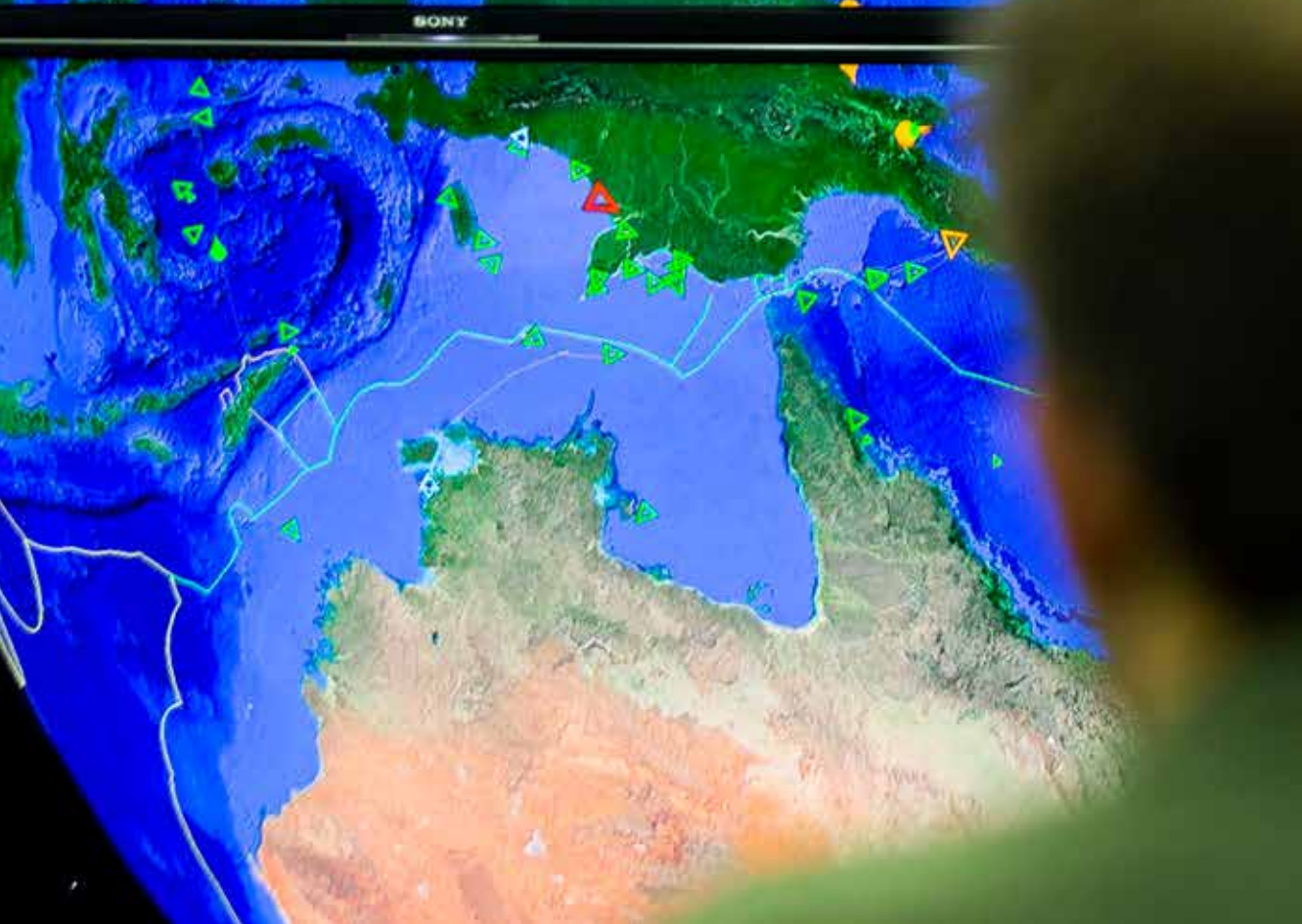
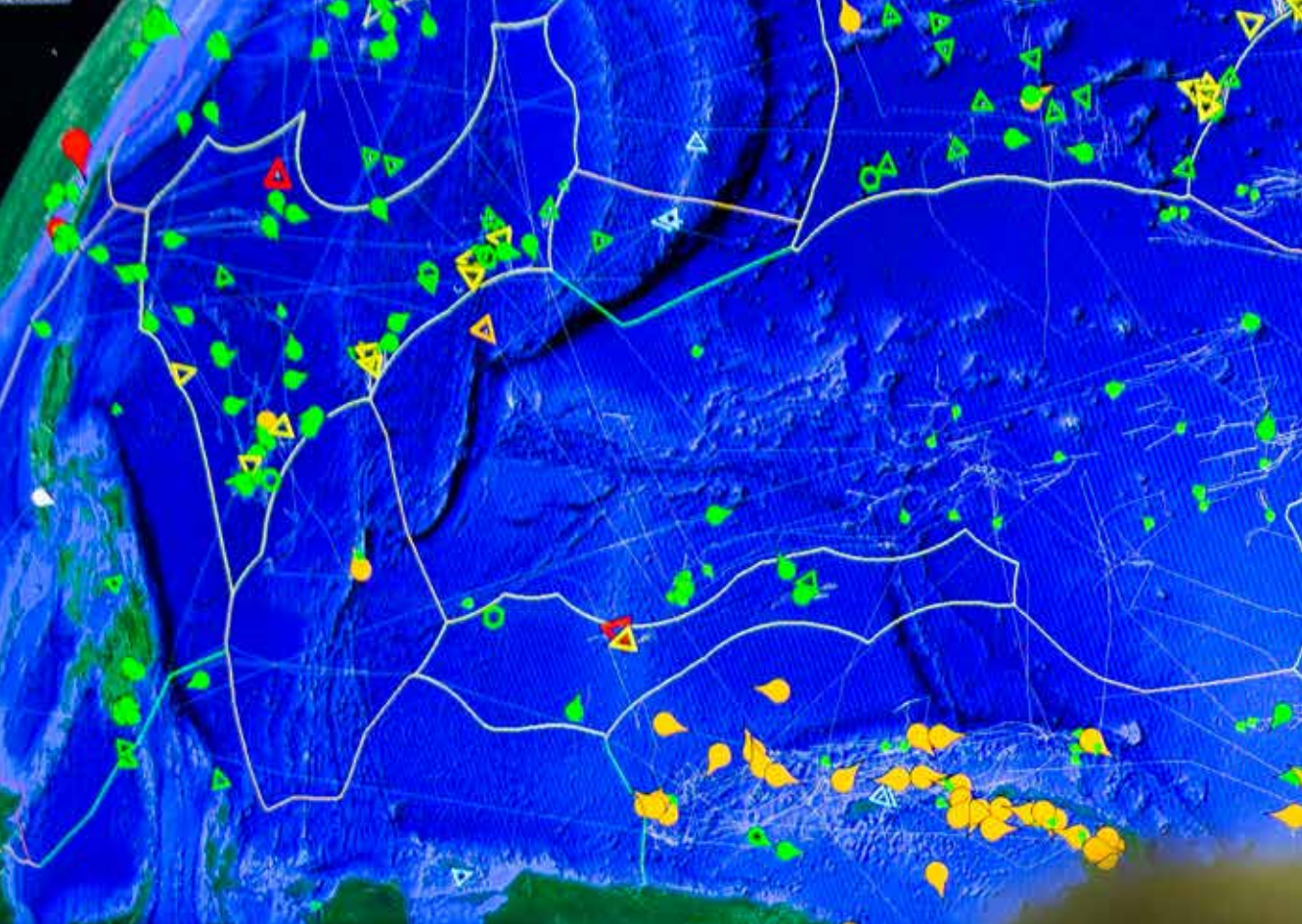
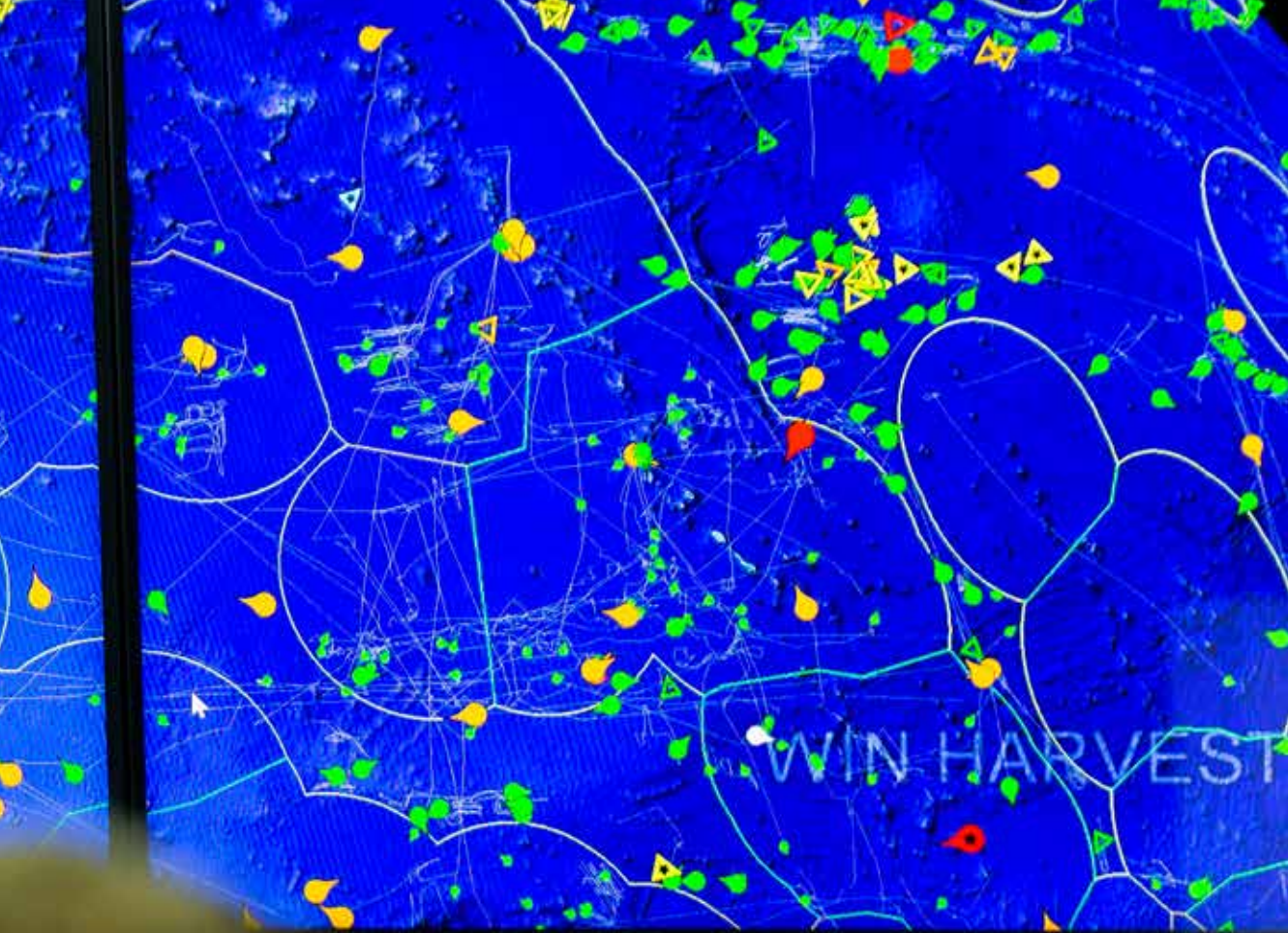




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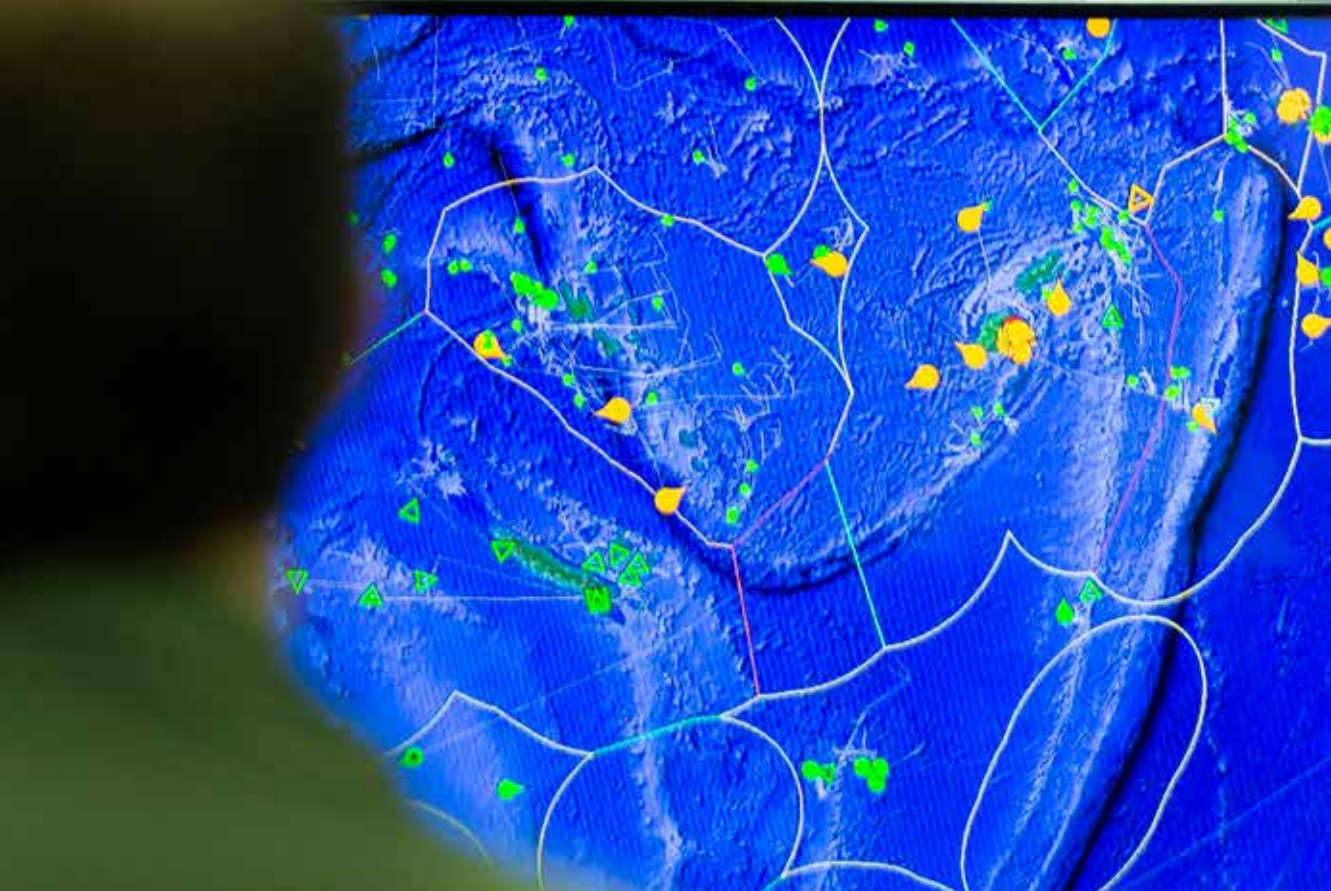
LEAD THE WAY:
DEFENCE
TRANSFORMATION
STRATEGY





WIN HARVEST

SONY



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► Table of Contents

Minister's Foreword	3
Executive Summary	7
Chapter One: Australia's changing strategic environment	13
Our Challenge	13
One Defence	15
The Defence Enterprise and its contribution to the Nation	16
A high-performing One Defence enterprise	19
<i>Lead The Way: Defence Transformation Strategy</i>	21
Chapter Two: <i>Defence Transformation Strategy</i> initiatives	25
1. A Continuous Improvement Culture	26
2. An Enduring Transformation System	39
3. Priority reform areas of focus	45
Chapter Three: Implementation and Oversight	75
Aligning reform activities within Defence	77
Oversight and assurance arrangements	77
What does successful implementation look like?	78
Our collective responsibilities	78
Appendix A: Implementation Plan Overview – the first six months	81

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► Minister's Foreword

Australia's Defence strategy is sharpening in response to our nation's dynamic and complex strategic environment.

Our region is in the midst of the most significant strategic realignment since World War II. Military modernisation, technological disruption, the role of non-state actors and the risks of state-on-state conflict are heightening the complexity, as are the growing demands on Defence to support government responses to large-scale disasters and crises.

The government has directed Defence to implement a new strategic policy framework that signals Australia's ability – and willingness – to project military power and deter actions against our national interests.

On becoming Minister, I set Defence's senior military and civilian leaders three key priorities. These priorities – **strategy, capability and reform** – are the pillars that support, guide and ensure agility and adaptability in Defence culture and thinking, strategic performance, and organisational structure.

The *2020 Defence Strategic Update* addresses strategy by explaining the government's response to the challenges Australia faces and sets out adjustments to Defence planning. The *2020 Force Structure Plan* addresses capability by detailing the government's new and adjusted capability initiatives. Reform – the third priority – keeps Defence organisationally fit to implement its strategic and capability priorities.

As a result of the decisions taken by the Australian Government in the *2016 Defence White Paper* and the successful implementation of the *2015 First Principles Review*, substantial progress has been made in transforming the Australian Defence Force into a more capable, agile and potent force. Critical to this transformation is our investment in Australia's military capabilities, our focus on international engagement, and our growing partnerships with Australian defence industry.

Lead the Way: Defence Transformation Strategy provides the vision and framework for long-term, enterprise-wide transformation. Continuous transformation will enhance Defence's capacity to continually adapt as our strategic circumstances change. Adaptation and agility are central to Defence's ability to fulfil its role and meet its commitments to the government and to the Australian people.

Adopting a single enterprise approach – **One Defence** – that recognises Defence's interdependencies with other organisations and communities strengthens our ability to work effectively with them in support of broader national goals.

The success of the *Defence Transformation Strategy*, and Defence's ability to deliver on the government's strategic objectives, hinge on the fibre and proficiency of our people. It is our extraordinary people who will determine whether this transformation - to deliver, shape, deter and respond capability objectives - leads to a stronger, more capable and effective Defence enterprise.

Defence's unifying Values – **Service, Courage, Respect, Integrity and Excellence** – and the associated Defence Behaviours, are designed to strengthen organisational alignment and echo my expectations of a continuous improvement mindset.

Informed by the cyclical review of strategic policy, capability and corporate planning, Defence – as a single organisational system – will continuously assess and adjust its strategic purpose and performance, organisational behaviour, structural fit and governance and accountability framework.

Capability will be delivered through clearer, more streamlined and deregulated acquisition processes, and in close partnership with Australian industry. Increased investments in science, technology and innovation will create critical, high-value opportunities for industry. This is not just about delivering Defence capability, critical as that is, it is also about enhancing sovereign industrial capabilities and thousands of multi-generational Australian jobs.

Defence will further transform its business processes to ensure Defence personnel can focus on delivering and supporting Defence capability, while strengthening Defence's strategic centre and improving enterprise performance and governance.

Defence must continue to build a robust and sustainable capacity to deliver on current commitments and to respond to strategic and technological trends in a more uncertain external environment.

This whole-of-organisation, whole-of-life undertaking requires a commitment to continuous transformation and action that is embedded in Defence thinking and culture.

Defence has the strategy, the plan and the funding to meet our nation's rapidly changing strategic circumstances and rapid technological disruption. I have every confidence that Defence will deliver.

Senator the Hon Linda Reynolds CSC

Minister for Defence





► Executive Summary

The *2020 Defence Strategic Update* identifies that Australia's security environment has deteriorated. Major power competition, military modernisation, disruptive technological change and new threats are all making our region less safe.

Defence is responding, including by working more closely with other elements of Australia's national power. Our response demands clear prioritisation of our resources, and the Australian Defence Force (ADF) must maintain its military capability to support Australia's national interests.

In launching the *2020 Defence Strategic Update* and *2020 Force Structure Plan*, Government has

directed that, in order to achieve the Defence Mission, Defence's strategic objectives are to **shape** Australia's strategic environment, **deter** actions against our interests and, when required, **respond** with credible force.

Government expects Defence to function as a single strategy-led and centrally-directed organisation – one that is agile, proactive and effective in responding to changing geopolitical and geo-economic circumstances in our strategic environment, including trends in technology development locally and globally.

Our security environment and our strategic objectives demand that we build our capacity to anticipate, identify and implement opportunities for reform of the Defence enterprise.

The Defence Mission:

'To defend Australia and its national interests in order to advance Australia's security and prosperity'.

This means that Defence must continuously:

Learn about our environment, our risks, our opportunities, and our own performance.

Evolve how we operate our enterprise, support and develop our people, and deepen our partnerships.

Align our priorities, our processes, our systems, and how we engage and communicate inside and outside Defence.

Deliver the Defence Mission and strategic effects, through our capabilities, our services, through clearly demonstrating Defence's value to the nation.

Our ability to implement sustainable reform on a continuing basis will provide Defence with the capacity to adapt as our strategic circumstances change. This means that Defence reform is central to our ability to fulfil our role and meet our commitments to the government, and through the government, to the Australian people.

The *Defence Transformation Strategy* summarises how we will **lead the way** and create a high-performing Defence enterprise with a continuous improvement culture. The initiatives in the *Defence Transformation Strategy* will help us to work together as **One Defence** to continuously improve and adapt to face our challenges.

Lead The Way: Defence Transformation Strategy

Vision

"A high-performing One Defence enterprise with a continuous improvement culture."

Our Continuous Improvement Culture will be based on
Values and Behaviours | Clear Accountabilities | Trusted Information
which will enable the Defence enterprise to

LEARN	EVOLVE	ALIGN	DELIVER
aware agile adaptive	resilient re-shaped modernised	efficient effective integrated	committed achieving assured

so that, by working as One Defence we can:

- achieve the delivery of our **capabilities**
- strengthen our **partnerships** across government with Australian industry, academia and the national science and technology community
- transform our **business systems and service delivery** to better support our people
- build greater **enterprise resilience**, including more robust Defence supply chains
- improve our approach to our **strategic workforce** planning, learning and management
- create greater trust and confidence through our **engagement and communications**
- improve how we **measure and report** on our performance

... *in order to always deliver the Defence Mission.*

We will also create an **Enduring Transformation System** to move us into the future.
This will be a continuous process to align resources to priorities, reform activities, opportunities and risks
in accordance with our evolving strategy.

OUR VALUES: SERVICE | COURAGE | RESPECT | INTEGRITY | EXCELLENCE





1



► Chapter One: Australia's changing strategic environment

Our Challenge

The *2020 Defence Strategic Update* outlined a number of accelerating and emerging drivers that will shape Australia's environment and impact defence planning, in particular the economic and strategic consequences of the COVID-19 pandemic. The increasing connectivity of services and infrastructure to the internet will expose vulnerabilities in global supply chains, critical infrastructure and support services. These will be key targets in grey-zone activities, and as a precursor to conventional conflict.

The reduced strategic warning times highlighted in the *2020 Defence Strategic Update* also mean defence plans can no longer assume Australia will have time to gradually adjust military capability and preparedness in response to emerging challenges.

The ADF must increase its self-reliant ability to deploy and deliver combat power and reduce its dependencies on partners for critical capability. We must increase our capacity to work with Commonwealth and state and territory agencies, including an increasing demand in responding to natural disasters and crises within Australia.

The *2020 Defence Strategic Update* identified that continuous transformation within Defence is essential to implementing the government's objectives, and building Defence's capacity to anticipate and respond to a more uncertain external environment.

Australian taxpayers, through the Federal Government, are investing \$575 billion in Defence and the Australian Signals Directorate over the decade to 2029-30.

This includes approximately \$270 billion in Defence capability. This investment will strengthen Defence capability across five domains: Information and Cyber; Maritime, Air; Space; and Land.

The scale, tempo and complexity of our capability delivery will also increase significantly as the capability projects and programs continue to progress through the Capability Life Cycle.

This funding certainty places an obligation on Defence to return this trust and confidence by delivering on that commitment, particularly in a constrained strategic economic environment.

Just as we raise, train and sustain our military capabilities and our uniformed people, we must also ensure our enterprise can always adapt to our changing strategic environment. This requires a high-performing **One Defence** enterprise with a culture that embraces continuous improvement.

The enterprise will also need to be supported by a system that will drive enduring transformation and ensure that our resources are always aligned to the highest priorities in support of the Defence Mission.

We must be able to demonstrate at all times that we are delivering on the Defence Mission through our strategic effects, achieving our milestones for the delivery of capabilities, and operating as **One Defence** to effectively manage the Defence enterprise.

One Defence

One Defence is the cornerstone of the *Defence Transformation Strategy*.

The *2015 First Principles Review: Creating One Defence* introduced a number of key foundational concepts and recommendations that set the conditions and vision for how a high-performing and trusted Defence organisation should operate.

Over the last five years, Defence has made substantial changes and improvements to structures, governance arrangements, accountabilities, processes and systems across the enterprise. The *Defence Transformation Strategy* builds on the strong foundations of the *2015 First Principles Review*, but also refocuses our efforts to ensure that **One Defence** is fundamentally embedded throughout the entire enterprise.

The **One Defence** concept has been updated to reflect the strategic environment and priorities that will shape our reform lines of effort, and to reaffirm the organisation's commitment to achieving its intent and benefits.

The **One Defence** Concept

One Defence means a unified and adaptive organisation that is driven by its strategy, clearly led by its centre, and empowers its people through a culture that exemplifies the Defence Values and a strong sense of shared purpose.

Through our work as an integrated **One Defence** team, we each contribute to the evolution of our strategic posture, our capabilities, and delivery of the Defence strategic objectives to **shape, deter, and respond**.

The Defence Enterprise and its contribution to the Nation

What is the Defence enterprise?

The Defence enterprise encompasses all of the Groups and Services within the Department of Defence, and their associated people, functions and outputs.

The shared outcome that we generate is our achievement of the Defence Mission through the Defence strategic objectives (**shape, deter, respond**), and the generation of the strategic effects outlined in the classified *Defence Planning Guidance*.

What it is not

It is not just 'corporate', or 'business areas', or 'Canberra' or the 'top layer' of Defence – it is everyone in Defence, and everything that we do on behalf of the nation.

Adopting an enterprise approach that recognises our interdependencies with other organisations within the national security community also strengthens our ability to work effectively with them in support of broader national goals.

Defence has a unique role that ranges from the requirement, when called upon, to fight and win in high-end warfighting, through the full spectrum of peacekeeping, regional stabilisation, military diplomacy and domestic response operations.



In order to deliver on this significant and wide-ranging duty, Defence is uniquely situated amongst federal government departments in terms of the breadth, complexity and scale of our enterprise. As described in the *2019-20 Defence Annual Report*, this includes:

- a workforce of some 60 000 permanent ADF members, 28 500 Reservists, and 16 500 Australian Public Servants, dispersed across all Australian States and Territories and around the globe on active missions and in posts
 - complex employment and support arrangements for our ADF workforce capability including accommodation, housing, health and support for families
 - Defence training systems and learning institutions to skill, develop and professionalise thousands of Defence personnel per year, both military and civilian, with learning opportunities also extended to support other Government agencies, and international military and civilian students from across the world
 - substantial science, technology and research lines of effort with increasing integration with the university and academic sectors
 - dedicated Information Communication Technology (ICT) systems, both domestic and deployed, arrayed across a number of different levels of security, with around \$5 billion of investment to enhance our ICT systems over the coming decade
 - the management of around \$112 billion in total assets, including around \$71 billion in specialist military equipment, buildings and structures worth around \$28 billion, including around 30 000 built assets, and environmental stewardship for over 3.5 million hectares of land
-

- military capability and specialised military equipment that includes aircraft, maritime vessels, land vehicles, space-based systems, communication networks and an array of complex systems, supplies and logistics, along with the highly skilled personnel required to design, deliver, manage and operate these capabilities
- management of over 190 major acquisition projects (as at 30 June 2020) at various phases in the Capability Life Cycle, with a total life cycle cost of \$130.5 billion.

There are tens of thousands of Australian jobs tied to producing and supporting Defence outcomes, directly and indirectly. Australian defence industry is growing as our requirement for sovereign capabilities and assured supply chains increases.

The national naval shipbuilding sector alone will generate thousands of jobs at the height of its production period, which will continue to grow as new vessels and growth opportunities come online through the next stages of the *Naval Shipbuilding Plan*.

A high-performing **One Defence** enterprise

In financial year 2020-21, Defence (including the Australian Signals Directorate) will receive a departmental budget of around \$42 billion.

This funding will be spent on Defence outcomes delivered across multiple specialty areas – as a military defence force, as an Australian federal government department, and as a leader of manufacturing, industrial and commercial sectors.

The scale of this investment imposes on Defence a critical and binding responsibility to act as a trusted custodian of national assets, in addition to our primary role of protecting Australia and its people.

The size and complexity of our Mission, and the reach of our interdependencies across our nation, requires us to recognise that the Defence enterprise is a generator of significant strategic effects for Australia.

The Defence enterprise is a strategic national asset, and we are responsible for it.

Defence must **lead the way** by clearly demonstrating our ability to deliver our enterprise outcomes.

The full expanse of people, skills, expertise and professional pride that we draw upon, coupled with the funding commitment entrusted to us by Government, increases our obligation to improve how we manage ourselves and our outcomes.

By strengthening the enterprise and delivering maximum value to the nation, we will accrue greater trust and confidence. This is critical to our ability to deliver on the Defence Mission.

This means that Defence must:

- **Learn** about our environment, our risks, our opportunities, and our own performance.
- **Evolve** how we operate our enterprise, support and develop our people, and deepen our partnerships.
- **Align** our priorities, our processes, our systems, and how we engage and communicate inside and outside Defence.
- **Deliver** the Defence Mission and strategic effects, through our capabilities, our services, and by clearly demonstrating Defence's value to the nation.

We do our job well, but we can always do it better – and we must.

As the strategic environment changes around us, we have to change with it.

Improvement and transformation cannot be a periodic event. It must become an enduring part of Defence's culture to ensure we are ready for the future, regardless of what that future may be.

Lead The Way: Defence Transformation Strategy

The *Defence Transformation Strategy* provides the vision and framework for long-term, enterprise-wide transformation. The delivery and embedding of this framework will occur through the following three key sets of initiatives.

1. A Continuous Improvement Culture

The enterprise-wide approach that will empower our people to be the agile, adaptive and ethical workforce that we require to face the future. The continuous improvement culture will be achieved through embedding strong Defence values and behaviours, clear accountabilities and informed and evidence-based decision-making.

2. An Enduring Transformation System

The continuous process to align enterprise resources to priorities, reform activities, opportunities and risks in accordance with our evolving strategy.

3. Priority reform areas of focus

The key lines of effort that have been identified by our leadership, and through the direction given in the *2020 Defence Strategic Update*, as being immediately critical to Defence's transformation, and to our capacity to adapt as our strategic circumstances change.

Together, these initiatives provide coherent and cohesive guidance, actions and intent that will strengthen the **One Defence** enterprise, and in doing so, ensure that we can continue to deliver the Defence Mission.



2





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► Chapter Two: *Defence Transformation Strategy* initiatives

1. A Continuous Improvement Culture:

- 1.1. Embed the Defence Values and Behaviours.
- 1.2. Evolve the Defence Accountability Framework.
- 1.3. Become a more data-informed Defence organisation.

2. An Enduring Transformation System:

- 2.1. Implement a new Business Transformation Cycle.
- 2.2. Create a new Business Operations function.
- 2.3. Transform our Business Practices, Systems and Service Delivery.

3. Priority reform areas of focus:

- 3.1. Drive improved Capability Delivery.
- 3.2. Strengthen Defence's approach to Australian Industry Capability, including innovation, export and harnessing opportunities from Australian science and technology.
- 3.3. Adopt a strategic approach to Defence Enterprise Resilience and supply chain assurance.
- 3.4. Improve Defence's Strategic Workforce Planning, Learning and Management.
- 3.5. Institute an improved Enterprise Performance Measurement and Reporting framework.
- 3.6. Improve our Engagement and Communications.

1. A Continuous Improvement Culture:

- 1.1. Embed the Defence Values and Behaviours.
- 1.2. Evolve the Defence Accountability Framework.
- 1.3. Become a more data-informed Defence organisation.

2. An Enduring Transformation System

3. Priority reform areas of focus

1. A Continuous Improvement Culture

Defence, as a matter of necessity, must continue to improve its ability to deliver on its current commitments while retaining the organisational capacity to anticipate and respond effectively to strategic challenges.

The changes in the strategic environment mean that we now have an ideal opportunity to challenge ourselves and embed more contemporary ways of working in order to improve the productivity, efficiency and resilience of our enterprise.

This includes changes to how the organisation is structured, how individual areas operate and interact with others, and how decisions on the prioritisation of resources are made.

Significantly, people at all levels in Defence must be empowered to undertake informed risk-based and delegated decision-making within a framework of clear accountabilities. We want people to make decisions that are responsive to local circumstances, but also reflect and take forward Defence's strategic purpose.

Transformation will also require us to strengthen our partnerships – with other government departments, states and territories, with defence industry, with academia, and with the broader national science and technology community.

Defence's response to Operation COVID-19 ASSIST and Operation BUSHFIRE ASSIST 2019-20 are some recent examples of what an agile and efficient **One Defence** looks like. Despite Defence sharing the uncertainty and disruption experienced by the entire nation, these experiences have been a positive catalyst for the acceleration of innovation and congestion-busting within our enterprise.

Underpinning each success and opportunity was a shift in workplace culture, and a willingness to challenge old ways of doing things. Overcoming these fundamentally human barriers was largely due to a strong sense of shared purpose, and the clear recognition that there was no choice other than for us to change and adapt to suit the circumstances.

We demonstrated that we are able to learn, to evolve, to align our purpose, and to deliver outcomes. It has shown us what a continuous improvement culture looks like in action.

We now have to embed and sustain this culture.

The foundations of a continuous improvement culture

Successful implementation of the *Defence Transformation Strategy* will require and reinforce a culture of continuous improvement in Defence. In turn, this culture will be delivered through three key elements:

- Values and Behaviours.
- Clear accountabilities.
- Data-informed decisions.



1.1 Embed the Defence Values and Behaviours

Cultural reform within Defence has been a continuous and evolving journey, and there will always be more work for us to do as our people, our community and our demographics continue to change over time.

Technology and systems will be essential in enabling our adaptation and our understanding of performance and capacity. However, it is people who will determine whether this transformation is successful and that it leads to a stronger, more capable and effective Defence enterprise.

The success of the *Defence Transformation Strategy*, and consequently Defence's ability to deliver on government's strategic objectives, hinges on how our people choose to interact and conduct themselves, both individually and collectively.

On 1 October 2020, the many suites of values that were present within Defence were replaced with one set of shared Defence Values. These Values represent what we all aspire to as **One Defence**.

The Defence Values are **Service – Courage – Respect – Integrity – Excellence**.

Service	The selflessness of character to place the security and interests of our nation and its people ahead of my own.
Courage	The strength of character to say and do the right thing, always, especially in the face of adversity.
Respect	The humanity of character to value others and treat them with dignity.
Integrity	The consistency of character to align my thoughts, words and actions to do what is right.
Excellence	The willingness of character to strive each day to be the best I can be, both professionally and personally.

Accompanying the Defence Values are corresponding behaviours that are expected of everyone within the Defence enterprise to ensure that we are operating at maximum efficiency, and that our people are always actively seeking to improve and transform how we work and interact with each other.

The Defence Behaviours	How they apply to the <i>Defence Transformation Strategy</i>
I will act with purpose for Defence and the nation.	I recognise that the Defence enterprise is a strategic national asset, and that I am a trusted custodian of it on behalf of the Australian people.
I will be adaptable, innovative and agile.	I commit to always finding better ways of operating, and to actively look for intelligent and efficient ways to improve our enterprise.
I will collaborate and be team focused.	I will actively engage with others inside and outside Defence, and work to create a high-performing team environment that is always seeking to improve our enterprise.
I will be accountable and trustworthy.	I will embody and support the accountabilities in the new Defence Accountability Framework to contribute to Defence's outcomes.
I will reflect, learn and improve.	I will honestly appraise my performance and that of my team, and embody a growth mindset that challenges 'old ways' of operating.
I will be inclusive and value others.	I will actively seek out diverse views and experiences in order to apply that knowledge to improving our enterprise.

At all times, we must challenge ourselves by sincerely answering this fundamental question:

“Are my team and I actively and effectively supporting the achievement of the Defence Mission, and contributing to the improvement of the Defence enterprise?”

To achieve **One Defence**, we must all commit as members of the Defence enterprise to continuously assess our personal contributions to Defence's capacity and performance. This will mean holding every member of Defence individually accountable for their performance, and for their contribution to a culture based on enduring continuous improvement.

Diversity and Inclusion

Cultural reform undertaken through *Pathway to Change: Evolving Defence Culture 2017-2022* continues to embed workplace norms and behaviours that support Defence people. Defence will continue to progress initiatives to improve our workplace culture, including the development of targeted diversity action plans, including disability in the workplace, LGBTI+, cultural and linguistic diversity, and Indigenous reconciliation.

Gender equality and women's empowerment in Defence are critical to both our Defence capability and our national and global security. Defence must continue its progress towards being an exemplar in attracting, training, retaining and providing career opportunities for women. Measures to increase women's participation and leadership in Defence must continue to evolve to reflect the contemporary reality of women's professional and personal lives.

Defence will further increase the participation and advancement of women through strategies focussed on leadership, targeted mentoring, education, training and career development. The *Women in ADF Report* will continue to be prepared annually to provide government, and the Australian public with a measure of our progress.

We will also continue Defence's implementation of the *Australian National Action Plan on Women, Peace and Security 2012–2018*.

A more diverse workforce and inclusive culture will enhance Defence's capability and effectiveness as an organisation, and support our continuous improvement efforts by ensuring that our workforce profiles reflect the Australian community that we serve.

1.2 Evolve the Defence Accountability Framework

The *2015 First Principles Review* recommended that Defence develop a review architecture which reinforces accountability at all levels.

A large amount of work was undertaken to establish the accountabilities created through the implementation of the *2015 First Principles Review*. However, since 2015, there have been a number of new structures and role changes instituted within Defence, including the establishment of Joint Capabilities Group and Defence Intelligence Group, and within the broader Defence Portfolio, such as the designation of the Australian Signals Directorate as a statutory authority.

There have also been significant strategy and policy changes, notably the launch of the *2020 Defence Strategic Update* and *2020 Force Structure Plan*.

Clear accountabilities directly contribute to a culture that supports greater agility and empowered delegation of our people - attributes that will be critical to foster innovation and intelligent problem solving at all levels in an increasingly ambiguous environment.

Clear accountabilities will also encourage a more positive approach to risk, where people are empowered to make informed decisions in a manner which will support both innovation and delivery. This will be essential for us to achieve a culture of continuous improvement within Defence.

Defence must re-baseline accountabilities, and redefine how we intend for them to integrate and interact now and into the future by evolving **Defence's Accountability Framework**.

This initiative will commence through a baseline review of the accountabilities of all of the SES and Star Rank Officers within the Defence enterprise to provide clarity on:

- the outcomes that individuals are accountable for
- any applicable authorities and decision rights that they possess and/or share

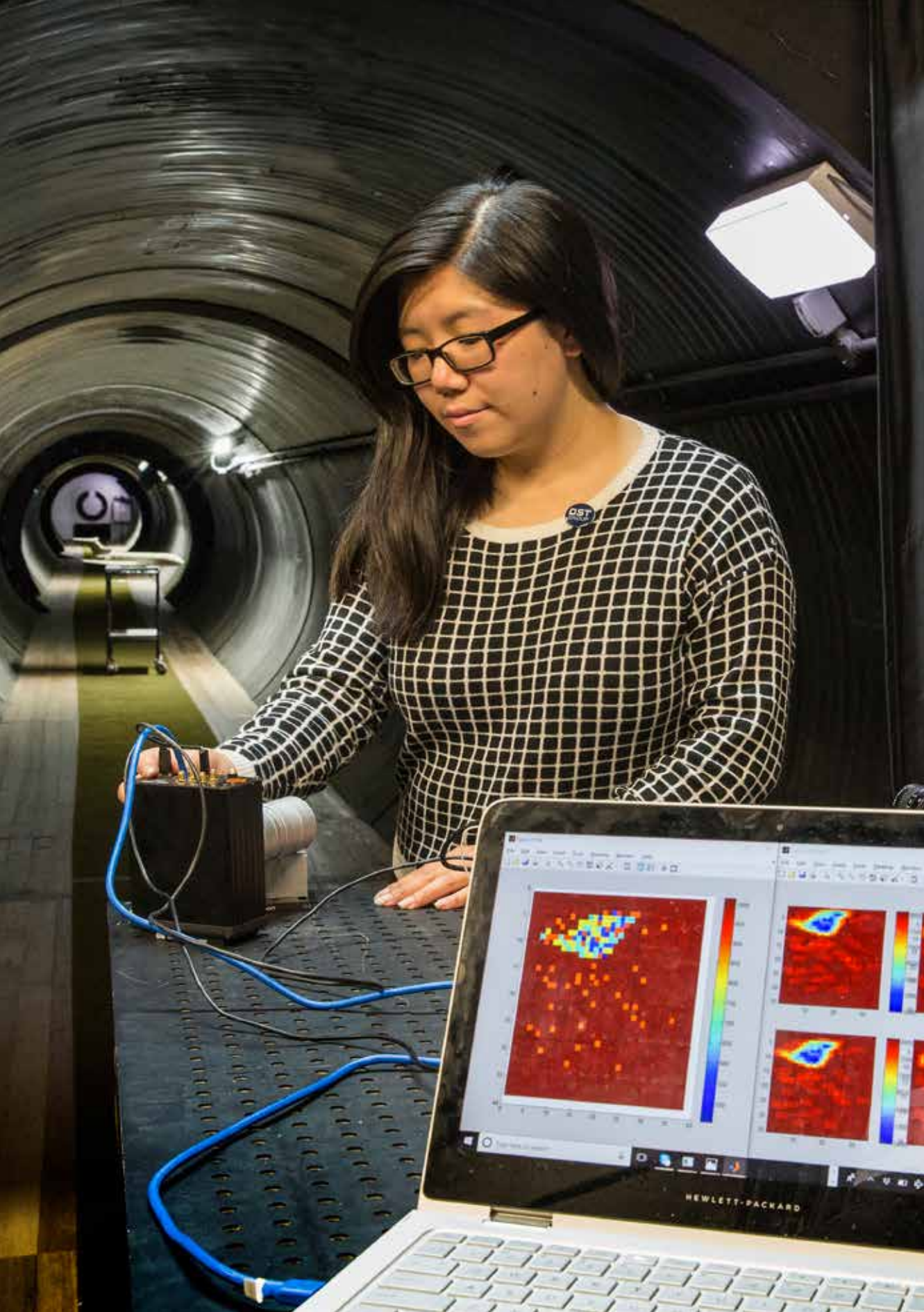
- the performance measures that they are held to
- the resources that they have been allocated in order to achieve their outcomes.

Following the completion of the baseline review, Defence will establish a continuous process of assessment and communication to ensure that the accountabilities are:

- aligned to extant strategy, policy, guidance and directives
- linked to the prioritisation and allocation of enterprise resources
- clear and without duplication, with shared accountabilities acknowledged as appropriate
- aligned to enterprise governance arrangements, including improvements to our senior committees to ensure they are operating as informed and streamlined decision making fora
- aligned to the new Enterprise Performance Measurement and Reporting Framework
- kept up to date and subject to appropriate change control processes
- made transparent and accessible to the entire Defence organisation through updated, published Role Charters and/or Charter Letters.

There is no One Defence without effective accountability. The objective of the Accountability Framework is for everyone in Defence to be able to see what we do in the context of delivering national outcomes, rather than through the lens of our own Group or Service, and to ensure that we are setting the appropriate conditions for empowered, risk-based decision making by our people.

The baselining of the Defence Accountability Framework will support increased understanding and formalisation of the means through which critical dependencies that operate between Groups and Services can be managed. It will also improve the means by which all of our people across the Defence enterprise can trace their individual and team accountabilities back to the intent of the strategic centre.



The role of the strategic centre in setting accountabilities

Defence has built governance arrangements and a corporate planning process to implement these arrangements that seek alignment between policy, strategy, and resources. The ability of Defence to sustain this alignment will determine its success in meeting government's requirements. Responsibility for ensuring that this occurs is vested in the strategic centre.

The strategic centre includes the Defence leadership and the governance and accountability arrangements that support the capacity to make informed decisions and ensure that those decisions are implemented with fidelity to agreed policy and strategy.

An important component of the strategic centre is the accountability it places on all Defence people to ensure that the work they do supports the direction set for Defence as a whole.

In this respect, the strategic centre is the embodiment of **One Defence**, and **One Defence** is given reality through the operation of the strategic centre.



1.3 Become a more data-informed Defence organisation

Organisations that most effectively harness data to support effective decision-making have strategic and operational advantage over their competitors. Defence must optimise the strategic, operational, and tactical use of its information resources. The foundation of this is high-quality data providing the right information on the right things at the right time to support decision-makers throughout Defence so they can undertake their work with confidence and assurance.

We must therefore become a more data-informed Defence organisation.

The information within Defence, and the data that we collect, are strategic assets which are fundamental to our decision-making, and central to how we assess our performance and ensure that our resources are appropriately placed against our risks and priorities.

Without high-quality data providing the right information on the right things at the right time, designing, monitoring and evaluating effective policies or delivery of our objectives becomes almost impossible.

Our use of mission data is critical to the successful conduct of Defence operations, in times of conflict and in peace. How we manage and use our data is also a direct contributor to the levels of trust we enjoy, both inside and outside the Defence enterprise.

As clearly recognised in the *2015 First Principles Review*, our approach to data and information management must enable the organisation to make informed decisions, measure performance, provide timely, credible, traceable and relevant management information, and support enterprise-wide business processes. It must be underpinned by a trusted single source of secure enterprise-wide data, and to the extent possible, common and standardised applications and infrastructure.

In developing the *Defence Transformation Strategy*, senior leaders emphasised that our Defence culture must recognise the criticality of data to everything that we do, and adopt a far more disciplined and deliberate approach to how information is collected, stored, analysed and applied in decision making processes.

Under this initiative, Defence will release, in 2021, a whole-of-enterprise *Defence Data Strategy* that will direct and guide the organisation on how data is to be managed across the areas of Defence:

- intelligence
- Defence mission data
- operational assessments
- capability development and management
- business intelligence
- corporate, human resources, and enabling services
- industry and economics (particularly on Australian defence industry and national shipbuilding capacity)
- science and technology
- strategy and policy
- project, program and portfolio management
- engineering and logistics
- cost management and finance.

Defence must be able to provide government and Defence decision-makers with a clear, traceable evidence base to support the decisions required, particularly in terms of significant changes to policy, resourcing or funding.

The *2021 Defence Data Strategy* will also place enhanced enterprise priority on building strong data literacy and analytic skillsets within the workforce, with a particular view towards gaining maximum early benefit from the enhanced information views that will be obtained through the introduction of the Enterprise Resource Planning and Enterprise Information Management capabilities.





1. A Continuous Improvement Culture

2. An Enduring Transformation System:

- 2.1. Implement a new Business Transformation Cycle.
- 2.2. Create a new Business Operations function.
- 2.3. Transform our Business Practices, Systems and Service Delivery.

3. Priority reform areas of focus

2. An Enduring Transformation System

In order to become the agile and responsive organisation of the future, Defence must develop and maintain the ability to continuously transform our enterprise. This requires a disciplined 'steady-state' approach to how we **learn, evolve, align** and **deliver** on our objectives.

The *2020 Defence Strategic Update* identified that continuous transformation within Defence is essential to implementing government's objectives, and to build Defence's capacity to respond to a more uncertain external environment. This requires a permanent agile process that aligns Defence's resources to priorities, risks and opportunities, even as they change in the future.

It will also support the identification and treatment of enterprise risks through a disciplined prioritisation process linked to our evolving strategic guidance.

The continuous transformation system will be delivered through three key elements in the implementation of the *Defence Transformation Strategy*. These are:

- the establishment of an annual Defence Business Transformation Cycle
- a new dedicated Business Operations function
- transformation of our Business Practices, Systems and Service Delivery.

2.1 Implement a new Business Transformation Cycle

The Defence strategic policy framework ('the Strategy Framework') set out in the *2020 Defence Strategic Update* directs all planning processes across Defence to achieve the strategic objectives, and to guide Defence's planning and activities.

The Defence Capability Assessment Program (or 'Force Design Cycle') introduced through the *2015 First Principles Review* directs how Defence is to conduct the regular review and refresh of its capability planning processes. This process is linked to the Strategy Framework, which identifies the strategic risks that the capability planning process must address.

In similar fashion, Defence's enterprise and business planning must be driven by the same understanding of strategic risks and the threat environment as Defence's capability and strategy planning.

An appropriately scaled level of analysis, rigour and assurance must also be applied in prioritising and allocating resources to enterprise activities and performance. This requires an enduring and cyclical process that reviews the enterprise-level risks and opportunities that Defence is facing, and works with all Groups and Services to set priorities, review planning and allocate resources.

This cyclical process will be known as the **Defence Business Transformation Cycle**.

The Business Transformation Cycle will function as the parallel and harmonised accompaniment to the Defence Capability Assessment Program, with a dedicated focus on Defence's enterprise business planning.

The functions, priorities and performance of the Business Transformation Cycle will be administered through a reinvigorated and refocused Enterprise Business Committee, in a similar manner to how the Defence Capability Assessment Program is directed through the Investment Committee.

2.2 Create a new Business Operations function

As the Chair of the Enterprise Business Committee and the integrator for enterprise business systems and practices, the Associate Secretary requires the support of a Business Operations function that will administer the Business Transformation Cycle, and oversee the implementation of the *Defence Transformation Strategy* on behalf of the strategic centre.

This will include an increased level of assurance for the decision-making processes of the Enterprise Business Committee, in order to ensure that appropriate discipline and evidence-based practises and decisions are being applied, and that Defence's reform activities, processes and policies are being appropriately aligned to ensure maximum efficiency.

The Business Operations function will also actively apply the One Defence Operating Model Principles to the analysis and assurance of the Defence enterprise and its planning processes.

The One Defence Operating Model Principles are intended to provide the organisation with simple guiding principles on how people are to focus their planning efforts, activities and resources at every level, in every function, on a day-to-day basis. They are:

- a skilled, flexible and diverse workforce
- modern, innovative and adaptive business practices
- prioritised resources and capacity
- single source data and knowledge management
- integrated systems and streamlined processes
- disciplined governance, standards and assurance
- policy and guidance linked to strategic intent
- empowered risk-based decision making
- clear, timely and consistent communication.

The One Defence Operating Model Principles also provide a framework against which all current in-flight reform initiatives and business practices can be assessed to ensure that they are actively contributing to the strategic intent of the organisation's transformation journey.

All reform and business improvement projects will be assessed for interdependencies and brought into alignment. Reform across the enterprise will be coordinated, prioritised and monitored by the strategic centre.



2.3 Transform our Business Practices, Systems and Service Delivery

Defence must further transform its business processes and systems, and better integrate the delivery of corporate and enabling services to ensure Defence personnel can focus on their core roles in delivering and supporting Defence capability and operations.

In order to effectively adapt to a strategic environment that will be changing more quickly, the way Defence functions to support its frontline capabilities will be as important as the capabilities themselves. Strength in reform stems from us adopting a customer first approach, and setting clear and agreed priorities to achieve a common goal.

Defence has conducted a series of assessments to capture the lessons from our Operation COVID-19 ASSIST and Operation BUSHFIRE ASSIST 2019-20 experience. This extensive work has clearly identified that, despite Defence sharing the uncertainty and disruption experienced by the entire nation, these experiences have also been a positive catalyst for the acceleration of innovation and congestion busting within the Defence enterprise.

Now more than ever, we must continue to challenge old ways of doing things, and embed more contemporary ways of working in order to improve the operation of our enterprise.

Under this initiative, the implementation of the *Defence Transformation Strategy* will include the adoption of a number of these opportunities into our everyday policies and practice. This includes:

- Modernisation of our recruitment processes, including increased opportunities for remote recruitment and interviewing practices.
- Encouraging increased adoption of flexible working arrangements, including the embedding of the enabling culture and tools.
- Increased online learning, including opportunities to adopt more contemporary digital learning platforms and methods for best

practice, with accompanying rationalisation of extant platforms that are not sufficient for our purposes.

- Adaptation of our business processes to improve efficiency and ensure that our workforce is focused on core priority activities, including greater use of digitisation, on-line collaboration, video conferencing and e-workflow practices.

In order to drive efficiency and simplify our complex services environment, Defence will also implement an improved approach to how we design, deliver and manage integrated service delivery for our people.

The *2020 Defence Strategic Update* directed that upgrades to Defence's core enterprise management systems will be driven by a business enterprise architecture and transformation program, which will include improvements to Defence's human resource, health, resource planning and enterprise information management systems. Delivering these critical capabilities will also allow Defence to harness opportunities from emerging technology, including for the upgrade of the Defence secure networks, and capabilities enabling better information sharing with Australia's allies and partners.

We must continue to transform our security business processes to deliver greater assurance and timeliness of security vetting services for Defence, industry and the whole-of-government workforce.

Defence must also work to reform processes and consolidate platforms ahead of future tranches of the Enterprise Resource Planning Program and Enterprise Information Management Program being delivered, in order to ensure that we obtain maximum value and benefit as early as possible.

A successful transition to these new systems requires the alignment and rationalisation of our current business systems and processes, in advance of these capabilities being delivered.

Achieving this transition is a critical priority for Defence, and will be a primary focus of reform efforts in the coming years.

1. A Continuous Improvement Culture

2. An Enduring Transformation System

3. Priority reform areas of focus:

- 3.1. Drive improved Capability Delivery.
- 3.2. Strengthen Defence's approach to Australian Industry Capability, including innovation, export and harnessing opportunities from Australian science and technology.
- 3.3. Adopt a strategic approach to Defence Enterprise Resilience and supply chain assurance.
- 3.4. Improve Defence's Strategic Workforce Planning, Learning and Management.
- 3.5. Institute an improved Enterprise Performance Measurement and Reporting framework.
- 3.6. Improve our Engagement and Communications.

3. Priority reform areas of focus

3.1 Drive improved Capability Delivery

The major output of the Defence enterprise is capability that is available to support the requirements that government may have for the use of the ADF to support Australia's national interests. This capability includes effective, ready and sustainable combat units and their supporting organisations. Without capability, our strategy to shape the environment and deter aggression will not be achieved.

In order for Defence to increase its capability and potency to address our increasing strategic competition, and to maintain the trust of government and the Australian people, we must be able to demonstrate at all times that we are achieving our milestones for the delivery of capabilities and the effective management of our assets in service.

Government's agreement to the *2020 Force Structure Plan* provided Defence, including the Australian Signals Directorate, with an increased funding profile of \$270 billion over the decade to 2029-30, with an outlook to 2040 of around \$575 billion. This funding model provides Defence and defence industry with the planning certainty required to support the ongoing development and delivery of critical Defence capability, and for industry to invest in the necessary jobs and business development.

This funding certainty places an obligation on Defence to return this trust and confidence by delivering on that commitment, particularly in a constrained strategic economic environment. We must ensure that we drive and achieve value in the use of taxpayers' funds.

In order to ensure that we can successfully deliver the scale, complexity and tempo of capabilities outlined in the *2020 Force Structure Plan*, Defence will strengthen and improve the management and oversight of projects in delivery.

This activity will commence through **a review of the governance, analysis, assurance and reporting arrangements for Defence's approved major investment projects**. This review will determine, and make relevant recommendations regarding, how Defence will:

- improve the assessment of capability delivery performance and reporting across the Defence enterprise, including greater use of benchmarking and mapping of complexity
 - achieve greater enterprise awareness of risks and issues that may be affecting capability delivery, particularly in terms of systemic or sector-level risk
 - enhance our analysis and reporting on Defence and industry capacity, particularly for critical skillsets and technologies
 - improve the skilling, professionalisation and competencies of Defence personnel involved in capability delivery, management and analysis
-

- strengthen and streamline the systems, governance and assurance processes that support capability delivery and approvals
- provide greater clarity on the accountabilities for capability delivery and management, and how they are being enforced within Defence.

The review will commence immediately after the launch of the *Defence Transformation Strategy* with the results and recommendations due in mid 2021.

Oversight of the review will be conducted through the Enterprise Business Committee to ensure all recommendations are aligned with Defence's broader transformation agenda.

The outcomes of this review will strengthen the strategic centre's oversight and accountability for project performance, improve the delivery of our projects, and provide assurance that Defence is appropriately managing the significant capability investments made by the Australian people.

Continuous improvement of the Capability Life Cycle

Defence continues to mature its approach to managing capability through the end-to-end Capability Life Cycle.

Improvements in the processes and analysis of force design decisions are also enhancing Defence's performance in developing and delivering its capability plans.

Capability will be delivered through clearer and even more streamlined acquisition processes and in even closer partnership with Australian defence industry. We will continue to reform our acquisition and contracting practices through the adoption of competitive evaluation processes and tailored acquisition strategies, and the introduction of improved contracting suites that reduce the time and cost of source selection.

Stronger design processes will be complemented through capability being managed as programs rather than individual projects, and through improved approaches to research and development, and to our Defence industry policy.

By the end of 2023, Defence will also deliver against the two remaining *2015 First Principles Review* recommendations relating to the reform of System Program Offices in the Capability Acquisition and Sustainment Group.

Defence will also implement measures and activities to:

- enhance our approach to Test and Evaluation
- increase our agility and speed in capability delivery, including more innovative approaches to how and when we partner with industry
- increase our commercial acumen in order to become an informed and effective purchaser that ensures value through our investments.

Above all, Defence must be transparent and clear in articulating what we value, namely, capability delivered on time, within budget, and with the intended effects and benefits being received.

Delivering the National Naval Shipbuilding Plan

The Australian Government's agreement to, and funding of, the *2016 Defence White Paper* laid the foundation for the largest recapitalisation of the Royal Australian Navy in modern history, underpinned by a continuous National Naval Shipbuilding enterprise.

The *2020 Defence Strategic Update* and *2020 Force Structure Plan* outlined investment of around \$75 billion over the next decade for the strengthening of Defence's maritime capabilities. It also identified over 70 vessels to be built in Australia, with up to 23 classes of Defence vessels being built or upgraded out to the 2050s. There will also be continued investment in our ships, submarines, modern shipyard infrastructure and the associated vital workforce growth and skilling initiatives.

The figure of approximately 15 000 Australian jobs that will be created or supported through continuous national shipbuilding, as outlined in the *2017 Naval Shipbuilding Plan*, will also grow as a result of these new investments.



A productivity-based culture remains central to achieving the vision of a sustainable shipbuilding industry in Australia.

The maritime domain continues to embed reforms initiated as a consequence of past shortfalls – including the Coles Review of Collins Class sustainment, the Rizzo Reforms to Ship Repair and Management Practices and the White-Winter Review into the Air Warfare Destroyer program.

These reforms are in an advanced state and are now focussing on efficiency, having achieved effectiveness. The shipbuilding and sustainment sector remains subject to regular external review by knowledgeable independent entities to ensure we remain aligned to the long-term objective set by government.

Under this initiative, Defence will:

- expand performance metrics to independently measure and evaluate performance of the shipbuilding and sustainment enterprise against stated objectives
- employ enhanced program management and enterprise-level scheduling approaches, harmonised with the Maritime Information Environment, to streamline the sharing and reporting of program information
- ensure new investment decisions in relation to naval shipbuilding capability are weighed in reference to the capacity of the national shipbuilding enterprise, and the impact future decisions have on the existing shipbuilding and sustainment commitments
- boost capacity of non-governmental institutions to act as Centres of Excellence and not-for-profit knowledge repositories for prioritised defence research.

Further details on the critical role of Australia's shipbuilding industry will be included in a forthcoming update to the Australian Government's *Naval Shipbuilding Plan*.

The Centre for Defence and Industry Capability

A wide-ranging review into the Centre for Defence Industry Capability (CDIC) has recommended a series of changes aimed at boosting support for Australian defence businesses. The review recommended strengthening the alignment between Defence, defence industry and the CDIC by relocating it to the Department of Defence, which is currently underway.

This closer alignment will build stronger stakeholder relationships between Defence and industry, in order to maximise industry's value for building Defence capability. It will also ensure that we are driving improved delivery of Defence capability through the creation of a single-entry point into Defence for businesses, and by making it simpler and cheaper for industry to engage with Defence on an ongoing basis.



3.2: Strengthen Defence's approach to Australian Industry Capability, including innovation, export and harnessing opportunities from Australian science and technology

The Australian Government's plans for Defence capability are underpinned by its policies of developing a strong, sustainable and secure Australian defence industry, and supporting secure and leading edge innovation.

Australian industry must be positioned to meet Defence's future requirements and to maximise economic growth and high-tech jobs in the sector. Defence will continue to work with our industry partners to develop the robust, resilient and internationally competitive Australian sovereign defence industrial base we need to achieve our strategy and capability goals.

Through our investments and our policies, Defence will support the nation by creating more Australian jobs, building up our manufacturing base, and delivering the capabilities our men and women in uniform rely on to keep Australians safe.

Australian Industry Capability

Defence must continue to maximise Australian industry involvement in our capability planning, acquisition and sustainment activities.

Through the Australian Industry Capability Program, Defence is working to maximise Australian industry participation in Defence capability planning and procurement. This supports more effective delivery of defence capability and strengthens Australia's industrial base, as well as increasing opportunities for driving a strong exporting defence industry.

Throughout the course of 2020, the Australian Government and Defence have undertaken significant improvements to the Australian Industry Capability Program and support for Australian defence industry. Defence is:

- strengthening requirements for Australian Industry Capability in Defence contracts through additional contractual and non-contractual measures
-

- implementing an enduring Independent Australian Industry Capability Plan Audit Program
- implementing recent changes to the *Commonwealth Procurement Rules* guidelines to strengthen Australian industry considerations
- introducing improvements to the Australian Standard for Defence Contracting (ASDEFCON) document suite to cut process times and costs for Australian businesses.

Implementation will result in a number of consequential changes to how projects and programs progressing through the Capability Life Cycle will factor Australian defence industry considerations into planning and approval processes.

These changes, alongside ongoing review of the impact of industry policy and programs, will include updates and improvements to the Capability Life Cycle Manual and SmartBuyer processes, how we train and develop our people to achieve greater awareness of industry drivers, how we develop and promote our Sovereign Industrial Capability Priorities, and how we build the size of our industrial sector through export.

The Australian Government remains committed to increasing the volume of export opportunities for industry. To achieve this, defence industry must also continue to strive for productivity gains to be internationally cost competitive.

Harnessing opportunities from Australian innovation and science and technology

The Australian Government has committed around \$3 billion of capability investment in Defence innovation, science and technology over the next decade for the purpose of enhancing the nation's ability to deliver on Defence's priorities. This will require a cohesive and agile innovation system that is designed to bridge the gap between technology development, acquisition, and delivery into service.

The release of *More, Together: Defence Science and Technology Strategy 2030* provided guidance to ensure that Defence partnerships with the national science and technology enterprise are strengthened and leveraged to address the strategic challenges Australia faces. It includes initiatives to direct resources to Defence's most critical challenges and to creating programs that have the focus and scale needed to have Defence capability impact. Achieving this requires identifying the national science and technology capabilities, building the brilliant people and collaborative culture, and supporting the development of the necessary national infrastructure.

Set against a broader effort to enhance innovative thinking and work practices across the entire Defence enterprise, the *Concepts to Capability: Defence Capability Innovation Strategy*, due for release in 2021, will also provide greater visibility for industry and academia on Defence innovation funding avenues. We must ensure that Defence capability investment is appropriately positioned and coordinated across the spectrum of potentially high payoff research, through to relatively lower-risk incremental innovation from industry technology.

The down-turn in the tertiary sector as a result of COVID-19 impacts also provides us with an opportunity to position defence research as a long-term business proposition to attract and retain experience and corporate knowledge.

This will be particularly important for supporting key areas of Defence's capability delivery and technology, including national naval shipbuilding, and our support to the six areas outlined in the Australian Government's updated National Security Science and Technology Priorities, announced on 13 October 2020.



3.3 Adopt a strategic approach to Defence Enterprise Resilience and supply chain assurance

A Defence enterprise that is resilient to shocks and outside interference is critical to the Australian Government's defence strategy.

The *2020 Defence Strategic Update* outlined a number of accelerating and emerging drivers that will shape Australia's environment and impact defence planning, in particular the economic and strategic consequences of the COVID-19 pandemic. The increasing connectivity of services and infrastructure to the internet will expose vulnerabilities in global supply chains, critical infrastructure and support services. These will be key targets in grey-zone activities, and as a precursor to conventional conflict.

The reduced warning times highlighted in the *2020 Defence Strategic Update* also mean defence plans can no longer assume Australia will have time to gradually adjust military capability and preparedness in response to emerging challenges.

The ADF must increase its self-reliant ability to deploy and deliver combat power and reduce its dependencies on partners for critical capability. Defence must increase its capacity to work with Commonwealth and state and territory agencies, and to support an increasing demand for natural disasters and crises response within Australia.

This is not a challenge for the ADF alone – an enhanced focus on national resilience measures will require Defence to adopt an enterprise and whole-of-government approach to our planning and policies, and to how we develop our people to better respond to increasing levels of uncertainty.

Domestic response challenges, such as Operation BUSHFIRE ASSIST 2019-20 and Operation COVID-19 ASSIST, have brought the resilience of Defence's enterprise into high focus, however the impact of future uncertainties will likely extend beyond our shores and into our broader region.

The Defence enterprise must be able to adapt to any contingency, regardless of the source, nature or scale, in order to ensure that we always deliver on the Defence Mission.

A Defence enterprise that is always learning

Based on our strategic environment and the commitment and trust placed in us by the nation, we must lead the way in showing how to adapt to the future. This means that Defence needs leaders, technical experts and innovators who can readily adapt to new ideas and technologies, including the application of artificial intelligence and machine learning practices.

Taking a strategic approach to developing our future leaders will be critical in achieving the formative growth and agile thinking that we will require to meet the challenges of the future.

Our ADF and APS training and development programs will be further developed and aligned to ensure that our people build a more adaptive mindset through mindful leadership practices, and that we excel in making risk-based decisions in ambiguous and uncertain environments.

Defence will also increase the application of futures concepts and long-term joint analysis, including the use of experimentation, war games and scenario-based assessment methods to support and test whole of enterprise-level planning and learning.

This will be supported through a permanent enterprise-level lessons learnt framework that will ensure that we are actively seeking every opportunity to learn and adapt as part of our continuous improvement culture.

A more resilient, adaptive and secure Defence enterprise

As outlined in the *2020 Defence Strategic Update* and *2020 Force Structure Plan*, Defence's resilience and self-reliance will be enhanced through a range of capability investments for our enterprise and infrastructure, supported by funding of around \$15 billion over the next decade. These include enhanced weapons stocks and fuel stores, and increased investment in our enterprise business systems.

In addition to delivering these capabilities, we will increase our focus on emerging and disruptive technologies, and in partnership with the Australian Signals Directorate, drive enhanced enterprise focus on cyber resilience and network security.

We will continue to enhance and strengthen our integrated enterprise approach to security resilience. We must make security decisions within the same context as other strategic drivers and validate the effectiveness of our security controls. Under this initiative, we will work to better understand threats to Defence and apply a proactive position to planning Defence activities in order to adjust to changing priorities.

Defence will also continue to work with industry to grow the Defence Industry Security Program, in order to provide industry with more opportunities to work with Defence and easier access to Defence security services, including dedicated cyber security training.

To ensure that our enterprise keeps on delivering outcomes through uncertainty, Defence will introduce more agile approaches to working and managing our workforce. This includes enhanced mobility and surge capacity, particularly for critical skillsets across Defence and government, and a focus on business continuity in the midst of uncertainty.

On 13 October 2020, the Australian Government announced the updated National Science and Technology Priorities. Defence's reform efforts on enterprise resilience will support our contribution to the priority area of '*Preparedness, Protection, Prevention and Incident Response*'.

Defence Supply Chain Assurance

Defence's supply chain is a critical enabler to our capability and warfighting. Recent strategic trends such as the increase of grey-zone activities, cyber threats and the COVID-19 pandemic's disruption to global supply chains, have highlighted the criticality of the Australian Defence supply chain needing to be robust and secure, and when necessary, sovereign and self-reliant.

In the event of a high intensity conflict that engages the ADF, we need to have sovereign in-country depth to sustain and manage key capabilities, skillsets and materials. This will mean working closely with defence industry to strengthen and assure our supply chains to ensure we continue to deliver our capabilities.

Achieving a secure and robust supply chain will require Defence to adopt less risk-averse engagement with industry to accelerate capability development and strengthen supply, as well as selectively increasing interdependence with the United States and other partners in more responsive and assured global supply chains.

Defence must also incorporate leading edge practices for mapping and assessing supply chain integrity, including the use of machine learning and stronger analytic methods, in order to ensure that we understand our risks, and we are working to create and manage more durable supply chains.



3.4 Improve Defence's Strategic Workforce Planning, Learning and Management

The *2015 First Principles Review* identified the need for Defence to have committed people with the right skills in appropriate jobs to create the **One Defence** workforce.

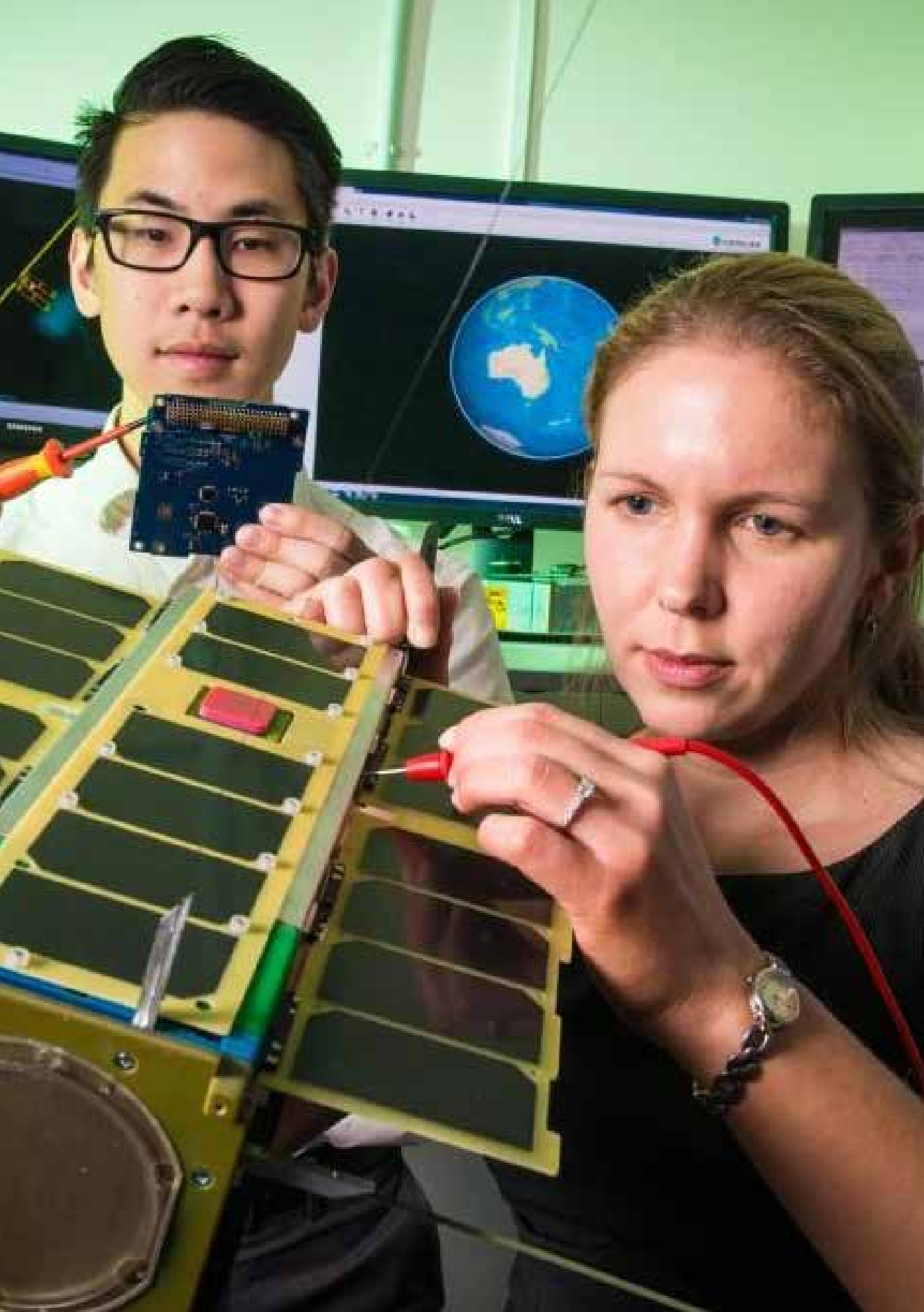
The military and civilian personnel of the Defence enterprise workforce are one of government's most important capabilities for the defence of Australia and its national interests.

Through the *2020 Defence Strategic Update* and *2020 Force Structure Plan*, the Australian Government has determined that the ADF and Defence's APS workforce must grow beyond the plans in the *2016 Defence White Paper*. This requirement is based on detailed analysis of a range of scenarios, from humanitarian assistance and disaster relief operations, through to the potential for high-end warfighting.

The demands on the Defence workforce are also changing. In addition to the forecast growth, Defence must reshape and reskill its workforce to transition to more complex capabilities, new platforms, and to build capacity in emerging capabilities such as cyber, intelligence, electronic warfare and space.

Continual reform of our strategic workforce planning, learning and management will be essential in order to ensure that Defence has the people it needs to carry out the Defence Mission as it evolves over time, and that we continue to deliver on government's objectives.

Defence operates as an integrated workforce, in which the APS and ADF workforce deliver specialised and interrelated contributions. In looking towards the future, the Defence enterprise will need to further evolve this integrated concept to **incorporate industry workforce and other partners**, including academia, to ensure that we are harnessing the full spectrum of skills, experience, insight and diverse thinking that is available to us.



This integrated workforce concept must also support our Defence people in regional and remote Australia, and enable their significant contributions to the Defence Mission.

In order to build the maritime, air, land, joint, cyber and space capabilities set out in the *2020 Force Structure Plan*, we need to support our workforce to operate more effectively with private sector partners, and to have the necessary skills to deliver on our increasingly complex commercial and business requirements.

This initiative will support the evolution of our strategic workforce planning, learning and management through:

- an enterprise approach to how workforce priorities are assessed, set, achieved and measured
- a more considered approach to the productivity, proportionality, capacity and distribution of our workforce within Defence
- agile mechanisms to distribute workforce resources in accordance with the identification and treatment of strategic risks
- greater clarity and cohesion on skilling, professionalisation and job family management and governance across the enterprise and broader whole-of-government, including a review of the potential merits of a Defence Chief Learning Officer
- Defence's planning in response to the recommendations of the *Independent Review of the Australian Public Service* ('The Thodey Review') particularly regarding APS inter-agency mobility and broader standardisation and professionalization of job families and critical skillsets.

The systems and processes that underpin our workforce planning, management and learning will also be assessed to ensure that they are fit-for-purpose, now and into the future.

This will include:

- assessing the merits of a single Defence People Capability System for both the APS and ADF
- modernising ADF welfare and support programs
- continued transformation of our ADF transition processes and support to veterans
- streamlining and modernisation of our recruitment and employment offer practices
- simplification and reform of our pay and allowance systems and processes
- reviewing opportunities for greater alignment between our APS training programs and our Joint Professional Military Education training programs
- exploring opportunities for working with industry and academia to broaden our workforce and learning approaches.

These actions will provide an integrated enterprise approach to recruiting, career and talent management, workforce mobility, education and training, learning and development, transition and re-engagement, and partnerships with other government departments, industry and academia.

The decisions required to support the integrated workforce concept, and the growth required through the *2020 Defence Strategic Update* and *2020 Force Structure Plan*, will be presented to government in 2021 through a new *Defence Strategic Workforce Plan*.

Improving Defence's workplaces

Defence must deliver more efficient and effective ways of supporting our workforce, and increase the flexibility and agility of how our workplaces are designed, allocated and used.

Reforming our workspaces will require 'people, places and technology' working together in an integrated fashion, in order to improve productivity. By providing a better mix of different spaces, enabled with appropriate modern ICT and security arrangements, staff will be able to choose the best space to carry out their work effectively.

This will also support Defence's planning to better respond to changes in the workforce without excessive logistic or bureaucratic overheads, and will assist in improving staff retention and talent attraction by providing a modern workplace that supports innovation and collaboration in line with contemporary practices.



3.5 Institute improved Enterprise Performance Measurement and Reporting

Defence will improve how we assess and report our performance.

Our reporting must clearly align to our strategic objectives, and meaningful performance measures, linked to trusted single-source information, must be established in order to deliver on organisational priorities and government intent.

Defence must be able to provide government and Defence decision-makers with a clear, traceable evidence base to support the decisions required, particularly in terms of significant changes to policy, resourcing or funding.

Strategic Performance Measures

Through the Strategy Framework, Defence regularly reviews its planning to ensure the alignment of strategy, capability and resources in ways that are responsive to enhanced understanding of the risks associated with the evolving strategic environment. This culminates in the Department's highest-level classified planning document, the *Defence Planning Guidance*.

The *Defence Planning Guidance* provides the guidance and direction to Defence to implement government direction. It informs strategy, policy, business plans and strategic workforce plans. The *Defence Planning Guidance* also now contains Strategic Effects, that clearly describe the outcomes that government requires Defence to achieve through its policies, plans and the conduct of operations.

Under this initiative, Defence's planning for, and achievement of, the *Defence Planning Guidance* Strategic Effects will be assessed through strategic performance measures. These will clearly translate the required effects into meaningful measures of priority effort, activity and outcomes for the entire enterprise, and will be flowed down to the Groups, Services and key functional areas.



The setting, measuring, and assessment of these Strategic Performance Measures on an annual and longitudinal basis will form the core of a new **Enterprise Performance Measurement and Reporting Framework**.

The future Defence Performance Measurement and Reporting Framework will include review, consolidation and evolution of our current approaches to:

- establishing performance measures
 - the management of reporting systems, including the presentation and cadence of formal reporting to government
 - decision-making and delegation
 - managing variances and change control
 - driving performance-based behaviours with a strong outcome focus.
-

We will also update our approach to how we assess, treat and report on Defence's risk management arrangements. In particular, Defence's enterprise risk management must harmonise with our strategic risk arrangements to ensure that we are allocating resources and focus against Defence and government's highest priorities. An improved approach to enterprise risk management will be central to the new Business Transformation Cycle.

Key measurement and reporting principles

Reporting must be focused on the outcome of supporting accountable decision-makers to make evidence and risk-based decisions. The approval of performance reports must likewise be directly linked to accountabilities, to ensure that achievements are acknowledged and risks to underperformance are addressed.

In order to increase efficiency and capacity within the organisation, greater focus will be given to clearly directing the attention of government and Defence decision-makers to the results that require an active decision to be made. This also includes the identification and treatment of key risks or issues.

An increased level of attention will be placed on the use of tolerances and lead indicators, in order to identify trends and trajectory to support greater predictive analysis and to treat risks before they manifest as issues.

Clear decision-making practices must be applied at all times in order to guide and refocus the conduct of our governance and senior committees. This must drive greater delegations down to ensure that decision-making is being conducted at the appropriate level and not being escalated unnecessarily.

The enterprise must be able to demonstrate in a clear and transparent fashion that the considerable investment made by the Australian Government in Defence is delivering value for money for taxpayers, is in alignment with *Public Governance Performance and Accountability Act 2013* requirements, and that we are achieving our delivery and operational outcomes.



3.6 Improve our Engagement and Communications

Improving our approach to engagement and communications is central to the achievement of the **One Defence** concept. Maintaining and improving the trust and confidence placed in us by government and the Australian people is directly tied to our ability to communicate clearly and effectively and in a transparent fashion. Transparent communication about Defence's activities is essential for us to maintain the trust of the public, and of Government.

The 24-hour media cycle, and the increased use of social media as a primary means of communication by the public, mean that Defence must evolve its communication methods to ensure that we are effectively messaging inside and outside the Defence enterprise in a timely, accurate, and consistent manner.

This will also require us to develop a more strategic approach to how we develop and manage our narrative, in order to ensure that we are effectively communicating Defence's activities to all Australians.

Since the *2015 First Principles Review*, Defence has worked to enhance its communication and media functions. While noticeable improvements have been made, there are further opportunities to strengthen Defence's engagement and communication efforts to deliver a coherent narrative that reinforces government's strategic priorities.

This initiative requires:

- overall improved alignment, clarity and quality of Defence communications and advice to government, including 'plain English' writing and limited use of Defence jargon
- a more proactive, risk-based and responsive approach to developing our Defence narrative in media and communications, including how communication flows through our teams and personnel to ensure that the messaging and intent of the strategic centre is actively communicated throughout our Groups and Services

- improved communication channels, including a new Defence external internet web presence and refreshed intranet presence with enhanced search capabilities
- a strengthened approach to internal communications to complement Defence's public affairs activities
- a disciplined approach to managing information security, particularly for information with commercial and operational sensitivities
- improved visibility and transparency in our reporting, including how we present financial and schedule information to government, the parliament, and the Australian public within appropriate levels of classification
- greater investment in public research to help measure, evaluate and inform the conduct of Defence communication.

Collaboration is identified in the Defence Behaviours as central to how we shape our culture and our teams. We must fully embrace collaboration through the principle of active engagement to ensure that we are achieving this intent, and supporting decision-makers and stakeholders through genuine consultation processes.

To do this, we must:

- embrace opinions and diversity of thought in order to avoid group-think or narrow perspectives
 - proactively collaborate, and in a time-conscious manner, in order to ensure a meaningful result
 - ensure that decisions or advice being progressed have been genuinely reviewed, and all comments have been captured and documented as appropriate to inform decision-makers, rather than as a 'tick in the box'
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- embed and embrace exemplary practices for communication, media management and advice to government at all times.

The objective of this initiative is for us to consistently operate as **One Defence** when we communicate and engage with our people, with the Australian public, and with government.





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► Chapter Three: Implementation and Oversight

The *Defence Transformation Strategy* provides the guiding principles and direction for how we must transform to ensure that we are operating as **One Defence**, and that the enterprise is fighting fit to meet the challenges of the future.

Defence is committed to ensuring that priority reforms are appropriately resourced with skilled and dedicated people, who are supported by the necessary enabling elements.

This commitment will require changes to existing structures and roles within the organisation, including those required to support the new Business Operations function. In addition to overseeing the implementation of the *Defence Transformation Strategy*, this function will also manage the enduring reform program that will be generated through the Business Transformation Cycle in the future.

The *Defence Transformation Strategy* will be supported by a detailed Implementation Plan with clear outcomes, milestones and measures, and a dedicated and enduring communications program to ensure consistent messaging on progress. This will ensure that progress and the intent of the strategic centre is being communicated to the organisation, and to government, in a consistent and effective manner.

The Implementation Plan will address:

- The detailed scope and ownership of the *Defence Transformation Strategy* initiatives.
- Establishment and appropriate resourcing, including personnel and funding, of the *Defence Transformation Strategy* implementation team.

- Monitoring, performance measurement and evaluation arrangements.
- Incentivising, funding and resourcing the implementation of the Strategy, and future reform initiatives.

Implementation will be supported by a number of incremental milestones to ensure that progress and the intent of the strategic centre is being communicated to the organisation and to government in a consistent and effective manner.

The initial implementation period for the *Defence Transformation Strategy* has been established as two years, through to the end of 2022, and will be conducted across three phases:

- **Phase One** (January to June 2021) – Baselining, and setting the conditions for success.

During Phase One, a number of key activities and initiatives will also be delivered including, but not limited to, the launch of the 2021 *Defence Data Strategy*, the recommendations from the *Major Projects Oversight Review*, and the launch of the *Defence Capability Innovation Strategy*.

- **Phase Two** (July to December 2021) – Prioritising efforts and finalising options and designs.
- **Phase Three** (January to December 2022) – Embedding and delivering the initiatives.

Taking a phased approach will allow for the implementation program to be responsive to strategic priorities and guidance, and to evolve through the learning that will be generated through the initial baselining effort in Phase One.

An overview of the Implementation Plan's first six months is at **Appendix A**.

Aligning reform activities within Defence

The *Defence Transformation Strategy* identifies a number of initiatives that will commence immediately after the launch, and ahead of the completion of Phase One activities.

There are also a large number of reform initiatives already underway within Defence, many of which had their genesis in the *2015 First Principles Review*. These activities will be brought in to alignment with the *Defence Transformation Strategy* during the two-year initial implementation period.

This will leverage the good work already underway, and allow the strategic centre to coordinate and prioritise all ongoing reform activities. This will allow Defence to rationalise potential duplications of effort or re-allocate resources that may have been placed against lower priority activities. A number of current reform activities will be amended, ceased, or harmonised with the overarching *Defence Transformation Strategy* implementation work.

Oversight and assurance arrangements

A strong governance and assurance framework is essential to ensure the successful embedding of the **One Defence** concept and provide visibility of the progress in implementing the *Defence Transformation Strategy* to the Minister for Defence, the parliament and the Australian Government. The arrangements are:

- Formal Accountability for the achievement of the *Defence Transformation Strategy* is vested with the Secretary of Defence and the Chief of Defence Force.
- Practical oversight of implementation will be exercised through the Enterprise Business Committee.
- Defence will report on the progress of the *Defence Transformation Strategy* to the Minister twice a year through the Defence Committee.

Working to the Minister for Defence, we will also institute appropriate oversight arrangements, in order to benefit from the guidance, scrutiny and legitimacy afforded by a suitably empowered and independent external body.

What does successful implementation look like?

By the end of 2022, Defence will have delivered the foundational elements of an enduring transformation system, including the establishment of an embedded Business Transformation Cycle that will direct the **One Defence** reform agenda on a steady-state basis.

Defence will be able to demonstrate improvements to how we deliver capability through our improved performance measurement and reporting practices, enforced through clear and transparent accountabilities. Our decision-making will be informed by trusted data, and the allocation of our resources will be guided by the enterprise's strategic priorities, risks and opportunities on a continuous and adaptive basis.

Defence will have strong partnerships across government, with Australian industry, and with academia and the national science and technology community. Our improved outcomes will be delivered by a high-performing integrated workforce which exemplifies a continuous improvement culture based on our Defence Values and Behaviours.

Our collective responsibilities

The *Defence Transformation Strategy* has been developed as the articulation of our strategic leaders' shared priorities and intent, and they will oversee its implementation in the coming weeks, months and years.

However, this is not a responsibility for the Defence Senior Leadership Group alone.

Our ongoing transformation requires a clear and joined-up leadership approach from the entire Defence enterprise. It will require us to focus our efforts on

doing the 'right' things to achieve a greater enterprise-wide effect, rather than merely undertaking activities or practices which may hold a particular fondness, familiarity or comfort for us.

For Defence to **lead the way** in the changing strategic environment, we must embrace the initiatives presented in the *Defence Transformation Strategy* as positive opportunities to improve our entire enterprise.

It is a chance for us to instil even greater professional pride in our people and our nation by ensuring that our activities are always linked to our purpose, and we are looking after the strategic national asset with which we have been entrusted.

This is something that we must all contribute to and aspire to, regardless of our Group, our Service or our individual roles or level.





► Appendix A: Implementation Plan Overview – the first six months

Initiatives		Selected key activities – Phase One	
		January – March 2021	April – June 2021
1. A Continuous Improvement Culture			
1.1	Embed the Defence Values and Behaviours	Defence Inclusion Commitment Statement	Review Pathway to Change 2017-2022
1.2	Evolue the Defence Accountability Framework	Conduct Defence Accountability Framework Review	
1.3	Become a more data-informed Defence organisation	Develop and launch Defence Data Strategy	
2. An Enduring Transformation System			
2.1	Implement a new Business Transformation Cycle	Design the Business Transformation Cycle	
2.2	Create a new Business Operation function	Develop and establish the Business Operations function	
2.3	Transform our Business Practices, Systems and Service Delivery	Assess, prioritise and align in flight reform activities and business practices with the Transformation Strategy initiatives	
3. Priority Reform Areas of Focus			
3.1	Drive improved Capability Delivery	Conduct Major Projects Oversight Review	
3.2	Strengthened approach to AIC, innovation, export and Australian science and technology	Launch the Defence Capability Innovation Strategy	Continue to implement Australian Industry Capability (AIC) Program improvements
3.3	Adopt a strategic approach to Defence Enterprise Resilience and supply chain assurance	Develop an Enterprise Lessons Learned Framework	
3.4	Improve Defence's Strategic Workforce Planning, Learning and Management	Develop the Defence Strategic Workforce Plan	
3.5	Institute an improved Enterprise Performance Measurement and Reporting framework	Implement improvements to Enterprise Performance Measurement and Reporting	
3.6	Improve our Engagement and Communications	Launch Defence Communications Guide	
A comprehensive scoping and baselining activity will be conducted for all initiatives.		A comprehensive scoping and baselining activity will be conducted for all initiatives.	

The *Defence Transformation Strategy* will be implemented through an agile phased approach.

Phase One

The focus of Phase One is a comprehensive scoping and baselining activity for all initiatives. This work will include identifying individual lines of effort and will articulate:

- Problem statement – identifying the problem we need to solve;
- Risk appetite – specifying how much risk we will accept to achieve our outcomes;
- Outcome statement – defining the future state we want to achieve;
- Benefit statement – calculating the benefit that will be realised;
- Performance measures – specifying how we will measure the benefits; and
- Accountability – identifying who will be accountable for delivery.

In flight reform activities from across the organisation will be assessed as part of the scoping and baselining activity. A number of current activities will be harmonised with the overarching Defence Transformation Strategy initiatives.

Phase One will deliver an integrated master schedule and an independent oversight mechanism.

Phase Two

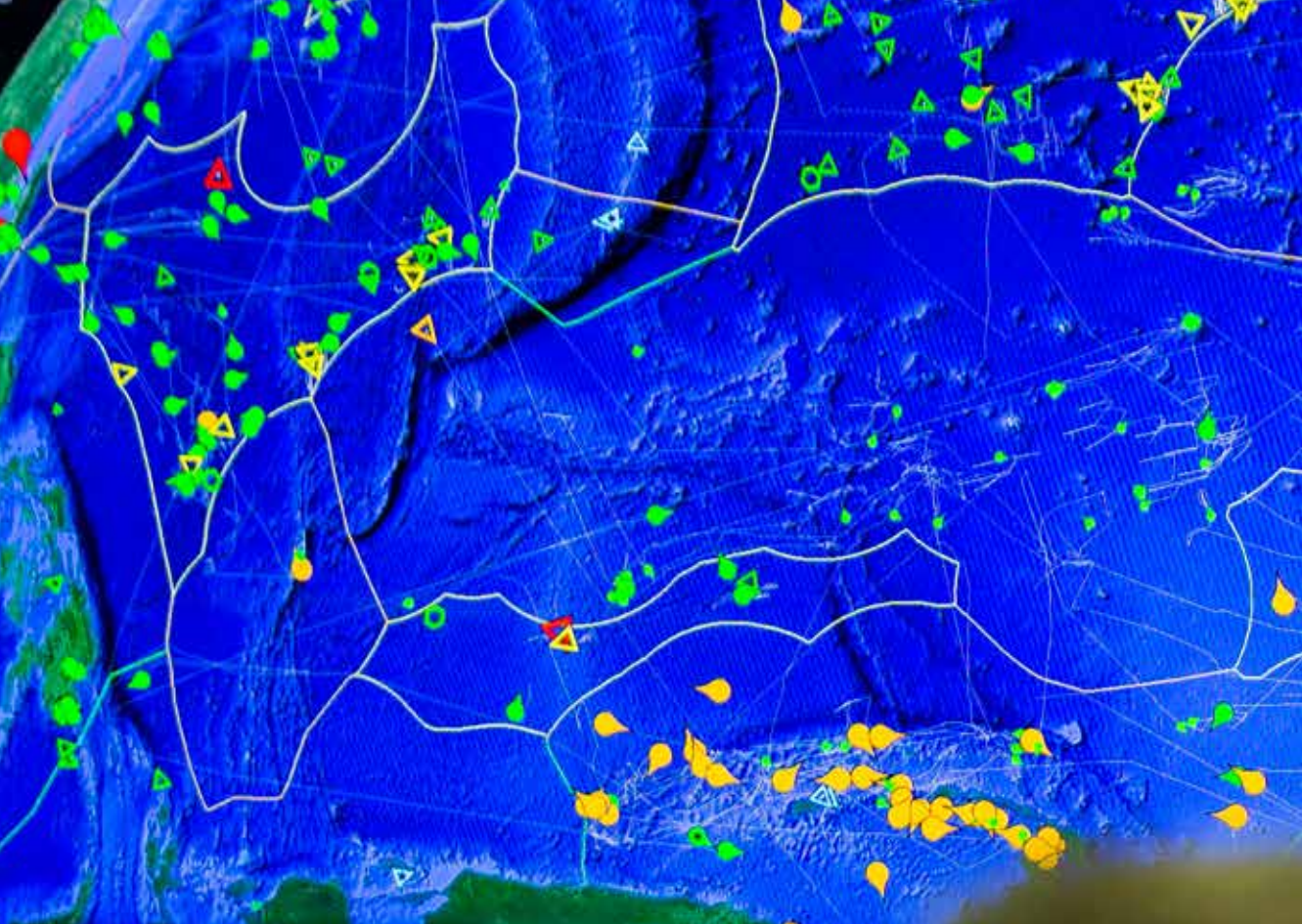
In addition to the delivery of priority initiatives, Phase Two (July to December 2021) will focus on implementing and embedding the enduring transformation system, including the Business Transformation Cycle and Business Operations function.

Phase Three

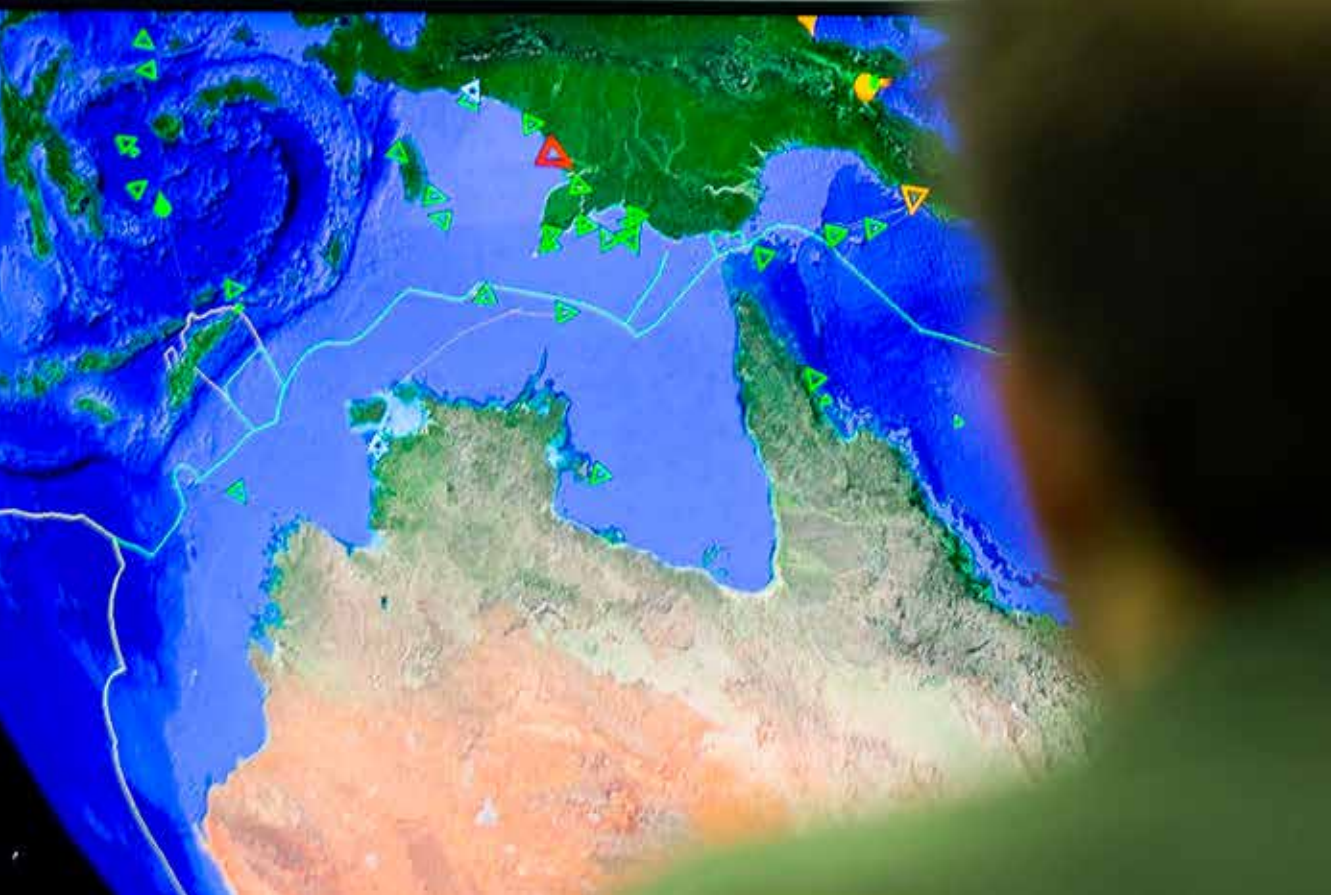
Phase Three (January to December 2022) will demonstrate progress and outcomes against all Defence Transformation Strategy initiatives.

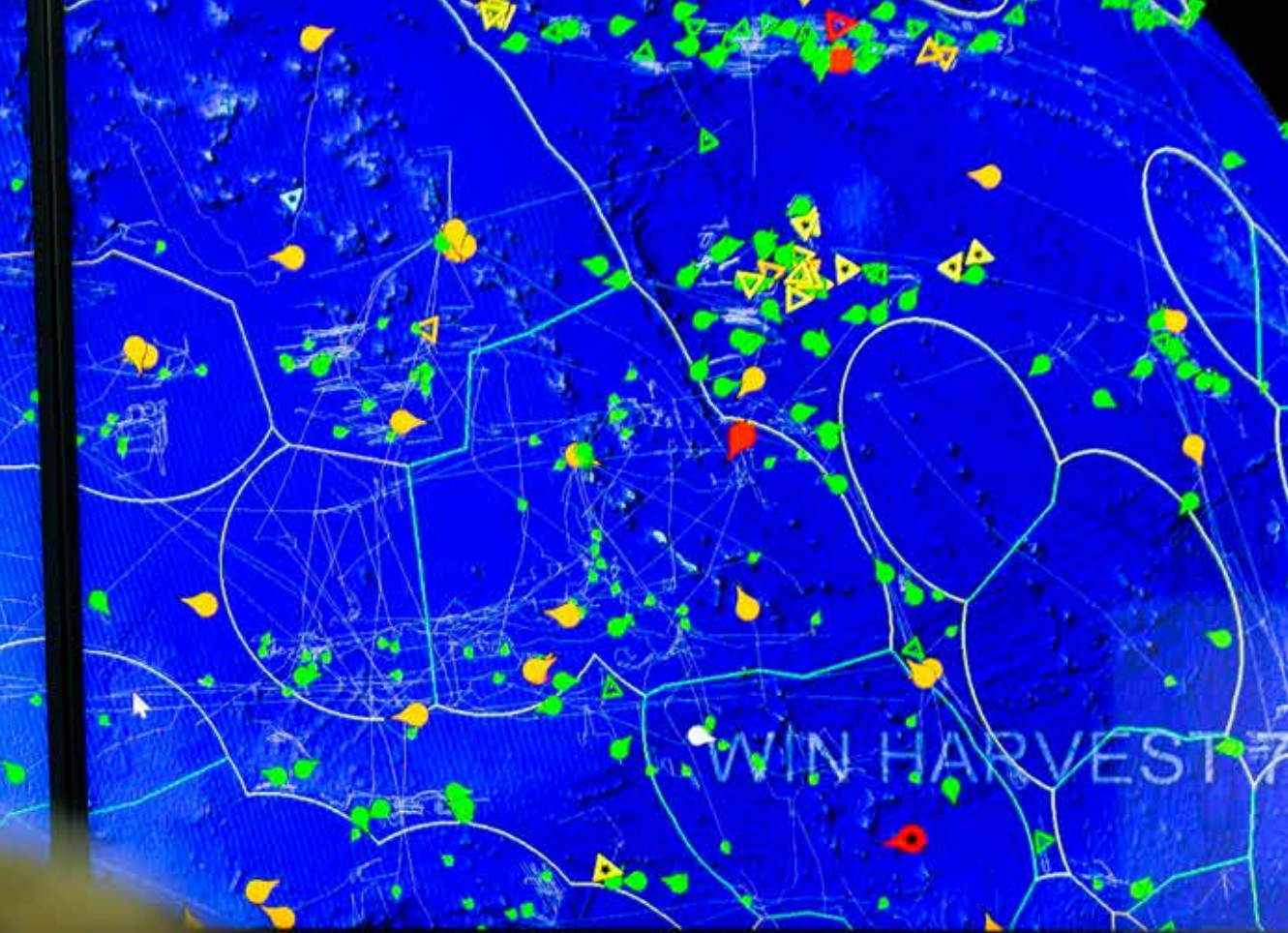
Implementation of the *Defence Transformation Strategy* will occur through an enterprise-wide co-design and collaboration effort.

Note: This is a high level conceptual view of key activities and deliverables. It does not account for the full suite of activities and deliverables that will be achieved during implementation.



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