Introduction

Strategic Management of Defense Capabilities

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Strategic management of military organizations can be defined as an initiative to perceive changes in international security environments that are difficult to predict, to adapt to the changes, and to reform one's assignment and role, capabilities and institution in a dynamic way. There is a wide range of preceding studies in business management about such institutional reform through recognition, adaptation and innovation. Here I would like to review strategic management from the defense studies point of view while consulting the results from the business management research.

1. Strategic Management from the Defense Studies Context

In defense studies the phrase strategic management is used in a context very different from that of business management. First of all, the word strategy in the defense studies context has a very specific meaning. Generally speaking, "strategy" means determining the order of priority in view of political objectives, and using whatever means are available to achieve them. But in defense studies, the word is defined in the military context. So, strategic management means aiming to carry out a military operation while realizing self-reform based on operational performances. Put in a more concrete way, reform means reorganization of military institutions, review of educational training, and improvement in technical development. The main elements are as follows:

–judging the situation (changes in international relationships, evaluating threats and risks, technology trends, etc.)

–military operations (deterrence and response, international peace operations, humanitarian assistance and disaster relief, piracy

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      countermeasures, etc.)

   –institutional reforms (reestablishment of priorities in view of lessons learned and political objectives)

The term "alliance management" may be used in case of management beyond the national level.

2. Strategic Management from the Business Management Context

Strategic management in business management studies or institutional theory is often translated as "*senryakutekikeiei*" in Japanese. Here "strategic" means "clearly defining the desirable environment for a corporation and the ideal organization it tries to become."[2] The subject of management is mainly in the context of corporations in general, and they include organizations far beyond military organizations in the narrow interpretation.[3] In this context, the general definition of management is to define the long-term objectives of the organization, choose the appropriate action plan, and allocate assets that are necessary to achieve the objectives. "Strategic" in this context is an adjective that means the subject is at a top level, and any military implication is eliminated from the word. What is important here is not only to deal with the fluid environments surrounding corporations but also to actively shape the environment. Here "strategic management"[4] means to carry out the three steps of 1) sensing change, 2) seizing it, and 3) managing threats/transformation. The objective is to generate new values for the corporation and to reform the institution through such strategic management.

"The ability to integrate capabilities in and outside of an organization, nurture and innovate corporate capabilities to cope with the changes in the environment" is called "dynamic capabilities" in business management. The importance here is to 1) recognize opportunities and threats, and to 2) seize the

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[2]   David Besanko, Mark Shanley, David Dranove, translation supervised by Akihiro Okumura and Atsuomi Oobayashi, *Senryakuno Keieigaku, (Economics of Strategy)*, Diamond, 2002, Introduction.

[3]   When looking at the number of actors for example, there are about 200 governments and about the same number of official military organizations but the number of multilateral corporations is about 82,100 John Baylis, et al., eds., *The Globalization of World Politics* (Oxford: Oxford University Press, 2011), p. 328.

[4]   David Teece, *Dynamic Capabilities and Strategic Management* (Oxford: Oxford University Press, 2009).

opportunity. In order to do so, the organization must maintain its competitiveness by nurturing tangible and intangible assets, combining them, protecting them, and regenerating them. Generally speaking, it means strengthening core competences and achieving co-specialization.

Placing value on dynamic capabilities is in line with the "dynamic defense capabilities" concept of the National Defense Program Guidelines of Japan adopted in December 2012, and is espoused extensively by military organizations of developed and democratic countries. For example, the Strategic Concept adopted by the North Atlantic Treaty Organization (NATO) in Lisbon in 2010 uses "Active Engagement, Dynamic Defence" as its slogan and states the way to transform the alliance through NATO's current military operations of about 150,000 troop capacity.[5] In recent years, South Korea is also undergoing defense reform in line with the concept of active deterrence. There is a clear trend towards placing active and dynamic troop management as the core concept.

Based on the above observation, strategic management in military organizations can be defined as "perceiving change in international situations that are difficult to predict, adapting to the change, and reforming one's assignments and roles, capabilities and institutions in a dynamic way". Since there is a rich source of materials in business management studies on such organizational reform through recognition, adaptation and innovation, this collection of papers will use the knowledge on strategic management in the business management field to probe the shared areas between business management and defense studies, and to examine strategic management from a range of analytical angles.

3. Areas of Study on Strategic Management

(1) Capabilities targeting innovation — dynamic organizational capabilities

How should dynamic organizational capabilities that respond rapidly in the face of a wide range of challenges be developed? From the organizational theory viewpoint, a fractal organization like the US Marines is highly interesting.[6] As the Marine Air-Ground Task Force (MAGTF) carries out operations on its own,

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5   *NATO, Active Engagement, Dynamic Defence.*

6   For details, consult Yujiro Nonaka, *Amerika Kaiheitai – Hi Eirigata Soshiki no Jikokaikaku (The US Marine Corps: Self Innovation of a Non-Profit Type of Organization),* (Chuo Shinsho, 1995).

it consists of the various elements of land, sea and air forces. It is interesting to note that each unit is a fractal of the whole Marine Corps. This means that even when the troops are separated into units in view of operational requirements, they are designed so that they can operate in a dynamic fashion towards the objective of the whole.

However, it is necessary to examine where such dynamic organizational capabilities can be adapted into military institutions, including examination of some concrete examples provided in various studies. Fractal organizations are suitable for an institution like the US Marines, of which is required highly rapid response and flexibility. But is this a suitable model in an area where continuity such as maintenance and management of the whole troop is required? A further study must be conducted on this point.

(2) Organizations that promote innovation — middle-up method
In order to promote innovation in an organization, there should be an environment where various levels of the organization—the front line, middle level, and top management – are all organically connected. In traditional organizational theories, two methods, which are the bottom-up style and top down style, have been compared. But now that institutions are bloated in size and their activities are global, neither style is appropriate. The "middle-up style," where the middle level operators actively approach the top management, is more suitable.

In order to adopt the middle-up style, it is critical to educate project managers at the middle level. The key to this is educational training with an intense awareness of innovation. The PDCA (plan-do-check-act) approach is suitable for management and the improvement of routine work, but is not conducive to organizational innovation. Educational training with an aim for innovation demands such wisdom that can assume risks such as unpredicted failures, mistaken forecasts of the future and wrong allocations of resources, and which is capable of transforming the risks into opportunities through the actions on the ground.

(3) Comparison of innovation in military institutions and private institutions
"Competition" is the catalyst of innovation, whether in a military or private organization. The difference is that in private organizations, competition comes in the form of price and quality of merchandise, and market share, whereas for

a military institution, it comes in the dramatic form of battles. A good example is the competition in arms build-up during World War II and the Cold War. However, battles are now more of an exception for ordinary military institutions, and they have to maintain competitiveness in the "peacetime" that is continuing for a long time. This is the challenge for the innovation of military institutions.

On the other hand, the form of competition is changing for businesses, and this may give a clue to innovation in military institutions. Traditionally competition was over "goods" with products and technology as the medium, but now competition is over "deeds" such as providing values and services. It is now more important to improve the satisfaction of customers through concrete action rather than just producing more goods. Such competition over "deeds" requires dynamic capabilities in line with the goal. Such a new business model relates to the dynamic defense capabilities of Japan.

(4) Military innovation in the grey zone

Innovating military institutions in the so-called grey zone, between peacetime and a time of emergency, is said to be difficult. For example, during a war, the distance between the operators, who carry out operations, and the designers, who plan operations and design the equipment, shortens and military innovation speeds up in the entirety of the organization. This is a natural outcome of pursuing military efficiency. However, once the crisis subsides and peace returns, cooperative relationships between the operators and designers are lost and a disassociation between strategic planning and equipment development tends to emerge.[7]

In order to generate innovation in the grey zone, it is necessary to maintain continuous conversation between operators and designers, and to adopt educational training focusing on innovation. It is also necessary to search for ways to apply existing capabilities when finances are strained.

(5) Strategic management in the Asia-Pacific region

In order for a military institution to compensate for the lack of capabilities and to improve transparency and stability for the whole region, it should search for areas where it can act with allies and friends. As the European examples show,

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[7] Refer to the following for the history of innovation during wars. Williamson Murray, *Military Adaptation in War: With Fear of Change,* (Cambridge: Cambridge University Press, 2011).

sharing the "best practices" in UN Peace Keeping Operations and Humanitarian Assistance and Disaster Relief (HA/DR) operations and building up concrete cooperation in such areas as transport, communication and medical support should increase the capabilities of the participating countries, and contribute to regional stability.

There is now more enthusiasm for sharing military capabilities and assets in the Asia-Pacific area as seen in the ASEAN-DiREx and the Pacific Partnership led by the United States Pacific Command (PACOM). Positive responses to such an approach have been expressed by the participants of this symposium from the United States, Australia and South Korea. But we must be aware that there are limits to sharing lessons learned among a diverse range of actors. This is, first of all, because perception of situations varies from country to country. Secondly, it is relatively easy to share military capabilities and assets in a PKO operation, but it becomes more difficult to do so as the situation approaches closer to defense duties. Third, as the South Korean example shows, organizational culture is different between a military organization and a private organization, and it takes time to fill the organizational cultural gap.

"Strategic management" which aims to reform the decision-making process, systems operations and educational training with the above-mentioned issues in mind should provide an invaluable viewpoint in realizing a dynamic organization.

4. The Outline of Each Chapter

Ikujiro Nonaka's opening chapter presents the concept of *Dynamic Organizational Capabilities*. "Dynamic capability" in business management is "the ability to integrate capabilities in and outside an organization, nurture and innovate corporate capabilities to cope with the changes in environment." It states that it is important to 1) recognize opportunities and threats, and to be prepared for both, to 2) seize the opportunity for the organization and to 3) maintain its competitiveness by nurturing tangible and intangible assets, combining them, protecting them, and regenerating them. All things considered, strategic management that takes "dynamic defense capabilities" into account means creating new "values" in the course of sensing, seizing and managing threats/ transformation at the same time as undergoing "organizational reform." It also points to the importance of improving core competence as an organization and

to increasing co-specialization.

Based on this concept, authors have indicated the issues concerning future security environments, military innovation, and military policies.

In part one, *Preparing for Future Environments*, innovation in military institutions is dealt with in most cases as modernization and in parallel to scientific and technical development. Michael Clarke points out that although it is difficult to determine what the essence of innovation is, once it is found, it would be easy to apply it. At the core are educational training, the strategic capabilities of policy makers, the relationship between the government, military and industries, sharing and application of lessons learned, integration of cyber platforms, "concentration, strengthening, mobilization" of military capabilities, and human processes such as explaining policy to the public.

William Murray points out that it is extremely difficult to forecast what wars will be like in the future and thoroughly criticizes the "net assessment regarding future operational environment" and the "concept" that is drawn out of the assessment. He emphasizes the necessity of understanding the "essence" of war, and of studies that humbly listen to history. He warns that because the war to stabilize the situations in Afghanistan and Iraq had continued for a long time, "action" on the ground is taken more seriously in the American military and "thinking" less so, leading to the shortening of the educational process for preparing specialists in the military.

In "Innovation in defense capabilities and organizational knowledge creation," Yasuhide Yamauchi studies what effects the IT innovation currently underway will have on military institutions. He points out that the studies on the "reform in military affairs (RMA)" in the 1990s tended to make linear prediction of the future with dependence on technology. But such a simple method, he argues, could not lead to victory in future wars and the country that analyzed the reality and lessons of war, and learned organizational behavior principles, will be able to win. He states that innovation is generated from the social and economic environment surrounding military institutions, and the important thing is how to redefine organizations, and to change the doctrine, leadership and troop operations.

In part two, *Creation of Military Innovation*, Paul Cornish points out that the characteristics of the strategic environment in the 21st century are 1) instability and the unpredictable nature of the environment in the future, 2) how

the hierarchy of strategic risks will become destabilized, and 3) limitations of national assets that can be used. By limiting the future vision to one version and pushing military innovation to suit that vision, there is a danger that the organization will lose other capabilities. In order to solve this dilemma, it is necessary to consider strategic decision making and a more dynamic relationship between policies and military capabilities. It is also necessary to prepare a wide range of options for coping with the changing environment surrounding the military.

Edward Luttwak states that the current innovation system in the military area is nearing its limit. There is a debate as to whether military innovation occurs during "peacetime" or "in times of emergency", but he is of the opinion that in the military arena where there is no "competition" like those in the private sector; real innovation is brought about by harsh battles. Even when innovative tools are developed, it takes time for the military to adopt that technology and to reform the organization. For example, he points out that an organizational reform appropriate for the unmanned aerial vehicle (UAV) took 30 years since its introduction. On the other hand, he criticizes how the costs of modern equipment shoot up even though they do not improve in capabilities due to progressive technological reform, and how projects become "too big to cancel" even when the size of procurement diminishes.

Admiral (retired) Takashi Saito changes focus and looks at "organizational innovation". He divides the issues that self-defense personnel will face in the future into four areas: 1) How to pool a diverse range of people in the organization when the environment changes drastically such as with the appearance of a new domain such as. cyber, 2) the difficulty of carrying out "selection and concentration" when tasks become so diverse, 3) the over-pursuit and limitation of self containment, which is a unique organizational culture of the Self Defense Forces, and 4) the lack of a sense of managerial sense among its top commanders.

Part three, *Various Measures of the Countries*, will introduce the efforts by the countries to realize their strategic management. Sangjin Lee introduces the case of the South Korean military, which successfully adopted human assets, capital, technologies and procedures from the private sector to innovate military capabilities. He points out that in view of budget cuts, it is critical to 1) utilize private sector capabilities, optimize the assets of the military, and realize efficient management while at the same time trying to strengthen the rapid response

capabilities in battle, and 2) cut non-uniformed personnel and achieve structural reform of the military.

Andrew Davies describes the "national defense policy of Australia." He introduces the current situation where Australia is losing superiority in three areas because of 1) the growth of other countries in the Asia-Pacific region, 2) increases in the cost of acquiring equipment and labor and 3) power shifts (the rise of China and doubts about American superiority in the West Pacific). He illustrates two developments for the future: 1) doubts about the Western power structure and model and 2) US expectations that allies will take up more of the burden. He then outlines the choices in view of this environment, which is a downward adjustment of procurement (100 or less F35s and 12 or less new generation of submarines), decrease in the size of troops, and decreasing rates of operations (mothballing) due to budget restrictions, and emphasizes the importance of defense cooperation with other countries in the region to compensate for the downsizing.

Robert Dalsjö introduces the major change in Swedish defense policy after the end of the Cold War. The policy of neutrality taken during the Cold War changed to a policy of focusing on international cooperation and regional coordination. The military has modernized itself by abolished conscription in favor of building all services with only volunteer personnel, while shifting its focus from national defense to flexible, expeditionary projection capabilities. This reflects the growing mutual dependency in international society and regional institutions.

Arun Kumar Singh gives a detailed account of India's defense policy. He shows an understanding of India's situation where it has to deal with diverse security threats but points out the lack of strategic standardization. For example, there is no conventional weapons capability to support the policy of non-first use of nuclear weapons, and he highlights the harsh reality of needing to invest more assets in the confrontations against China and Pakistan. As for the issues of the future, he named RMA, joint exercises with foreign militaries, defense of maritime traffic, halting maritime crime, creation of anti-China mountain divisions, upgrading the air force to 4th and 5th generation, and introducing stealth and space/cyber capabilities.

Concerning Japan's "dynamic defense capabilities", Sugio Takahashi illustrates that its basic concept is based on the recognition that there are increasing

opportunities for military power to be used to improve the international security and defense environment such as in anti-terrorist operations, peace-making operations, and anti-piracy patrol. He points out that rapid response and continuity are key to dynamic defense capabilities in order to deal with the defense issues in the grey zone between peacetime and times of emergency. The subject of dynamic deterrence is a conduct that is difficult to capture in the polar concept of peacetime and times of emergency, and from that perspective, dynamic deterrence is different from traditional deterrence. He explains that the emphasis is on showing that there is no gap in time or space in defense through warning and observation, information gathering operations, operations that include training and exercises and international peace keeping operations, and deterrence of the other country from taking certain actions.