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Strategic Planning for National Security: Lessons from Business Experience

Paul Bracken

February 1990

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Prepared for the
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PREFACE

This report was developed as part of a larger project on global military challenges and opportunities, sponsored by the Under Secretary of Defense for Policy and the Defense Advisory Group. The project is concerned with alternative military strategies for the years ahead, strategies that would fit into a larger national security framework. The work was conducted in the RAND Strategy Assessment Center (RSAC), which is part of RAND's National Defense Research Institute, a federally funded research and development center sponsored by the Office of the Secretary of Defense. Comments are welcome and should be addressed to the author[1] or to Paul Davis, director of the RSAC and the larger project to which this Note contributes.

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[1]Paul Bracken, a RAND consultant, began this work while on sabbatical at RAND from Yale University.

SUMMARY

United States defense planning is at a crossroads and it is therefore useful to review not only discrete issues, but even basic concepts of strategic planning. This study reviews concepts used in the business world to build insights about how to view current and prospective problems, opportunities, and choices. This Note draws upon the business literature for both ideas and metaphors. It observes that U.S. national security planning could profit greatly from an approach that distinguishes among "core, environmental, and hedging strategies," and that considers security analogs to such business concepts as defining the business, dealing with new competitors, controlling the intensity of competition, entry and exit barriers, and the need to redeploy assets and restructure the organization. These concepts are then related to specific problems of national security interest.

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I. INTRODUCTION

BACKGROUND

Strategic planning has blossomed in American business circles in the 1970s and 1980s. Just as the corporate hiring of economists grew in earlier decades, today it is rare for a large company not to have a strategic planning group by one name or another. Virtually all large banks, insurance companies, oil companies, manufacturers, and mining companies face the problem of deciding where they are going in the long term. All of them confront a changing business environment relative to earlier times as they face foreign competition, government regulation, and a turbulent financial environment. Strategic planning is designed to chart a course through these problem areas by identifying new opportunities and directions for growth. Although the use of strategic planning in American business has come about with some hesitation and questioning, it *has* come about because it offers at least one imperfect way to cope with a business environment of change and uncertainty.

Here, the difference between short- and long-term changes and uncertainties in planning is fundamental, and has itself profoundly shaped the organization of the modern corporation. Over the past 30 years there has been a basic remodeling of the large corporation to make it better able to cope with volatile environmental conditions by distinguishing between two different sources of uncertainty: those that arise from short-term operations and those that come from long-term changes. U.S. corporations have typically restructured their organizations so that different levels specialize in these two kinds of uncertainty. Corporations now have an office of the president responsible for the management of day-to-day uncertainties and short-range planning and a chief executive officer (CEO) responsible for longer-term changes and uncertainties. Sometimes the same individual is president and CEO, but the functions are clearly delineated.

This form of organization allows a separation of responsibilities and authority. It discourages the CEO from involving himself and top management in daily operations, and focuses line managers on what they do best: problem solving related to their particular business niche. The corporate president reports to the CEO, and the CEO reports to the board of directors. This reporting hierarchy defines the CEO role as integrating the conduct of day-to-day operations with long-term corporate needs.

Seen in these terms the rise of strategic planning in American business cannot be dismissed as a transient fad, because the basic structure of corporate America has

reflected the essence of strategic planning: relating a company to its two changing environments, day-to-day and longer-term changes. The reason strategic planning has grown in use is because the skills associated with getting a product or service out the door have proven inadequate for managing in a complex environment. In the early part of this century knowledge and skill in manufacturing methods were enough to make General Motors successful.[1] But in an environment where there was a need for a knowledge of finance, government regulation, and the actions of global competitors, an entirely new demand on the skills and knowledge needed to run a corporation emerged. An organizational consequence was that the corporation divisionalized its management talent into the two specialties described. Operations and strategy were separated.

None of this is to argue that *all* American corporations achieve a good balance in separating the long term from the short term. Some companies, obviously, have CEOs who intrude into daily operations and micromanage projects. However, the distinction is worth making precisely because of this. Companies that have been identified as being particularly successful in terms of productivity or market share, in short, industry leaders, emphasize achieving a balance on this issue. Recent research on differences between Japanese and American automobile producers, for example, shows that in the Japanese case upper management provides only broad guidelines for operations on the shop floor, and basically lets floor supervisors do their own planning on things like inventory problems (the so-called *Kanban* system), response to small crises, and job assignment. Relative to the United States, decisions on such matters are far more decentralized.[2]

In the U.S. Defense Department a form of this transition occurred in 1961 under a Secretary hired from the automotive sector. The Secretary of Defense became the CEO, and assistant secretaries of defense and service heads became line managers who reported to a "president" in the form of the Deputy Secretary of Defense. The CEO, Robert S. McNamara, reported to his "board of directors" in the White House, State, and NSC.

One defect of the remodeling in the McNamara era is generally considered to be top management's excessive intrusion into day-to-day operations. Whether this was a defect of the structure or of the personality of the individual who happened to be Defense Secretary, or whether it represented the resistance of line managers to strong central

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[1]In fact, the General Motors' reorganization under Alfred Sloan along the lines described here in the 1920s is thought by business historians to mark a pioneering change later copied by most large companies.

[2]Aoki, Masahiko, *Information, Incentives, and Bargaining in the Japanese Economy*, Cambridge University Press, New York, 1988, pp. 7—48.

management remains a controversial question. However, top management did assess a changing international security environment and worked to push the Defense Department in ways better able to achieve perceived U.S. interests. For example, it changed the basic business portfolio from defense with nuclear forces to conventional warfare, and changed capabilities from a large slow-reacting military reserve to a force that included considerable quick-reaction capability and an associated command for limited contingencies (STRIKECOM, which no longer exists, although we have CENTCOM, the Delta Force, and other quick-reaction forces).

U.S. PLANNING AT A CROSSROADS

As the United States enters the 1990s four basic points can be made concerning the environment for defense planning. First, for most of the period after the founding of NATO the United States has been in a well defined "business environment." Our interests and strategy were dictated by Soviet strategy, because the United States was a status quo power that could "win" by denying Moscow victory. The United States had no real alternative to intervention in Korea, building and maintaining NATO, forming an alliance with Japan, and channeling aid first to Europe through the Marshall Plan and later to LDCs. Had Washington not done these things Moscow might have scored major gains in Western Europe, Japan, or the developing world.

As Deputy Secretary of State Lawrence S. Eagleburger recently said, "For all its risks and uncertainties, the cold war was characterized by a remarkably stable and predictable set of relations among the great powers." It is sometimes difficult to comprehend how stable this international arrangement has been because we tend to forget what things were like in previous eras. As just one example, Germany up to 1941 could switch allegiance and military alliances back and forth among Britain, France, and Russia. This Rapallo tradition did not reappear in any serious form in the four decades after World War II. Had it done so, or had Japan allied with the Soviet Union, few would argue that the international system would be far less stable than it has actually been.

The amount of ambiguity in what we want, our national interest, is increasing, creating a more uncertain, and probably a more cautious planning environment. Caution arises because of the uncertain effects our strategy may have on other major actors in the international system. Formerly Washington only had to consider policy changes for their effect on the Soviet Union. But now and in the future the impact on China, Japan, and Western Europe will also be important.

Second, our allies have more than fully recovered from World War II in both an economic and psychological sense, and the question of who should carry what level of the defense burden in the new environment will be increasingly important.

Third, the changes in the Soviet Union will be profound. Hedging strategies of various kinds take on new importance. The changes under Gorbachev open an entirely new agenda of security issues. There may be a long-term contraction of Soviet power corresponding to its economic decline. Or there may be instabilities arising from the changes in Moscow (in Eastern Europe, particularly). Disintegration of the Stalinist empire has already gone a long way and may continue in especially sensitive areas. At the same time, the requirement for Moscow to develop more friendly relationships (with technology transfer and capital investment) has increased, and with a foreign policy perceived to be much more benign than previously, associated initiatives may prove successful. This could greatly affect Soviet prospects.

Fourth, there will be increased questioning by the American body politic about an indefinite global defense burden when the threat appears to be contracting and our allies are serious economic challengers to the United States.

To be sure one can rebut the theory[3] that the United States is strategically overextended and facing economic ruin at home because of its defense spending. Many analysts have taken on this responsibility over the past year[4], correctly pointing out that proportionate to GNP the United States spends less on defense than it did in earlier times. However, those who advance the strategic overstretch hypothesis approach a question that cannot comfortably or responsibly be ignored: Why *should* the United States continue to keep one-third of its divisions, aircraft carriers, and air wings deployed forward in Europe and Asia to contain a threat of breakout of Soviet and Chinese military power when this danger is receding, and when our allies therefore seem especially better able to deal with it?

As a result of the changing environment for U.S. national security planning, methods need to be developed that take account of these new conditions. Unfortunately, standard methods employed for defense planning do not adapt easily for the solution and elucidation of long-term issues. Furthermore, their relevance to a changing security

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[3]See Paul Kennedy, *The Rise and Decline of the Great Powers: Economic Change and Military Conflict from 1500 to 2000,* Random, New York, 1987.

[4]See, for example, Samuel Huntington, "Coping with the Lippman Gap," *Foreign Affairs*, Vol. 66, No. 3, pp. 453—477, 1988. Also, Walt W. Rostow, review of "The Rise and Fall of the Great Powers—Economic Change and Military Conflict from 1500 to 2000," by P. Kennedy, *Foreign Affairs*, Vol. 66, No. 4, pp. 863—868, 1988.

environment is questionable. Often these methods are little more than tools for selling and lobbying than for sound analysis in a changing environment. They tend to ignore or at least de-emphasize what American corporations have long emphasized, hedging. And they focus disproportionately on strategic planning as resource allocation, rather than as a way to shape a new emerging environment.

Corporate strategic planning focuses on long-term rather than short-term planning, hedging possibilities, and ways to shape the broader environment. Therefore it holds out promise as a means for coming to grips with these newly important features of the planning environment. Specifically, given the changing security environment, defense planning should come to grips with the following critical areas:

- *Uncertainty* — Coping with the uncertainty resulting from inadequate knowledge and the volatility of the international environment. In particular, a recognition that uncertainty is an accepted part of the environment that cannot be removed by planning methods.

- *Hedging* — Hedging strategies increase in importance as ambiguity about the national interest increases and the potential impact of surprises also increases. Also, as the complexity of the international environment is surely greater than our ability to conceptualize it in a fluid era of change, hedging strategies become important mechanisms for covering unforeseen threats to the national interest.

- *Fragmentation* — Coping with the fragmentation of the strategic planning process in an organization as vast as the U.S. security establishment is difficult even in stable times. It becomes potentially unmanageable in a time of change, especially when governed by processes fragmented by overlapping regional and functional groups. The increased importance of economic considerations characterizing the 1990s greatly increases the likely degree of internal fragmentation in the U.S. government.

The next section draws on business experience to suggest an approach.

II. TYPES OF PLANNING

A SIMPLE FORM OF STRATEGIC PLANNING

Strategic planning relates an organization to its changing environment. There is a connection between strategic planning and organizational structure: in relating a changing environment to the organization, top management has to get those lower in the corporate hierarchy to alter what they are doing. At a minimum, any strategic planning effort has to consider two layers of hierarchy, top management (the CEO) and the line managers. In more complex organizations, even more hierarchical layers may have to be formally considered, and explicit "organizational strategies" for implementation may have to be separately devised to change what the organization does.

Whatever form of implementation strategy is selected, the simple form of planning takes a set of fixed *interests* (goals, objectives) and juxtaposes these against a *fixed environment* (or world, or set of external conditions), and then develops a *strategy* for attaining the interests subject to the constraints of the fixed environment. Actually, several strategies are developed, and the machinery of operations research, systems analysis, or decision analysis is employed to screen strategies to obtain a "best" one. Figure 1 shows this simple strategic planning model after a best alternative has been selected.[1]

For short-range planning, or in situations where the short- and long-term situations are the same because interests and the environment are unchanging, such a model can be useful. In the short term, neither national interests or the environment are likely to change all that much. Similarly, in a fixed competitive relationship, say that of the automotive sector in the 1950s and 1960s (before the import boom), neither the

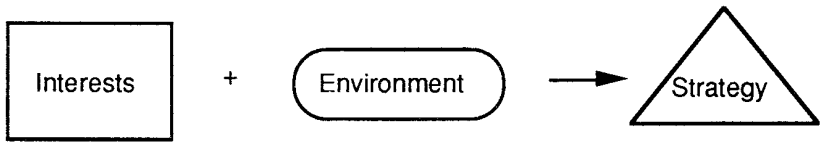

Fig. 1—Simple strategic planning

[1]This discussion draws on William Ascher and William H. Overhold, *Strategic Planning and Forecasting*, John Wiley & Sons, New York, 1983. In particular, the types of planning described here are drawn from their work.

environment or interests such as market share and return on assets changed all that much. Here, then, the short and long term merge one into the other.

It is worth observing that in the simple planning model of Fig. 1 the difference between middle line and top management perspectives also disappears. Here interests are fixed, and there is little reason to reshape the environment into a more benign form. Moreover, objectives are so clear that there is little danger that resources will be squandered on the wrong business. In the 1950s, General Motors and Ford were focused on automobiles and were not tempted to enter the financial services industry as they have more recently.

Similarly, the United States to some extent could use its forces in Europe as a "cash cow" to fight in Southeast Asia during the Vietnam war. But this could never go all that far because it was clear how vital NATO was to our overall global security, and it was clear that there was then no substitute for U.S. power in a world of constant or increasing Soviet threats. In the environment now confronting the United States it is less clear what the future environment will be like, and what our interests are with respect to each of these. For example, is an independent European defense community good or bad? Are improved Japanese-Chinese economic and strategic ties good or bad? Although at first these questions seem impossible to answer, short of relying on visionary crystal-ball forecasting, we will see that they are not altogether different in kind from questions facing Aetna or Xerox.[2]

The simple model in Fig. 1 will not be adequate in situations where fundamental change can occur, because in these cases interests and environments may be uncertain or transformed. Strategic planning must account for major variations.

This variation *cannot* be managed away by more precise detailed planning within the framework of the simple model. For example, demanding greater precision and specificity from the President of the United States, the State Department, or the NSC concerning the security environment facing the United States, and of U.S. interests in such a world, would clarify the planning problem, if this specificity reflected something real and concrete. But there is no reason to think that such a specification could be produced by these leaders, or even if it were, that it could inspire much confidence. The fallacy that it could is a weakness of many defense planning frameworks.[3]

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[2]A short paper cannot develop the rich detail of how corporations face these broad problems. Not treating this detail removes much of the color and feel of the problem. For the particulars on these firms see Robert H. Miles, *Managing the Corporate Social Environment*, Prentice-Hall, Englewood Cliffs, New Jersey, 1987; Gary Jacobson and John Hillkirk, *Xerox: American Samurai*, Macmillan, New York, 1986.

[3]For example, see the model advanced by John M. Collins in *U.S. Defense Planning: A Critique*, Westview Press, Boulder, Colorado, 1982, for an almost caricatured representation of

Strategic planning should have something to say about each of the elements in Fig. 1: interests, environments, and strategies. Our discussion in what follows, then, is divided along these three lines.

TOWARD A MORE COMPLEX APPROACH: DEFINING INTERESTS AND ENVIRONMENTS

There is a similarity between the act of defining the national interest and what in corporate strategic planning is called "defining the business."

Some of the heuristic devices invented to help define the business include lists, various weighting schemes for comparing different interests, and matrices that juxtapose objectives against different classes of influencing factors. For example, alternative U.S. interests could be described according to the following list.

Hypothetical U.S. Interests (not all consistent)

- Prevent domination of East Asia by a single power
- Prevent a pan-Asian axis between China and Japan
- Ensure confidence in East Asia and avoid regional arms races
- Prevent any one power from controlling Middle East oil
- Deter a large conventional attack on West Europe
- Manage the contraction of Soviet power in Europe
- Remove the Soviet Army from East Europe
- Maintain Soviet military presence in East Europe for stability
- Respond to uncertain small contingencies

Of course, many of these objectives conflict with one another, either directly or through their coupling in resource constraints. One could rank order these objectives. Yet this seems artificial and ad hoc. Is the loss of Asia really any less (or more) important than the loss of Europe?

What corporations do in this situation is to relate potentially competing objectives through a *hierarchical ordering*. For example, a multinational firm will develop a set of country objectives, regional objectives, and finally, global objectives. For Latin America, as one example, it creates computer files containing assets, operating levels, number of employees, etc., for each country. It then aggregates these data into a Latin American

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how top leaders are obliged to set down fixed interests, and even a fixed environment, for defense planners to optimize against.

file. Although there are boundless economic and political trends, many of these are common to all of Latin America (for example, hyperinflation, overreliance on commodities for export earnings, absence of capital markets, and high interest rates). Finally, a global survey is constructed from the set of regional surveys. A global survey might examine how a prolonged slowdown in OECD macroeconomic growth would affect different regions.

Another device used to define interests is to relate functional objectives to the set of variables affecting them. This gets at the chicken-and-egg problem in defining interests. As an example of this approach, if the United States sought to dampen Chinese-Japanese strategic competition, then alliances, forward U.S. basing, economic strategies, and arms control actions would be explored in different combinations to best meet this objective.

Broadly speaking, firms have found it most useful to relate functional objectives to two different classes of things: the clients being acted on and mechanisms for carrying out the actions. China and Japan would be "clients," in the above example. As discussed below, mechanisms would include a mixture of forward basing, deployments, economic strategies, etc.

Defining interests may appear to jump ahead to consideration of alternative strategies. In a sense this is true, but a distinctive feature of corporate planning is its *iterative* nature. It is difficult to consider interests in isolation from ways to attain them, or at least it seems excessively sterile and general if this coupling is neglected. This is one way to get around the problem of having interests appear to be so broad as to not be informative. An analogy exists with mathematical programming. A linear program is solved through a series of iterations. However, if a changing environment forces changes in the objective function or the constraints, then the updated iterations will be more of an ongoing process for the system to adjust itself to changes. In the same way, a firm is continually monitoring its environment to change trajectory, and to incorporate long-term issues into short-term decisions.

One way to assess the future security environment is to extrapolate in some fashion from existing trends. This can be done with different "theories" using models of change in technology, politics, or economics. One difficulty with this is that most problems of strategic choice are not of a simple kind that can be clarified by projections of any one variable, no matter how important it is. For example, a new generation of high technology weapons may make it easier to kill tanks. But if the United States hopes to restrain excessively independent European policies arising from a perception of an eroding Soviet threat, then it is hard to see how high-technology investments address this more fundamental problem.

To get around this difficulty different variables and trends can be packaged together in some fashion, and integrated with a broader set of relevant phenomena. One way to do this is to construct scenarios and alternative world futures to distinguish the alternative environments that could occur. Figure 2 illustrates this approach.[4]

Constructing alternative environments[5] is a useful intellectual exercise and gets at two of the most common defects of strategic planning. First, many analysts simply forget to integrate alternative environments into their analyses even if they have taken the trouble to develop some alternatives. For example, many attempts to do long-range security planning develop alternative projections of Soviet economic growth arising from expectations concerning the current economic reform. Projections are also made of developments in high-technology weapons, and in the economies of the advanced capitalist nations. However, these individual projections often do not inform the rest of the study, nor do they synthesize one with the other to develop "packages" of things associated with particular alternative environments. It is common for authors who

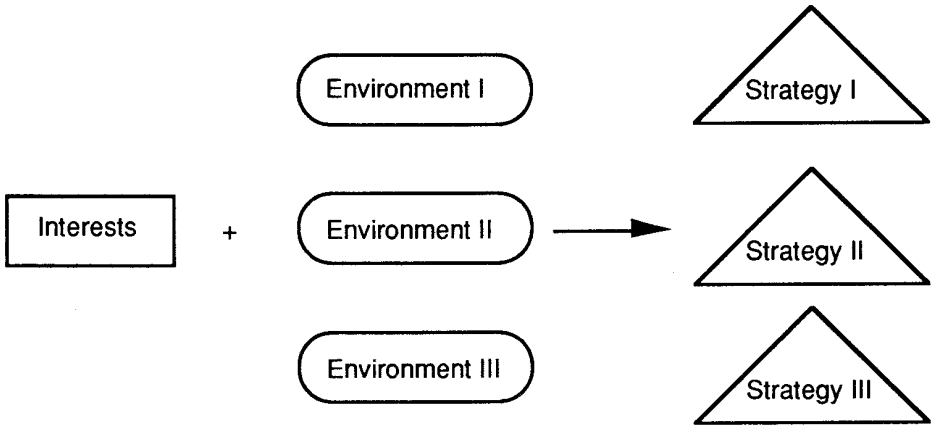

Fig. 2—Standard strategic planning

[4]This discussion is informed by: William Ascher and William H. Overholt, *Political-Economic Forecasting for Policymakers*, Hudson Institute, Report HI-3034/2-RR, New York, July 1979; Herman Kahn, *The Alternative World Futures Approach*, Hudson Institute, New York, 1963; Kenichi Ohmae, *The Mind of the Strategist, McGraw-Hill*, New York, 1982; Russell L. Ackoff, et al., *A Guide to Controlling Your Corporations' Future*, John Wiley, New York, 1983; and James C. Abegglen and George Stalk, *Kaisha: The Japanese Corporation*, Basic Books, New York, 1985.

[5]See Andrew W. Marshall and Charles Wolf, Jr., *The Future Security Environment — Report of the Future Security Environment Working Group*, submitted to the Commission on Integrated Long-Term Strategy, The Pentagon, Washington, D.C., October 1988.

neglect the task of synthesizing alternative environments, or the relationship between interests and environment, to simply state a set of things that should be done, a set of things that often were in the authors' minds before the study was undertaken.

A common way to deal with this problem is to engage the expert or visionary forecaster to testify as to which of the alternative environments in Fig. 2 will actually occur. This seems to be the way that government organizations use some outside consultants. Although expert advice is useful, doubts can be raised about anyone's ability to do more than make conjectures on this kind of problem. Mind stretching exercises using experts in this way can be useful, for example, in outlining a range of diverse possibilities. However, to base security planning on the ability to make a point estimate of a long-term environment is risky—too risky for most corporations, which approach the problem in a very different way.

The second common mistake in strategic planning is to grind through the relations between environments and interests to produce a set of alternative strategies as shown in Fig. 2. Such a study might be a useful exercise, serving as a checklist of how strategies follow from and relate to different environments. It is the sort of problem that might be assigned to management students as a homework exercise in a course on planning. However, it is defective for one devastating reason. Strategic planning is almost always concerned with facilitating *present* decisions, *and present decisions can follow only one strategy, not several all at once.*[6]

The strategic planning model in Fig. 2 contains another flaw. It ignores short-term decisions that affect the long term. That is, if U.S. military decisions over the next five years are irrelevant to the year-2000 security environment, then we must question seriously the value of these decisions.

Clearly the United States *can* affect the future security environment by its choice of short-term decisions. Just as General Motors attempts to restrain competition by developing a protected domestic market, so the United States can undertake many actions to shape its future operating environment. A CEO is concerned with the long term. The corporate president is concerned with the short term. But *the CEO feeds his long-term strategy to his president, so that the president can steer the organization to the long-term objectives.*

The United States has such a powerful influence on the world security environment that it cannot ignore this effect. Yet the power of others is also large, and the prospect that what we

[6]Here we exclude bureaucratic models that pull in several directions at once. Clearly, organizations can and do exhibit such behavior.

select will actually happen without surprises is significant. For these reasons a strategic planning model must take into account how decisions influence the evolution of future environments.

A MORE ADVANCED APPROACH TO STRATEGIC PLANNING

General Concepts

Before constructing such a model, certain features of environments must be noted. Almost always the alternatives shown in Fig. 2 will be different, but not mutually exclusive in all regards. Certain core features will be shared. For example, hyperinflation is a likely characteristic in any set of futures for Latin America. The common features that cut across different environments are termed *core environments*.

Suppose European environments were being considered. One core environment might be a more powerful independent European defense community. Within this there could be several variations, such as alternatives that did or did not include the Federal Republic.

The real-world environment of planning is full of surprises and alternative possibilities that no one can conceptualize in advance. This may be because of a lack of imagination or bad luck, or because of complicated unforeseen reactions. Figure 3 conceptualizes an advanced strategic planning model with core environments, alternative environmental variations around this core, and exogenous contingencies. It is this model that comes closest to how corporations actually do strategic planning. In this advanced model there are three types of strategies: core, environmental, and hedging.

The environment organized in terms of the framework shown in Fig. 3 relates in a natural way to strategies. First, a *core strategy* is designed to deal solely with the core environment, that environment common to all of the projected environments.

Since a core strategy is likely to be of great interest to a top manager, the planner is obligated to be as clear as possible in specifying the features of the core environment. This can sometimes be difficult because of the natural tendency to concentrate on changes and turning points, rather than on constancies. It is more exciting to focus on Germany turning neutral, or Japan rearming, than it is to explain why NATO has held together for so long. However, the core environment for Europe almost surely does not contain a neutralist Germany. Few things are more useful for a decisionmaker than a clear statement of the environmental *stabilities* he is likely to face. In this sense the common practice of writing papers on the *changing* security environment does not well serve top management. It would be better to write a paper on the *unchanging* features of the future security environment.

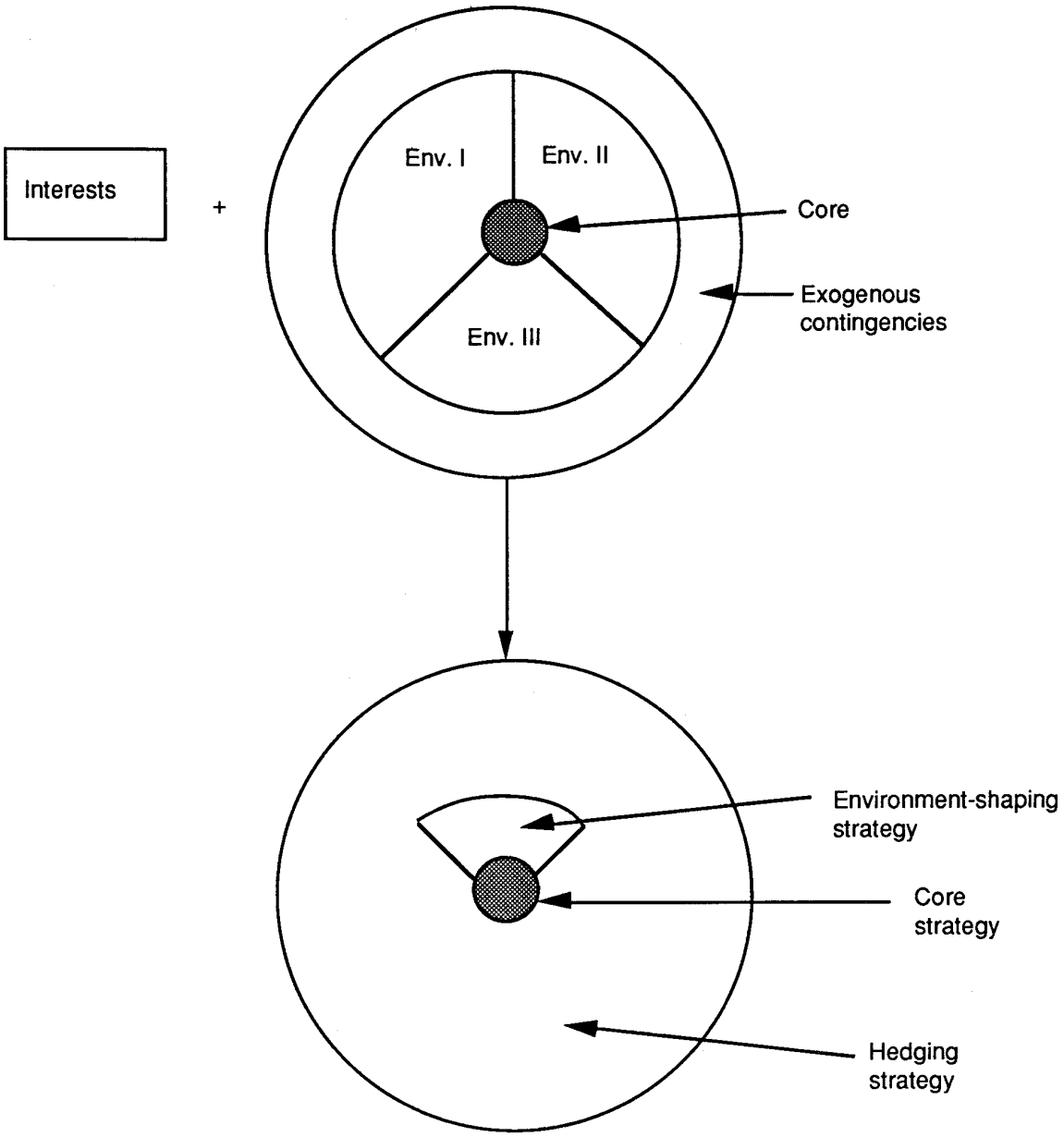

Fig. 3—A more complex approach to strategic planning

The core strategy is supplemented by an *environment-shaping strategy.* The idea here is to have a named plan for efforts to shape the environment in desirable ways. Corporations undertake their government and corporate strategies to create a favorable business environment. IBM, as an example, has an environmental strategy of emphasizing the general importance of computing to develop a favorable environment for its products in industry, schools, and government.

But an environmental strategy is not completely capable of succeeding in shaping the environment. For example, the Soviet environmental strategy at present is to ease tensions so that a more benign international environment exists for Moscow. However, this strategy might fail, for example, because of a popular uprising in Eastern Europe or domestic turmoil requiring a crackdown.

To handle such contingencies, firms devise *hedging strategies.* A hedging strategy copes with external contingencies and with contingencies arising from other environments — *insofar as the environmental strategy cannot cope with them.*

Consider the Soviet situation again. Gorbachev would prefer to handle Eastern Europe, and the other great powers (the United States, the Peoples' Republic of China, Japan, Western Europe) with his environmental strategy. But if Poland attempts to leave the Warsaw Pact he has to think of ways to handle the contingency. This would be called a hedging strategy because Gorbachev would try to rely on his environmental strategy of nonintervention and improved relations with Eastern Europe as long as it is possible to do this. The hedge that has to be considered is that the desired environment in Eastern Europe will not follow from the core and environmental strategies, or that some unanticipated shock will occur. Failing to develop hedging strategies opens one up to large risks from sources that are little understood because their features and consequences have not been considered.

Core Strategies

A core strategy consists of all those elements of policy that remain constant regardless of which environment occurs. It is based on a stable *core environment.*

The strength of a core strategy is also its weakness. Its strength is that it fulfills a great need in a complex organization: the need to have day-to-day operations clarified by where they fit into the bigger picture. Organizations need core strategies to tell them how the immediate relates to the long term, for standardization of internal communication, for developing common databases and criteria that permit intra-organizational

communication, and as morale builders.[7] One of the most important of these, as James March and Richard Cyert have emphasized, is the training effect that planning produces. It introduces new members of the firm to its strategy of doing things and gets executives to talk to each other to hammer out a common plan on paper. Many executives have commented that even if the paper plan is then ignored, it still has served its function by educating them about their roles in the larger organization. In the Department of Defense one hears a very similar comment about the training effect of war games and simulations.

A common danger of a core strategy is that it can become so embedded in an organization that it can become unquestioned gospel and can long outlive its usefulness. Many corporations become product rather than market oriented. They see themselves as producing good cars, mutual funds, or hamburgers. They do not see themselves as putting out something more generic and more fundamental (e.g., transportation, long-term investment for security, or fast food). This causes problems when the market or environment changes.

Opening up a core strategy for review is a delicate undertaking with many consequences. This is one reason that doing a truly fundamental review of strategy is so often resisted. It is frequently easier to endorse a current core strategy than it is to change it. One even finds top management making secret core strategy changes, while announcing that no changes or only minor modifications are being undertaken. This behavior is usually motivated by a desire not to shake up too many things at once.

But a more frequently encountered problem is not to have an articulated and clear core strategy at all. This creates conditions for bureaucratic warfare. When top management takes a hands-off approach to directing where the organization is going in an overall sense, or when senior policymakers focus on small-scale, immediate, rapidly changing issues while neglecting the larger, long-term interests, environments, and strategies, the system fragments in multiple directions. Henry Kissinger has said that his first problem in the Nixon White House was to move the new Administration away from the crisis management approach of the Johnson years.[8] In a way, this was equivalent to saying that the later Johnson Administration really had no environmental strategy, only a Vietnam-oriented crisis-management short-term strategy.

Environment-Shaping Strategy

An environmental strategy enables a firm to cope with the reality that its decisions affect the environment. For example, if the United States were to pull back from the

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[7]See James G. March and Richard M. Cyert, "Organizational Factors in the Theory of Oligopoly," *Quarterly Journal of Economics*, Vol. 70, No. 1, February 1956.

[8]Henry Kissinger, *White House Years*, Little, Brown, Boston, 1979.

Western Pacific for reasons of budgetary restraint, then it is possible that a new anarchy would emerge between the two Koreas, Japan and China, or China and the Soviet Union. U.S. forces may be in the Pacific to cope with specific military threats (such as the Soviets and North Koreans "taking South Korea"), but they are also there to stabilize the security environment in ways that benefit the United States. It is not in our interest to have excessive conflict and tension among any of these states, even if this conflict were somehow to reduce Soviet power in the area.

But what happens if there is a conflict between a core strategy and an environmental strategy, measured by their respective contribution to the national interest? Planning alone cannot eliminate such tensions because they arise from a conflict in objectives. To the extent strategic planning *illustrates* such tensions, it focuses senior management's attention on exactly the sort of problem that they should be attending to. Here, senior managers must rely on their judgment to reconcile the tensions. Strategic planning helps by focusing their attention on these—but it does not attempt to make the tradeoff in any direct analytical way.

Hedging Strategies

To a certain extent hedging strategies can substitute for environmental strategies, but they are more ad hoc and specific-issue focused, and they can build up in number geometrically so that a nation or a corporation may have a collection of tactical plans that are not knit together by an overarching theme as in the environmental strategy.

Hedging strategies are similar to the military notion of contingency planning, and they may conflict with the basic assumptions of core and environmental strategies. For example, recently the U.S. government seems to have been caught by surprise by a sequence of Soviet initiatives on arms control in Europe. Some have argued that the United States cannot count on a unilateral Soviet withdrawal from Eastern Europe, and that we have relatively little power to compel the Soviets to pull substantial forces out of there. However, it seems prudent that some group should consider an American hedging strategy for dealing both with more Soviet withdrawals and with the possibility of tension in Eastern Europe that might follow that announcement.

This is a tricky business. Currently the core U.S. strategy in NATO seems to be characterized by a wait-and-see attitude toward Gorbachev and encouragement of our Allies to modernize their forces, particularly in the nuclear area. This conflicts with the hedging strategy outlined, because a declining Soviet threat will undermine support for force modernization. A good hedging strategy has to balance these conflicts.

The test of good strategic planning is not only how well it does under "likely" environments. When someone argued in 1988 that "it is unlikely that the Soviet Union would

withdraw substantial forces from Eastern Europe," this may have been reasonable. However, at one time the prospect of a strategic reorientation of China, fundamental change in the Soviet Union, the collapse of the Shah in Iran, and the dramatic increase in the importance and instability in the Middle East in the 1970s all seemed equally unlikely in advance of the changes that actually took place.

Our comments about hedging, it must be emphasized, apply to the American defense *planning system*, not to the actual behavior of U.S. officials. The actual performance of the American defense establishment in action has been superior to what would have been anticipated looking only at planning documents. In fact, senior officials routinely hedge because they well understand the uncertainties in their environment. Nonetheless, we believe that the planning system could be improved by making it realistically reflect what decisionmakers actually do. This would serve to raise the level of discussion about defense problems and to generate new approaches in a way that is better than the current *ad hoc* system where planning ignores hedging and where officials incorporate it into their actions in an *ad hoc* manner.

One other hedging device can be highlighted because it appears to be one way the Soviets deal with this issue. Maintaining large resources as a reserve against unknown contingencies is a form of hedging. In a certain way it even can substitute for sophistication in good planning, because if force structure is sufficiently large it can ultimately overcome even high levels of myopia. This may not be an optimum way to hedge, and we make no claim that it is. But is *a* way to deal with an uncertain environment that must be recognized if it is embraced by our main competitor.

There is a tendency in U.S. defense planning to employ what is essentially the naive model of Fig. 1 for its strategic planning. Little consideration is given to hedging or to shaping the broader environment in desirable ways.[9] Military environments are considered fixed, so that strategy changes only when an environmental change becomes so apparent that there is little alternative to adapting to the new situation. The United States, a status quo power, has an imperative to consider important surprises because we are one of the nations with the power to prevent or encourage them.

Relationship to Military Forces

There is an important relationship between planning for military forces and the advanced strategic planning model with its three dimensions of core, environmental, and hedging strategies.

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[9]The Marshall Plan and the Nixon overtures to China were notable exceptions, but were seen as national security policy, not defense department strategy.

It is standard approach in military planning to project a set of threats and to design a military force that can cope with these threats. This works well in short-term planning where interests and environments are not likely to change much. In fact what is happening in 1989 is that the United States is relying on the kind of model depicted in Fig. 1 for its long-term planning. This is how the five-year defense guidance is undertaken, and it is also how CINCs might plan in their commands.[10]

When interests and environments change, this process breaks down. An attempt to predict exactly what future military threats will be in ten years will not work because (a) U.S. interests are so diverse; (b) in many situations decisions are often made by idiosyncratic groups and individuals that are intrinsically unpredictable (e.g., future "Qaddafis"); and (c) our general ability to make long-term precise predictions is poor.[11] For these reasons it would be foolish to design forces to meet a specific list of predicted threats. There are so many diverse contingencies and threats to which no confident assignment of probabilities can be made that designing forces in this manner would have to be either quite arbitrary in choosing particular threats to design against or extremely costly if designed against any significant fraction of the entire list of threats, only a few of which would ever occur.

Faced with this type of problem, organizations can respond in two different ways:

a. The short-term planning model of Fig. 1 can be used for long-term strategic planning, or

b. Forces and strategies can be designed against *environments* rather than particular threats

In the first case the long term is reached by a series of short-term steps. The inadequacies of this approach were described above.

In the second case, a force is designed to operate in an *environment* within economic and other constraints, especially against a range of lower threats that may occur in this environment. One then devises *mobilization plans* to cope with major threats and with less likely combinations of low- and moderate-level contingencies that could not be handled all at the same time. Using the same logic, nuclear war plans could be used to cope with large unlikely threats, or simultaneous contingencies that were too expensive to prepare for with conventional armaments.

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[10]This statement is carefully worded to describe U.S. planning, not actual U.S. behavior.

[11]See William Ascher, *Strategic Planning and Forecasting: Political Risk and Economic Opportunity*, William H. Overholt, Wiley, New York, 1983, pp. 36—40.

Business examples illustrate this logic. A major oil company will not develop detailed drilling plans for the year 2000 because short-term market demand projections lose all validity when extrapolated out over a decade. What the company will do, however, is strengthen its balance sheet to match the broad capital requirements needed to operate in a year-2000 energy environment. It may also hedge its strategy if it projects an overly competitive energy market by diversifying into nonenergy businesses over the next ten years.

Another example of planning against environments rather than specific situations is seen in Japanese automobile companies and their global operation. These firms in the late 1970s projected a more protectionist world trading environment. Such an environment would hurt the export of cars from Japan to Europe and America. Toyota and Nissan began a program of direct investment in Europe and America for car manufacture, coping with the protectionist environment by going around it to produce "domestic" cars. What these companies did not do, wisely, was accept the short-term planning models of 1979 and blindly extend them to 1989.

None of this is to suggest that all corporations actually behave with such foresight. But the important point is that *some* do. If ideas, concepts, and insights can be found by observing their behavior and way of doing things, then it is not really important for the behavior to be universal in the private sector. What we are describing here is not theory, but rather behavior that seems to have proven successful and interesting. It may not be applicable to the Department of Defense, or to any public sector agency. But it *is* a source of ideas and management concepts that has worked in some sectors, and is a source of insights that has been largely overlooked by the defense planning system.

In national security the example of the United States in Asia can illustrate this logic. In the short run the United States faces a very small number of important military contingencies. These can be (and have been) assessed in great detail, including the forces that would be needed to deal with them. But in long-run planning one faces dozens of contingencies, and combinations of contingencies whose likelihoods now seem low, and are in any case incalculable, but whose consequences if they occur loom large for the United States. A few examples for the next century: Chinese naval interdiction of Japan, or a combined Chinese-Japanese attack on Russia. Clearly, it makes little sense to spend resources on any one of these because our confidence in predicting which ones will occur is low. Instead of picking a specific set of threats and designing forces to meet them, one chooses a level of threat for which one requires constant readiness. Such was the nature of the much realigned 1-1/2 war strategy. One then designs a deployment/mobility

posture for this force. For larger threats or for simultaneous combinations of threats a mobilization strategy is designed, or a nuclear posture is acquired to deal with it.

Defining the core environment includes defining the level of threat. The choice of an environmental strategy, in turn, may affect the long-term core environment . In addition, environmental strategies also bear on overall strategy. In particular, military forces and their appropriate deployment can shape the environment that actually emerges. In his various lectures, the late Herman Kahn would frequently make the point that the United States tends to view military forces almost exclusively for their military effectiveness and very little for their ability to shape future security environments. There is a fairly widespread belief that deep global forces of change are not susceptible to influence by any one department of the U.S. government. In terms of changing fundamental social and economic forces this is probably true. However, there are several different paths to reaching a future security environment. The following list covers a spectrum of ways.[12]

1. Natural evolution
2. Aided evolution
3. Negotiation
4. Crises and small wars
5. "Controlled wars"
6. Uncontrolled successful wars
7. "Unsuccessful" wars
8. Armageddons

The tendency in much strategic planning and analysis is to conceive military forces as mostly relevant to Armageddons, but military forces can in fact help shape a security environment by assisting in any of the above ways. The British Navy in the 19th century led to an international spread of commerce and a "rule of law" by "aided evolution" and "crises and small wars." Similarly, the post-World War II environmental strategic role of U.S. forces has been in #2 and #4 also, shaping a security environment that has contained Soviet adventurism as the economic growth of Western Europe, East Asia, and eventually Latin America has proceeded.

The point is not that the United States should or should not continue in this role, but rather that military forces should be viewed as part of an environmental strategy to shape basic trends, and the need to consider things beyond specific "net assessments" of force balances in a theater.

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[12]See Herman Kahn, *Thinking About the Unthinkable,* Horizon Press, New York, 1962, pp. 229—233.

Finally, hedging strategies obviously relate to things like mobilization plans and nuclear employment plans, and to other contingencies that are judged worth preparing for because of their likelihood or importance. In this regard, enhancing our capabilities in the area of crisis management would fit in with a long-term strategy where this is considered to be of increasing relevance.

III. OTHER CONCEPTS FROM THE BUSINESS WORLD

There is no standard accepted set of techniques in the field of corporate strategic planning in the way there is in, say, operations research. There are, however, useful concepts and methods. The art of strategic planning consists of selecting concepts and techniques that shed light on one's competitive position. What follows provides some examples from business experience.

DEFINING THE BUSINESS

The strategy alternatives facing American railroads in the 1940s is used frequently in U.S. management schools as a way to get students to think about the question of what business they are actually in.[1] American railroads did not react when other competitors took away from them passenger and freight business because they considered themselves to be in the "train business." Such an inadequate conceptualization of what business they were in confined their horizons in powerful ways.

The railroads saw their job as operating trains on time with minimal disruption to passengers or loss of freight. Therefore, the criteria by which they judged themselves were on-time performance, freight-damage or losses, and service disruptions from labor problems. As a result, the railroads did not adequately see trucking or the new air carriers as competitive threats, and consequently they did not try to acquire these carriers to provide their customers with integrated service. What the railroads failed to see was that they were *not* in the train business at all, they were in the *transportation* business. The railroads' failure to adequately conceptualize their business prevented them from coming to grips with their true strategic situation, and ultimately led to their long-term decline.

Examples from history demonstrate the relevance of asking what "business" one is in for security planning. Nineteenth century France could not decide whether it was a major continental power or a maritime power, and consequently became neither.[2] The Soviet Union for 40 years has acted as if it was in the military intimidation business, whereas global trends put emphasis on broader aspects of state power, such as a flexible economy.

Defining the business falls in the category of matching interests with environment, and as such it is a necessary prerequisite to the meaning of strategy. The way businesses are "defined" can be through lists of alternatives, or through a matching of products with markets. A more

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[1]The railroad case and other examples are discussed in Theodore Levitt, "Marketing Myopia," *Harvard Business Review*, September-October 1975.

[2]Paul Kennedy's *The Rise and Decline of the Great Powers* is a virtual handbook for both inadequate and superb examples of defining the security business.

advanced approach is to define a business as the intersection of three distinct dimensions: the *functions* that are being carried out (purposes, objectives, or interests); the *groups* one seeks to affect (e.g., deter the Soviets, temper the Japanese, or reassure the Europeans); and the mechanisms for carrying out the functions with different groups[3] (economic policy, forward basing, naval presence, or arms control).

To illustrate this, the United States could focus on preventing a single power from dominating East Asia by policies that worked to prevent Japanese rearmament, and dampen regional tensions through means such as forward basing, naval presence, strategic alliances, and appropriate economic policies.

THREATS FROM NEW COMPETITORS

A key concept in business planning is dealing with new competitors. So also, new competitors could challenge basic U.S. security interests. At the full-scale military level, outside of the Soviet Union, this possibility has been minimal since 1950 because of the extraordinary entry barriers associated with such a challenge. France, Britain, and China have not had economies that would permit them to enter the superpower military game even if they had desired to do so.

However there are clearly other avenues to interfere with U.S. interests than with military means. Economic challenges have to be more clearly defined. Unusual military challenges, from terrorism or surrogate warfare, have also been considered as new forms of competition.[4]

The concept of an *entry barrier* is relevant when considering whether or not the Soviets, for example, could match the United States in strategic defenses or in high-technology conventional weapons. Broadly speaking, if entry rate barriers are high and sharp retaliation is certain, then the entry rate of new competitors is low. There are many different kinds of entry barriers: large amounts of capital, proprietary technology, experience, and intangible skills to name a few.

An associated but different concept is that of *exit barriers,* that is, inhibitions against leaving an industry. In addition to the more usual strategic concept of analyzing the superpowers in Europe both the U.S. and Soviet positions in Europe can be illuminated with this concept of deterence. For the Soviet Union to withdraw militarily from Eastern Europe involves high exit barriers: where to put their withdrawn army; how to guard against Eastern Europe being used as a

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[3]See Derek F. Abell, *Defining the Business: The Starting Point of Strategic Planning,* Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1980.

[4]See Norman Friedman, et al., *Non-Standard Forms of Naval Warfare: Tactical and Technological Requirements,* Hudson Institute, Croton-on-Hudson, New York, 1975.

base for provocation by the West; how to ensure economic access to East European industries that could integrate with the Common Market following Soviet military departure.

The interaction of entry and exit barriers is an especially useful issue to address. In Europe, entry barriers to major military status were extremely high in the past. Exit barriers were also high, as neither superpower could leave its zone for fear that the other would fill the vacuum. Entry barriers for the United States may lower if the West European states integrate their military forces into a common defense. The capital and technical base of the European economic community (EC) is larger than that of the U.S. economy, and *much* larger than the economy of the Pact states. The EC's advantages should become even greater after 1992.

The American domination of NATO in conventional forces is still important, but less so than 20 years ago. Exit barriers may be eroding also, as indicated by recent declarations from Moscow, sentiments expressed in the U.S. Congress, and President Bush's initiative announcing U.S. reductions.

The import of this is to suggest analyzing U.S. environmental strategies (in the sense defined above) in Europe to affect entry and exit barriers, both for the United States, the EC states, and the East. It might be possible to lower entry barriers to military improvements in NATO while creating a less threatening environment to allow the East further withdrawals. For example, U.S. acceptance in the 1970s of the French nuclear force, in conjunction with projected expansion in the British and French forces in the 1990s, certainly lowered the entry barrier to possession of an adequate independent European deterrent. With a lower Soviet exit barrier for conventional forces from Eastern Europe, this changes the European security environment.

The point is that instead of yet another European study built on the strategic concept of deterrence and the necessity of forward defense, it would be useful to borrow some concepts from corporate strategy, such as entry and exit barriers, and to fit these into the core, environmental, and hedging strategies to get a different perspective on the European security situation.

INTENSITY OF COMPETITION

Some industries are characterized by actors' signaling each other "if you don't press me too hard, then I won't press you either and we'll both be better off." Many industries such as insurance brokerage, specialty food products, and universities are characterized by relatively low levels of competition, whereas others are characterized by high levels (e.g., airlines, automobiles, and insurance carriers). What management research does is to find factors that are associated with different levels of competition.

Any idea that the Soviet-American competition has not been particularly intense irritates some observers. Recall, however, that the early-1960s literature on this posited a world of near-

routine civil-defense evacuations, brinkmanship, nuclear alerts, and limited wars (and very large sustained military spending on the order of 10 percent of GNP per annum in real terms). Nothing like this has come about. Indeed the early literature's single greatest failing was in projecting a more intense rivalry than has come about.[5]

Several factors influence the intensity of competition. If military capability is augmented in large blocks, rather than increments, then competition intensifies. The atomic bomb, long-range missile, and (perhaps) SDI fall into this category. They greatly augment military capability, and do so all of a sudden. Improvements in tank armament, mobility, and reconnaissance do not upset the military balance all by themselves, and take many years to integrate successfully into programs and operations.

Diverse competitors also tend to intensify competition, because the possibility of mutual understandings declines as new diverse personalities enter an industry. On a continent such as South America where all of the states share much in common, interstate military conflicts are rare. In the Middle East, where western states clash with Islamic states, and the Soviets attempt to exploit targets of opportunity, competition is much more intense than in Latin America.

A multipolar world that adds China and Japan to the old power structure may have more misunderstandings that can lead to competition. This is one reason, for example, that the United States wants to integrate more with Japan, so that a network of expectations is built up which will temper the inevitable differences that do arise. General Motors has found it much easier to comprehend Chrysler than Nissan.

Equally balanced and unregulated competitors fighting for a greater share of a fixed market tend to fight harder to gain the marginal advantage (e.g., current airlines), and the Soviet half of the Soviet-American competition seems to have peaked in the Brezhnev era when the Soviets believed they were still growing economically and were within reach of military parity. The United States has not been much impressed by the value of the arms race, but has been very concerned about not losing it. Thus, it "slowed down" strategic programs after the mid-1960s, only to find itself increasing them in the 1980s as a response. One might hope that both nations would have only lukewarm interest in the arms-race "market" in the years ahead. Arms control —or simple rationality—may be the regulator.

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[5]This view is admittedly Western-centric, since the economic burden has been far more stressing for the Soviets, and some believe they felt extraordinary competitive pressure after the Cuban Missile Crisis and the announcement of the SDI. Nonetheless, there has been crisis avoidance, no careful stepping on toes, and no "emergency" defense expenditure.

High exit barriers also intensify competition. High exit barriers confine energies into one line of competition. For example, if the Soviets could not pursue other activities and were restricted to military competition, then this would heighten competition.

COMPETITOR ANALYSIS

One key feature for successfully analyzing a competitor is to distinguish between the interests of the corporate parent and those of lower business units. This has already come up in our attempt to decompose a complex establishment into two hierarchical levels. The superpower competition in Europe has had the character that after the 1960s it has taken place at a military level more than at a political and strategic level as it did in the early Cold War. That is, the Soviets have expanded the capability of their forces in Europe but they have not been able to convert this investment into a politically usable advantage over NATO. Their recognition of this has been a major factor in the turnaround of soviet policies under Gorbachev.

Considering the differences between the various parts of a competitor's organization also allows one to establish a firmer basis for anticipating and predicting competitor reactions. Rather than being considered a monolithic actor, the Soviets can be considered to be a loose coalition of groups with differing objectives. The Strategic Rocket Forces push for certain programs, the Army for others. This was the approach proposed by Andrew Marshall at RAND in the late 1960s, and it has never really been followed up on with modern methods of research.

It can be argued that a realistic appraisal would recognize the strategically defensive orientation of the Soviet military and would therefore predict that the Soviet army would opt for modernization and quality over structure as the result of their fear of Western technology, and that the Soviets would indeed spend money to rebuild air defenses in response to the B-2 event if it came at the expense of more tanks. However, our understanding of Soviet thinking on these matters is imperfect.

BEING MARKET FOCUSED, NOT PRODUCT FOCUSED

Many companies today are striving for greater competitiveness by reorganizing themselves around markets rather than products. IBM, for example, has reorganized into divisions that deal with small, medium, and large corporations, and a government services division. This is a change from being organized around mainframe computers, office products, and small systems.

It may not be possible for a defense establishment to undertake this type of reorganization. However, the logic of focusing on markets as parts of the external world outside of the organization, rather than on organizing to relieve internal bureaucratic pressures does make sense.

A market focus relates what a firm does to conditions in the world, whereas a product focus causes a company to be excessively inward looking, oblivious to environmental changes, and resistant to all but inevitable changes. Much strategic planning can be viewed as ways to make organizations "learn faster," that is, be more flexible and in touch with environmental changes.

In current terms, the United States may want to increase the role and flexibility of CINCs —providing them with contingency funds for use in nation-building activities, disaster response, and security assistance. This would be a form of decentralization in recognition of the complexities of individual regions and the need for regional adaptability and responsiveness.

ASSET REDEPLOYMENT AND RESTRUCTURING

The dominant trend in large American companies today is to "downsize" to be more flexible and quick reacting. Companies are getting rid of "dogs," their subdivisions that do not contribute proportionately to overall performance. One view of top management is that its role is to search through the portfolio of owned companies for dogs to divest, and stars to invest in.

A key feature of this trend is the tendency to identify size with weakness and fat, rather than strength. Virtually every Fortune 500 company today is smaller than it was in 1980, yet most are better competitors. General Electric, for example, employs 300,000 people, a full 100,000 fewer than in 1980. About one-half of the headquarters staff in Fairfield, Connecticut, has been eliminated during this time.

Throughout this period of corporate restructuring there has been a discipline to focus on key strengths, getting away from highly diversified conglomerates to a smaller collection of companies.

For defense strategy there is an important lesson in that the automatic tendency to see size as strength may be ill-founded. There are many military examples where this thinking has developed. The army of Ferdinand Marcos in 1970 consisted of 40,000 soldiers organized into a highly effective counterguerilla force. In 1986 the Philippines had 200,000 soldiers, but was utterly incapable of handling the guerilla threat. Certainly, the corporate experience of GE, American Express, and others is that their image and self-perception improved as slack was eliminated and key missions received the resources needed to carry them out. These examples show that in at least some cases downsizing can be a painful but energizing exercise.

Ironically, it is the Soviets who appear to be following the Western strategy of getting leaner and meaner. The U.S. military services, by contrast, appear to want to protect force structure as a very high priority. This is not obviously sensible.

OVERCOMING FRAGMENTATION IN PLANNING

A feature of planning that is often noted is fragmentation, that is, of different agencies pulling in different directions. For short-term planning this is an almost inevitable characteristic of the American system that probably cannot be overturned. Different Pentagon players will push in one direction, State in another.

The point to understand, however, is that this defect may not matter nearly as much as many people think. In the short term the environment remains fixed, and fragmented planning will work reasonably well because force structures are also fixed.

In the longer term, fragmentation may be more harmful. Environments will change and so will force structures. But because the process is long term it may be possible to undertake a less fragmented approach—primarily because specific threats and details do not affect things as they do in short-range planning. We will never suffer a strategic defeat in planning studies because of a single engine failure aboard a helicopter. One designs core, environmental, and hedging strategies after a fairly abstract (relative to short-term planning) description of alternative core environments and associated contingent scenarios. The purpose of designing a long-term national strategy is not to supply enormous detail, detail that in any case would change as uncertainties affect plans. The purpose instead is to provide a broad context for military strategy that can be used to guide force acquisition and deployments.

It is essential to understand that the purpose of long-range plans is to improve *today's* decisions. The point of considering the prospect, for example, of an independent European defense community is not necessarily to assess the likelihood that this will eventually come about (although that might be a by-product). Rather, it is because this prospect already influences the current decisions of France and Britain in things like their nuclear arsenals, their negotiating positions on conventional arms control, and reserve force programs.

Our ability to accurately predict the future in detail is quite low. No organization has ever really implemented a detailed ten-year plan, but the world's most successful corporations, and the nations of Japan, Taiwan, and Korea find ten-year plans extremely valuable.[6]

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[6]See Kenichi Omae, *Mind of the Strategist: The Art of Japanese Business*, McGraw-Hill, New York, 1982.

IV. OBSERVATIONS IN CONCLUSION

There can be little doubt that current U.S. defense planning is not organized along the lines of corporate strategic planning. One could make a case that in certain ways behavior, as distinct from planning, is closer to the corporate model. For example, American leaders attempt to shape the broader security environment as suggested by the environmental strategy approach. And hedging is an intellectual feature of what senior officials actually do.

Nonetheless, the planning apparatus of the government does not support this way of thinking. To the extent that it occurs anyway, it does so almost independent of what planning staffs in the Pentagon do. Yet this discrepancy does not seem insurmountable. It is not as if it were required that diverse agencies cooperate around a common set of objectives, because for long-range strategic planning this is not required, and for short-term planning it does not matter.

If there is a single lesson to be drawn from this comparison of the public and private sectors it is that the process of cross-fertilization from one sector to the other, using concepts, frameworks, and observations drawn from the business world will illuminate strategic thinking in the defense field at a time when it is especially opportune for this to occur. Another trip back to the trough of defense ideas formed two generations ago for considering the current and anticipated security environment represents an attempt to live off old intellectual capital. Our intellectual preparation for security must keep up with our physical and technical preparations if our strategy in the future is to be as successful as it has been in the past.