




Chief Review Services

NDHQ 99: REVIEW OF RESTRUCTURING
AND RE-ENGINEERING

Volume 1
EXECUTIVE OVERVIEW

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SYNOPSIS

This report presents an overview of a review undertaken to develop an appreciation of progress in respect of the restructuring and re-engineering of National Defence Headquarters (NDHQ 99). The review was initiated with the endorsement of the Defence Management Committee and, over its two-year active life, offered recommendations as well as practical assistance where appropriate. As such, as well as the preparation of this report, the review team produced a number of supporting documents. In addition to this Executive Overview, other volumes were written to provide comprehensive background on NDHQ 99, detailed observations, management comments and best practices relative to the effecting of change in large organizations. These additional volumes will be retained in the CRS Branch for use as reference material; they comprise an important element of DND/CF corporate memory.

The scope of change in NDHQ has been both broad and deep, involving virtually every organization and process. Major changes included the downsizing of NDHQ, the elimination of the environmental command headquarters, and the creation of the Environmental Chiefs of Staff.

The pervasive nature of the changes posed a considerable challenge to the review team. Accordingly, the scope was substantially limited to strategic-level change, generally, but not exclusively, as addressed by the Management, Command and Control Re-engineering (MCCR) initiative. The review directly supported the establishment of the Directorate of Strategic Change (DSC) and provided research material and views to the staff of this new organization.

The scope of the review was sufficiently wide and the object of the review continued to evolve. As such, we did not offer sweeping generalizations about the degree of success of NDHQ change, choosing instead to draw conclusions about specific issues. Even so, these have now become dated. The bulk of the work for this review took place in 1998 and 1999 and involved continuous reporting. Key areas cited as then warranting attention, included:

- *Defining and communicating new/current organizational mandates;*
- *Establishing baselines to enable tracking of the resource bases of organizations, including assessment of their track records in contributing to the attainment of corporate targets;*
- *Rationalizing accommodation requirements in excess of core buildings;*
- *Maintaining corporate change management expertise and monitoring;*
- *Establishing a focal point for expertise in contemporary management practice;*
- *Providing guidance on accountabilities;*
- *Targeted training initiatives to address culture; and*
- *Assessing administrative policy as an enabler in the field.*

This review was conducted prior to the launch of many recent DND/CF management initiatives. These include the introduction of Strategy 2020, the enhancement of Business Planning processes, the publication of documents such as the new Defence Management System (DMS) Manual and material on Accountability (which includes discussion on the concept of functional authority), and the creation of the Modern Management Executive Committee. Also included would be the staffing of the Director Strategic Change, the establishment of the Learning and Career Development Centres, and the preparation of “Mutabilis in Mobili: Leading and Managing Change in DND and the CF.” Many of the recommendations, or implications, of the review correlate directly with these initiatives.

Documentation prepared in connection with the “Functional Review”, a major reduction and change initiative conducted in the early 1990s, continued to be accessed by DND/CF staffs for at least five years after its completion. It is anticipated that the documentation assembled by this review will similarly contribute to our corporate memory; lessons learned and other insights should prove useful from numerous perspectives by the many potential users of these documents. Among the key lessons learned regarding the change process for NDHQ 99 are the need for the following:

- *Clarity and alignment of strategic-level direction;*
- *Continuity strategies to alleviate the impact of leadership turnover;*
- *Ensuring that expectations remain realistic (everything can’t be changed at once);*
- *Concerted bridging, and continuity of ownership, of the design and implementation phases (disproportionate recognition may be given the design team/phase when the bulk of the effort remains ahead); and*
- *Use of existing accounting/tracking systems, supplemented, not replaced, by ad hoc systems.*

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PART 1 - PURPOSE OF THIS DOCUMENT

1. DMC endorsed a proposal at its 13 November/4 December 1996 meetings that: **“CRS should develop a review framework and carry out a review of NDHQ 99 and associated re-engineering by December 1999”**. The purpose of this document is to provide an executive overview with respect to our review, including:
 - a. The background on NDHQ restructuring and re-engineering.
 - b. A summary of the review framework, including the aim, scope and approach used by the review team.
 - c. A summary of our findings to date.
2. For ease of reading, this report has been broken down into four documents:
 - a. Volume 1 - Executive Overview.
 - b. Volume 2 - Background and Review Framework.
 - c. Volume 3 - Results in Brief.
 - d. Volume 4 - Management Response.

PART 2 - BACKGROUND

NDHQ RESTRUCTURING AND RE-ENGINEERING

3. NDHQ has gone through almost continual restructuring and reorganization since its creation in 1972. The current unprecedented round of change is a direct result of the 1994 Defence White Paper, the Management, Command and Control Re-engineering (MCCR) initiative, the Minister's Report to the Prime Minister and the Somalia Inquiry.
4. The 1994 White Paper provided specific guidance with respect to command and control, including the reduction by at least 1/3 of the personnel and resources assigned to headquarters functions and improvements in resource management. Subsequent direction by senior management increased the reduction target to 50 per cent, created and moved the Environmental Chiefs of Staff (ECSs) to NDHQ and encouraged the end-to-end re-engineering of defence processes.

5. MCCRT evolved from the earlier D2000 initiative that was originated to improve the way in which DND and the CF managed its business. It was established in December 1994 and ran until June 1997. During this period, it coordinated many of the ongoing change initiatives and consumed much of the time of DMC. While the objective of MCCRT has frequently been debated, the MCCRT Team Leader agreed that the following captures it best: "to focus resources on operational capability by: reducing resources assigned to headquarters and achieving dramatic performance improvements by re-engineering processes."

6. The MCCRT initiative went through a number of phases. These included: development of command and control options and key process re-engineering recommendations; development of a Master Implementation Strategy; development of implementation plans; coordination of cross-functional issues; and handoff of re-engineering to the matrix. A number of initiatives were ongoing when MCCRT stood-down, some of which remain unfinished business.

7. MCCRT did not operate in isolation and a number of other major DND/CF wide change initiatives evolved during this period that had an impact on NDHQ. Many of these are still ongoing. Efforts to come to grips with strategic direction, force structure, new management concepts, accountability and quality of life will ensure that NDHQ change is constant. Consequently, any review of NDHQ change is at best a snapshot in time.

THE REVIEW

8. The mandate for the review evolved from concerns that NDHQ change would lose momentum unless some form of measurement was put in place, especially after MCCRT stood-down. DMC endorsed this view in December 1996 and a CRS review team began its work in February 1998. Rationalizing of the results was continuous but commenced in earnest in May 1999.

9. The rationale for the review is strong. NDHQ restructuring and re-engineering is a complex, high-risk initiative, yet maintaining momentum and focus is challenging when such change occurs over an extended period during which there is significant senior management turnover and many new pressures to consider. The implementation phase of change is often the toughest as recent experience continues to prove; therefore, some form of independent reporting is warranted. It is also very evident that external bodies are closely scrutinizing change in DND and the CF.

PART 3 - REVIEW FRAMEWORK

AIM

10. The aim is: **“to conduct an independent review of NDHQ strategic level restructuring and re-engineering, with a view to helping to ensure that key planned initiatives are successfully implemented by 1999.”**
11. The aim was achieved by:
 - a. Reporting on progress being made with respect to NDHQ restructuring and re-engineering.
 - b. Offering practical recommendations, and where appropriate and possible, direct assistance to senior leadership in achieving change objectives.

SCOPE

12. The scope of change in DND and the CF is unprecedented, involving virtually every organization and process. Major initiatives, of which MCCRT was only one, have proliferated. MCCRT served to bring focus and coordination to many of these initiatives, with emphasis on the organization and size of major headquarters and major processes that had an impact on resource management. While the examination of processes was meant to be end-to-end, MCCRT met with mixed results, in some cases being limited to NDHQ only.
13. NDHQ change can be viewed through the eyes of the Level 1 Advisors (vertical perspective) and through the eyes of various OPIs who are responsible for various cross-functional activities (horizontal perspective). The review team found that an examination of both perspectives provided a comprehensive view of NDHQ change.
14. The scope of the review was limited to NDHQ strategic level change, primarily (but not exclusively) as addressed by MCCRT. As other CRS reviews are addressing a number of related change issues, the review concentrated on those issues not being addressed in these reviews, with focus on restructuring and re-engineering.

METHODOLOGY

15. Our initial intention had been to conduct a planning phase, followed by a comprehensive review phase. This was later combined into one phase in the interests of bringing closure to the MCCR initiative and moving on to the continuous improvement phase of change. Recognizing the need for timely reporting, we also produced a number of presentations and interim reports throughout the review.

16. The review followed a relatively typical course, including the initial collection and analysis of information, a best-practices study, an extensive series of interviews with senior and middle management and a review of documentation, including all Level 1 business plans. We then prepared our findings as outlined in Volume 3 and summarized below. Following the review of our report by senior management, their comments were summarized in Volume 4.

ISSUES

17. Based on our analysis, a list of restructuring and re-engineering issues was prepared. Examination of each of these issues, from both Level 1 and cross-functional perspectives, provided a measure of progress. Following is the list of issues (**those in bold reflect the major categories used by MCCRT and this review, each followed by issues related to that category**):

- a. **Organizational restructuring** - implementation of NDHQ restructuring, formalization of change, organization charts and senior management positions.
- b. HQ resource reductions - 45 per cent personnel reduction and additional 5 per cent resource reduction, including a cost/benefit analysis.
- c. Accommodation rationalization - new office footprint and four building target.
- d. **Process re-engineering** - within and across stove-pipes and process mapping.
- e. Management framework - strategic direction, management philosophy, Defence Planning Guidance, business planning, Defence Services Program, performance measurement, activity-based-costing, delegation instrument and Defence Management System manual.
- f. Accountability framework - conceptual basis, mechanisms and tools.
- g. Human resources - new processes and NCR training.

- h. Administrative policy renewal - general reduction and simplification, including DAODs.
- i. Shared support services - transfer of resources and implementation.
- j. **Information management** - strategic management, integrated information environment, common projects and unique projects.
- k. **Culture** - mission, vision, shared values, ethics, management principles and work practices.
- l. **Change management mechanisms** - structure and responsibilities (planning, tracking, coordinating, reporting), D2000 Investment Fund, omnibus consulting contract, BPR Lab, transition support/facilitation and innovative practices.
- m. Communications - support to change management.
- n. Alternative service delivery - policy, program and projects.

REPORT FOCUS

18. Following further analysis of the above issues, it was decided that a number of these issues would be adequately addressed within other CRS reviews and that inclusion within this review in any detail could lead to unnecessary duplication. These issues were information management, alternative service delivery, activity-based-costing and performance measurement (the latter two as part of the management framework). The remaining issues on the above list thus became the main focus of our review. This series of documents focuses on organizational restructuring, process re-engineering and the related issues outlined above. Culture and change management have been addressed in a less formal manner by providing direct support to the new Directorate of Strategic Change, although we have offered some preliminary findings in these areas for consideration.

PART 4 - FINDINGS

GENERAL

19. Volume 3 contains our findings in brief. Our detailed findings are contained in a series of files and working papers retained by CRS. In the interest of brevity, Volume 3 provides only sufficient background to ensure the reader understands the original situation and change objectives, our conclusions about progress and our recommendations for the way ahead. The recommendations have been sub-divided into those that support closure of MCCRT and those that support continuous improvement.

20. We have refrained from drawing any sweeping generalizations with respect to the degree of success of NDHQ change, choosing instead to draw conclusions about each of the specific issues. The following is a summary of our primary findings. The reader is cautioned that the pace of change continued to be high and that some of our findings may have been overtaken by events.

ORGANIZATIONAL RESTRUCTURING

21. **The major planned changes, including the number of headquarters, organizational changes and senior management reductions, have been completed, while some adjustments continue.** The concepts of NDHQ as an integrated military/departmental headquarters and primary vertical accountabilities (to the DM and/or CDS) have been entrenched. Organizational change and responsibilities will need to be fine tuned, formalized and publicized and the impact of organizational structure assessed on an ongoing basis.

HEADQUARTERS RESOURCE REDUCTION

22. **The number of personnel in the affected headquarters has been reduced by the government imposed target of 1/3 but not the self-imposed stretch target of 1/2.** Many senior staff questioned the intent and feasibility of this greater target, although a number achieved or nearly achieved it. **Resource reduction (in dollars) had reached 23 per cent; however, this number has not been independently verified.** The tracking of personnel and resource reductions was an extremely challenging undertaking. A fair means of assessing the impact of previous reductions, establishing a baseline and assigning any additional cuts to Level 1's will have to be found and a concerted and sustained effort will be required to achieve targets.

ACCOMMODATION RATIONALIZATION

23. **The accommodation project has been generally successful in terms of building renovation, introducing the universal footprint and maximizing space utilization.** The reduction in space occupied by DND in the NCR will become more obvious as several large buildings are vacated. Project costs and final space requirements have grown as a result of several factors, especially reduced personnel cuts and new initiatives. Future emphasis should shift to rationalizing requirements in excess of the four core buildings and determining the baseline above which organizations will have to fund additional requirements.

PROCESS RE-ENGINEERING

24. **Re-engineering has taken place, to varying degrees, within virtually all NDHQ processes, although many of those interviewed believed that more needed to be done in the personnel and materiel fields.** There is also a general belief that re-engineering that crosses organizational boundaries has been limited. Progress with several critical path projects identified by MCCRT has been mixed. Challenges continued with respect to stabilizing the Defence Management System and clarifying relationships between the ECSs and central service providers. There would be value in maintaining process re-engineering expertise in NDHQ and developing a corporate level view of progress made with respect to major change initiatives.

MANAGEMENT FRAMEWORK

25. **Considerable effort is being made to simplify and stabilize the Defence Management System and its many components. Expectations should be carefully managed in such areas as performance management and activity-based-costing as these are challenging concepts that need to be fully integrated into the overall management framework.** All of these tools require clear strategic direction and senior management alignment with respect to priorities if they are to be of use. Again, senior management is striving hard to achieve this end. The challenge will be to maintain alignment and continuity during future senior management turnover. Future efforts could include ways and means of further stabilizing the overall system, including establishment of a centre of expertise that could focus on management theory and practice, confirmation of our management philosophy and principles, confirmation of the apportionment concept and further improvements to the DMS Manual, all with a view to reinforcing the concept of an integrated management environment.

ACCOUNTABILITY FRAMEWORK

26. **While there has been much more attention to the concept and practice of accountability in the past few years, an over-arching DND/CF accountability framework model was still a work in progress, especially in terms of definitions, the types and nature of accountability, the relationships between organization and process owners, lateral accountability and other related concepts.** Many specific lateral accountabilities remain to be resolved (an initiative has recently been launched to address this issue). Implementation with respect to Recommendation 51 of the Minister's Report to the Prime Minister (educating personnel on accountability) is progressing slowly. Future effort should concentrate on formalizing an accountability framework, resolving lateral accountabilities, updating high level NDHQ TORs and possibly providing more guidance with respect to specific accountability frameworks and Service Level Agreements.

HUMAN RESOURCES

27. **Progress with respect to the full range of HR issues has been mixed. While plans and interviews demonstrate universal concern, views about progress range from guarded optimism to frustration.** There is a general belief that downsizing, increased workloads and technology delays had led to continuing morale issues and increased stress, all fairly typical of an organization experiencing massive change. Ultimately, ways and means need to be found to address these "soft" issues, in order to move from a "survivor" mentality to a more healthy and positive attitude that embraces change enthusiastically. Much of the current change agenda is HR related, although it is premature to evaluate most initiatives. A major challenge will be to translate concepts into practice and to maintain momentum and continuity. The role that training can play in changing organizational culture needs to be considered, especially in NDHQ. An earlier initiative, aimed at coordinating common training in the NCR, could be revisited.

ADMINISTRATIVE POLICY RENEWAL

28. **While senior management acknowledges the importance of administrative policy renewal and the need to move away from a rules-based bureaucracy, progress has been slow.** A relatively small part of the work required has been completed (11 per cent of forecast DAODs published). The reasons for delay are complex and will likely defy an easy solution. Senior management may have to moderate expectations unless more resources and priority can be assigned to this initiative. While the completion rate of DAODs is one measure of success, the real test will be the impact in the field, i.e., is policy simpler and easier to find and does it reflect a change in organizational culture? An independent review of the DAOD process and impact in the field would be of value. The role and leadership of the Policy Simplification Group should also be examined by management.

SHARED SUPPORT SERVICES

29. **Initial implementation of the shared support services (SSS) concept was slow; however, it has recently improved and now appears to be on schedule.** This initiative is facing many challenges, especially with respect to personnel issues and mixed support from organizations when client support centres are being established. However, the OPI believes that an evolutionary approach is preferable to a "big bang" approach because of the real implementation challenges involved. An outsourcing option was not pursued; although, elements of some support services involve alternative delivery means. Given the uncertain end state of NDHQ (numbers and buildings), the size and structure of the SSS organization has yet to be finalized. It is anticipated that it will take a number of years before the SSS concept and organization reach a relatively stable state.

LESSONS LEARNED

30. The following are the primary lessons learned with respect to NDHQ restructuring and re-engineering (they are similar to the experiences of other major change initiatives in the public and private sectors):

- a. A clear and consistent strategic vision is required. Senior management needs to be aligned and persistent in its direction and consistent in its actions and communications.
- b. Strategies need to be found to maintain momentum and continuity, especially as senior management turnover will likely occur.
- c. Loss of direction or momentum in change initiatives needs to be countered by surfacing the undiscussable (the discipline of uncompromising straight talk), countering resignation (the discipline of taking a stand based on a view of the future), and reinforcing accountability (the discipline of personal accountability).
- d. During periods of downsizing, senior management must find ways of prioritizing activities as re-engineering cannot solve everything.
- e. Everything cannot be re-engineered at the same time. Some real change must be achieved in the short term. Other initiatives will take a long time to implement and expectations must be realistic.
- f. Major change initiatives, such as re-engineering and alternative service delivery need to have clear strategic direction up-front and must be closely coordinated with each other.

- g. Coordinating and tracking mechanisms are required and should remain in place throughout the design and implementation phase, especially as the latter is the more difficult.
- h. Accounting mechanisms (e.g., reduction tracking) should be based on existing procedures and arrangements and not ad hoc systems.
- i. Ways and means need to be found to ensure that senior management takes ownership of conceptual ideas and moves them on to implementation.
- j. Key enablers need to be recognized early and implemented as soon as possible.
- k. All levels of the staff should be involved in change in order to increase buy-in.
- l. Declaring failure if all change is not achieved would result in no change. Radical ideas and pragmatism need to be balanced.