The Simplified Defence Business Model
What is a Business Model?

1. A Business Model is a simplified representation of how an organisation works. It describes an organisation’s outcomes (what), and the functions through which it will deliver these outcomes (how).

2. A Business Model is a simplified description of a complex real world organisation. A business model is a description, or a map, that allows for an understanding of the organisation’s fundamental purpose without having to deal with all its characteristics and complexities.

Why does Defence need a Business Model?

3. Defence needs a business model to help it better define the roles and responsibilities of the various Groups and Services, and distinguish policy and core business from service delivery. A Business Model will help to improve efficiency and effectiveness within Defence, assisting to reduce unnecessary bureaucracy and improving our understanding of the organisation.

4. The development of a Business Model for Defence was a part of a key Strategic Reform Program (SRP) reform initiative that has helped to clearly articulate business functions and high-level processes across Defence that support the delivery of the key outputs we deliver.

5. In Defence, a Business Model will help all personnel to:
   a. identify the relationship between the work they and their unit/area does and how that work contributes to Defence’s key outputs;
   b. support strategic planning and the development of appropriate agreements and arrangements with stakeholders;
   c. better understand accountability in Defence and how those arrangements should be best structured;
   d. consider how to optimise organisational structures to ensure the most efficient and effective delivery of Defence outcomes; and
   e. better understand the potential for future risk to the delivery of key outputs and the Defence outcomes.

The Simplified Defence Business Model Overview

6. Defence’s Business Model recognises the centrality of capability in the delivery of outputs to Government. Capability is managed and integrated to provide joint effects and is enabled by a range of supporting functions. We have chosen to simplify the business model to describe that basic business of Defence in an easily understandable manner.
7. The Simplified Defence Business Model is at Figure 1.

**How was the model developed?**

8. In developing the model, we took account of the complexity and structure of Defence; the substantial interrelationship of accountabilities, authorities and responsibilities between those who produce the Defence outputs and those that enable the production of these outputs.

**Defence's main outputs**

9. Defence produces five main outputs for Government. They are:

   a. **Joint Force Operations** - The coordinated use of the Joint Force-In-Being, often with other instruments of national power, to meet national strategic objectives.

   b. **Joint Force-in-Being** - The standing, prepared force that provides options to Government for future joint force operations.

   c. **National Intelligence Products** - All-source intelligence assessments and other products to support Defence and national level decision making and the planning and conduct of ADF and other operations.
The simplified defence business model is based on four critical and fundamental business activities, which when integrated together represents defence’s organisational value chain.

d. **Engagement and Advice to Government** - The suite of relationships between Defence and the Government and Parliament, with other agencies of Government, other Governments and Defence Forces, Australian industry and the wider Australian community, as well as the provision of advice to Government on all aspects of the Department’s activities.

e. **Obligations to Government** - The breadth of obligations and compliance requirements that form the basis of Defence's reputation with Government and the Australian community.

**How are Defence’s main outputs delivered in the Model?**

10. While Defence does many things, and has many internal business processes, the Simplified Defence Business Model is based on four critical and fundamental business activities, which when integrated together represents Defence’s organisational value chain. These activities are:

a. **Enabling Functions** – those functions whose role is to support Capability Management through the provision of internal Departmental guidance, policy and management oversight and specialist support, delivered wherever possible utilising a ‘shared services’ delivery model to capability managers.

b. **Capability Management** - those functions that involve the raising, training and sustainment of forces or specific capabilities at specified levels of preparedness to meet the Government’s requirements.

c. **Capability Integration** – those functions that integrate single Service or Group capabilities in order to develop and sustain the Joint Force-in-Being (the ADF), and to prepare forces for specific joint operations, as directed by Government.

d. **Defence Outputs** – the five major outputs of the organisation in meeting the Government’s expectations of Defence.

11. Figure 2 represents this ‘value chain’ of activities.

**Government Guidance**

12. Put simply, Government provides guidance to Defence through formal documents such as Defence White Papers, Ministerial Charters, and Cabinet decisions, as well as through less formal means (including directions received from the Prime Minister and Ministers with Defence responsibilities). Government also allocates resources to Defence through an agreed funding arrangement and Budget appropriation.
Defence’s Enabling Functions

13. The Enabling Functions primarily support Capability Management through the provision of internal Departmental guidance, policy and management oversight, and specialist ‘shared services’ to capability managers. Some Enabling Functions also directly support the delivery of outputs. While the Enabling Functions are typically managed entirely within a Group chain of command or line management, close consultation and cooperation across Groups is needed to determine agreed levels of products and services and to deal with most issues. Detail of the Enabling Functions are as follows:

a. The Strategy and Policy function involves the provision of overarching strategic guidance and supporting plans, policy and performance specifications to Defence capability managers and other enabling functions. This includes the development and use of Defence capability, the employment and deployment of the ADF as well as the setting of whole of organisation priorities. Included in this are accountabilities and the linking of priorities to organisational activities and resources. The principal products of the Strategy and Policy functions are the Defence Planning Guidance (DPG), Defence Enterprise risk profile, the Defence Corporate Plan, subordinate plans such as the Defence International Engagement Plan and military strategies and concepts.

b. The Financial Management and Reporting function involves the budgeting for, management of, and accounting for the use of the Department’s financial resources. The principal products of the Financial Management and Reporting function are the Portfolio Budget Submission, Financial Statements, and the financial controls associated with the governance and assurance of the finance’s of the Department.

c. The Science and Technology function involves the provision of science and technology support for Australia’s defence and security needs. This includes scientific and technical support to current Defence operations, investigation of future technologies for Defence and national security applications, and advice on the acquisition and use of Defence equipment. The principal products of the Science and Technology function are scientific and technical papers, advice and innovative new technologies and applications and security needs.

d. The Capability Development function enables Defence to make more compelling and achievable investment proposals to Government that promotes the ADF’s capability edge, through the more transparent and cohesive Capability Development process. The principal products of the Capability Development function are the Defence Capability Plan (DCP), defence capability investment proposals for Government, and functional specifications for future capabilities.

e. The Human Resources function involves the provision of policy, planning and evaluation in relation to Defence people including recruitment, retention, remuneration and reward, people development, leadership and the working environment. The principal products of the Human Resources function are strategies, policies and strategic initiatives that provide the means to deliver and sustain Defence’s workforce.
f. The Garrison and Estate Management function involves the development and strategic management of the Defence estate providing facilities and infrastructure in support of the activities of personnel across Australia and overseas. The principal products of the Garrison and Estate Management are the managing of the estate investment program (inclusive of capital facilities works, maintenance and leasing), National Safety and WHS Co-ordination, base development planning and project development, the development of policy for managing the Defence estate and managing external land use matters such as urban encroachment and assessing development applications projects and garrison support services, housing and relocation services to ADF members, energy services, public private partnerships contracts, large scale living-in accommodation precincts for ADF members at specified sites around Australia.

g. The Security function involves protecting Defence’s people and business from unacceptable security risks. The principal products of the Security function are protective security leadership, development and promulgation of security policy, assisting business units in the application of the security policy, monitoring and reporting on security compliance, performance and risks, liaising with external agencies to access Defence security threats and risks, investigating major security incidents and conducting security vetting for the majority of Commonwealth government agencies.

h. The Materiel Acquisition and Sustainment function involves the acquisition and through-life support of materiel for Defence capabilities including specialist military equipment to enable the delivery of military capability to Government. The principal products of the Materiel Acquisition and Sustainment function are equipments and other materiel to support capability including maintenance of equipment and purchasing of inventory including explosive ordnance, fuel, stores and spare parts.
i. **Audit and Controls**: The Audit function involves the provision of an independent assurance on Defences systems, polices and processes to help enhance organisational performance. The Controls (fraud) function involves investigations into matters such as alleged fraud, serious misconduct, commercial impropriety, corrupt practices and conflict of interest. The principal products of the Audit function are high quality audit and advisory services; in addition Audit Branch champions effective risk management throughout all levels of the Department. The principal products of the Controls function is the assurance and advice to the Secretary of the Department of Defence, Chief of the Defence Force and Chief Executive Officer of the Defence Materiel Organisation regarding the execution of their responsibilities.

j. The **Logistics** function is a robust, flexible and responsive logistics system capable of providing support to operations in the global context. The principal products of the Logistics function is to provide logistics infrastructure, business systems and processes, Information and Communications Technology, and material maintenance services to enable global solutions for the ADF.

k. The **Information and Communication Technology** function involves the planning, management and governance of the Information and Communications Technology (ICT) resources of the Defence Information Environment. The principal product of the Information and Communication Technology function is the portfolio of Defence ICT capabilities, networks and infrastructure through which Defence’s information needs are met.

l. The **Training** function involves the design and delivery of professional education and training for the Defence workforce. The principal products of the Training function are a variety of educational and personal development and training programs for the Military and the APS.

m. The **Health** function involves the provision of health care to ADF members and ensures the health preparedness of ADF personnel for operations and deployable elements of Joint Health Command for deployment in support of operations. The principal products of the Health function is quality and safe health care delivered effectively and efficiently. Joint Health Command (JHC) provide evidence based strategic advice and services as the ADF Health Capability Coordinator.

n. The **Legal** function involves specialist in-house legal advice and other legal support services to the ADF, the Department of Defence and portfolio ministers.
Defence’s Capability Integration

15. The Capability Integration functions integrates single Service or Group capabilities in order to develop and sustain the Joint Force-in-Being, and to prepare forces for specific joint operations, as directed by Government.

a. Joint Force Integration involves the planning, control and conduct of campaigns, operations, joint exercises, and other activities at Government direction. The principal product of Joint Force Integration is the integration of Single Service and other capabilities into joint operational forces capable of deploying for operations.

b. Joint Force Coordination and Preparedness involves the alignment and enhancement of single Service and Group capabilities to meet agreed joint force capability goals across Defence. The principal product of Joint Force Coordination and Preparedness is the integration of Single Service and other capabilities into joint Force-In-Being capable of deploying for future operations. This is articulated in the CDF’s Preparedness Directive (CPD).

What does the Simplified Defence Business Model mean for me?

19. In your day-to-day activities, the Business Model will help you to understand how the work your unit/area does contributes to the delivery of Defence’s main outputs. You should try to identify where your individual contribution sits on Defence’s ‘value chain’ (Figure 2) and use that to support strategic planning and the development of shared service agreements. Personnel are also encouraged to think about how their area/unit is structured to ensure it is aligned with the Business Model and the delivery of outputs.

20. In the longer term, the Simplified Defence Business Model will help Defence’s senior leaders to manage our decision-making processes.