



# PERFORMANCE EVALUATION ELEMENTS WITHIN DEFENSE RESOURCES MANAGEMENT

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**Abstract:** Defense resource management is a major challenge for the defense system of any state. That is true for developing states like Romania given the transition status of their economies, as well as their sensitive geopolitical environment. The large scale attempt to decrease the financial resources made available to the defense sector despite the latter real needs must be aligned with the necessity to focus on the efficiency and effectiveness of this field. Therefore, one possible solution could be to employ performance management in the process of allocating and managing the defense resources. Consequently, this paper focuses on analyzing the elements incurred by performance evaluation as part of defense resources management. In this respect, it starts from analyzing the factors that influence the performance of defense resources management, continues by identifying the requirements of the performance management system as related to the types of budgets, and concludes by identifying the possibilities to optimize resource allocation by elaborating and applying specific performance indicators.

**Keywords:** performance; optimization; defense resources management.

## Introduction

The mission of an organization drives all its future efforts to achieve underlying goals and objectives. Moreover, the standards derived from the aforementioned objectives generate answers to questions like: how and when an objective is accomplished.

All of the above is a salient feature for defense resources management. Defense resources allocation decisions require the best estimate of future costs and outputs. Practice has proven that even the best estimates are prone to triggering an imbalance between high cost estimates for not so high output estimates. Therefore, annual budgets need adjustments that are to be generated and efficiently controlled by applying performance management principles in the field of resource allocation. Thus, to include performance management into defense resources management is to boost the best results at individual, group, structure level, as well as within the overall establishment. Consequently, performance management needs to be approached in a systemic manner and must be anchored in the interplay of all

its underpinning processes: planning, organizing, coordinating, evaluation and measurement that are to be employed in the management of defense resources and, in particular, in accomplishing the goals of the military establishment. In this respect, the focus is on outputs and on the efficiency and effectiveness of processes.

For such a process to work, it is mandatory to take a number of steps: analyzing the factors that influence defense resources management performance, establishing the requirements that underpin the system of performance management in tight relationship with the categories of budgets, identifying the possibilities to optimize resource allocation by elaborating and applying specific performance indicators.

## Factors that influence defense resources management performance

Generally speaking, the level of performance management is the direct result of its employees' activities. However, upon a careful analysis, both the overall organization and its employees are tightly interrelated, not to mention their unavoidable and mandatory interaction with the macro environment, all of which impacts overall organization performance. As a result, these concerns become one of the responsibilities of all

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management levels. The discussion is valid for the military establishment as well, since its scope is supported by defense resources management.

The plethora of factors that influences defense resource allocation performance can be grouped in two categories: external factors – political, economic, social, technological, environmental, and internal ones.

As far as **external factors** are concerned, these cannot be influenced by the political and military management decision makers. What the latter can do in this respect is to identify them, become familiar with them and quantify them as precisely as possible in order to formulate the right answers and adapt military organization activities to their requirements by creating and maintaining high performance standards in defense resources management. Some of these factors are:

- *The challenges of the regional and international security environment* decisively and unavoidably impact the vision and essence of the armed forces;

- *The allegiance of a state to its allied and member status in international political and military alliances* generates new missions for the armed forces that translate into involvement in military operations outside national borders;

- *Globalization* as a contemporary phenomenon that has shifted the focus from the domestic environment to the international one in many areas, the security one included;

- *Organization changes within contemporary armed forces* is a triggering factor for the implementation of defense resources management with performance standards;

- *Contemporary revolution in military affairs* especially in the field of state of the art information and communications technologies, as well as in the field of new weaponry strongly impacts military doctrine, the content and nature of national armed forces' missions, of multinational coalitions and political and military alliances<sup>1</sup>;

- *The active role played by the international community in controlling and managing challenges, risks, dangers and threats to security* hugely impacts defense resources management and, inherently, its performance;

- *Change of political regime* at national level influences the process of defense resources management in the Romanian armed forces. The provisions in the Romanian Constitution, as well

as those to be found in the legal framework related to national and collective defense and security are evidence in this respect;

- *Democracy* development allows for a rigorous definition of the competences of the military institution as part of society;

- *The political neutrality of the military institution* correlated with *the creation and development of market economy* in our country have represented the critical areas leading to the adoption and operationalization of defense resources management, as well as of the latter's ongoing adaptation to the dynamics of the political and economic requirements;

- *The high complexity of armed forces transformation.* This is to permanently address multiple challenges generated by the need to adapt military and civilian personnel' way of thinking, to change their mentality and to improve their capacity to adapt to changes, as well as by the identification and assurance of the necessary human, financial, information and material resources;

- *The challenges of the domestic security environment* determine the content and nature of missions assumed by the armed forces within national borders. The internal security environment is permanently influenced by social, economic, political, military, information vulnerabilities and, hence, it becomes the target of diverse risks and threats. In this context, one mandatory condition is to optimize and consolidate the management process of defense resources in the Romanian armed forces;

- *The knowledge, skills and attitudes* of the political decision makers in the defense sector and, especially in the defense resources management area, actively involved and committed to national interests and with no political, economic or group affiliations generate clear goals for the defense sector and hence consolidate the defense resource allocation process by making it coherent and consistent. This reality ensures efficiency and effectiveness of defense resources management in its relation with security interests and performance standards;

- *General technology impetus* and information and communications technology swift development have a major impact on armed forces doctrine, skills and knowledge required to operationalize and effectively use it;

- *Resources* that can be made available to the military sector overwhelmingly influence defense resources management as a result of their availability, quality, profitability and costs;

- *The features of defense resources market*

<sup>1</sup> I. Bălăceanu ș.a., *Câmpul de luptă modern sub impactul tehnologiilor moderne*, București, Editura ARS DOCENDI, 2003, pp. 9, 34-35, 68.



influences defense resources management performance since this is mostly a niche one with a relatively decreased number of competitors, and significantly high costs in terms of human and material resources.

The *internal factors* are tightly related to organizational climate and therefore can be influenced by the management of the military organization and its employees.

Some of these are:

- *Human resources management* is the core strategic internal factor that all the others depend on and concerns the strategies and policies on recruitment, professional development and performance management. Its main goals are built around securing a minimum level of the human resource in the defense area, as well as the optimal layered and network structuring of the military organization;

- *The motivation of employees' behaviors* to the end of best using their skills and potential along with the efforts aimed at reaching the performance goals of defense resources management;

- *Financial and logistic resources* influence the performance of defense resources management as a result of their availability, quality, timeliness, etc.;

- *The organization* structure influences employees' behavior and activities as a result of its specific mechanisms: management systems; job descriptions; hierarchy; work plans and procedures; specific regulations. Moreover, human resource strategies and policies depend on this structure;

- *Management philosophy and styles* influence human resource policies and practices and impact employees' manner of achieving goals and their morale;

- *Organization culture* is directly related to management philosophy in a loop manner. Therefore, employees' performance highly depends on the relationship between these two;

- *Organizational climate* regulates employees' behavior and motivation through: responsibilities, rewards/sanctions, risks, camaraderie, standards, support, internal conflicts, identity;

- *Achieved results* are the basis for making the necessary changes and adjustments before the processes of defense resources management are resumed with a view to improving its performance. If results are measured, it is difficult to tell success apart from failure, and if success is not visible, it cannot be rewarded; inherently, if failure cannot be detected it cannot be corrected.<sup>2</sup>

Results provide information on: processes *effectiveness* as a result of comparing them with the objectives/ indicators initially established; *efficiency* in employing resources to obtain these results; *development*, that is the extent to which the number of resources has increased and the extent to which the whole military organization has increased its capacity to timely counter various challenges, most of which are hard to foresee; *employees' satisfaction* for their work and its impact on their overall professional activity and results.

Thus, defense resources management performance and its long term planning mostly depend on the manner in which the political and military decision makers identify, take advantage and use external factors in order to increase it, as well as on their employment of the available internal factors to support performance strategy.

### **Establishing performance management system requirements in tight relationship with the categories of budgets**

The process of performance management in defense resources management is heavily influenced by the external environment of the defense sector given its necessity to continuously adapt to the latter, the internal equilibrium as a result of a balanced allocation of resources, as well as by financial profitability. Therefore, defense resources management focuses on performance by using the overall means it has available in order to meet the political requirements in the national security area. As a result, to analyze resource allocation performance is to have a performance evaluation system for the overall defense resources management process. Consequently, the performance indicators need to be tightly related to the goals established by the political and military decision makers.

All of the above leads to a number of goals driving and ensuring performance in the area of defense resources management:

- Improving the activities that are characteristic for resource allocation in order to obtain good results at all system levels;

- Developing and improving the human resource involved in the process of defense resources management on an ongoing basis;

- Focusing defense resources allocation in order to meet the demands of the political and military decision makers, as well as of the nation;

- Ensuring and maintaining ongoing communication both among political and military

<sup>2</sup> David, Osborne, Ted, Gaebler, *Reinventing Government*, Addison-Wesley Publ. Co., Boston, 1992, p. 147.



decision makers and vertically among all layers involved in the defense resources management in order to establish timely communication and understanding of goals, values, procedures and means to accomplish these.

To apply and operate a performance management process as part of defense resources management is to actually operate performance measurement systems that translate all activities into costs by establishing and employing specific standards, and comparing expenditures with the performance

activities, nor on the costs of specific activities. In this case, performance evaluation is done based on the conformity between budget allocation and already existing standards, that is the outputs and their costs that are tightly controlled;

- Outputs, namely the relationship among resources, processes and outcomes;
- Outcomes, focused on the impact of outputs on beneficiaries.

The last two are based on clearly defined projects and programs, quantifiable goals that

BUDGET CATEGORIES	ELEMENTS/ACTIONS	PERFORMANCE
Traditional	costs	<i>Economy</i>
Output orientation	inputs processes	<i>Efficiency</i>
Outcome orientation	outputs outcomes	<i>Effectiveness</i>

level achieved as measured against the targets initially established. The need to identify, establish and use a unique system of costs in resource allocation that would ensure the correlation and transition among the stages of the programming, budgeting and evaluation system and that would also underpin all cost calculation efforts in the defense area is a challenge in this respect. This need requires the correlation of all performance related data and information with the resource allocation processes and budget execution. In the absence of such a relationship, performance is mere statistics with no direct relation to the daily management of military organization activities.

Nowadays, there is a focus on establishing and developing the relationship between performance and the types of budgets adopted in the defense area. The evaluation of this correlation must be done in terms of budget orientation towards inputs, outputs and outcomes. Consequently, budgeting can be done based on:

- Inputs, that is traditional budgets, are neither based on priorities, plans or medium or long term

set performance as a priority. Hence, the latter is evaluated in terms of the impact of outputs on society, which is the efficiency of the relationship among inputs-processes-outputs and the effectiveness ensured by the output-outcome interrelatedness as determined by the military sector salient features triggered by its mission to ensure national security. The table below presents the relationship between performance and types of budgets:

In an economy in transition, the efforts to ensure defense resources gain momentum and hence require efficient management procedures, improvement in financial systems, as well as in planning, strategic budgeting in order to efficiently and effectively allocate defense resources. It is in this way that defense resources management significantly contributes to the efficient allocation, management and use of available resources in accordance with the requirements set for accomplishing specific performance indicators.



### Resource allocation optimization based on performance indicators elaboration and implementation

To choose and to operate an coherent resource allocation performance measurement system as part of defense resources management is to identify and define those concepts, notions, goals, objectives and outcomes that need to be quantified, as well as performance measurement instruments along with the procedures to use them. Moreover, defense resources management performance is about identifying, modeling, establishing, monitoring, evaluating and measuring employee's work, systems and processes required for resource allocation by using performance indicators. Basically, the performance incurred by budgeting in public institutions is a measure of an establishment's capacity to procure resources in an economic manner and to employ them efficiently in order to obtain the envisaged effective outcomes<sup>3</sup>.

Thus, the performance indicators characteristic for defense resources management must be aligned to the activities they are related to and should facilitate the quantification and control of their inherent results. Therefore, a full agreement among the objectives and the indicators is needed. In this respect, a performance indicator is about the relationship among: objectives derived from political and military goals, clear-cut actions, capabilities, efficient and effective resource allocation. Inherently, its roles are to control conformity and to determine the differences among the final and foreseen results of performance indicators. Thus, for the short term, performance indicators generate automatic tuning, whereas for the medium and long term they act as management tools. Consequently, performance indicators in defense resources management are part of a cyclical process generating information that fuels the process itself, diagnosis performance and contribute to the decision making process.

Therefore, the analysis of defense resources management performance needs a system of relevant indicators to measure the processes, as well as their outcomes. Moreover, such a system allows for a quantitative and qualitative focus in the area since it is derived from goals, objectives and alternatives to be pursued.

<sup>3</sup> Allen, Schick, *Does budgeting have a future?*, Organizația pentru Cooperare și Dezvoltare Economică - OECD Journal of Budgeting, vol. 2/2, 2003, pp. 42-46.

The set of indicators needs to be quantifiable in order to reduce the level of subjectivity and it includes indicators referring to: inputs, outputs, outcomes and impact. In practice, a combination of all the above can be used for the efficiency of the measurement process and thus relevant standards are established. However, the features of these standards are determined by the characteristics of the activities unfolded or by the mission. Thus, a number of combinations can be used to generate standards like: *efficiency*, namely the relationship between input and output related indicators; *effectiveness* resulting from put-put and outcome; *economy* as the result between various output indicators; *productivity* as the result between input and output indicators; *unitary costs* as the relationship between total costs-input indicator-outcomes-output indicators; *costs-effectiveness* expressed as costs-input indicators-outcomes-outcome indicators.

However, when establishing the relevant criteria that define de defense resources management process there is some uncertainty especially in particular cases like the acquisition of specific capabilities. Once the initial decision is grounded in coherent logical and real premises related to the inputs, outputs, processes, outcomes and impact, the level of uncertainty decreases.

In conclusion, the establishment of a system based on performance indicators will become useful instrument for the decisions referring to the defense resources allocation process.

### Conclusions

The premises underlying performance management as part of defense resources management presented in this paper yield a number of benefits for the military organization. As such, it offers a systemic approach that is outcome based and that is not excessively focused on processes. Moreover, it offers a system of accounting for the outputs and their impact on the overall decision making system at political, military and nation level. Therefore, by involving all stakeholders in defense resources allocation performance planning, measurement and evaluation their level of responsibility and accountability will increase.

Additionally, the identification and establishment of the elements required for the defense resources management performance evaluation facilitate the efficient and effective accomplishment



of the goals established, guide the stakeholders and ensure timely and qualitative decisions.

In conclusion, the political and military decision makers must: establish sets of performance indicators for all organization processes based on clear procedures and in order to measure the inputs-outputs-impact; understand the expectations of all stakeholders involved in defense resources management; correlate the output and impact parameters with the inherent processes in order to create and support a coherent and efficient feedback, as well as to facilitate the adjustment of specific, measurable, achievable, realistic, and relevant objectives; track results in order to identify the trends in the core processes and their related parameters.

#### ACKNOWLEDGEMENTS

This work was possible with the financial support of the Sectoral Operational Programme for Human Resources Development 2007-2013, co-financed by the European Social Fund, under the project number **POSDRU/159/1.5/S/138822** with the title ***"Transnational network of integrated management of intelligent doctoral and postdoctoral research in the fields of Military Science, Security and Intelligence, Public order and National Security – Continuous formation programme for elite researchers – "SmartSPODAS".***"

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