



Transforming the business of defence

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Efforts are underway to review Canada's defence policy, inviting all Canadians to provide input on the way that our country uses its military resources both at home and beyond its borders. Launched by the Liberal government in spring 2016, the review included consultations with civilians, industry experts, and organizations across Canada – a process through which KPMG was proud to lend its voice.

This year's review not only marks the latest Defence Policy Review since the Canada First Defence Strategy was published in 2008, it arrives at a critical time in Canada's history. In light of global threats, economic challenges, and digital transformations, it addresses an urgent need to explore new strategies, re-fresh old strategies, and re-examine the role of Canada's Armed Forces (CAF).

\$1.2 billion in operational savings

At the same time, the Department of National Defence (DND) and the CAF are three years into a renewal program launched in 2013 to uncover upwards of \$1.2 billion in "operational savings" and put those dollars to better use. The renewal program is focused on transforming the business of defence, which so often takes a back seat to the defence business.

Surely, defence is a business – and a complex and expensive one at that. Canada's military is a system of systems stretched over 20 divisions; and one that marches to the beat of numerous leaders, decision levers, accountabilities, and objectives. Understanding this, KPMG put forward a submission in July 2016, outlining its recommendations across four key pillars:

- Fostering greater performance management
- Enabling decision rights and management levers for functional authorities
- Establishing single points of accountability for core elements of the business of defence
- Taking an enterprise approach to information management and business intelligence.

It's important to emphasize that Canada has much to be proud of when it comes to the handling of its military – and certainly, the global reputation of its forces. However, just as the Defence Policy Review is intent on identifying the roles and tasks that Canada's military should play, it is equally focused on ensuring the right investment is made to shore up its operations and identify operational savings. To support both needs, adopting a stronger business culture founded on performance management needs to be at the top of its agenda.

Like many government organizations, significant investments have been made in enabling technologies. Yet, all too often, the value of those enabling technologies are not fully realized because there is a lack of an enterprise capability to use that technology and data both efficiently and effectively.



Enterprise resource planning

Defence organizations are highly dependent upon enterprise resource planning (ERP) systems for the back office and, increasingly, the battlefield. With billions of dollars invested in ERP, these systems have become a central part of the modern defence landscape, speeding up transactions and informing quick, decisive action. ERPs are not a complete solution. In most cases, they are part of a suite of complementary technologies that combine to give defence organizations the data they need, and when they need it via a common, shared data platform.

The demand for coordinated and reliable information needs to be solved from an enterprise perspective. That said, most deployed defence ERP systems are unable to support the unique challenges of a mobile battlefield, where latency is high, bandwidth is low, and tactical communications networks are often disrupted. They rarely have fully integrated demand/deployment planning capabilities and often require manual intervention. Consequently, many combat ERP systems must be augmented or replaced by bespoke versions, which leads to data and system duplication. It's not efficient (or cost-conscious) to approach data management 20 different times for each division. The DND/CAF needs more robust

data management capabilities that drive towards a single source of truth which, in turn, will enable an enterprise view of what's really going on.

Rooting out bureaucracy

We realize none of KPMG's recommendations can occur overnight, but nonetheless we are confident these suggestions can join other public and private insights in improving the business of defence. Already, our discussions with senior leaders have revealed a genuine willingness at the highest levels to see improvements like these through and take full advantage of the Defence Policy Review's public consultations. Royal Canadian Navy Vice-Admiral Mark Norman has also expressed his desire for transformation, telling the Globe and Mail, "I intend to root out unnecessary and non-value added bureaucracy and process inside our own lines here at National Defence."

The Defence Policy Review holds plenty of promise, and it's this potential that KPMG hopes to help realize by drawing on our global collective experience in the defence space to contribute to its findings. We're confident that DND/CAF is listening, and through consultations with Canadians like us, it will reach its ambitious targets.

Contact us

Grant McDonald

Industry Sector Leader, Aerospace & Defense

T: 613 212-3613

E: gmcdonald@kpmg.ca

Suzanne Nickerson

Lead Account Partner, National Defence

T: 613- 212-2897

E: senickerson@kpmg.ca