PERFORMANCE IMPROVEMENT FRAMEWORK

Review of the New Zealand Defence Force (NZDF)

SEPTEMBER 2015

State Services Commission, The Treasury and the Department of the Prime Minister and Cabinet
Lead Reviewers’ Acknowledgement

As Lead Reviewers for this Performance Improvement Framework Review for the NZDF we would like to acknowledge the thoughtful and generous input made by NZDF personnel and the Leadership Team. As part of the PIF process, the NZDF undertook a candid PIF Self-review, which has allowed it to identify opportunities for improvement. In addition, we had considerable input from a cross section of NZDF’s external partners and stakeholders, including some of New Zealand’s offshore defence, humanitarian and security partners. We also had the benefit of insights from officials from the Department of Prime Minister and Cabinet, the State Services Commission and the Treasury.

NZDF recognised this as an opportunity to identify and make performance improvements. There was open and robust engagement with us and we note that, even as we undertook the assessment, the Leadership of the NZDF began responding to issues under active discussion. This bodes well for the future of the NZDF and the security and humanitarian outcomes it delivers for all New Zealanders.

During the review the Lead Reviewers declared and managed the following interests: Paula Rebstock - Chair, ACC (Accredited Employer Scheme) and Chair, Work and Income (Limited Service Volunteers Scheme).
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AGENCY’S RESPONSE

The New Zealand Defence Force is at an important point as an integrated force; a force that combines the individual strengths of each part of the organisation in order to prepare for combat and respond to whatever our country demands of us. This Performance Improvement Framework (PIF) Review of the NZDF has been a timely opportunity for us to test our thinking with the Lead Reviewers about what the NZDF needs to improve and where we need to change.

I was reassured when the Lead Reviewers found our Self-review robust, candid and forthcoming. This confirms to me that we know where our strengths and weaknesses lie; what we need to build upon, what we need to maintain and where we need to work harder. As the nature of combat and our other roles change, we must continue to adapt, work smarter and continuously find ways to be better at what we do.

The PIF Review has been a helpful exercise for us. I would like to thank our Lead Reviewers for the work they have done to help us refine our focus as we pursue our collective purpose of being A Force for New Zealand.

Our Key Areas for Improvement

Our Lead Reviewers have identified three broad improvement areas for us to address and keep in the forefront as A Force Pursuing Excellence. These broad areas encompass:

- our purpose, targets and organisational strategy
- our operating model
- our implementation of change.

These improvement areas are being given high priority by the NZDF Leadership Team. In this Response, I will explain how elements of our new Four-Year Plan and the next NZDF Annual Plan will help us address these improvement areas. I will also highlight those aspects of improvement where we need greater focus. The improvement programme arising out of this review will be managed by the Office of Strategy & Governance. The Executive Group will provide the governance oversight of the programme, with quarterly progress reviews. At a finer level of detail the Organisation Committee is mandated to conduct ‘deep dives’ into the programme in order to provide assurance on progress to the Executive Group.

In order to deliver our Future35 goal of Enhanced Combat Capability in 2020, the NZDF Leadership Team has agreed on five strategic themes included in our Four-Year Plan:

- Leading with Excellence
- Generating a Sustainable Workforce

1 Membership of the NZDF Leadership Team includes: Chief of Defence Force (Chair), Vice Chief of Defence Force, Chief of Navy, Chief of Army, Chief of Air Force, Commander Joint Forces, Chief Financial Officer, Chief People Officer, Chief of Defence Strategy & Governance, Chief of Joint Defence Services, Chief of Staff and Warrant Officer of the Defence Force.

2 Membership of the Executive Group includes: Chief of Defence Force (Chair), Vice Chief of Defence Force, Commander Joint Forces, Chief Financial Officer, Chief People Officer, Chief of Defence Strategy & Governance, Chief of Joint Defence Services, Chief of Staff and Warrant Officer of the Defence Force.

3 Membership of the Organisation Committee includes: Vice Chief of Defence Force (Chair), Deputy Chief of Navy, Deputy Chief of Army, Deputy Chief of Air Force, Chief Defence Strategy & Governance, Deputy Chief Financial Officer, Assistant Chief Personnel, Chief Information Officer, General Manager Defence Estate, Commander Logistics and Assistant Chief Capability.
• Focussing Operational Capabilities
• Partnering for Greater Effect
• Leveraging the Joint Effect.

These themes help guide our change activity in order to have a positive impact on our ability to deliver credible military response options in the face of the challenges we anticipate five years from now.

**Our Purpose, Targets and Organisational Strategy**

Our core purpose is preparing for combat. In order to ensure we have a single plan for how to achieve this, which is driven from the top, we have taken steps to improve how we generate our Annual Plan. In the past, annual plans were formed through a bottom up process, with Services and functions completing their plan and merging these into the NZDF Plan. This approach gave general alignment to the Future 35 strategy, but often, there were unconnected initiatives and slippage of the plan was inevitable without a strong top-down focus.

This year, in order to provide guidance for the development of the next Annual Plan, the NZDF Leadership Team met in April to identify pan-NZDF areas of priority for change in the 2015/16 financial year and assign responsibility to appropriate members of the Leadership Team for these priorities. In developing this guidance, we considered the improvement areas identified in our PIF Review. We also considered matters viewed as barriers to change which were identified through a series of ten internal workshops involving 124 senior NZDF personnel. As a consequence, clear guidance has been provided by the Leadership Team on pan-NZDF areas of priority in advance of Services and functions preparing their parts of the plan. These priorities are:

a. Development of a transparent, coherent and flexible workforce planning system
b. Adoption of an organisational intelligence system that supports both corporate and operational decision-making
c. Complete implementation of the new NZDF operating model, including embedding clear command and control responsibilities and accountabilities, and embedding the new governance structures
d. Review the CIS operating model
e. Reduce risk and ensure the safety of NZDF personnel
f. Develop and implement an NZDF stakeholder management plan
g. Contribute to the development of the 2015 Defence White Paper
h. Develop a comprehensive NZDF Estate Plan to deliver on the investment made by the Defence Mid-Point Rebalancing Review.

This new approach to generating the Annual Plan is very different and is producing a single plan with much greater alignment to the five agreed strategic themes of ‘Leading with Excellence’, ‘Generating a Sustainable Workforce’, ‘Focussing Operational Capabilities’, ‘Partnering for Greater Effect’ and ‘Leveraging the Joint Effect’.

The recent changes to our governance structure will assist us to be more deliberate in our planning and more disciplined in our delivery. In particular, the newly created Organisation Committee ensures stewardship of our resources, ensures delivery of the change portfolio within the scope of the Annual Plan, and prioritises and makes investment decisions within the scope of the Annual Plan.
The Office of Strategy & Governance is establishing a deliberate cycle of activities to synchronise the work of the new committees. They are also working to assist committees to identify the performance information they need. This work will help us make sure the committees are: focused on matters at the right time in our planning cycles; provide greater top-down guidance; and drive a stronger performance and accountability culture.

We are currently within the first cycle of annual planning to be delivered under our improved planning system and new governance structure. Undoubtedly, we will learn much which we can use to enhance our planning activities in the next cycle. During the next cycle, our committees and our planners will have more robust discussions about how our activities need to be integrated. Greater alignment and integration of a single plan for the NZDF will translate into improvements in our performance measures.

Our whole Leadership team will take up the challenge of helping all members of the NZDF better understand how they individually contribute to enhanced combat capability. The Office of Strategy & Governance is well advanced in developing a coherent explanation of the medium-term 2020 strategy. I want to provide personnel at all levels of the NZDF with a clear message of what our 2020 goal of Enhanced Combat Capability will mean for them. Our key challenge in this is shifting how people think about ‘capability’. ‘Enhanced Combat Capability’ is not solely about our equipment and platforms. In fact, it is far more about our people than it is about our assets. This work explains Enhanced Combat Capability in 2020 and what it will mean, in plain language, for all members of the NZDF. During the upcoming year, these messages will be further integrated into our internal and external communications to continually reinforce our purpose, targets and key messages. This work, coupled with Leadership Team engagement will help meet the Lead Reviewers’ challenge of ‘making real’ the 2020 planning horizon.

The new structure of the Leadership Team will strengthen the top-down leadership of the NZDF. New portfolios have been established which bring greater coherency to our operating model. In particular, an Office of the CDF has been established in order to ensure I am provided with timely advice to support me as the Chief Executive of the NZDF.

We know that being more deliberate in our planning and more disciplined in our delivery will require us to have the patience and focus to embed our new operating model and governance system, including supporting the behaviours required to make these successful.

**Our Operating Model**

The Lead Reviewers have correctly observed that we are in a period of transition between two operating models. Being an integrated force requires us to embrace the new NZDF operating model and work to embed the practices, culture and behaviours which support it. Accordingly, we have moved to a new operating model that focuses on six core functions – Acquire, Direct, Enable, Generate, Develop and Operate – which work together to deliver defence capabilities and services which are combat-oriented and relevant to the needs of the Government.

The new structure of the Leadership Team provides a solid foundation to progress the new operating model. The new leadership positions of Chief Defence Strategy & Governance, Chief Joint Defence Services and Chief People Officer are part of a realignment of leadership portfolios to better fit the new operating model. The immediate future focus of those portfolios will be to build their business processes to align with and support our operational units.
The new governance structure is also aligned to the new operating model. The Board⁴ and the Executive Group provide the long-term and medium-term oversight required to direct and prioritise NZDF activity. The Organisation Committee and the Outputs Committee⁵ provide the oversight to focus the NZDF on delivering an integrated set of initiatives. Governance of workplace safety will be provided through a standing agenda item for the Leadership Team. Finally, the existing Service leadership teams, domain worthiness authorities, and functional management teams provide the management and coordination of delivery of core services on a day-to-day basis.

In order to progress our new operating model our Leadership Team will reinforce the culture and behaviours we need as an integrated force. There are several interrelated aspects which will help us do this. First, we need to make sure that people at all levels know what is expected of them within the new operating model and are held accountable for delivering on those expectations. In addition, we need to make sure people know how the things expected of them contribute to the NZDF purpose. And finally, we need to further develop, align and integrate the NZDF Leadership Development Framework with the Defence Professional Development Framework in order to ensure that the development and performance management of individuals is consistent with those expectations.

### Our Implementation of Change

Our Lead Reviewers have accurately stated that we do not have a consistent track record of implementing and embedding change and that we often struggle to realise the benefits expected from the changes we set out to make. They have also stressed that our current known commitments over the next four years, including our most recent deployment to Iraq, will leave little room for new activity that does not directly contribute to meeting our performance challenge of delivering a joint taskforce and enhanced combat capability by 2020.

Having laid the groundwork for improving our implementation of change, 2015 is a changeover year for us. Our primary focus thus far was on getting one plan for the NZDF and changing our leadership structures and governance systems for the future. As a Leadership Team, we must now turn our attention to making sure all our people are able to embed the culture and behaviours which help us improve our implementation of change and lift our performance to the next level. During the upcoming year, the Defence Excellence Office will embed the frameworks and tools required to provide us with a solid foundation to build a culture of continuous improvement and innovation within the NZDF.

The bottom line for us is that we need to dramatically lift our game when it comes to managing change. It is vital that we do not underestimate the scope and scale of the changes and improvements identified in this Review. It is equally vital that we wisely prioritise and sequence change initiatives and that we steadfastly ensure they are delivered on time and to budget. I will assure achievement of the NZDF Plan and the Four-Year Plan and realisation of Enhanced Combat Capability by 2020 through the accountability of the new Executive Group and with the support of the new Board. They and I will maintain clear oversight of these programmes.

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⁴ Membership of the Board includes: Chief of Defence Force, Vice Chief of Defence Force, Chief of Navy, Chief of Army, Chief of Air Force, Warrant Officer of the Defence Force and three independent (external) members.

⁵ Membership of the Outputs Committee includes: Vice Chief of Defence Force (Chief), Chief of Navy, Chief of Army, Chief of Air Force, Commander Joint Forces, Chief of Joint Defence Services, Assistant Chief Personnel and Chief Information Officer.
The new annual planning process has produced agreement to eight critical priorities for 2015/16 which align to the five strategic themes in the Four-Year Plan. Progress and top-down direction against these critical priorities will be driven by the Vice Chief of Defence through his chairmanship of the recently formed Organisation Committee. Regular reviews will ensure progress is made and focus is maintained on the right matters at the right time and will also ensure distractions are avoided.

Since implementation of change is an area where we have struggled for many years, it will be our biggest challenge. Our new leadership structures and governance system will go some way to helping us focus on this, so too will our efforts to roll out a Portfolio, Programme and Project Management system. But equally, improving how we implement change will be a major facet of our work moving ahead. We do know that in the instances where we have been successful in implementing change, it invariably has involved having a combination of good project management skills, good governance and good metrics and monitoring. Our challenge will be to learn from those successes and apply those lessons to all change initiatives.

**How Can Central Agencies Help**

There are several areas where we would benefit from the assistance of the Central Agencies in order to support our improvement efforts. We are looking forward to engaging with Central Agencies to mutually build greater depth of understanding on a number of matters:

a. effectively developing and implementing a People Capability Strategy that aligns military capability with personnel development
b. enhancing the personal and career development of NZDF leaders across the broader security and intelligence sectors and wider government
c. enhancing our ability to deliver a portfolio management approach to capability development
d. increasing our flexibility in resourcing the development of military capability
e. developing appropriate principles for effective utilisation of NZDF capital infrastructure
f. strengthening the stewardship assistance provided to the NZDF by Central Agency Chief Executives.

**A Final Word**

The changes we will make are likely to test our ability to lead, prioritise and implement change. We must be realistic about what we can achieve within the time and resources available to us to support change while at the same time being prepared for combat in order to secure New Zealand against external threats. I will be satisfied if the single thing we achieve as a result of this PIF Review is that we greatly improve our ability to implement and embed change at all levels of the NZDF.

We are a Force Pursuing Excellence. **We are a Force for New Zealand.**

T.J. Keating  
Lieutenant General  
Chief of Defence Force
FOUR-YEAR EXCELLENCE HORIZON

In undertaking this review the Lead Reviewers considered: “What is the contribution that New Zealand needs from NZDF and, therefore, what is the performance challenge? If NZDF successfully meets the performance challenge, what would success look like in four years?”

Executive Summary

A defining feature of the NZDF performance challenge is the requirement to have contingent capability to respond to unpredictable events across a number of concurrent missions. The environment in which NZDF operates will continue to be shaped by strategic uncertainty arising from the global and regional geopolitical landscape. As a consequence, NZDF needs to focus on capability that improves interoperability across single services and with military and non-military partners in New Zealand and abroad.

The other key feature of its performance challenge is the requirement to bring into operation new military capabilities and platforms that the Government is investing in to secure enhanced combat capability by 2020. This will require NZDF to adapt its approach to force generation in response to demographic, economic, technological and societal change.

The breadth, complexity and uncertainty inherent in the NZDF performance challenge highlights the need to significantly shift the operating model. The Future 35 strategy articulated the NZDF vision of ‘Joint Operational Excellence’. Shifting from a ‘Three Services, One Force’ approach to a ‘One Force, Three Services’ approach will require strong and collective leadership over an extended period.

To successfully transform the NZDF, alignment between the military purpose and the organisational changes it is asked to embrace is essential. Alignment can only exist through articulating the future advance military capability required and the organisational change necessary to get there, and by holding the agency and its leaders to account for delivering the capability change required. Ultimately, NZDF must drive organisational improvements through its military purpose.

Given NZDF’s current known commitments over the Four-year Excellence Horizon, there is little room for new activity that does not directly contribute to meeting the NZDF performance challenge to deliver a joint taskforce and enhanced combat capability by 2020. The collective leadership of the organisation must ensure the agency prioritises and sequences organisational change initiatives and ensures these are delivered on time and to budget, while continuing to deliver business as usual.

Although NZDF is a capital intensive organisation and there is considerable new investment being made in platforms and military equipment, in reality its capability is built on its people. Fundamentally, the organisational performance challenge over the Four-year Excellence Horizon is to grow its people capability, including its approach to force generation, to allow it to fully utilise its enhanced military platforms. Addressing posting turbulence across the NZDF will be a critical success factor of the people strategy going forward.

Purpose

NZDF exists to secure New Zealand against external threat, to protect our sovereign interests, including within the Exclusive Economic Zone (EEZ), and to be able to take action to meet likely contingencies in our strategic area of interest.
Environment

The environment in which NZDF operates will continue to be shaped by strategic uncertainty arising from the global and regional geopolitical landscape. The need for humanitarian, search and rescue and natural disaster relief at home and abroad, changes in demographics and technology, and the requirement to protect New Zealand’s interests in our territorial waters, Antarctica and the Southern Ocean adds further complexity. At the same time the NZDF, like the rest of government, will face continued fiscal restraint in the face of ever greater calls on combat and noncombat military capability.

The Defence White Paper 2010 postulated that the principal tasks of the NZDF would likely remain similar in nature to what they had been previously. However, the White Paper also noted the potential for a greater call upon NZDF in response to a changing and unpredictable security environment, including noncombat operations. As a consequence, the maintenance of disciplined military forces available at short notice would continue to be necessary to provide the Government with options to respond to a wide array of likely contingencies.

The current view confirms the earlier environmental scan and describes New Zealand’s ongoing interest to:

- promote a safe, secure and resilient New Zealand, including its border and approaches
- sustain a network of strong international relationships
- support a stable and rules based international system
- maintain access to international markets via secure sea, air, land and electronic lines of communication and trade.

Key stakeholders and partners identified the following environmental factors likely to impact over the Four-year Excellence Horizon:

- spiralling cost of modern military capabilities and the proliferation of chemical, biological, radiological and nuclear technologies and technologies that make cyber attacks more likely
- heightened tensions in the East, South China Seas and South Asia
- the rise of China and deteriorating and unpredictable relations between Russia and the West
- increasing risk of terrorism, including threats of domestic radicalism
- rising external economic interest in Antarctica, the Southern Ocean and New Zealand territorial waters
- increasing challenges to the rules based international system, including intrastate conflict
- a fragile and weak economic trajectory in the South West Pacific. At the same time the region is increasingly contested, with rising interest from China coupled with instability in some island states. These mean New Zealand is likely to continue to be looked to for leadership in the region
- strains from social development, including population growth, large migrations due to uneven wealth distribution, the changing physical environment of the planet due to global warming, urbanisation, and demographic change such as the youth bulge in some countries
- mitigating factors, such as new technologies and those that arise from accelerating globalisation and increasing economic interconnectedness.
A wide range of potential consequences flow from this environment. As a major recipient of international cooperation and given New Zealand’s trade dependency, New Zealand’s commitment to a stable and strong international political order is likely to remain strong. Accelerating globalisation means the international system has more linkages than in past. A challenging implication is that small countries like New Zealand may be asked to do more rather than less than in the past. Many problems require international solutions in order to have a strong and stable international system. This in turn means NZDF will be increasingly co-dependent on the external sector agencies, such as the Ministry of Foreign Affairs and Trade (MFAT), the New Zealand Customs Service, and the Ministry of Defence (MoD), to achieve some defence outputs.

In addition, the environment suggests that there is likely to be increasing dependence on vital partners for information on areas outside the South West Pacific. While it is important to have strong relationships with partners across the intelligence space, the New Zealand Intelligence Sector also needs to ensure it has appropriate architecture for systematic collaboration. Cyber defence of military platforms and networks, both defensive and reactive, and the need to protect our own networks when operating with other militaries are also likely to continue to increase. Looking forward the digitisation of warfare (for example, drones) and cyber space militarisation may have significant implications for military capabilities.

As a consequence of these environmental influences and being a small force, the NZDF is likely to need to focus on capability that:

- improves interoperability across single services and with military and non-military partners in New Zealand and abroad
- allows the NZDF to deploy:
  - on its own for humanitarian reasons or in support of New Zealand interests, including the protection of New Zealanders, in the South Pacific
  - to protect New Zealand borders, including the EEZ
  - internationally to support international order
- complements our partners, who increasingly look to the NZDF to be niche providers of elite capability that links up to others’ capability
- can be procured quickly or is available through reserve forces mechanisms
- adapts its approach to force generation in response to demographic, economic, technological and societal change.

The NZDF is a key part of how New Zealand will respond within a rapidly changing world. It has a ‘go to’ capability and can operate in a hostile environment. The environment it is put into is often challenging, and often not military but rather social, economic and political. In this context the NZDF will be working closely with other arms of Government to promote and protect New Zealand interests at home and abroad. If the operating environment is one that requires more than a military response, at the very least the NZDF needs to be able to protect other capability. As a small country, there will continue to be a range of capabilities beyond traditional military capability that the NZDF will be tasked with because others from New Zealand cannot effectively and efficiently respond. When this requirement is overlain with the need to retain combat military capability, flexibility to adapt and deploy quickly and competently and then sustain deployment will be even more important in the future. The requirement to deploy resource to meet multiple missions concurrently will continue into the foreseeable future.
Performance Challenge – Outcomes

The NZDF’s performance challenge is to achieve the following three outcomes:

- New Zealand’s national interests are secured: a secure New Zealand, including its people, territorial waters, EEZ, natural resources and critical infrastructure
- International order is supported: New Zealand’s military contributions to prevent, manage, resolve conflict and maintain international order are valued
- Veterans’ service is honoured: the service of our people is recognised, respected and honoured.

The NZDF is available to perform public services and assist the civil power in time of emergency, either in New Zealand or elsewhere. The Defence White Paper 2010 set-out the principal tasks which the Government expects the NZDF to be able to undertake over the next 25 years, including to:

- defend New Zealand’s sovereignty
- discharge our obligations as an ally of Australia
- contribute to and, where necessary, lead peace and security operations in the South Pacific
- make a credible contribution in support of peace and security in the Asia-Pacific region
- protect New Zealand’s wider interests by contributing to international peace and security, and the international rule of law
- contribute to all-of-government efforts at home and abroad in resource protection, disaster relief, and humanitarian assistance
- participate in all-of-government efforts to monitor the international strategic environment
- be prepared to respond to sudden shifts and other disjunctions in the strategic environment.

The NZDF also contributes to Government youth development objectives, through the operation of the New Zealand Cadet Forces, Limited Services Volunteer courses and Youth Life Skills programmes.

A striking feature of the NZDF performance challenge is the requirement to have contingent capability to respond to unpredictable events across a number of concurrent missions. The most recent Government decision to deploy military capability to Iraq for the next two years brings the NZDF performance challenge into sharp relief. While it will need to demonstrate its competence in deploying to and sustaining this military mission, it must continue to flexibly respond to missions closer to home in the Antarctic, EEZ and the South Pacific, both on its own and with other partner agencies.

The other striking feature is the requirement to bring on new military capabilities and platforms that the Government is investing in to secure enhanced combat capability by 2020. It is one thing to purchase new military platforms and capability; it is another to bring that equipment into service with all the enablers needed to make it proficient and fully operational.

The scale of the capability upgrades being brought on line are significant, as demonstrated by the following (non-comprehensive) list:

- maritime helicopters and medium utility helicopters
- the platform systems upgrade and frigate system upgrades
- battle training facility
• special operations forces vehicles and equipment
• soldier modernisation
• land combat weapons
• light armoured vehicle upgrade
• C-130 Hercules life extension programme.

In addition, there are significant further capabilities under development, in areas such as maritime sustainment, littoral operations support, logistics support and future air mobility.

Given NZDF’s current known commitments over the period to 2020, there is little or no room for activity that does not directly contribute to meeting the NZDF performance challenge to deliver a joint taskforce (2015) and enhanced combat capability (by 2020). The collective leadership of the organisation must ensure the agency prioritises and sequences organisational change initiatives and ensures these are delivered on time and to budget.

Through jointness the NZDF has the best chance of making good use of limited resources. In order to support New Zealand’s national interest, a short notice, high readiness capability is required across a range of potential missions. This will require specialisation and expertise within specific domains, fluidity and responsiveness from corporate support functions and the ability to form and re-form joint taskforce capability as required.

The combination of specific military capabilities that will enable the NZDF to deliver on its key tasks are set out in the White Paper, and include credible combat capabilities, deployable ground forces, strategic projection and sustainment capacity, and Command, Control, Computers and Communication/Intelligence Surveillance and Reconnaissance.

**Performance Challenge – Agency**

The breadth, complexity and uncertainty inherent in the NZDF performance challenge has highlighted the need to significantly shift the operating model and this is reflected in the Future 35 strategy, which was promulgated in 2012. The NZDF must deliver even greater interoperability, agility, flexibility and innovation in organisational capability in order to meet its performance challenge. It must also continue to find productivity improvements and improve key enablers in order to continue to shift resource to the front line.

Future 35 articulated the NZDF vision of ‘Joint Operational Excellence’ and provided a high level pathway for the modernisation of the NZDF. Achieving a Joint Taskforce, Enhanced Combat Capability by 2020 and an Integrated Defence Force by 2035 will require a fundamental shift in how the NZDF operates in New Zealand and abroad. Shifting from a ‘Three Services, One Force’ approach to a ‘One Force, Three Services’ approach will require strong and collective leadership over an extended period. To successfully transform the NZDF, alignment between the military purpose and the organisational changes it is asked to embrace is essential. Alignment can only exist through articulating the future advance military capability required and the organisational change necessary to get there, and by holding the agency and its leaders to account for delivering the capability change required. Only then will NZDF know it is on the path to Future 35.
Although NZDF is a capital intensive organisation and there is considerable new investment being made in platforms and military equipment, in reality its capability is built on its people. Fundamentally, the NZDF performance challenge over the Four-year Excellence Horizon is to grow its people capability (military and civilian), including its approach to force generation, to allow it to fully utilise the enhanced military platforms the Government is investing in. While the Total Defence Workforce concept in Future 35 may be still valid, it is not at a stage where it can be implemented.

The NZDF has had a number of different operating models over the recent past which by necessity focused on improving allocative and productive efficiency. It has been and will continue to be advantageous to bring people in to assist the NZDF to meet its performance challenge. Nevertheless, the NZDF needs to be able to change itself, with a focus on system performance. The leadership of the NZDF must bring the military experience and knowledge needed to ensure organisational change is closely aligned to its core purpose and future capability requirements, and is prioritised for greatest impact. An operating model capable of delivering its future desired state is essential.

From now until 2020 the NZDF will undertake organisational changes and capability enhancements to ensure it is capable and interoperable in the joint, interagency and multi-national environment. When prioritising and sequencing this activity, the NZDF must focus on its core purpose and its 2020 milestone of enhanced combat capability. Only true drivers of core outcomes should be progressed, no matter how good other ideas may seem. This is the surest way to make cumulative progress quickly, embed change and capture benefits that can be reinvested in enhancing and sustaining military capability.

The NZDF will require real and enduring investment in its people to ensure:

- a workforce with the correct number and mix of military and civilian personnel and contractors and consultants that is flexible, adaptable, innovative and well trained
- the service cultures remain strong and supportive, producing individuals who are specialists in their respective areas
- its joint approach continues to strengthen.

This needs to be supported through aligned leadership focused on collectively holding itself and the agency accountable for delivering the agency capability required to achieve its potential enhanced combat capability by 2020.

### i Purpose, Targets and Organisational Strategy

The NZDF needs to be professional, credible and deployable, able to respond to each of its potential missions, at home and abroad. Future 35 specified the following three strategic milestones to deliver the Defence Force required:

- delivery of a Joint Task Force in 2015
- enhanced combat capability by 2020
- an integrated NZDF by 2035.

The NZDF is very good at longer term strategy and planning, thinking out 25-30 years, as reflected in Future 35. The Defence Midpoint Rebalancing Review (DMRR) commissioned by Government to balance Defence funding, capability and policy and to develop a long-term funding plan, further strengthened this. Building on the DMRR, the Revised Defence Capability Plan, Output Review and a delivery approach to the Defence Estate, the Government agreed to invest $535 million in operating funding over four years, as well as a substantial capital programme.
Notwithstanding Future 35, it is difficult to say what its practical implications are over the next four to five years. If New Zealand needs a joint taskforce capability and enhanced combat capability by 2020, then clarity is required about what capability planning is needed to get there. The NZDF needs to bring the planning horizon forward to four years and make it real, owning the change and what it means for the organisation. Much clearer definition of what is required this year, next year and the following year is necessary. The NZDF leadership must hold themselves and the agency to account for delivering the required capability on time, to budget, this year, next year and in subsequent years.

Coherence from the top down, rather than three Services driving what they want up, is required. The new norm of how the NZDF operates must be to have one plan driven from the top that then allows the services or other parts of the NZDF to get on with delivering the required capability. The starting place for a top down plan is to ask ‘what are the likely missions and therefore what do we need in terms of capability’, rather than defining need in terms of inputs. Start with ... what are we trying to achieve and what do we need to do to achieve it..., rather than ... what does a particular service, joint force headquarters or back office function want ....

The new governance board of the NZDF must be the owner of the strategy. The role of the Board is to ensure the NZDF is strategy led, there is alignment of plans, strategic initiatives and investment decisions and there is oversight of performance against plan and key organisational risks. Importantly, the Board must collectively hold itself and the agency to account for delivery against the plan, strategy and vision and demonstrate the behaviours that will underpin the integrated NZDF of 2035. Clarity about the real drivers and therefore the priorities that are critical to achieving enhanced combat capability by 2020 will be needed in order to keep the NZDF on track to achieve its Future 35 vision.

The DMRR process worked well for the NZDF, it forced it to work together and with its key partners to produce joint outputs. Going forward it will be important to replicate this in the more immediate work of the agency. This should involve:

- being concise around 90 day programmes of change
- being precise around the blueprint for functional areas
- establishing an effective programme office
- setting quarterly outcomes
- setting clear expectations and priorities, including eliminating clutter
- holding all personnel to account from the senior leaders down.

The DMRR process gave the Government confidence to invest substantial scarce resource in the future capability of the NZDF. The leadership team must now meet its side of that bargain and ensure it stays the course and delivers an organisation that optimises and operationalises the full potential capability being purchased.

Currently the vision and concepts inherent in Future 35 are found across the NZDF. The NZDF now needs to build greater robustness and discipline into business planning, identification of intermediate outcomes and the design of operating practices that underpin a joint operating model. DMRR opened up a platform and options for NZDF to enhance its ability to meet its core purpose. The NZDF now needs to clarify how it will get there over the next four years.
ii Operating Model

An operating model that is capable of delivering the organisational strategy is critical to success. If the future requires the Services to work together, then the operating model needs to support this. In the absence of a new operating model, the Services will maintain their own traditional operating models and it will not be possible to maximise the potential capability of the NZDF. The whole will need to be greater than the sum of the parts, if it is to meet its performance challenge. Care will need to be taken to plan top down, in line with the direction the NZDF needs to move, rather than bottom up, as the latter will tend to reinforce the old operating models of the single services.

The NZDF describes its operating model as the Joint Task Force, where ‘jointness’ is expressed as the collective sum of the deployable NZDF capabilities formed to meet the requirements of a specific mission or task. A JTF is formed, undertakes a mission to achieve defined objectives, and then is repatriated and disestablished, as described in the Defence Capability Plan 2014.

Future 35 outlines three stages for the evolution of the NZDF operating model:

- delivery of a Joint Task Force in 2015
- enhanced combat capability in 2020
- an integrated NZDF in 2035.

In the medium term the focus is on delivering the 2020 vision of enhanced combat capability. From now until 2020 the NZDF must undertake organisational changes and capability enhancements to ensure it is capable and interoperable in the joint, interagency and multi-national environment. The plan out to 2020 includes new capability that has been prioritised and agreed to as part of the DMRR.

To achieve the 2020 goal, the Chief of Defence Force (CDF) has agreed five operational priorities under the **Leading with Excellence** (stronger leadership, better governance and improved management) banner:

- Partnering for Greater Effect – greater partnering with other agencies and other militaries
- Generating a Sustainable Workforce – growing the people needed and better supporting military families
- Leading with Excellence – stronger leadership, better governance and improved management
- Focused Operational Capabilities – implementing the DMRR, investing in smart capability focused on excellence
- Leveraging the Joint Effect – a single plan for the NZDF, integrating the NZDF way of working.

The focus of capability development to 2015 has been on orienting Navy, Army, and the Air Force units and capabilities into a Joint Taskforce. The focus of capability development to underpin NZDF 2020 – Enhanced Combat Capability will be on further developing its Command, Control, Computers and Communications/Intelligence Reconnaissance and Surveillance and littoral capability. To realise the vision of Future 35, the NZDF will need to improve its approach to force generation and supporting functions, retain strong and supportive cultures across the Services and specialist domain expertise, while at the same time continuing to strengthen its joint approach.

The NZDF recognises that currently, the NZDF operating model is a mix of two models, as it transitions between two operating models. It must now identify the operating model that can deliver the organisational strategy. The starting place must be to align planning and priorities to the strategy and outcomes sought. This will require cohesion and clarity from the top to cascade through the
NZDF. The NZDF will need to actively work in a concerted and disciplined manner towards integration. While some changes to structure and governance have been made to assist this, it is vital that practises are redesigned to support the target operating model, so that the new operating model comes to life where the actual work of Defence gets done.

In addition, a target, fit-for-purpose operating model for the NZDF is likely to have some of the following specific features:

- aligning personnel capability development to military capability development, bringing organisational priorities closer to the capability branch
- a medium term people strategy that focuses on where people capability (military and civilian) is going to come from in the future, what is the new NZDF going to be and how is it going to get there from here
- clear leadership expectations and accountabilities whereby senior leaders accept collective accountability for achieving the key milestones to Future 35 and are held accountable each year for progress against them
- a strategy to deal with posting turbulence and the impact this has on seeing through to completion enabling improvements, short-termism, retention, and a host of other consequences
- the need to fill specialist trades
- retaining those things that underpin the current value proposition of NZDF, such as being accepted in communities in which it operates because it is respectful of other cultures and traditions and is valued by our partners for elite and nimble niche capabilities
- engaging the creativity, knowledge and motivation of staff.

iii Implementation (including Change Capability)

Meeting the NZDF performance challenge will put a premium on implementation. Although NZDF is very good at long term planning, and at operational and tactical level ‘doing’, it found in its PIF Self-review that it does not have a consistent track record of implementing and embedding change. Even when it does, it sometimes struggles to realise the benefits. While there are examples of very good implementation, there are as many examples of initiatives that have been agreed as a priority but failed to get traction or the outcomes sought were not achieved. The reasons are as varied as the projects themselves and include inadequate governance, a lack of collective agreement, changing priorities, inadequate specification of key milestones, a lack of committed resources and insufficient off ramps.

An example was the flawed implementation of the 2011 Performance Information and Programme Management Office Review recommendations, which paradoxically, should have improved project delivery. A Defence Enterprise Portfolio Management Framework and supporting system (Planview) is due to be implemented soon, which should enable a coherent overview of projects, allowing decision makers to prioritise key projects and ensure benefits are realised.

The NZDF also struggles with prioritisation of change and finding a coherent programme of change that is well sequenced. There is evidence of inconsistent understanding and agreement of priorities. There were consistent themes in the NZDF PIF Self-review and in our interviews about the amount of change, large number of projects and that everything was important. Legacy programmes of change, including Value for Money, the Defence Transformation Programme and Value for Money 2 are still open, while the agency has initiated new efficiency programmes.
Other factors impacting change capability include:

- retention and personnel risk and the way capability is acquired
- posting turbulence
- risks around the savings programme and whole of life costs
- weak organisational intelligence to improve operational performance
- attention to time to embed changes
- inability to measure intermediate outcomes and system performance, particularly capability
- risk averseness resulting in a reluctance to let things go when civilians and contractors are best placed to carry-out functions.

Execution will continue to be a key issue for the NZDF. Getting incentives and behaviours right at the top is central to improving change capability and implementation. Setting the strategic direction from the top down with a focus on Future 35 and delivering on DMRR should help the agency take a system performance approach and shift moreconcertedly away from a fragmented organisation that still works in command and control lines. If there is not enough clarity and alignment about strategic priorities and what is required over the next few years to deliver on the performance challenge, a command and control approach to delivering outputs can get in the way of looking at outputs across the whole NZDF.

**What will success look like?**

The ultimate measure of success is that in four years’ time New Zealand has the capability needed to secure ourselves against external threat, to protect our sovereign interests, including within the EEZ, and is able to take action to meet contingencies in our strategic area of interest. The NZDF will have a Joint Taskforce capability and enhanced combat capability that has allowed it to successfully deploy to and sustain missions the Government has directed it to in Iraq, the Gulf of Oman, the South Pacific, Antarctica and the Southern Ocean. Success will mean over the four years the NZDF has competently supported search and recovery, natural disaster and other humanitarian missions in New Zealand and the Pacific.

The ability to respond with agility and competency to an uncertain strategic environment is supported by:

- enhanced maritime surveillance and reconnaissance
- regenerated naval combat capability through naval personnel growth, expansion of the maritime helicopter fleet and the frigate systems upgrade
- a new force generation model that produces the people and leaders that are needed for the future
- the maturation of joint war fighters and amphibious capability through Exercise Southern Katipo 17 and joint training initiatives
- conduct of equipment and procedure trials by NZDF to better inform future remotely piloted aerial system capability generation
• enhanced littoral operations support capability that enables littoral warfare support for the Joint Task Force as well as supporting domestic underwater search and recovery tasks

• enhanced land combat capability supported by soldier modernisation programmes, land transport light armoured vehicle and soldier survival systems.

In carrying out its missions, the NZDF is recognised as a competent and trusted partner. It is respected for its:

• agility

• expert niche capabilities

• the manner in which it operates in overseas deployment, demonstrating respect for other cultures and communities

• its interoperability.

Success in four years’ time will also mean the NZDF, while strengthening its Joint Force capability, has maintained the mastery of each domain.

The NZDF has confirmed the confidence of Government was justified in investing $54.5 million in operating funding for increased capability and activity, estate recapitalisation, sustainable workforce recovery and inflationary pressures, as well as $154.1 million capital funding to deliver $707 million on DMRR priorities. It has successfully brought into operation substantial new capability while continuing to deliver its core business.

The delivery of a Joint Taskforce capability and enhanced combat capability will have been driven by the collective leadership of NZDF through alignment of strategy, plans, intermediate outcomes and accountabilities. This in turn has been supported by clarity about strategic priorities (including stopping non-essential activity) and expectations and a willingness to hold people to account. Importantly, the senior leaders demonstrate behaviours consistent with an integrated NZDF. The cultures of the services are strong and complimentary and the joint force capability has significantly strengthened. The NZDF is well on track with Future 35 and has the system performance measures to demonstrate progress.

As well as being strategy led, the NZDF will have a People Capability Strategy that is delivering the workforce needed to sustain operations and capabilities. Operational excellence is embedded within the NZDF and it will have carried out a range of organisational projects aligned to its strategy and in support of future affordability, including:

• new force generation model

• career management review

• consolidated logistics programme

• defence estate recapitalisation

• Human Resource Management Information System

• Planview portfolio management framework

• veterans support system

• mission essential task information system

• information communications technology infrastructure.
The strategic partnership between NZDF and MOD has resulted in effective collaboration across policy, people and platforms, and this has underpinned the delivery of enhanced military capability on time and to budget to meet New Zealand’s strategic interests.

In four years’ time New Zealand veterans are respected, valued and supported after their service is completed. The NZDF supports significant commemorations and a range of services for veterans throughout their lives. The NZDF has implemented a new operating model for Veterans’ Affairs and this has significantly improved service delivery. As a consequence of these changes the NZDF has strong relationships with veterans and their respective organisations.

By 2020 NZDF is a force for New Zealand that the public is rightly proud of and values highly.

Paula Rebstock
Lead Reviewer

David Butler
Lead Reviewer
CENTRAL AGENCIES’ OVERVIEW

The central agencies thank the Lead Reviewers for their comprehensive Review and we agree with their findings. We also acknowledge the high quality PIF Self-review undertaken by NZDF in preparation for this Review.

The Review notes the environment in which NZDF operates and the challenges in delivering a joint taskforce and enhanced combat capability by 2020. NZDF needs to significantly shift the operating model and this will require strong and collective leadership. As the Reviewers say, organisational change needs to be driven from NZDF’s military purpose. This will be a busy time and NZDF needs to prioritise and sequence organisational change initiatives and ensure they are delivered on time and to budget, while continuing to deliver business as usual.

We are heartened by NZDF’s acceptance of the changes it needs to make. Credibly, it does not underestimate the level of challenge involved in implementing these changes. NZDF has demonstrated it intends to make comprehensive organisational change now and create the confidence in its capability to continue to do so in the future.

NZDF capability is built on its people and it needs to grow its people capability, to allow it to fully utilise its enhanced military platforms. NZDF recognises that a key challenge is shifting how all its people think. This will require clear communication which regularly reinforces purpose, priorities and targets to make the mission of achieving an enhanced combat capability by 2020 real. This will also require early wins as sought in the next NZDF annual plan. Wins that deliver a well costed Defence White Paper show results from a new operating model and positive progress with workforce planning, business intelligence, CIS, staff safety, stakeholders and an Estate Plan.

NZDF has outlined a clear organisational approach to lead, prioritise and implement the necessary change. The need to ensure expectations are well set, permission to act given and accountability held will test the capability of the new governance model considerably.

NZDF has made it clear it cannot succeed alone and has asked central agencies to provide assistance. We will continue with the contributions made to date including governance on key processes such as the Defence White Paper, the collaboration that helped achieve the widely acknowledged DMRR, and advice on specific organisational review and government processes.

There are areas highlighted in this report where we can provide tangible support to NZDF. This includes assistance from SSC as the NZDF looks for greater flexibility in its employment arrangements so that it can recruit the expertise it requires, when it requires it. In addition we will continue to support NZDF to provide opportunities for its staff to develop their skills as public service leaders as well as military commanders. This is being achieved through participation in the Leadership Insight programme, exposure at External and Security Career Board and access to development and deployment opportunities across the public service.

Treasury will continue to collaborate with NZDF to explore alternative capital portfolio risk management options and to develop a framework to better accommodate changes in capital cost assumptions (e.g. CPI, Forex).

DPMC will actively support NZDF to participate fully in the overarching all-of-government governance and risk management processes that consider national security and resilience, particularly the Security Intelligence Board and the wider ODESC system.
Just as importantly, all three agencies will help ensure the value of the military purpose, and the contribution NZDF makes to the economy, is widely understood and clearly communicate the scale and scope of the transformational change NZDF is undertaking so they get the space to complete the critical organisational changes they have underway.

Iain Rennie  
State Services Commissioner

Gabriel Makhlouf  
Secretary to the Treasury

Andrew Kibblewhite  
Chief Executive, Department of the Prime Minister and Cabinet
## SUMMARY OF RATINGS

### Results

<table>
<thead>
<tr>
<th>GOVERNMENT PRIORITIES</th>
<th>RATING</th>
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<tbody>
<tr>
<td>Addressing Affordability Issues</td>
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<tr>
<td>Organisational Improvements</td>
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<tr>
<td>Maintaining Momentum in Key Relationships</td>
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<tr>
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<td>Support Veterans</td>
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### Rating System

- **Strong**
- **Well placed**
- **Needing development**
- **Weak**
- **Unable to rate/not rated**
Organisational Management

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<tr>
<th>LEADERSHIP, DIRECTION AND DELIVERY</th>
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<td>Purpose, Vision and Strategy</td>
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<td>Leadership and Governance</td>
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<td>Values, Behaviour and Culture</td>
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<td>Management of People Performance</td>
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<td>Sector Contribution</td>
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<td>Collaboration and Partnerships with Stakeholders</td>
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<td>Experiences of the Public</td>
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<td>Risk Management</td>
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Rating System

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<td>Weak</td>
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<tr>
<td>⚫️</td>
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Note: There have been three significant upgrades to the PIF Agency Model since it was implemented in 2009. The first was the inclusion of the Four-year Excellence Horizon in October 2011. The second was the Strategic Financial Management upgrade in December 2012. The most recent is the Better Public Services upgrade in January 2014. These upgrades affect comparability with previous PIF reports. For more information on the upgrades see: http://www.ssc.govt.nz/pif-core-guide-1.
AGENCY CONTEXT

The NZDF is a non-Public Service department. Its functions are mandated by the Defence Act 1990 (the Act), the Veterans’ Support Act 2014 and related regulations.

Under the Act, New Zealand’s Armed Forces are raised and maintained for:

• the defence of New Zealand and the protection of its interests, whether in New Zealand or elsewhere
• the contribution of forces under collective security treaties, agreements or arrangements
• the contribution of forces to the United Nations (UN) or other organisations or states for operations in accordance with the principles of the Charter of the UN.

The Act also allows the Armed Forces to perform public services and assist the civil power in time of emergency, either in New Zealand or elsewhere.

Veterans’ Affairs New Zealand (VANZ) is an integrated operational unit within the NZDF. The functions and duties of VANZ are set in statute under the recently enacted Veterans Support Act 2014.

The NZDF supports one Vote (Vote Defence Force) and two ministerial portfolios (Defence and Veterans’ Affairs).

The NZDF works in partnership with the MoD to deliver defence outcomes. The MoD is the lead agency for the procurement of major military capability (where the whole of life value exceeds $15 million) and also undertakes assessments and audits of NZDF activities and functions. The MoD acts as the Government’s civilian advisor on defence matters, while the NZDF acts as the Government’s military advisor.

The NZDF consists of 8,846 (63%) Regular Forces, 2,219 (16%) Reserve Forces and 2,890 (21%) civilian staff. Regular and Reserve Forces are comprised of the Navy (2,144), Army (5,880) and Air Force (2,089).

The Vote Defence Force Budget for 2014/15 was $3,233 million made up of

• Departmental Output Expenses $2,370 million (73%)
• Non-Departmental Expenses $137 million (4%), primarily Veterans’ Affairs
• Capital Expenditure $726 million (23%).

Output expenses are Operating $645 million (28%), Personnel $877 million (37%), Depreciation $412 million (17%) and Capital Charge $436 million (18%) totalling $2,370 million.
RESULTS SECTION

Part One: Delivery of Government Priorities

This section reviews the agency’s ability to deliver on its strategic priorities agreed with the Government. While the questions are ex-post and guide Lead Reviewers to retrospective and current performance the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.

<table>
<thead>
<tr>
<th>Government priority 1: Addressing Affordability Issues</th>
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<td>Performance Rating: Well placed</td>
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In September 2010, the Government directed the NZDF to reduce costs that could be redirected primarily to the front line. Specifically, it required NZDF to:

- save $350-$400 million in annually recurring savings by 2014/15
- enhance frontline capabilities and activities
- maintain specified outputs.

Since the Defence Capability Plan 2011, the NZDF has costed all elements needed to deliver on the policies set out in the 2010 White Paper. In 2013 Cabinet agreed to reduce the savings commitment to $210-220 million by 2014/15 and discontinue the savings and redistribution target. The DMRR was commissioned to balance Defence funding, capability and policy, and to develop a robust long-term funding plan.

The Minister of Defence has indicated the Government’s intention that the savings and redistribution programme be integrated into normal business practice, the Defence Estate be managed more efficiently and, building on the DMRR, a revised Defence Capability Plan, an Output Review and a delivery approach to the Defence Estate be developed.

The Savings and Redistribution Programme achieved annually recurring savings of $208.7 million (as at 30 June 2014) which have been factored into the NZDF’s funding baseline as a result of the DMRR agreed outcomes. Savings have been redistributed from the middle and back of organisation into frontline capabilities, such as the new Medium/Heavy Operational Vehicles and Maritime Helicopters.

DMRR resulted in Government agreeing to invest $100 million in 2015/16, which is the first stage of an allocation of $535 million in operating funding over the next four years. Furthermore, DMRR is recognised as an exemplar in Government for having been a robust, analytically sound and data driven review. The Defence Capability Plan 2014 was also completed and focuses on the implementation of the Future 35 strategy.

The Output Review was completed mid 2014 and the new output structure provides clearer linkages to the Government’s expected outcomes, which should help reveal whether value for money is achieved.

Finally, the Government has accepted the need for a modernised and upgraded Defence Estate, increased investment in maintenance and a NZDF-wide ICT strategic plan. Opportunities for improving the cost effectiveness of Defence infrastructure will also be pursued, including through Public Private Partnerships.
Nevertheless, the NZDF Four Year Plan 2014/15–2017/18 highlights financial risk being carried within the estimates of NZDF’s operating expenditures.

Meanwhile the CDF has clearly signalled that a focus on continually improving affordability remains a priority for the NZDF. The CDF has signalled:

- a single plan for the NZDF
- a plan for investing in property and infrastructure aligned with the DMRR outcomes as presented to the Minister in late 2014
- a plan based on excellence that continually improves defence affordability.

Since the end of 2014 the priorities set by the CDF are explicitly allocated to Defence Force Leadership Board (DFLB) members. With the exception of the Commander Joint Forces New Zealand, each DFLB member has cascaded priorities focused on affordability for inclusion in their annual plans for Financial year 2014/15.

Despite this clear strategic direction, as yet, there does not appear to be an aligned, overarching plan to achieve ongoing efficiency improvements during the next four years. While ‘what’ is required is conceptually described, the ‘how’ it is to be achieved is not definitively articulated. Work is currently underway to address this shortcoming. This includes refinement of the annual planning process to move the NZDF toward deliberate objective setting in this area and ensuring accountability for delivery of objectives.

As indicated in the NZDF PIF Self-review, a review of the annual planning process indicates individual Service and function plans were compiled in relative isolation in a top-down and bottom up approach. There is potential for misalignment because some subordinate plans were developed prior to the strategic guidance provided from the centre. Review of available subordinate annual plans suggests work streams to deliver against the CDF’s guidance are not well developed and this could result in failure to meet the CDF’s priorities.

The DMRR demonstrated further large scale savings are not possible without reducing capability. Never the less NZDF will need to continue to drive efficiency improvements at the margin through time. Evidence of a pan-NZDF efficiency programme to support achieving the efficiencies built into the DMRR was not identified by the NZDF PIF Self-review. As a result, there is potential that the NZDF may not realise further potential gains or alternatively that any efficiencies achieved may be absorbed into cost centres and therefore not be visible or available for redistribution. It may be necessary therefore for the NZDF to consider resourcing a successor to the successful NZDF efficiency programme as part of its Defence Excellence programme. Furthermore, there may be advantages from consolidating all existing savings programmes going forward.

The NZDF Performance Management Framework utilised in the Executive Strategy Manager reporting system does not explicitly reflect Government priorities. Instead, a strategic theme of ‘Reinvesting in Defence’ is employed which is consistent with the former Savings and Redistribution Programme. This may be inevitable until a consensus is reached about how to address the financial risk inherent in the DMRR and the Four Year Plan.

To achieve a Strong rating for this priority area the NZDF must:

- consistently identify whole of life costs across its whole portfolio and use it to plan and prioritise
- deliver on the principles agreed in DMRR and not get diverted by short term opportunism
- deliver a top down driven organisational plan
Delivery of Government Priorities

- consolidate its future approach to efficiency initiatives across the NZDF
- mitigate the unaddressed financial risk identified in the most recent Four Year Plan.

**Government priority 2: Organisational Improvements**

Performance Rating: **Needing development**

Clear direction has been given by the Government to align NZDF planning with the Government’s priorities. As a consequence, the CDF’s priorities in 2014 for organisational improvement were:

- building capacity in critical trades, increasing the talent pool of senior leaders, and addressing gender issues (these are a continuation of the NZDF’s focus on addressing attrition and morale)
- improving health and safety
- continuous improvement (as part of capability management).

These priorities are clearly understood at Service Chief and branch head levels. However, interviews within NZDF headquarters suggest that there is only a basic understanding of Government and the CDF priorities, and the priorities are not well deployed. Furthermore, a coherent, cross-functional set of organisational improvement outcomes are difficult to identify. While some areas have developed annual plans to achieve the CDF’s intent, as noted in the previous section, this planning appears to have occurred in relative isolation. Additionally, some of these plans require further development of Key Performance Indicators and measures of success. It also appears that in some areas, resources are not applied to improvement programmes and generic language is used in documentation. The NZDF PIF Self-review found that the Veterans’ Affairs area was an exception to this and we agree.

There are some positive personnel initiatives but these are uncoordinated and they often depend on the initiative of particular individuals. There is no NZDF-wide personnel strategy, and without this personnel related organisational improvement lacks focus, momentum and coherence.

The single Services are addressing shortages in key trades by increased recruiting, however just doing more of the same appears to be the current solution in many areas. Similarly, while there are some very good senior training programmes (including the Institute of Leadership Development and Senior Leadership Career Enhancement Programme), comprehensive career management of senior officers was viewed by some interviewees as weak and the civilian equivalent non-existent.

Occupational health and safety is a priority and the NZDF has committed in theory to achieving best-practice though an organisation-wide approach. While there is evidence of an improving approach to health and safety, progress has been slow and inconsistent. Looking forward, the NZDF recognises that a sustained, coordinated and appropriately resourced effort will be required to achieve and maintain workplace safety best-practice. Cultural change across the NZDF is required to achieve the ‘Mission First, Safety Always’ vision.

A Defence Excellence business case was developed and agreed to underpin continuous improvement. A Lean Six Sigma approach was adopted with a focus on innovation systems, utilising uniformed and civilian resources. When resourced well, there has been a significant return on investment. For example, logistics command embraced continuous improvement methodologies, invested to introduce them and has benefited from effectiveness driven efficiency. The NZDF now needs to replicate this success consistently across the NZDF.
The MoD and the NZDF have studied gender issues and have identified a strategy to further improve the performance of the NZDF. While the NZDF compares favourably with other defence forces on gender matters, there remain a number of areas of concern, including bullying, opportunities for advancement, harassment, family friendly policies and setting clear expectations around values, behaviours and culture within the NZDF.

Looking forward, to become Well placed for the Organisational Improvements priority area, the NZDF needs to:

- develop a coherent people strategy aligned to Future 35 that provides solutions to posting turbulence and persistent specialist trade shortages, rebuilds and retains mid-level experience and leadership, and provides for flexible entry and re-entry at multiple layers of the NZDF and stabilises attrition through time
- take a consistent, well-resourced and persistent approach to Defence Excellence and continuous improvement
- ensure the approach to health and safety in the NZDF is focused on noncombat areas as well as on combat areas, and addresses civilian and contractor health and safety requirements
- align and prioritise organisational improvement activities to those things that will assist the NZDF achieve enhanced military capability by 2020 while continuing to deliver on business as usual.

<table>
<thead>
<tr>
<th>Government priority 3: Maintaining Momentum in Key Relationships</th>
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</thead>
<tbody>
<tr>
<td>Performance Rating: Strong</td>
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The NZDF contributes to New Zealand’s security by maintaining a strong network of international linkages. The NZDF conducts international engagement through security cooperation, defence diplomacy, and enterprise-level cooperation. Within each of these areas, there are a further series of tools and resources that the NZDF can dedicate, either individually or collectively, to meeting broader outcomes and objectives. These range from delivering against treaty level arrangements, operational commitments, exercises and training through to the Defence Attaché network, formal defence dialogue, and key leader engagement. This approach enables engagement at multiple levels as required to meet specific objectives or outcomes.

The NZDF is currently:

- maintaining relations with Australia – New Zealand’s principal defence and security partner
- enhancing relations with South West Pacific nations
- renewing the military-to-military relationship with the United States
- maintaining relations with Singapore and Malaysia; both bilaterally and through the Five Power Defence Arrangement
- maintaining relations with close security partners, the UK, Canada, Australia, and the United States
- developing other military-to-military relationships, for example, France, Australia, New Zealand, Quadrilateral Defence Coordination talks and with China
- maintaining and developing relationships with the majority of the ASEAN nations, Japan and South Korea, both bilaterally and through various multilateral forums
Delivery of Government Priorities

- maintaining engagement with NATO through various operations, training and various working groups following the conclusion of commitments to Afghanistan.

The NZDF is also working with the MoD and the MFAT to develop an international defence engagement strategy, to ensure defence engagement is aligned with and supports New Zealand’s broader foreign policy interests. Furthermore, the NZDF is expected to contribute to regional stability through engagement with Pacific Island nations in matters of capacity-building and related activities.

The NZDF International Defence Engagement Strategy is the framework that guides the NZDF’s international engagement. It enables management of resources, development of internal capability, and building of partnerships that can support future operations through common operating procedures, familiarity and trust. The International Defence Engagement Strategy is being revised with input from the MoD Evaluation Division to assist NZDF to improve performance. This process has been improved within HQ NZDF to better align it with the NZDF Master Activity Schedule. After review by MoD and the NZDF, the engagement strategy will be presented to the Minister of Defence for approval.

The NZDF is widely seen to have lifted its capabilities and contribution across New Zealand’s strategic areas of interest. It has played a part in establishing New Zealand’s reputation as a good international citizen, both in bilateral and multilateral circumstances. New Zealand’s military partners acknowledge the NZDF is in the best condition it has been in for a long time. The NZDF is a respected force and observers believe it can largely respond competently to missions the Government may direct it to from time to time.

NZDF service people are generally respected for how they go about their role. They are often welcomed in the communities in which they operate because of the respect they demonstrate for other cultures and traditions. As a consequence they are perceived to be able to do things other militaries cannot. We were told that the NZDF takes an engaging approach in its role in the Pacific, far more so than other militaries. They are highly regarded for their skill sets and competence in that domain and their ability to respond quickly to a wide range of circumstances, including in response to search and recovery and humanitarian relief.

There is an expectation that the NZDF has the capability to deploy on its own in the Pacific for humanitarian relief and in support of NZ interests, including to protect New Zealanders, New Zealand borders and the EEZ. Partners also expect New Zealand to have the capability and interoperability to deploy internationally to support international order and security through joint operations.

In terms of military deployments, the NZDF is seen by partners as niche providers of elite capability. Niche capabilities, such as training, Special Air Service, medical and dental capabilities, are particularly useful where agility and flexibility is at a premium in specialist arenas. Often the contribution needed from New Zealand may not be in large assets and platforms, rather in a contribution to ensure headquarters are capable.

While the NZDF is highly regarded for its regional geospatial data, New Zealand has a dependence on vital partners for intelligence outside our region. The NZDF needs to be able to prevent intrusion into military platforms and protect our own networks when deployed alone or with other militaries.

Looking forward, to remain Strong on Maintaining Momentum in Key Relationships the NZDF needs to:

- link as well with other arms of the New Zealand government as it does with other militaries
- continue to improve interoperability across services and with partners
- continue to complement our key partners through niche specialist capability.
RESULTS SECTION

Part Two: Delivery of Core Business

This section reviews the agency’s effectiveness and efficiency in delivering its core business. While the questions are ex-post and guide Lead Reviewers to retrospective and current performance the final judgements and ratings are necessarily informed by the scope and scale of the performance challenge.

<table>
<thead>
<tr>
<th>Core business 1: Prepared</th>
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<tr>
<td>• Navy capabilities prepared for joint operations and other tasks</td>
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<td>• Army capabilities prepared for joint operations and other tasks</td>
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<td>• Air Force capabilities prepared for joint operations and other tasks</td>
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Performance Rating (Effectiveness): **Needing development**

Performance Rating (Efficiency): **Needing development**

During our review we frequently heard very positive comments from key stakeholders about the overall capability of the NZDF. Some of these stakeholders also referred to the NZDF as amazingly efficient.

Many also noted that these capabilities have improved during recent years and although the NZDF is small compared to many other defence forces, it is seen as a valuable partner with specific niche capabilities. There are now higher levels of confidence in the contribution the NZDF can make, than was the case in the past.

The provision of agreed military capabilities is a key part of NZDF’s outputs and ‘Prepared’ accounts for 82% of its Departmental Output Expense Budget. As noted already, Budget 2014 provided additional operating and capital funding to the NZDF and through the DMRR the government reconfirmed the importance of the NZDF in serving New Zealand’s defence and national security objectives.

The NZDF regularly uses an Operational Preparedness Reporting and Evaluation System (OPRES) to define and measure military readiness in respect of the various elements of the military, as well as the armed forces as a whole. Force preparedness is a function of four factors: personnel, equipment, trained state and sustainability. As such, force preparedness is contingent upon the military option under consideration; being prepared for one option does not necessarily mean being prepared for another option, regardless of how closely aligned those options may be.

NZDF has sometimes struggled with having sufficient staff available with the necessary specialist skills. In part, this has arisen because of historic high attrition which is now back to more manageable levels. There are examples where this has been a real and ongoing problem for Navy and Army and, as new capabilities are deployed, this will need to be carefully managed. NZDF will increasingly be relying on a relative few military specialists to be able to deploy capabilities.

Postings have also impacted on the ability to maintain some specialist skills and capabilities. It was noted to us that postings are increasingly shorter than the usual three year time frame. It was also stated that the usual three year posting period is too short for specialist roles as it may take up to two years to become fully proficient in a new capability. Consequently, there is only one year to reap the benefits of an investment.
There are also examples where aging equipment has meant that unexpected maintenance issues have arisen, which impacted on the ability of the NZDF to deploy. The NZDF responds well to these issues and recent replacement of some equipment may ease the frequency of these problems arising and bring about a reduction in the corresponding flow on implications.

The NZDF’s Output structure changed between the 2013/14 and 2014/15 financial years, necessitating a change in how preparedness will be reported in the next Annual Report. Audit New Zealand has expressed concern that the performance measures do not provide Parliament and the public with an explicit indicator of the levels of preparedness sought. To address this concern, the NZDF is working with Audit New Zealand to ensure that reporting in the 2014/15 Annual Report is appropriate.

Recent assessments confirm areas of strength in aspects of operational readiness and other areas where some improvements are needed. Exercises such as Southern Katipo 13 also provide useful insights into areas where the NZDF is well positioned and other areas where considerations could be given to improve readiness.

The DMRR provided a good high-level overview of the efficiency of the NZDF and is an excellent foundation for determining strategic objectives and an overall approach to sequence improvements. The challenges will be for the NZDF to remain within the scope of DMRR and implement new assets and technology, while determining how best to satisfy new and increasing demands and expectations.

As noted in its PIF Self-review, the NZDF does not have a systemic approach to determine the effectiveness and efficiency of non-deployable areas such as estate, infrastructure and administrative support. As part of the DMRR work, the cost of NZDF capability sets were measured but there is no clearly defined value of return on investment and therefore efficiency cannot be determined.

The NZDF knows what it does not know and is well aware of the need to more comprehensively determine the effectiveness and efficiency of investments. This includes a recent stronger focus on looking at the whole-of-life cost of capability investments.

To become Well Placed, NZDF will need to:

- demonstrate a higher level of awareness of the levels of preparedness needed with appropriate measures to track and report on this
- have in place plans to ensure people with specialist skills are available. Further, as new capability is being developed and deployed, specific strategies will be used to ensure new specialist skills will be available when needed
- understand the impact of postings on specialist roles and manage these more effectively
- build upon the work of the DMRR with increasing attention given to how to demonstrate the efficiency of defence capability. This is also discussed under Government Priority 2, Organisational Improvements
- put in place a systemic approach to determine the effectiveness and efficiency of non-deployable areas referred to above.
Core business 2: Protect

- Resource and Border Protection Operations
- Defence International Engagement
- Assistance to the civil power and provision of a public service
- Military Assistance to Civil Authorities
- Defence Support to the Community

Performance Rating (Effectiveness): Well placed

Performance Rating (Efficiency): Well placed

The NZDF plays a critical role in protecting New Zealand and its interests and in doing this it works with a number of other agencies. The key overarching purpose of this output is to protect New Zealand’s sovereignty and provide security and other services for New Zealanders.

NZDF surveys the key agencies it works with each year and consistently receives feedback that those agencies are satisfied or very satisfied with NZDF performance. Further, we received many positive comments about how professional and approachable the NZDF is and overall, agencies consider the NZDF is doing a great job.

The National Maritime Control Centre is located at Joint Forces Headquarters, Trentham. It provides a vehicle for all agencies with interests in New Zealand’s maritime environment, to work with the NZDF (principally Navy and Air Force capability) to undertake joint tasking. Agencies have input into how this capability is used and in determining priorities. This appears to be operating well and feedback from several agencies confirmed this with some agencies stating this “would not work without the NZDF”. The New Zealand Customs Service, the Department of Conservation and the Ministry of Primary Industries are engaged with this activity. The recent mission to the Antarctic in connection with illegal toothfish activity was an example of the Navy protecting New Zealand’s territorial waters. This was greatly appreciated by stakeholders with supporting positive community comments.

Similarly, the feedback provided about NZDF’s international engagement was positive, as discussed under Government Priority 3. The NZDF is seen as an active and successful participant in defence international engagement. It is important for the NZDF to have these strong and effective relationships as there will often be opportunities for the NZDF to build upon the experience of other countries but the NZDF must ensure it also is able to contribute.

The scope of these engagements will continue to change over time with recent enhancements to traditional relationships and with quickly evolving relationships especially in Asia. This will also require the NZDF to think carefully about the investment it should make in international engagement and the priorities to be adopted.

The additional DMRR funding will enhance the ability of the NZDF to protect New Zealand and meet agreed activity. However, from time to time, tension will arise between resources available and assistance requested to support emergency responses, non-emergency situations as well as resource and border protection. The demand for these activities is also likely to increase because of the changing nature of threats as well as climate change, which could result in increased frequency of domestic and international weather events.

The challenge for the NZDF will be determining how it can best meet its current responsibilities as well as any new or evolving domestic and international demands. At the same time, other countries
Delivery of Core Business

depend upon the NZDF to have the ability to deliver on planned and agreed contributions and any changes would need to be managed carefully.

To be Strong for effectiveness, the NZDF needs to continue to enhance its relationships with stakeholders and other agencies and ensure these are strong and enduring. As challenges arise, sound relationships, skilful prioritisation and application of capabilities, backed up with strong negotiation approaches, will enable difficulties to be better understood and any changes agreed.

There are some examples which indicate the NZDF is striving for efficiency in respect of its activities. However to improve the efficiency rating it needs to improve the breadth of evidence available to demonstrate the efficiency of NZDF operations. This will also better enable NZDF to meet the Government’s ongoing expectations that efficiency gains will be found. Again, the NZDF has a good grasp of what it does not and needs to know.

<table>
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<tr>
<th>Core business 3: Project</th>
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<tr>
<td>Performance Rating (Effectiveness): <strong>Well placed</strong></td>
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<tr>
<td>Performance Rating (Efficiency): <strong>Well placed</strong></td>
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This output covers the ability of the NZDF to conduct operations that contribute to New Zealand’s security, stability and interests. This includes deployment overseas and recent examples include to the Solomon Islands, Afghanistan, East Timor and the Gulf of Aden. The narrative under Government Priority 3 is also relevant here.

It was common for us to hear, from domestic and external parties, that the NZDF performs to a high standard, particularly when niche capabilities are deployed on operations. NZDF’s relatively small size enables it often to be agile and responsive. Furthermore, there is evidence that size has helped the NZDF to be more innovative, simply because funds are limited.

External parties strongly noted the NZDF’s ability to sensitively work well in different cultural environments. This is seen as a unique and key contribution the NZDF can make. Overall, the NZDF has a reputation as being very good at what it is resourced to do, and as noted already DMRR has helped the NZDF to be better positioned for current and possible future demands.

As noted in the Four-year Excellence Horizon, key features of the NZDF’s Performance Challenge are the requirements to have contingent capability to respond to unpredictable events across a number of concurrent missions and at the same time, to bring on new capabilities and platforms to secure enhanced combat capability. Sustaining ongoing missions has been a real challenge for the NZDF and as noted elsewhere, this will likely increasingly be a concern for the NZDF leadership.

There are some specific examples where the NZDF is efficient, compared to other militaries. For example, positive comparisons can be made about specific airlift operations where the same aircraft was used by different countries and the NZDF was able to achieve more with its aircraft. Furthermore, various value for money reviews have found that NZDF deployments, related operations and support functions are delivering good value for money. These reviews have also noted there is a culture of excellence, relatively quick decision making and a drive to be world class.

Although there are many aspects of NZDF deployments that are likely to be efficient when compared to other militaries, as is the case with other outputs, there are few specific measures to demonstrate this. The NZDF acknowledges this and are taking steps to address this issue.
To be Strong, the NZDF will need to have effective joint Task Force operations in place, have made real progress towards planned enhancements to combat capability and be operating more as One Force with three services.

**Core business 4: Inform**
- Policy Advice
- Situational Awareness
- Supporting Ministers

Performance Rating (Effectiveness): **Needing development**
Performance Rating (Efficiency): **Needing development**

This output includes the NZDF’s obligations to support the government and their Minister. NZDF works closely with the MoD in the provision of policy advice. The NZDF is the lead military policy advisor and the MoD is the lead civilian policy advisor.

The CDF and the Secretary of Defence are members of the Officials Committee for Domestic and External Security Co-ordination (ODESC). ODESC considers major defence issues before advice is submitted to Ministers. The NZDF plays an important role in the provision of all-source intelligence analysis on matters of defence interest, to support decision making and military operations.

The NZDF has to be skilled in advising Ministers on broad issues where risks may be changing rapidly and there may be multiple and sometimes competing perspectives. It needs to adopt a posture which is based on how the world looks from a strategic, political and a changing world events perspective. Some stakeholders commented that traditionally, NZDF has provided analysis and advice more from a logistics, traditional practice and practical perspective. In essence, the NZDF needs to be better able to stand in the shoes of others and package their communications in a way that suits the audience. As one commentator stated ...“the NZDF needs a greater awareness of how the world looks apart from through a NZDF lens”. Improvements have been made in this area but NZDF recognises that further changes are needed.

A senior military officer is available to support the Minister’s office but overall, senior military officers do not have significant exposure to working with Ministers or with other Public Service agencies during their careers. Some secondments are in place, such as the secondment of a senior military officer to the Treasury, but other strategies are needed to improve opportunity for military officers, with high potential, to work more closely with Ministers and be exposed to parliamentary processes and committees.

The NZDF also needs to think carefully about how it can enhance its ability to work well across the public sector and operate within public sector practices. The DMRR is a good example of where the NZDF successfully provides a persuasive analysis and position to the government but this requires a very extensive effort. Opportunities such as the successful secondment of a senior military officer to The Treasury are smart ways for the NZDF to ensure key public sector agencies better understand the issues faced by the NZDF and also enhance the NZDF’s ability to understand and work within public sector practices. The NZDF has a lot to offer and secondments to other agencies would help the NZDF build upon its public sector expertise and help capability in areas such as planning and project management.
Delivery of Core Business

There are limited measures of efficiency for this output and structured programmes to measure performance are to commence shortly. NZDF’s PIF Self-review noted some practical steps available to demonstrate efficiency of practices such as more tightly managing ministerial correspondence to achieve best practice, improve efficiency and reduce rework. Again NZDF acknowledges that there is little evidence of the efficiency of this output and accepts this needs to be addressed.

To be Well placed the NZDF needs to enhance its ability to package its communication for the audience, share analysis more effectively, consider things from broader and different perspectives, and use scenarios more frequently where this would assist others in understanding issues and options. Taking opportunities to gain exposure of senior military officers to broader public sector and parliamentary processes will also be beneficial. Finally, an appropriate suite of efficiency measures should be developed and actively used to demonstrate improvements of efficiency of practices over time.

### Core business 5: Support Veterans

- Policy advice and related outputs
- Services and Payments to Veterans
- Non-Departmental Expenses
- Benefits and Related Expenses

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<thead>
<tr>
<th>Performance Rating (Effectiveness):</th>
<th>Needing development</th>
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<tbody>
<tr>
<td>Performance Rating (Efficiency):</td>
<td>Needing development</td>
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VANZ provides policy advice to Ministers and delivers services to the veteran community. In September 2014 the Veterans Support Act was passed, replacing the 1954 War Pensions Act. Implementation of the changes flowing from this new legislation are a key priority for VANZ.

In particular, VANZ’s obligations under this new legislation have driven the adoption of a new operating model and the development of new capabilities. An example of the changes needed is there is a requirement for VANZ to now take a more active role in vocational re-training for veterans who are unable to continue with their defence career. To deliver on this, VANZ will need to develop new contracting capabilities.

A new draft vision for VANZ has been developed and a plan for Veterans’ Affairs through to 2020 is available. There is a strong desire to align the VANZ strategy with other NZDF strategies and approaches, while retaining a strong focus on the clients that VANZ serves, and their families. There is evidence that the NZDF sees its new role and focus in this area as forming a part of its broader approach to its staff (and their families) from ‘recruitment to grave’.

VANZ is also accountable for successfully managing or contributing to significant commemorations and to support and build relationships with organisations that represent veterans.

Although not examined in detail, it is apparent that significant commemorations are well planned including the World War 1 commemorations this year. We heard from a key veterans’ representative group that they have a positive working relationship with VANZ.

There is strong leadership being provided for the work of VANZ and there are clear plans for the improvements and changes needed. Once these plans are implemented it is likely that this output will be rated at a higher level for both effectiveness and efficiency.
## ORGANISATIONAL MANAGEMENT SECTION

This section reviews the agency’s organisational management. The questions focus on ex-ante and often guide Lead Reviewers to future and current performance. Final judgements and ratings are informed by the scope and scale of the performance challenge.

### Part One: Leadership, Direction and Delivery

<table>
<thead>
<tr>
<th>Purpose, Vision and Strategy</th>
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<tbody>
<tr>
<td>How well has the agency defined and articulated its purpose, vision and strategy to its staff and stakeholders?</td>
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<tr>
<td>How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?</td>
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<td>Performance Rating: <strong>Needing development</strong></td>
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<thead>
<tr>
<th>Leadership and Governance</th>
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<tbody>
<tr>
<td>How well does the senior team provide collective leadership and direction to the agency?</td>
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<td>Performance Rating: <strong>Needing development</strong></td>
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<tr>
<th>Values, Behaviour and Culture</th>
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<tr>
<td>How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction?</td>
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<tr>
<td>Performance Rating: <strong>Needing development</strong></td>
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<tr>
<th>Structure, Roles and Responsibilities</th>
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<tbody>
<tr>
<td>How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business?</td>
</tr>
<tr>
<td>How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?</td>
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<tr>
<td>Performance Rating: <strong>Needing development</strong></td>
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<th>Review</th>
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<tr>
<td>How well does the agency encourage and use evaluative activity?</td>
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<tr>
<td>Performance Rating: <strong>Well placed</strong></td>
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Leadership, Direction and Delivery

Vision, Strategy, Purpose and Planning

The NZDF is a non-Public Service department that exists to safeguard the freedom of all New Zealanders. The NZDF functions are mandated by the Defence Act 1990, the Veterans’ Affairs Act 1999 and related regulations. Under the Defence Act 1990, New Zealand’s Armed Forces are raised and maintained for:

- The defence of New Zealand and the protection of its interests, whether in New Zealand or elsewhere
- The contribution of forces under collective security treaties, agreements or arrangements, and
- The contribution of forces to the United Nations (UN) or other organisations or states for operations in accordance with the principles of the Charter of the UN.

The Defence Act 1990 also allows the Armed Forces to be made available for the performance of public services and assistance to the civil power in time of emergency, either in New Zealand or elsewhere.

The Defence White Paper 2010 set out the principal tasks which the New Zealand Government expected the NZDF to be able to undertake over the next 25 years, including to:

- defend New Zealand’s sovereignty
- discharge our obligations as an ally of Australia
- contribute to and, where necessary, lead peace and security operations in the South Pacific
- make a credible contribution in support peace and security in the Asia-Pacific region
- protect New Zealand’s wider interests by contributing to international peace and security, and the international rule of law
- contribute to all-of-government efforts at home and abroad in resource protection, disaster relief, and humanitarian assistance
- participate in all-of-government efforts to monitor the international strategic environment
- be prepared to respond to sudden shifts and other disjunctions in the strategic environment.

The NZDF also contributes to Government youth development objectives, through the operation of the New Zealand Cadet Forces, Limited Services Volunteer courses and Youth Life Skills programmes.

The NZDF through VANZ manages the Government’s relationship with veterans, advises on policy relating to veterans and facilitates veterans’ access to services, including pensions.

The Defence White Paper 2010 triggered development of a new NZDF strategy, Future 35, which was promulgated in 2012. Future 35 articulated the NZDF vision of Joint Operational Excellence, an assessment of the risks and threats facing New Zealand and provided a roadmap for the modernisation of the NZDF. The NZDF vision and the Future 35 strategy have to varying degrees been integrated into the single service, Joint Force HQ and support services plans.

Future 35 specified the following three strategic goals:

- delivery of a Joint Task Force in 2015
- enhanced combat capability by 2020
- an integrated NZDF by 2035.
Ensuring personnel understand the purpose, vision and strategy of the NZDF is accomplished by including these elements in the wide range of training and development programmes delivered by the single Services and the NZDF’s Institute for Leadership Development. A range of documents articulate the vision and strategic direction of the NZDF. The vision and purpose are also widely communicated throughout the NZDF through multiple communication channels such as a CDF video, single Service forums and incorporation into individual unit plans.

The senior leadership started a process to ‘refresh’ Future 35 and its strategic themes at the end of last year. More explicit linkages are being drawn between the CDF’s priorities and strategic change lines of operation. The NZDF’s Four Year Plan and Annual Plan is its near term articulation of the Future 35 strategy. This year the NZDF intends to produce a single NZDF Plan. The intention is that a revised Future 35 document and the next NZDF Four Year Plan will provide greater clarity and direction to the Services and functional units.

The purpose of the NZDF is clear and widely understood throughout the Defence Force. The NZDF is very capable of doing longer term strategic planning and the development of Future 35 supports this. However, the NZDF has struggled to translate its high level and longer term strategy into a plan over the near term which is clear, prioritised, and able to be cascaded through the leadership team down the organisation. Many individuals and parts of the organisation cannot connect what they do every day to the strategy or vision. It is vital that the NZDF achieves this alignment, coherence and ownership.

The NZDF has itself identified a number of consequences or symptoms of this, including:

- in some areas plans have been developed in isolation, with reverse engineering to achieve alignment to the Four Year Plan
- organisational silos persist and, in practice, full integration remains a work in progress;
- lack of clarity below senior levels regarding the strategy. For example, a single definition of Joint Task Force is not widely shared and a common understanding of what constitutes success in the mid and long-term is yet to emerge. There is also contradictory evidence of whether Future 35 and the Joint Task Force was intended to be a unifying concept or a force structure to be developed. In addition, the NZDF has moved from an ‘ends/ways/means’ focus for the delivery of strategy to a focus on the strategic change themes contained within Future 35. While the themes have been further developed over the past twelve months, interviews indicate that some themes remain unclear. Additionally, some of the language used regarding the strategic themes has been modified from the original version of Future 35 which is hindering the communication of the NZDF vision and its translation into operations and planning
- there is evidence information cascades through the single Services, but gaps exist in some critical areas, as demonstrated by the lack of a coherent personnel strategy.

To improve Purpose, Vision and Strategy, the NZDF needs to:

- translate its high level and longer term strategy into a plan over the near term which is clear, prioritised, and able to be cascaded through the leadership team down the organisation
- engage the creativity, knowledge and motivation of staff by driving organisational change through its military purpose, ie, the reason people get up every day and come to work for the Defence Force. This will ensure that every individual knows how what they do each day contributes to the strategy and vision. Through this NZDF will achieve the alignment, coherence and ownership needed to bring Future 35 to life.
Leadership and Governance

Until midway through this review, the Defence Force Leadership Board (DFLB) was the primary strategic advisory board to the CDF. Chaired by the CDF, its members were the six senior-ranked military personnel (Vice Chief of Defence Force, Chief of Navy, Chief of Army, Chief of Air Force, Commander Joint Forces NZ, the Warrant Officer of the Defence Force and the two most senior civilians (Chief Operating Officer and Chief Financial Officer).

The DFLB met monthly with a mandate to consider:

- matters of strategic importance to the NZDF
- performance reports on organisation-wide performance (submitted by the Office of Strategy Management)

Operational performance was reviewed by the DFLB on a quarterly basis. Periodically, multi-day offsite meetings were held where the DFLB discussed and debated strategic priorities.

The intention was the DFLB would focus on matters relating to strategic change and the delivery of outputs and outcomes. Oversight of key ‘business as usual’ processes was intended to be delegated to DFLB Committees and Service Leadership Boards, though there were both gaps and overlaps in coverage.

The NZDF PIF Self-review identified a wide range of views on collective leadership of the organisation, including at one end, leaders are seen as providing coherent and aligned leadership and direction. At the other end, concerns were raised about a range of observed behaviours, including:

- failure to prioritise and make decisions about tradeoffs, including what not to do
- even when difficult decisions are made, they are often relitigated or not acted on consistently by all leaders
- tactical issues that should be dealt with elsewhere are often elevated to the DFLB
- urgent matters usually displace strategic conversation
- lack of clarity of expectations, roles, responsibilities, and accountabilities for senior leaders, the DFLB and other committees
- insufficient focus on critical drivers of organisational performance and therefore the critical few things that must be delivered this year to keep the Defence Force on track to achieve its Future 35 milestones.

During the PIF Review, we found support for the issues identified in the NZDF PIF Self-review, including:

- in the past the DFLB has focused primarily on day-to-day business. Most decisions came to the CDF to arbitrate and decide
- little time was devoted to strategy-led planning and delivery
- in past DFLB members represented and championed their own service or functional area, rather than taking collective responsibility for the leadership and performance of the whole NZDF.
Leadership, Direction and Delivery

The CDF clearly recognised the need for improved performance with respect to the collective organisational leadership of the NZDF and has implemented governance changes during the course of this PIF Review. While the proposed structure and the addition of some external members on the new Board may assist to move these matters ahead, there is more work to do to redesign and define practises that are necessary to support the NZDF target operating model as one that is strategy led. Critically, clarity of what collective leadership means for the NZDF and for its leaders and committees is required. Behaviours that underpin strong collective leadership are as important as structures and this needs to be given careful attention.

Typically members of leadership boards accept that their first responsibility is to the organisation as a whole and that when attending leadership meetings they are not attending as representatives of their respective parts of the organisation, though they clearly bring a deep knowledge of that domain. Collective leadership means collective accountability and often 60% of a leader’s performance is tied to the performance of the whole organisation. Aligning incentives in favour of collective accountability is necessary to get changed behaviour.

Going forward, the governance board of the NZDF will be the owner of the strategy. The role of the Board is to ensure the NZDF is strategy led and there is alignment of plans, strategic initiatives and investment decisions and oversight of performance against plan and key organisational risks. Importantly, the Board must collectively hold itself and the agency to account for delivery against the plan, strategy and vision and demonstrate the behaviours that will underpin the integrated NZDF of 2035. Clarity about the real drivers and therefore the priorities that are critical to achieving enhanced combat capability by 2020 will be needed in order to keep the NZDF on track to achieve its Future 35 vision.

To become Well placed on Leadership and Governance, the NZDF needs to develop a leadership framework that:

- supports the direction the NZDF is trying to go
- is strategy led
- incentivises and rewards collective leadership
- brings clarity to how the Defence Force will deliver its Four Year Plan and enhanced combat capability by 2020
- demonstrates the relevance of Defence Excellence to operational effectiveness
- takes people with it.

Fundamentally, the leadership challenge is a ‘hearts and minds’ challenge – people will follow when what they are being asked to do makes sense to them in terms of the NZDF purpose, vision and values and when they see their leadership aligned to that.

Values, Behaviour and Culture

The core values of Courage, Commitment and Comradeship (the ‘3Cs’) are aligned with the NZDF’s purpose and vision. All uniformed personnel are introduced to the ‘Service way of doing things’ and Service history and traditions, from induction and throughout their careers. The culture of the NZDF is evolving as it moves from a strong single Service orientation, to one that is more joined up and with increased integration of military and civilian personnel. Despite some differences in terminology, the expected behaviours are invariably the same.
Leadership, Direction and Delivery

The NZDF Competency Framework led to a NZDF Success Factor Framework in 2012 which defines the behaviours that are expected at each military rank or civilian staff level. The appropriate success factor titles and levels are documented in job descriptions, and individual performance development plans.

The Armed Forces Discipline Act 1971 contains statutes, regulations and guidance concerning conduct of military personnel. It documents areas of jurisdiction, offences, court martial, punishment and scales. This document also details the formal disciplinary process and is administered by the Directorate of Legal Services. Before taking formal disciplinary action, more informal procedures are identified and can be found in the NZDF HR Toolkit.

The NZDF has pro-active support programmes for NZDF staff, including chaplaincy services and mental health toolkits. Routine testing is conducted to test for illegal substance abuse and core values have increasingly become integral to training at all levels.

The Institute of Leadership Development delivers a pan-NZDF approach to continued leader development. The cornerstone of the framework is the concept of leadership transitions that set out what is expected of leaders at each level of the organisation, whether uniformed or civilian. At each transition level (Lead Self, Lead Teams, Lead Leaders, Lead Systems, Lead Capability, Lead Integrated Capability and Lead Defence) there are key elements that guide the behaviours of successful NZDF Leaders.

The NZDF Organisational Culture Project was launched in 2012 to define the organisational culture of the NZDF and to identify barriers and enhancers to developing the desired cultural characteristics of the NZDF in 2020 and 2035. The aim of the project is to encourage retention by allowing the NZDF to make culture part of the fundamental pillars of the NZDF. It will also provide tools to assess the impact future personnel change initiatives will have on the organisation.

Two of the three phases of the Organisational Culture Project have been completed. The NZDF now has an understanding of the current organisational culture at both single Service and pan-NZDF levels, as well as through a civilian employee lens. The outcomes have been included in leadership training, senior leader briefings and discussions around health and safety in the NZDF.

In this PIF Review there are a number of common themes about culture, including:

• morale is higher than it has been for a long period and as a consequence the NZDF is more resilient
• the culture of the NZDF is consistently described in similar terms – ‘can do’, strong service ethos, sense of belonging and history, take responsibility for everything you do
• most personnel indicate that the culture of the single services are unique due to their different operating environments and traditions
• the civilian workforce and functional areas are seen to have their own cultures. In some parts of the NZDF the civilian workforce feels disempowered.

The cultural audit also identified that a significant majority of cultural drivers are similar across individual Services and functional areas, though values and behaviours vary by service in response to differing environments. This does not, however, impede people working jointly when that is required by a mission.

The third phase of the Organisational Culture Project will develop a tool to measure the organisational culture using constructs gathered in phases one and two and identify actions to maintain and develop the essential core of the organisational culture.
The NZDF promotes its values and culture through CDF and other senior leader awards enabling individuals or units to be acknowledged for bringing the NZDF values to life every day. In addition, these stories and successes are communicated through various service and organisation publications (Navy Today, Army News, and Air Force News, Logged on etc), the NZDF intranet and external social media.

To improve Culture, Values and Behaviours, the NZDF needs to:

- ensure the Service cultures remain strong and supportive, producing individuals who are specialists in their respective areas
- its joint approach continues to strengthen, so that when the Services and functional areas come together, the NZDF continues to get a powerful response
- explicitly consider how to integrate and empower the civilian workforce within the wider NZDF culture
- continue to align the behaviours and values of the organisation to the future direction of the NZDF.

**Structure, Roles and Responsibilities**

The NZDF uses formal processes to cascade accountabilities and responsibilities. The CDF’s role, responsibility and accountability are documented in the Terms of Reference between the Minister of Defence and the CDF, which details the expectations of the CDF and is monitored through the SSC. In addition, Government priorities are the focus of a CDF directive that clearly defines responsibilities for delivering against Government priorities. The CDF’s directive informs the subsequent development of subordinate annual plans by single Services, HQ Joint Forces New Zealand and functional areas.

Organisational structures within HQ NZDF supporting strategic and annual planning as well as organisational performance management have been in flux for several years. The CDF sponsored a Review of HQ NZDF Organisational Arrangements and subsequently established an Office of the CDF and implemented a new governance framework for the NZDF. A third work stream regarding the high-level structure of the NZDF was implemented during this PIF Review.

HQ Joint Forces New Zealand is functionally organised to facilitate planning to meet outputs directed as the NZDF’s core business. The structure of single Services allows for the generation of military forces, supported by the functional business units at HQ NZDF and within single Services.

Core Business is well planned, primarily by HQ Joint Forces New Zealand which plans for military response options. Single Services are responsible for providing force elements capable of meeting the requirements as directed in the NZDF Output Plan. The OPRES details how effectively the NZDF meets directed levels of readiness contained in the Output Plan.

Planning at HQ Joint Forces New Zealand is primarily concerned with turning strategy as directed by Government, MFAT, MoD and HQ NZDF into actionable tasks.

The Defence Transformation Programme sought to create efficiencies and savings within back-end and middle supports to the single Services and Joint Forces. While savings and efficiencies have been made in some areas such as the Defence Personnel Executive and Logistics, the focus is now heavily on service delivery with little time for policy and strategy.

In terms of planning, recently the timeline for development of annual plans was compressed, effectively resulting in top-down direction and bottom up planning ‘meeting in the middle’. Additionally, the interdependencies between different parts of the NZDF were not adequately addressed during the
annual planning process. While different organisational units identify their dependencies on other units, it appears that these dependencies are not adequately incorporated into each other’s plans, where customer-supplier relationships do not necessarily correlate across plans. There is an opportunity for this to be improved on by the CDF’s direction for the Financial Year 2015/16 ‘one plan’, based on the four year time horizon, if this is driven strongly from the top.

The NZDF uses monthly reviews to ensure its strategic and annual plans remain dynamic and serviceable. These reviews are conducted by the appropriate oversight committee (DFLB, DFLB Committees, Service Leadership Boards and functional management committees). However, as noted above further work is required within HQ NZDF to clearly define roles, responsibilities and accountability. The complex nature of NZDF, single Service and cross-agency committees combined with Defence Transformation Programme organisational design outcomes, appears to have resulted in both gaps and overlaps in oversight. While this produces a lack of clarity regarding roles, accountabilities and responsibilities, it also manifests itself through a lack of transparency and slow decision-making. Furthermore, while seeking economies, Defence Transformation Programme has meant the oversight for middle and back-end support is overcomplicated, constrained to silos that result in single Service Chiefs having accountability misaligned with responsibility, whereby accountability rests with service chiefs but responsibility lies with functional heads.

The NZDF uses a software application (Executive Strategy Manager) to support performance monitoring and management. Its use within the NZDF has been variable, with some parts of the NZDF using it extensively, with other parts not using it at all. Furthermore, the majority of key performance indicators and measures included within the Executive Strategy Manager are lag measures, focusing on the achievement of results over the previous month or quarter.

In 2014 the NZDF introduced a pan-NZDF performance management framework and is actively working to implement and align performance monitoring and reporting across all Services and support functions. The aim of performance systems, when fully in place, is to increase transparency of decision making and support a more efficient and forward looking planning cycle.

To be Strong on Structure, Roles and Responsibilities the NZDF needs to:

- identify leading indicators and measures of efficiency to support performance review of the NZDF’s activities
- ensure changes to structure to support the target operating model and strategic direction are supported by process re-design
- clarify the operating model, practices, accountabilities and behaviours required to underpin matrix structures where capabilities have been centralised
- ensure committees and the board clarify each person’s role, what it is trying to achieve and how it contributes to the NZDF’s strategic direction.

Review

There is a substantial amount of review and evaluative activity underway within the NZDF. Evaluation is embedded to varying degrees throughout operational activities via the roles of the Inspectors General, the Maritime Operational Evaluation Team (Navy), the Collective Training Centre (Army), and Airworthiness (Air Force). These activities are undertaken to provide assurance that people and equipment are prepared to undertake military operations. The effectiveness of these evaluative activities is limited at times by the extent to which the standards to be evaluated are kept up-to-date and the outcomes of evaluation are fed back into operational activities.
HQ JFNZ maintains the Electronic Activity Reporting and Lessons Learned System for evaluation and review. This is intended to support the incorporation of lessons learned into operational, exercise and activity planning at all levels. Aspects of the process are seen by many as convoluted, because it is reviewed and sometimes amended every six months due to rotation of personnel and units deployed. All reports, if appropriately classified, are posted to an intranet website.

The NZDF maintains a Court of Inquiry system to investigate and learn from critical incidents. Causal and contributing factors are determined and remedial action is implemented.

Assurance reviews are undertaken from the Directorate of Risk and Assurance. An audit working programme is developed annually including compulsory financial reviews and taking account of areas of concern and identified risks areas raised by the senior leadership. The audit working programme is developed collaboratively between the NZDF Directorate of Risk and Assurance, MoD Evaluation and Audit New Zealand. Overall there is a strong internal audit function at NZDF.

External review takes a number of forms and the NZDF actively encourages evaluative activity from the MoD Evaluation Division. The MoD Evaluation Division carries out assessments and audits, under the Defence Act 1990, of any function, duty or project of the NZDF. These assessments and audits are undertaken when directed by the Minister of Defence, or to a programme approved under authority delegated by the Minister to the Secretary of Defence and the CDF. Evaluation work is jointly governed by the Defence Business Committee, in order to manage strategic risk across the two agencies.

As such, the MOD must conduct audits on NZDF on policies, programmes, and procurement programmes. The Minister drives the audit and assessment programme. Over time there has been a shift to a strategic system performance focus with a particular focus on risk. In the past the focus tended to be tactical in nature.

The NZDF also sponsors external bodies to undertake reviews of its activities. Some may be directed by the Minister of Defence (eg, the External Safety Management Review) or directly sponsored by the CDF or another senior leader (eg, Review of HQ NZDF Organisational Arrangements, the Performance Information and Programme Management Office Review, and the Seaworthiness Review).

While the NZDF maintains a range of structures and processes to undertake review and evaluative activity, implementation of recommendations from reviews and lessons learned is variable. This variability is due to a number of factors, including:

- inadequate management oversight
- failure to properly close lessons learned and reviews and transfer them to ‘business as usual’ processes
- failure to monitor the achievement of the benefits expected to result from the lessons learned and reviews.

There are a broad range of organisational excellence initiatives, within the overarching Defence Excellence programme launched in 2012. The programme uses tools such as Lean Six Sigma to support continuous improvement and embed an improvement culture in the NZDF. There are also a large number of innovative local initiatives that personnel can point to. While the Defence Excellence programme is a long-term initiative, embedding it within the NZDF has been hindered by personnel shortages, with key positions being vacant for much of the period the programme has been established. Notwithstanding vacancies within the programme, there are now over 1,000 people with some form of business excellence, innovation or continuous improvement training.
Leadership, Direction and Delivery

More generally, the NZDF has two operating models in play and as a consequence there is uncertainty about how to measure progress along the way. Audit review after the fact is not an evaluative framework anchored in an outcome framework. The NZDF can be process oriented, and often fail to pause and think about the impact it is trying to have before quickly taking action. There is still a significant differential across the NZDF on the extent to which the agency is input focused as opposed to impact/output focused.

To be a learning organisation, you need information, data and ability to use it. The NZDF still does not have the information it needs to drive performance, for example in the health and safety area. Some critical organisational management information is still missing.

To become Strong on Review, the NZDF needs to:

• improve the way the agency shares data, methods and findings of review activity
• use evaluative activity as a key enabler to improve performance
• use ‘fast-fail fast-learn’ cycles to get benefit of evaluation activity and ensure lessons are shared across the organisation
• ensure that evaluation and review findings are implemented
• consistently take a system view to performance, with a focus on risk.
ORGANISATIONAL MANAGEMENT

Part Two: External Relationships

**Engagement with Ministers**
How well does the agency provide advice and services to Ministers?

Performance Rating: *Needing development*

**Sector Contribution**
How effectively does the agency work across the sector?

Performance Rating: *Well placed*

**Collaboration and Partnerships with Stakeholders**
How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?

Performance Rating: *Needing development*

**Experiences of the Public**
How well does the agency understand customers’ and citizens’ satisfaction?

Performance Rating: *Well placed*

**Engagement with the Ministers**

Ministers expressed high levels of trust and confidence in the NZDF as their professional military advisors and in the capability of the management of NZDF and VANZ to deliver on the missions assigned to them. There was some concern that performance in some functions was dependant on the people currently in roles, that what constituted good performance was not institutionalised.

There was a concern that NZDF was on occasions too deferential to others in the External and Security sector. Improving its rating in terms of engagement with Ministers will require NZDF to do more to ensure that its voice is heard by Ministers and seen to be heard, and respected by its sector partners. The NZDF needs to adapt its modus operandi to be more agile in responding in a timely and user friendly way to its Ministers, recognising the way they like to work. NZDF staff in and engaging with, Ministers’ Offices would benefit from opportunities to develop experience of the workings of the Public Service and the interface between agencies, Ministers and Parliament before being put into those roles.
Sector Contribution

The NZDF works well with other agencies in the External Sector (MFAT, MoD and the New Zealand Customs Service). These agencies are collectively responsible for managing most of New Zealand’s official relationships with the rest of the world and protecting its security beyond the New Zealand border. As noted already NZDF has an important role in respect of national security issues and is a key member of ODESC which is primarily concerned with strategic aspects of national security issues.

The challenge going forward will be how NZDF builds on the strong relationships we have referred to earlier, and becomes more influential and better at engaging with other agencies. By working more successfully with other agencies, the NZDF could explore how best to collectively deliver on expectations, more effectively protect New Zealand’s interests and make soundly based choices about priorities that are well understood by others.

The NZDF is well respected and therefore is in a good position to influence and help shape thinking of other agencies in the External Sector. The same applies to its role as a member of ODESC. This will be important given the evolving and complex nature of threats and challenges that New Zealand faces and the clear importance of maintaining strong international relationships and strengthening already high levels of national security. There is a difficult landscape shaping up and the NZDF needs to make a key contribution to ensure that sector thinking is lifted to a new level so that emerging security issues are understood and addressed.

There are also areas where the NZDF could make a larger sector contribution particularly where it is seen as excelling. The portfolio management process being developed in NZDF is seen by some commentators as sophisticated and to the extent there is capacity to do so; this expertise could be shared more broadly with other agencies. It is noted however, that there are aspects of major acquisition project management which need to be improved, which we have referred to already. Another example where value could be added is planning and logistics, where the New Zealand Army is seen as having real skills and expertise.

To improve its rating for Sector Contribution, the NZDF would have built upon its strong relationships, be more influential and more actively drive thinking in areas of national security. There would also be a greater range of examples where the recognised expertise of the NZDF is more actively promoted to and used by public sector agencies.

Collaboration and Partnerships with Stakeholders

Collaboration and Partnership with Stakeholders for NZDF, includes how it works with other agencies and with major service providers. Overall, the NZDF collaborates well with and has sound partnership approaches to other agencies, stakeholders and service providers.

As noted already, other agencies in its sector comment favourably regarding the ongoing contribution the NZDF makes. It works well with the MoD where it has a critical relationship and good examples of this positive working together are the DMRR and the most recent Briefing to the Incoming Government. It is also widely seen as working well with agencies such as Ministry of Primary Industries, Department of Conservation, New Zealand Customs Service, New Zealand Police and Maritime New Zealand (and see Core Business 2 – Protect).
However there are some mixed views from service providers. Some suggest the NZDF is good to work with but others say it can be nit-picky at times. They also noted that a relationship can be developed with a key individual, who is then posted to another role and the process of relationship building must start again. Service providers recognise the need to post military personnel to other roles but suggest better handover processes could lessen the impact of these changes in key personnel.

Some service providers are also keen to explore how the relationship with NZDF could be taken to a higher level and new ways of working together explored. Others describe the relationship as close and partnering in nature. Often the maturity of the relationship was seen to be driven by the personality or approach of the NZDF manager involved rather than being an expression of an NZDF approach. That said senior people in the NZDF largely understand the opportunities and new approaches are being put in place, such as Strategic Alliance Boards, to further enhance these relationships. As more mature relationships are developed, enhanced outcomes for NZDF should be achievable with savings also being available.

To improve in Collaboration and Partnership with Stakeholders, NZDF would have continued to build on its already strong relationships, be more influential and be seen as close to best practice in this area. Relationships with service providers would be operating consistently at mature levels which are partnering in nature and where enhanced outcomes are able to be demonstrated. The impact of posting key personnel would also be better managed with robust hand over procedures operating.

**Experiences of the Public**

The NZDF does not have a direct customer relationship with citizens. However, public perceptions of the NZDF are surveyed annually and the overall reputation of the NZDF is rated as good to excellent (89% of respondents). In a 2013 survey veterans rated their overall satisfaction with the services provided by VANZ and its case management as good to excellent (99% of respondents).

The NZDF maintains active engagement with the community through its digital strategy which includes various websites and the use of social media tools. However, we heard that New Zealanders are not always aware of the breadth of contribution that the NZDF makes, both domestically and internationally. On the other hand, the involvement and contribution made by the NZDF in the Rena grounding and the on the ground work following the Christchurch Earthquake, were viewed very positively by the New Zealand community.

The NZDF contributes to Government youth objectives through support for New Zealand Cadet Force, Limited Service Volunteer courses and the running of successful Youth Life Skills programmes. Furthermore, support for the Reserve Force of over 2,000 people helps with engagement with the community.

The NZDF suffers from the dilemma that people who are aware of what it does have a very high opinion, whereas people, who do not directly see or have some sort of engagement with the NZDF, do not regard it so highly.

The NZDF is aware of this and has strengthened local engagement (eg, more frequent air shows, community events and commemorations etc.), active engagement with Reserve Forces and running well regarded Youth Development Programmes.

It may be difficult for the NZDF to be rated as Strong in respect of Experiences of the Public but it can learn from other countries’ militaries which are seen to be successful in building public support.
ORGANISATIONAL MANAGEMENT

Part Three: People Development

Leadership and Workforce Development
How well does the agency develop its workforce (including its leadership)?
How well does the agency anticipate and respond to future capability requirements?

Performance rating: **Weak**

Management of People Performance
How well does the agency encourage high performance and continuous improvement among its workforce?
How well does the agency deal with poor or inadequate performance?

Performance rating: **Well placed**

Engagement with Staff
How well does the agency manage its employee relations?
How well does the agency develop and maintain a diverse, highly committed and engaged workforce?

Performance rating: **Needing development**

Leadership and Workforce Development

The development of NZDF’s workforce depends on the successful development and implementation of a People Capability Strategy that is aligned to the Future 35 strategy. The NZDF does well in many aspects of leadership and workforce development for military roles. There is training for the various trades through to encouragement of university undergraduate and advanced degree programmes. There is a strong focus on development of competencies as well as on the delivery of comprehensive leadership training and development through the Institute for Leadership Development.

The Defence Capability Plan notes that NZDF needs a workforce that is operationally focused, joined up, talent-centric, valued and able to demonstrate leadership, communication and consultation. There are aspects of this in place but also areas which need further attention.

We have already referred to the skill gaps in some trades, which is being addressed but the previous significant cuts and high turnover, followed by high recruitment, has increased the magnitude of this challenge. In some trades it will always be difficult for the NZDF to compete on salaries and retain skilled people. A clear example is marine engineers and this is understood by NZDF.
As noted in the Four-year Excellence Horizon, a fit-for-purpose operating model for the NZDF is likely to include an alignment of personnel development to military capability development. This will be a positive step forward and enable enhanced value to be obtained from investment in training and development.

For non-military roles, training and development is not as well developed or comprehensive. There is training for particular roles and responsibilities but more limited opportunities for civilian staff to see a clear career path with training and development programmes to help them succeed in their careers. This is particularly the case for civilian staff outside Headquarters. They and their managers are largely on their own in considering possible training and development options.

As the NZDF does not have a current People Capability Strategy and Plan there are clear gaps and elements missing from leadership and workforce development strategies. This and the lack of systemic training and development approaches for civilian staff, is acknowledged by the NZDF. The current lack of systemic measurement of the effectiveness and efficiency of NZDF’s education, training and development processes also needs to be addressed.

It is worth noting that in several areas, aspects of NZDF’s leadership training are well regarded. For example, the New Zealand Customs Service now sends some of its staff to NZDF leadership development programmes.

A new Tier 2 position titled Chief People Officer is currently being filled and a key accountability for this role will likely include ensuring there are comprehensive leadership and workforce development practices across all of the NZDF.

To improve in the area of Leadership and Workforce Development, the NZDF needs to finalise an overarching People Capability Strategy and Plan (for both the military and civilian staff), determine priorities, drive the pace of improvement and develop good measures to test success. A key objective will need to be the alignment of personal development to current and evolving military capabilities with a strong focus on excellence.

**Management of People Performance**

There are good systems and processes in place in the NZDF to encourage high performance for both the military and the civilian workforce. However, this is more structured for the military than for civilian staff. It is planned to replace the current performance reporting tools during 2015, for both the military and civilians, and a Defence Order explains the need to provide an environment conducive to learning and continuous improvement.

In our focus group discussions with military personnel, they commented favourably on the training and development opportunities. They also said they have clarity about what they need to do to be considered a higher performer and thus, increase their promotion opportunities. Civilian staff did not express the same confidence although where they had a civilian manager it was more likely that their training and development would be actively considered.

There appear to be good practices for managing poor or inappropriate performance that can range from formal discipline through to formal warnings. This is believed to be very effective at the more junior levels of the military but some express concerns about how performance is managed at the more senior levels. Some NZDF leaders believe the posting process means that some weak performers could be ignored although this was said to be uncommon.
People Development

Civilian staff should have individual development plans and annual appraisals which can result in salary changes and therefore, appraisals are usually considered carefully. The posting process can also make it difficult to have continuity in the management of civilian staff if they have a military manager, which is reasonably common, particularly for civilian staff that work on a base.

To be Strong in Management of People Performance NZDF needs to have:

- a strategy for managing people performance which is aligned to the overarching People Capability Strategy and Plan
- new performance reporting tools in place that allow up to date analysis and reporting
- a clearer structure for achieving higher level performance (particularly for civilian staff)
- any pockets of poor performance dealt with on an ongoing basis and clear communications and expectation setting for achieving and managing performance.

Engagement with Staff

Senior military officers are very active in engaging with their people and this has been a tradition of the NZDF. However, during 2010/11, 1400 military positions in logistics, training, administrative and similar positions were converted into civilian positions (‘Civilianisation’). This was designed to save money and allow the NZDF to improve the proportion of military staff in front line positions.

Although this occurred some years ago, Civilianisation was often raised with us as a concern and many believe it was not managed well. In January 2013, the Controller and Auditor General observed that there were lessons to be learned from this initiative.

Following Civilianisation, there was a drop in the engagement of NZDF personnel but pleasingly this has now improved and retention is at more manageable levels. Similarly, engagement has improved but the tool used to measure engagement in the NZDF makes it difficult to make comparisons with other organisations.

Good work has been undertaken to understand the drivers of retention in the NZDF as well as maximising opportunities for military women in the Defence Force. Diversity of the NZDF is also actively considered in recruitment, training and retention strategies. In all these areas there is more that can be done and NZDF is committed to improving retention and lifting diversity. Further, although the NZDF has a higher level of representation of women in regular forces than several other developed countries, there is a strong drive to expand the retention of women and improve pathways for women to attain senior leadership roles.

Health and safety is another area where improvements are needed. The injury rates in the NZDF are comparable to other agencies and other similar militaries but more needs to be done to prevent injuries from non-military activities and training which amounted to 84% of NZDF injuries in 2013/14. An independent review has been carried out which is currently being reviewed to test progress. This is also discussed under Government Priority 2 Organisational Improvements.

To be Well Placed in respect of Engagement with People, the NZDF needs to build upon its current activities and consider putting in place tools which enable better comparison of engagement within other organisations. It needs to give closer attention to the few key factors which should improve engagement, develop action plans and test progress for these factors. This should become a priority issue for the most senior leaders of the NZDF.
ORGANISATIONAL MANAGEMENT

Part Four: Financial and Resource Management

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<tr>
<th><strong>Asset Management</strong></th>
<th>How does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery and drive performance improvement over time?</th>
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<tbody>
<tr>
<td>Performance Rating:</td>
<td>Well placed</td>
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<tr>
<th><strong>Information Management</strong></th>
<th>How well does the agency manage and use information as a strategic asset?</th>
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<tr>
<td>Performance Rating:</td>
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<tr>
<th><strong>Improving Efficiency and Effectiveness</strong></th>
<th>How robust are the processes in place to identify and make efficiency improvements? How well does the agency evaluate service delivery options?</th>
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<tr>
<td>Performance Rating:</td>
<td>Needing development</td>
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<tr>
<th><strong>Financial Management</strong></th>
<th>How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?</th>
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<tr>
<td>Performance Rating:</td>
<td>Well placed</td>
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<th><strong>Risk Management</strong></th>
<th>How well does the agency manage its risks and risks to the Crown?</th>
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<td>Performance Rating:</td>
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### Asset Management

The NZDF is dependent on a range of different capabilities to deliver on its core business activity and the Government’s priorities. It has robust policies and systems for managing assets and there is a comprehensive Capability Management Framework, which is under continuous improvement, with formal updates undertaken as needed.

The NZDF and the MoD work closely together in respect of major acquisition procurements. The MoD has overall accountability for this process which includes the acquisition phases and the MoD relies upon NZDF for the strategic context and opportunities as well as seconded military personnel for technical expertise.
Financial and Resource Management

Following a period of low rates of acquisition, procurement expertise had to be rebuilt and there has been some good progress. However, aspects of procurement practices are neither systematised nor operating at an optimum potential level and further improvements are still required.

A Capability Management Board governs the acquisition and implementation of new capabilities and this is broadly viewed as working very well. Options for capital investments are increasingly decided on a top down basis and there is better alignment of the priority needs of the NZDF, rather than what each individual service may regard as important. However, further progress is needed to ensure the best outcomes for the whole of the NZDF are achieved (and this is covered in more detail in the Four-year Excellence Horizon part of this report).

Managing capital investments well in the NZDF is a challenge and there are over 160 projects underway which in itself raises concerns about the strength of prioritisation of change initiatives. NZDF is regarded as having reasonably well developed programme and project management expertise and external experts are used for some of these capability projects. However, as already noted improvement is needed in respect of Major Acquisition Projects. The more concerning challenge is ensuring the NZDF has the people, with the necessary enhanced skills, as new capabilities are deployed. There is no easy solution but NZDF understand the problem.

During 2011, The Treasury commissioned GHD Ltd to develop an asset management maturity matrix and provide independent assessments of asset management practices in capital intensive agencies. This report noted that overall the NZDF rated at an Intermediate level. It also noted that the asset management processes and practices supporting front end air and sea worthiness operations were at a very advanced level. Areas for improvement generally focussed on the management of the estate, information systems, capability planning and risk management.

In 2014 PricewaterhouseCoopers carried out a review of Portfolio, Programme and Project Management for the Secretary of Defence covering the joint capital acquisition functions of MoD and NZDF. That review concluded that:

- good practice was evident in the defence agencies
- the DMRR has provided an opportunity to move into more sophisticated management of the acquisitions programme as a portfolio of programmes
- Portfolio, Programme and Project Management practice is not systematised or operating at its potential level (it operated at a maturity level of 1 – 2 on a 5 point scale when it should aspire to operate at a 4+ level given the scale of the portfolio and the size and complexity of projects and programmes.

The report concluded that there was a need for the two agencies to invest in new tools and methodologies but that the key focus should be on matters of governance, management, experience and skills.

Audit New Zealand annual audit for the year ended 30 June 2013 recommended that the Asset Management Plan be reviewed. NZDF plans to conduct this review but it is uncertain when this will be completed. The DMRR has provided the basis for improved asset acquisition planning and given this, NZDF needs to complete this review as soon as practicable.

There is work underway to upgrade the Defence Estate and modernise where possible. There are some examples of recent excellent capital estate developments, such as new hangers at the Ohakea Air Force Base but other parts of the Defence Estate need attention.
There has been an increasing focus on whole-of-life costing for capital projects and this will enhance the ability of NZDF to consider priorities, develop more robust business cases and have a more complete understanding of future operating costs. This is discussed further below.

To be Strong in Asset Management, the Capability Management Board needs to drive for whole of NZDF outcomes, where there are rigorous processes to determine high priority projects and hard deadlines are actively managed. There also needs to be comprehensive people capability plans where the specialist expertise and skills required for new capabilities are determined early and actioned appropriately. Detailed plans for enhancement of the Defence estate also need to be in place and depending on funding availability, actioned quickly.

Information Management

The NZDF understands the importance of information and sees it as a critical asset. NZDF’s Information Strategy was developed in 2011 and is currently being reviewed. This strategy recognised that NZDF had to move forward quickly to enhance its information collection, storage and accessibility practices. It also explained the relationship between the operational (Network Enabled Capability) and corporate (Defence Force Information Strategy) programmes.

While there have been advances in the creation of technological solutions (the SAP financial and enterprise software, the human resource management information system, the performance management system) there is inconsistent implementation. Furthermore NZDF describes itself as being in its infancy in terms of strategic information and knowledge management. There is a high level awareness of the importance of information for NZDF’s future success and the NZDF is working with other agencies to further enhance these practices. There are also strong international partnerships in relation to information management, in particular with the Five Eyes countries, which can help in determining the priority areas for investment.

An external consultancy is currently conducting a review of NZDF’s information management and information technology capability. We have not seen the results of that review but we support its intent and the need to ensure that NZDF has very strong capability in these vital areas.

Also, NZDF is very experienced in handling classified information and has good practices around information security. There are stringent certification and accreditation processes for information management systems and strict controls are in place, which are monitored closely.

To achieve a higher rating for Information Management, the NZDF needs to have finalised and be operating in accordance with a new Information Management Strategy, have implemented knowledge management approaches, have implemented any recommendation from the capability review underway and be providing high value analysis at both operational and system levels to the Board and senior leaders.

Improving Efficiency and Effectiveness

NZDF has reasonable processes in place to identify and make efficiency improvements. As noted already, there is little doubt that the NZDF is efficient in many areas of its activities and the work undertaken for DMRR is an excellent example of capturing and presenting possible efficiencies. However, this was a significant initiative and ongoing practices to systemically look for efficiencies are required.
Financial and Resource Management

More recently the NZDF has been undertaking continuous improvement work and is exploring further how it could work with other agencies that are more advanced in these areas. The Defence Excellence initiative will drive this work further and this is discussed to a greater extent under Government Priority 2 – Organisational Improvements.

There are good examples of improvements in efficiency and effectiveness such as achieving good outcomes for tendering processes including fuel purchases, air travel and strategic partnering with service providers. However, more comprehensive approaches are necessary and again the Defence Excellence initiative has to be the way this is driven forward.

NZDF is good at evaluating options and seeking efficiencies from major capital investments. The work undertaken for capability development requires close scrutiny of efficiencies but the capturing of efficiencies can be difficult. For example, when new capabilities are deployed the changes in operating a capability may be significant compared to operating an old capabilities and therefore, difficult to compare.

The steps required to be Well Placed in Improving Efficiency and Effectiveness, are set out under Government Priority 2 Organisational Improvements. This will be largely dependent on the Defence Excellence being well resourced and actively driven.

Financial Management

Financial Management has improved greatly in NZDF and there is now a need for the financial management practices to take the next step to become best practice. The Chief Financial Officer (CFO) needs to continue to help NZDF stay focused on using sound financial management practices to make the right decisions about immediate and longer-term priorities. There must be sound, appropriate and impartial analysis to support decision makers.

The NZDF Finance area implemented a new operating model in March 2014. This is enhancing the delivery of finance services to become a key part of NZDF decision making and helps shape strategies and determine priorities. There is also a Finance Strategic Road Map, which sets out key focus areas for improvement and enhancement of Finance functions. With planned enhancements to the Four Year planning in NZDF, the CFO and the Finance team need to be actively involved to determine the optimal mix of capabilities that can be provided within funding baselines.

The CFO is aware of what needs to be delivered and the Finance team has good plans and ideas about how to help the NZDF further enhance its financial practices.

To be rated Strong in Financial Management, the Finance function needs to be continually helping NZDF strategically manage the medium to long term, through robust financial analysis, driving understanding of operational and balance sheet pressures and opportunities and putting in place comprehensive whole of life cost practices across the NZDF.

Risk Management

Risk Management practices in the NZDF are reasonably well developed with an increasing awareness of the importance of modern risk management approaches. There is a clear understanding of what improvements need to be made and the Director, Risk and Assurance, will need to continue to drive these improvements.
Operational level risks are well understood, however, there are some clumsy aspects of NZDF’s Risk Management practices where information needs to be accessed from a variety of sources. Also, there is a consistent risk analysis methodology across NZDF but some areas use different risk tools.

There is more work to be undertaken in on strategic enterprise risks. They need to inform strategy formulation, assist prioritisation and be taken into account in investment decision making. NZDF is aware of this but needs to ensure the value to be gained from enhanced risk management practices is achieved.

To be Well Placed for Risk Management, the current weaknesses need to be remedied and consistent practices implemented which enable senior leaders in NZDF to understand, prioritise and determine opportunities and risks at both the tactical and enterprise level. Given the importance of Health and Safety to the NZDF clear consideration needs to be given to the mitigations developed and implemented to address this risk. Overall, Risk Management will be an integral part of the longer and shorter term planning in the NZDF and delivering identifiable value.
APPENDIX A

Overview of the Model

Delivery of Government Priorities
How well is the agency responding to government priorities?

Delivery of Core Business
How effectively is the agency delivering each core business area?
How efficiently is the agency delivering each core business area?
How well does the agency exercise its stewardship role over regulation?

Organisational Management
How well is the agency positioned to deliver now and in the future?

Leadership, Direction and Delivery
- Purpose, Vision and Strategy
- Leadership and Governance
- Values, Behaviour and Culture
- Structure, Roles and Responsibilities
- Review

External Relationships
- Engagement with Ministers
- Sector Contribution
- Collaboration and Partnership with Stakeholders
- Experiences of the Public

People Development
- Leadership and Workforce Development
- Management of People Performance
- Engagement with Staff

Financial and Resource Management
- Asset Management
- Information Management
- Improving Efficiency and Effectiveness
- Financial Management
- Risk Management
## Lead Questions

### Results

<table>
<thead>
<tr>
<th>Critical Area</th>
<th>Lead Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Priorities</td>
<td>1. How well is the agency responding to government priorities?</td>
</tr>
<tr>
<td>Core Business</td>
<td>2. How effectively is the agency delivering each core business area?</td>
</tr>
<tr>
<td></td>
<td>3. How efficiently is the agency delivering each core business area?</td>
</tr>
<tr>
<td></td>
<td>4. How well does the agency exercise its stewardship role over regulation?</td>
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### Organisational Management

<table>
<thead>
<tr>
<th>Critical Area</th>
<th>Element</th>
<th>Lead Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Direction and</td>
<td>Purpose, Vision and Strategy</td>
<td>5. How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders?</td>
</tr>
<tr>
<td>Delivery</td>
<td></td>
<td>6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?</td>
</tr>
<tr>
<td></td>
<td>Leadership and Governance</td>
<td>7. How well does the senior team provide collective leadership and direction to the agency?</td>
</tr>
<tr>
<td></td>
<td>Values, Behaviour and Culture</td>
<td>8. How well does the Board lead the Crown entity? (For Crown entities only)</td>
</tr>
<tr>
<td></td>
<td>Structure, Roles and Responsibilities</td>
<td>9. How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction?</td>
</tr>
<tr>
<td></td>
<td>Review</td>
<td>10. How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11. How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?</td>
</tr>
<tr>
<td>External Relationships</td>
<td>Engagement with Ministers</td>
<td>12. How well does the agency encourage and use evaluative activity?</td>
</tr>
<tr>
<td></td>
<td>Sector Contribution</td>
<td>13. How well does the agency provide advice and services to Ministers?</td>
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<tr>
<td></td>
<td>Collaboration and Partnerships with</td>
<td>14. How effectively does the agency work across the sector?</td>
</tr>
<tr>
<td></td>
<td>Stakeholders</td>
<td>15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?</td>
</tr>
<tr>
<td></td>
<td>Experiences of the Public</td>
<td>16. How well does the agency understand customers and citizens' satisfaction?</td>
</tr>
<tr>
<td>People Development</td>
<td>Leadership and Workforce Development</td>
<td>17. How well does the agency develop its workforce (including its leadership)?</td>
</tr>
<tr>
<td></td>
<td>Management of People Performance</td>
<td>18. How well does the agency anticipate and respond to future capability requirements?</td>
</tr>
<tr>
<td></td>
<td>Engagement with Staff</td>
<td>19. How well does the agency encourage high performance and continuous improvement among its workforce?</td>
</tr>
<tr>
<td></td>
<td>Asset Management</td>
<td>20. How well does the agency deal with poor or inadequate performance?</td>
</tr>
<tr>
<td></td>
<td>Information Management</td>
<td>21. How well does the agency manage its employee relations?</td>
</tr>
<tr>
<td></td>
<td>Improving Efficiency and Effectiveness</td>
<td>22. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?</td>
</tr>
<tr>
<td></td>
<td>Financial Management</td>
<td>23. How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery and drive performance improvement over time?</td>
</tr>
<tr>
<td></td>
<td>Risk Management</td>
<td>24. How well does the agency manage and use information as a strategic asset?</td>
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</tbody>
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## APPENDIX B

### List of Interviews

This review was informed by input provided by a number of NZDF staff, relevant Ministers, and by representatives from the following businesses, organisations and agencies.

<table>
<thead>
<tr>
<th>Agency/Organisation</th>
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<tbody>
<tr>
<td>Antarctica New Zealand</td>
</tr>
<tr>
<td>Babcock (NZ) Ltd</td>
</tr>
<tr>
<td>Department of Conservation</td>
</tr>
<tr>
<td>Department of Defence (Australia)</td>
</tr>
<tr>
<td>Department of Prime Minister and Cabinet</td>
</tr>
<tr>
<td>Embassy of the People’s Republic of China</td>
</tr>
<tr>
<td>Lockheed Martin</td>
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<tr>
<td>Maritime New Zealand</td>
</tr>
<tr>
<td>Ministry of Business, Innovation and Employment</td>
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<tr>
<td>Ministry of Defence</td>
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<tr>
<td>Ministry of Foreign Affairs and Trade</td>
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<tr>
<td>Ministry of Primary Industries</td>
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<tr>
<td>New Zealand Customs Service</td>
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<tr>
<td>New Zealand Police Force</td>
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<tr>
<td>New Zealand Red Cross</td>
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<tr>
<td>Public Service Association</td>
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<tr>
<td>Returned Services Association</td>
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<tr>
<td>Safe Air</td>
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<tr>
<td>The Treasury</td>
</tr>
<tr>
<td>United Kingdom High Commission</td>
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<tr>
<td>United States Embassy</td>
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</tbody>
</table>
**APPENDIX C**

**Glossary**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>3Cs</td>
<td>Courage, Commitment and Comradeship – NZDF’s core values</td>
</tr>
<tr>
<td>Capability Management Board</td>
<td>A joint Ministry of Defence/NZDF management board (co-chaired by the Secretary of Defence and CDF) which oversees the acquisition and implementation of new capabilities</td>
</tr>
<tr>
<td>CDF</td>
<td>Chief of Defence Force</td>
</tr>
<tr>
<td>Civilisation</td>
<td>An NZDF change programme conducted in 2010/11 in which 1400 military positions in logistics, training, administration and similar roles were converted into civilian positions (with over 300 military personnel released from service as a result)</td>
</tr>
<tr>
<td>Defence estate</td>
<td>NZDF bases and other property assets</td>
</tr>
<tr>
<td>Defence Excellence</td>
<td>An NZDF programme which utilises improvement frameworks, process improvement interventions and education to embed a culture of continuous improvement and efficiency</td>
</tr>
<tr>
<td>Defence White Paper (DWP)</td>
<td>2010 paper in which Government sets defence policy and the future direction of NZDF. A review of the 2010 DWP, led by MoD and supported by NZDF is underway.</td>
</tr>
<tr>
<td>DFLB</td>
<td>Defence Force Leadership Board – the NZDF senior leadership team that assisted the Chief of Defence Force in setting strategy and managing NZDF. The DFLB was disestablished at the end of 2014 and is being replaced by separate governance (including external members) and management boards</td>
</tr>
<tr>
<td>DMRR</td>
<td>Defence Midpoint Rebalancing Review – a review commissioned by Government in 2013 to balance Defence funding, capability and policy, and to develop a robust long-term funding plan</td>
</tr>
<tr>
<td>EEZ</td>
<td>Exclusive Economic Zone – the sea zone over which New Zealand has special rights</td>
</tr>
<tr>
<td>Executive Strategy Manager</td>
<td>NZDF’s performance monitoring and management system</td>
</tr>
<tr>
<td>Future 35</td>
<td>NZDF long-term strategy developed in 2012 and extending to 2035 which specified the following milestones: delivery of a Joint Task Force by 2015, enhanced combat capability by 2020, an integrated NZDF by 2035</td>
</tr>
<tr>
<td>Lean Six Sigma</td>
<td>A methodology, also used in the private and public sectors, aimed at eliminating waste and mistakes and increasing consistency of results produced by a process, in order to maximise effectiveness</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>MoD</td>
<td>Ministry of Defence – lead civilian policy advisor on defence and the lead agency for the procurement of major military capability. It also undertakes assessments and audits of NZDF activities</td>
</tr>
<tr>
<td>ODESC</td>
<td>Officials Committee for Domestic and External Security Coordination – an official committee that considers defence issues which are to be submitted to Government</td>
</tr>
<tr>
<td>OPRES</td>
<td>Operational Preparedness Reporting and Evaluation System – used by NZDF for defining and measuring military capability and readiness of specific force elements or of the whole armed forces</td>
</tr>
<tr>
<td>Savings and Redistribution Programme</td>
<td>An NZDF programme that achieved savings that were reinvested in frontline capabilities</td>
</tr>
<tr>
<td>Service chief</td>
<td>Chief of one of the services, Army, Navy or Air Force. Service chiefs are members of the NZDF Board and the NZDF Outputs Committee in the new leadership structure</td>
</tr>
<tr>
<td>VANZ</td>
<td>Veterans’ Affairs New Zealand – operational unit of NZDF that supports military veterans</td>
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