has given political leaders both within and outside the MoD increased insight in that level of performance of their defence force. Also the financial management of especially large acquisition processes is clearly tracked and managed quite (and increasingly) stringently. In other words, at the tactical-operational level, performance management has made great strides, but it there focuses primarily on the more tangible 'input' variables. With respect to the more 'strategic' or output-based (let alone outcome-based) performance management, all defence organisations still seem to be struggling to find the right indicators that would allow them to start 'steering' on actual strategic performance.

We were particularly impressed by the French system, in which the defence organisation reports each year to Parliament on its progress towards not only attaining 'hard' capabilities, but also on the analysis (through the Prospective Géostratégique à l'horizon des Trente Prochaines Années

and the Plan Prospective à 30 ans) that went into defining the capability goals. The singular logic of the categorisation in ´actions´ in the French approach also allows for a continuous monitoring of expenditure per activity alongside its performance. Responsibilities for each action are clearly attributed. Furthermore, the logic of the French system is results-based, forcing ministries to prove the final ´worth´ for French society of their policies. Whether and how this works and matters in practice, however, remains difficult to gauge.

In most countries, the very fact that different partition schemes are used to break down capabilities into different categories in the capability development stage as opposed to the performance management stages already suggests that there is a clear disconnect there. Institutionally, different players tend to be responsible for these two processes within the defence organisations (with the defence staff often in a lead role for capability development and the financial and controlling departments of the MoDs in the lead on performance management). We think we detect a trend here towards first strengthened 'collegial' (one could say 'corporatist') bodies (e.g. in the UK, the Defence Board – formerly the Defence Management Board, which is responsible for both Targets and Objectives, Resource Allocation and Performance Management), but then in second instance also towards new truly 'strategic bodies' such as the 'Strategy Director' in the UK:

> *In support of the Permanent Secretary, the Chief of the Defence Staff and the Defence Board, the Strategy Director is the main source of advice on Defence strategic and corporate planning.*

We have to point out here, however, that this 'Strategy Director' is still located under the Permanent Secretary, who is the

> *Departmental Accounting Officer and as such is personally accountable to Parliament for the economic, efficient and effective use of Defence resources, prudent administration and the regularity and propriety of Defence expenditure*[1].

This may seem somewhat counter-intuitive, as 'strategic management' of the defence organisation could be seen as more of a 'policy' issue than an 'accounting' issue, but is some sense, this could be seen as the equivalent to the greatly increased role of the CFO in the private sector.

From Performance Reporting to High-Level Policy Parameters

The final link, and probably the greatest 'missing link' in all of the countries examined in this study , is the one connecting the entire 'defence guidance-capability development-'performance reporting loop' back to the highest-level policy guidance. The intent of this final

phase is to link performance reporting in all aspects of defence planning and policy – not only strategic thinking, capability generation, acquisition or personnel levels, but also the conduct and results of operations – back to the political players i.e. the ministry, government and perhaps parliament. It is here that the real adaptation of policy should become visible – either by adjusting the ambition level to operational realities (upwards, downwards or just differently) or by altering the resource parameters (again upwards, downwards or differently). We found little or no explicit evidence of such adjustments through this final linkage. This may be due to imperfections within the loop itself – to a lack of the 'right' kind of objectives and indicators that would allow real insight into which policies need to be adapted to effectuate a desired change. But it may also very well be a function of the nature of the political game itself, in which the broad political goals and the language used to communicate them are often disconnected (or at least hard to translate into) the realities of defence. We saw some examples of this disconnect in the chapter on High Level Policy Parameters: nearly all defence referents were expected to operate anywhere in the world, on a wide variety of mission types for various durations, possibly concurrently, or even unilaterally (as indicated by the examples of Australia and the United Kingdom). From our analysis it is difficult to judge whether the threat assessment preceded the ambition or whether political expediency preceded ambition, which in turn preceded threat assessment. The implications of the latter cannot be stressed emphatically enough: they would indicate a consistent and unbridgeable gap between what is expected of defence organisations and the resources at their disposal.

We expect that in the future more defence organisations will try to integrate the longer-term strategic dimension into their annual performance reporting, if only to allow themselves solid footing to negotiate and manage the expectations of government and parliament. But to this date, both the performance reporting itself and the expected feedback loops towards the policy parameters remain tenuous at best. We were quite impressed with recent trends in France (and to some extent also in the UK) on this point, but are still awaiting the first real-life examples of adjustments made to French (and UK) planning over the next couple of years based on these new performance reporting techniques.

To give but one example: maintaining the right levels of high-quality manpower – adequately trained and equipped for possible tasks - has become a greater problem in recent decades. The lack of adequate troop levels, especially with long-lasting overseas commitments are a drain on morale and resources. Since the initiation of wars in Iraq and Afghanistan, the British Armed Forces have consistently broken Harmony Guidelines on troop rotation and stays. And, as seen in the chapter on the trends in ambition, this may slowly downgrade the ambition level and lead to newer, more limited defence planning assumptions, but this has not happened as yet.

Dynamics Within the Loop

Based on the ideal-typical loop depicted in Error! Reference source not found., the SDM-loop should really be powered from the top – i.e. by policy choices at the highest level. What we have observed in this study is that de facto, the real energy in making this loop 'flow' seems to have come from the 'bottom' (performance management). Cost containment seems to have played the key role, and as much from a bottom-up than from a top-down perspective. The Australian case is instructive here, and especially a number of increasingly expensive acquisition projects, failures to meet time schedules or unplanned exigencies leading to large financial shortfalls. As a consequence, most of the impetus for a comprehensive performance management system seems to have come from the need to monitor the most tangible aspects of defence planning. The role of parliaments should not be underestimated here. If defence planning remains an obscure and complex affair even for insiders, so it is well nigh impossible for Members of Parliament to judge either the necessity of overall expenditures or their value for money. Specific material acquisition decisions, however, have clear financial implications which are easily understood, and the status of the Armed Forces has direct societal implications. Let us refer back to the British, where the failure to meet Harmony Guidelines has consistently led to questions in Parliament prompted by requests of constituents whose family members served in Iraq or Afghanistan. This in turn prompts an evaluation of the *Defence Planning Assumptions*.

All in all, the drive for improved performance reporting and management so far seems mostly a bottom-up affair, mainly initiated by large-scale failures in the more tangible aspects of performance such as material acquisition and personnel levels. Prompted by pressure from Parliaments throughout the past decade, it has become imperative for defence organisations to better explain their actions and expenditures, the responsibility of which has mainly fallen to the financial departments within defence. On the one hand, this allowed for the establishment of defence-wide performance management systems, but on the other, it implied that until redesign had taken place, the systems were an ill fit for strategic management in the truest sense of the word. The (relatively) late movers – such as France – therefore have a slight advantage over the first movers – such the United Kingdom – allowing them to perhaps learn from their mistakes.

Most of these conclusions are impressionistic: on the whole there is very little clear linkage between performance reporting and new iterations of plans in the following year (or period). At least insofar as explicit mentions of 'new' policy being derived from the performance reporting of the previous years are concerned, the evidence is poor. Although direct mentions may be lacking, the consistent evolution of performance management systems – specifically in France and the United Kingdom – point to an awareness and desire to fix deficits in that direction. Both countries are putting significant effort into strengthening their grasp on the more elusive aspects of strategic defence management by institutionalising strategy, purpose and policy as much as possible through either a special office or by explicating methodological tools in their reporting. Other late-movers could take advantage of this by selecting those methods, models

and tools to integrate into their system, skipping part of the expensive learning stage.

One final thought: improving the transparency of defence planning process – from strategic assessment, capability generation, acquisition and eventually operations – can in the end only benefit the platform from which defence negotiates and manages expectations with government and parliament. Without transparency only painful failure will indicate the necessity for change, the costs of which will be very high indeed.

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