



COMPETITIVE ADVANTAGE: MORE THAN JUST TECHNOLOGY

By Gail Fisher, Joel Hillison and Buck Haberichter December 3, 2019
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Buck Haberichter: Hello, and thanks for joining us today on A Better Peace the War Room podcast. I'm **Buck Haberichter** a faculty member here at the War College and one of the editors at the War Room. Today's podcast deals with an important but ill-defined concept: competitive advantage. The 2018 National Defense Strategy, "Sharpening the American Military's Competitive Edge," outlines the need for this advantage but doesn't lay out a theory of how competitive advantage works. To further the thinking on this topic, we've got two guests in the studio to discuss competitive advantage today. Colonel **Gail Fisher** is recent graduate of the U.S. Army War College and is assigned to the Joint Staff. Gail, welcome.

Gail Fisher: Thank you.

BH: She is joined today by **Dr. Joel Hillison** who is a Professor of National Security Studies at the U.S. Army War College, and it's always good to have you back in the studio, Joel.

Joel Hillison: Thanks Buck, it's great to be here.

BH: So, Joel, it seems kind of obvious that in any competition, we'd want to have the competitive edge.

JH: Yeah, exactly. So, you know, when we're talking at the national level, we're talking about, primarily these days, we're talking about Russia and China, although we're worried about other threats—Iran, North Korea, terrorist organizations. But I think Gail is actually pretty uniquely qualified to talk, so maybe you can interject here. You wrote a recent paper about competitive advantage. I know you do stuff, study in China, so perhaps you can talk a little bit about this notion of competitive advantage. What are we talking about when we say competitive advantage?

GF: So, the Chairman of the Joint Chiefs of Staff has often referenced the need to gain or maintain competitive advantage, and if you google it and you search, you can find many different discussions about what that means. For example, Chairman Dunford says that it's basically force protection and freedom of maneuver. There was a DOD digital modernization strategy that just came out. It claims that competitive advantage is founded on modernized IT infrastructure. And then, there's another logistics human capital strategy that was just published that says it's derived from our workforce. So, there's all these different ideas about what is competitive advantage, how you gain it, where is it found. And there is no actual DOD definition.

JH: Don't we have a doctrine for competition or achieving this competitive advantage?

GF: We do not. So, thank you for that. We have the Joint Concept for Integrated Campaigning, also known as the JCIC, and basically it establishes the idea that at any given time, the DOD can be engaged with a competitor, an adversary, anywhere from cooperation through competition and into armed conflict. And at times, we can be engaged with that same adversary in any of those three different realms simultaneously. But beyond that, it layers on to other, for example, Joint Pub 5 and other doctrine methodologies for gaining advantage to the point where they're sort of 30 or more ideas about how to quote unquote "win" in a competition. There's a lot of diffuse thinking. So, I think it's important that if we recognize that we're in competition with China and Russia, then it would be key to have a consolidated idea of what is requisite for gaining advantage in a competition. How does one do that? Actually, I went out and looked for that. I had assumed that there would be doctrine, that there would at least be some ideas about this, and I found none. So, I went out to business literature and began to explore, how does business view competition in gaining advantage.

JH: Yeah so, competition, like you say, is along a spectrum and a lot of competition takes place below the level of armed conflict, but I think we have a pretty good handle on. So, having a theory helps to simplify a complex reality. If we're looking at competitive advantage and specifically keeping in mind peer, or near-peer, China, Russia-type adversaries or competitors, what does your theory say about gaining and sustaining competitive advantage?

GF: Okay. So, first of all the definition of what is competitive advantage. Competitive advantage, I would define as the ability to wield elements of national power more efficiently and effectively than an adversary in such a way that that adversary will be drained of their own power over time because of their own behavior. So, it's a cost imposition strategy, but it deals more with changing behaviors on the adversaries' part. So, cost imposition for the military means being more efficient and producing more facts than an adversary. So, the question becomes well how do you do that? When I went out and looked in business literature, I found four qualities that an organization needs to focus on to extract the ability to gain transient

competitive advantage. It's important first of all to understand that within DOD, it's well-recognized that we're not going to gain competitive advantage permanently against an adversary, for example, China, Russia, and that there will be transient periods that will open and close. And this jibes well with business literature. So, the four qualities of an organization that you would need to be able to gain competitive advantage, the first one would be innovation. And in innovation, it's not just innovation. The military tends to think of technological innovation because we went through the Cold War, and how did we win that?

JH: So, it's more of just hyper-sonics and high-tech F-35-type things?

GF: Right.

JH: But you have to include cost as a consideration, right?

GF: Sure. So, it's efficiencies within, maybe technological innovation at a lower cost. Or it can go beyond that. It can go to innovations in strategy. For example, the idea that we're developing multi-domain operations, so that's trying to extract efficiencies and effectiveness in a very innovative way, I would say, in very tailored way. There might be sort of campaign strategies which are more innovative, and which then would cause surprise within the adversary or change their behavior. It might be that, for example, we know that China has a very strong methodological process, and so we may know that in 2022 they're going to do something, X, and if only we did A, it would interrupt what they're going to do and that would cause advantage to us. It could be just understanding their behavior and having a strategy for getting to doing A, whatever that is. It can be... acquisitions logistics can be really at any field. DOD does this, it's just that it's important to sort of step back and analyze your competitor and his behavior and decision making and within that, think, okay, well, what are the innovative ways that I can, we, DOD, can interrupt that behavior.

JH: I was just thinking about this, this is the anniversary of the space landing on the moon, and there was a segment on the radio talking about how we engineered these special pens to write upside down for the spaceflight, and the Russians just brought pencils. And so sometimes innovation, if you're not considering cost considerations, and that's not a high-tech solution, it's just doing things a little bit differently.

GF: Right, and of course, the ideas, the ne plus ultra if you will, of a great innovation that cost low-cost for them at super-high cost for us, and so very disruptive.

JH: Yeah, and our response was to create these very expensive up-armored Humvees and so a very low-tech improvised explosive device can defeat a much more expensive, and maybe even drain a lot of resources from other priorities.

GF: Right.

JH: That's interesting.

GF: Yeah, so that's the shining example. It's very easy for us to understand. So, the second aspect of your culture, your organization is intelligence. And of course, DOD and the nation has a strong intelligence collection capability, but specifically in competition, you want to understand your adversaries' decision-making because you want to change their behavior. So, that's a lot more complex. Understanding adversarial, not only their culture but the specific relevant actors within that culture and then understanding their vulnerabilities and how they would make decisions and on what do they make decisions, and then how would we, creating some kind of a strategy that would interrupt that or disrupt what their patterns are.

JH: Yeah, because a lot of times we assume everybody makes decisions the way we do as Americans and sometimes we'll say that certain competitors are acting irrationally, for example, Iran, oh that's irrational. Well, maybe it is rational based on their identity, their history, the way they look at the world, and the same thing with China and Russia. So, I think that's a good point. We really have to understand the perspective of our competitors if we want to compete with them.

GF: Right.

BH: And not an easy thing to do at all. As you said, recognize what their vulnerabilities are sounds straightforward but that's not always the easiest thing to see.

GF: Sure. And I would also say, so doing some research into this, after the Cold War, the Office of Net Assessment did some research on Russia, or the Soviet Union, and examined behavior and decision-making. This is going to sound so obvious, but I think we forget this, so whenever the U.S. did something and the Soviet Union responded, the response could be due to three factors. One would be something that we did to them and they're responding against us. That's obvious and that's generally how we view the world I would say. The second one is their response could have been to something internal, to their own system that might have happened, budget or a leadership change that we don't understand. And the third thing is it could just be a behavior that was due to exogenous reasons, something completely outside the relationship, maybe the world's oil cost dropped or rose or something completely irrelevant. And honestly, the idea that everyone's a rational actor is not necessarily always true. Having that intelligence is critical and formulating strong, long-enduring understandings and frameworks for those relevant actors and understanding how those decisions are being made his key.

JH: So, you need to understand the competitors, but you also need to understand those external factors or internal factors, not only now, but in the future that are going to impact our competitors, their decisions, how they react, right?

GF: Yeah, and how they're perceiving us.

JH: Okay.

GF: For example, the U.S. response to Iran, how does China perceive the U.S. response to Iran? And one of the things you can watch going on in the world is some of our adversaries get their message out first. That sort of seems to confound us. And so, it might be that instead of the U.S. just responding to Iran in the Strait of Hormuz and what's going on there as if that's an isolated event, sort of before we take any action, thinking, taking a step back and saying, well how is China going to see this, and what are they going to put out there, and what's their narrative about that going to be. Are we good with it or should we do something to get our narrative out there first? —preempt their narrative and also, and or preempt their decision-making. So, it's super complex, you know it's not a one-enemy, bilateral relationship at all anymore.

BH: So, as you are talking about potential influences or factors that cause the enemy or the adversary to do things or act a certain way, a lesson we've added recently that we are revamping again, is the idea of data consumers and understanding the idea of correlation vs. causation. And what we find more often than not is more military members tend to be people of action. As they examine situation, they tend to come up with causation more often than not than just simple correlation. That's a big social shift in terms of culture in a group of people that are in the midst of trying to gain this competitive advantage to get them to step back and look very hard at the data and understand that all the data may not mean anything at all, it may be something completely outside the picture of we're looking at.

JH: It's a great point. Just an easy example, every time there's a fire, it seems like the fire department is there, so maybe the fire department is causing the fire. Right? So, I think it can lead you down the wrong path, conflate correlation and causation and so I think this theoretical approach might be helpful in staying informed about that.

GF: And to sort of have a framework. Again, it's not that the DOD doesn't innovate or doesn't have intelligence, certainly we do, it's sort of, okay, we're in competition, so what does that mean specifically? And the third part actually, that was a great softball pitch, because the third part is decision-making and seizing opportunity. As you're scanning the environment, as you're examining the interactions and what's going on, being able to recognize, senior leaders have to be able to wait for the golden opportunities, recognize when there is a golden opportunity, and then have the ability to make a decision to seize that opportunity.

JH: So, we need more bureaucracy, right? [laughter] More levels of management, more oversight?

GF: That's right, a few more teams, more cross-functional teams. No, so it's being able to be opportunistic is an organizational quality that at least in the civilian world they recognize. What you have to do is structure your decision-making. Who gets to make the decision? When? About what? —and information flow, of course. This is not unknown to DOD, but I would say if we're going to focus, for example, on China as a competitor, then developing this information capture and narrative and understanding what's going on, waiting for opportunities, you need a body that's going to analyze this and present this to the senior leader of the group of senior leaders on an ongoing basis so that they can understand day-to-day, year-to-year, what's happening. And then the right person has to be following all this to make that decision.

JH: It seems like sometimes our competitors have an advantage here and acting opportunistically. You think about Russia for example, their moves in the Crimea, into Syria, really caught us flat-footed, we weren't paying attention—not that we weren't paying attention—but, we didn't expect... and you might argue, well this is a great acting opportunity in tactical or operational, but strategically it's got to be even harder to build processes that allow you to act and take advantage of those windows of opportunity.

GF: Well, I think you're right. I think a couple things, so, in our adversary, for example, China or Russia, an autocratic style of government and also their defense management, if you will, leads to that sufficient stability and decision-making power that disadvantages us in terms of tempo. For example, with our constant rotation of folks throughout positions of leadership, they might not recognize an opportunity because it might be developing over the course of many years, let's say. I think that we need to be aware of these kinds of vulnerabilities. If you understand this system of how you derive competitive advantage, now suddenly comes to light, oh, our own system disadvantages us in this way, so we need to figure out a way around that. But then secondly, quite frankly, in those kinds of decision-making structures, it creates vulnerabilities because it's reliant on perhaps one key relevant actor, depending on the circumstance of the decision. But if there's just one person who's in charge of vast function for the military, then understanding that person, who they are, how they make decisions and what they're affected by becomes suddenly easier. It's a double-edged sword I would say. We need to be aware of that. I would also say, one of the things that the civilian world has learned about competition is that it's pretty much natural, that adversaries copy each other, and so we should expect copying and perhaps also we might copy as well, not necessarily extend ourselves into practices which might be unethical or break our values or break international law for example, but there might be processes or structures that we need to understand and either replicate in part or in whole that would give us, take away some of our vulnerability and give us the ability to

squeeze advantage out of the situation. That's key. The fourth area is adaptability and by that, business literature shows that, for example, small organizations are very innovative and entrepreneurial but then it becomes high risk for them. If there's a failure, if they put something out into the world and it doesn't quite come to market as they planned or at this cost and they don't have a sufficient structure where they can accept that failure, they would go under. DOD has an advantage in that way because it's large, but the flip side for DOD, for example, is in any big organization, current business practices that have been quite successful historically tend to gain power, and so people don't like to divest or share power in those structures, but their power centers develop.

JH: But there are also efficiencies that go along with having something that's been working for a long time. You can scale it up, but then you sometimes become risk-adverse and you can't react opportunistically, right?

GF: Yeah, or you might not see beyond your...

JH: Your lane.

GF: Yeah. It's the rice bowl problem which we're all familiar with to certain extent. If you're thinking about innovation and you're thinking about a strategy innovation, we need to be more innovative in our strategies. So, how do you do that? How do you break out of whatever your particular rice bowls might be? Not that easy, but that's the utility of having a kind of a theory. You can look at your adversary, you can look at the context and start to say, okay these are sort of the factors that we need to look at in our organization and develop and maintain against the adversary. It also allows you to analyze your adversaries and see their strengths and weaknesses and exploit those weaknesses to your advantage.

JH: So, you've talked about the need for innovation at a low cost, adaptability, being informed about the environment and your adversaries and acting opportunistically. How do we put this into practice? I guess it's the big question, right? What are your thoughts?

GF: I have several thoughts on that. First, in terms of innovation, again it goes back to sort of seeing beyond technical innovation which I think DOD clearly, historically is great at. I would never say DOD is weak at innovation across a broad number of fronts, but I think being deliberate about where we want to be innovative is key. So again, for example, an adversary like China, an adversary like Russia, they have a strong narrative success against us I would say. So, what innovations can we come up with where we would be able to gain narrative advantage? That's for example. You have to look at your competitor, understand what the terms of the competition are, and in these cases, Russia and China, it goes beyond weapons modernization and technology. For example, for China, it's definitely influence. In the influence realm, what

innovations can we come up with that would help us gain some kind of advantages and influence? And then again, you have to have the ability to monitor influence for example if that's the realm of the competition, that's one of the terms of the competition and understand the decision-making on the part of your adversary as well as your own internal workings, and then there's a third party that would be for influence, would be other nations. And so, understanding, it's quite complicated in that case, understanding that dynamic and decision-making now between yourself, your own decision-making processes, your adversaries, and then the third party. That becomes even more complicated—understanding all that and waiting for those opportunities. So, how do we build a business process within the department where we have leaders who have that enduring perspective and can recognize... because this is not an indicator in a warning situation where others sort of a tripwire, oh the enemy crossed the river, CCIR goes up, the commander says, man your battle stations for defense. This is a lot less obvious. Scanning that horizon, understanding all those factors, and then being able to seize the golden opportunity and having the right decision maker in place able to do that.

JH: It just reminds me because we are at the Army War College and we've been accused of being very Clausewitzian here and focusing on center of gravities and more of a direct approach whereas China and its history and Sun Tzu takes the indirect approach, and we have to be able to react to that and anticipate some of those opportunities that might result from their approach to these issues and their attempts to gain strategic advantage because they do imitate, they do things that keep us kind of off tempo, and their Belt and Road initiative is one example where they're trying to gain influence, and it's very appealing because they're doing things that we've done in the past by offering infrastructure and development to places that really need it, and how do we compete with that and get ahead of the game?

GF: Right. Using that example, what are the implications for China's expansionism and their influence? In some areas it might not be that important to us. We need to do that analysis and understand, where are there friction points within their expansionism that are meaningful to us? And then, who are the relevant actors within that context? What decisions are they making and how do we gain influence with those relevant actors so that we can sort of manage our interest there? Who's watching that for such a long time? I think particularly against China, they have a very long time horizon and that doesn't match our time horizons, so it creates another vulnerability and problem for us that we need to manage and rationally think about and figure out, what process can we use to overcome that internal business process? And then, once an opportunity comes up, then being able to marshal the resources to actually take the risk and do something about it and sustain loss. If we decide, country X, we need to influence because we need to put a base there because it protects one of our locks or something, okay, so we go all out and we invest money and USAID, the State Department and everyone's in, the whole government, and we're doing all good works, and then finally the country said, no thanks. We have to be able to accept that risk and move on.

JH: And that's hard especially with the resource piece because we have very structured mechanisms for getting resources. We project these resources into the future and sometimes we're not as adaptable and flexible in moving those resources. And some of it's because we have constraints. We have to go back maybe for authorities or different ways of providing that adaptability, the ability to act opportunistically.

GF: Well, and I would say those authorities, that falls into, for example, the innovation category. Our adversaries know us quite well, and we're very public about what our limits are and our constraints and restraints. So, if we're going to compete and there are limits our authorities, I think we need to recognize that explicitly and work to find solutions for that. That's innovation and that would therefor catch our adversaries by surprise and perhaps disrupt their own progress as they're developing their own forces or their own capabilities in response to us. Catching them by surprise may affect what they do.

JH: I think this is very insightful and when I think about sustained competitive advantage, I always think of the Patriots which I hate to admit it because I'm a Bears fan, but they've cracked the code in the world of football. Maybe your theory will help us crack the code in maintaining our strategic and competitive advantage. Any final thoughts?

GF: Yeah, I hope we do.

BH: I was hoping we were going to get one unifying theory on how to maintain competitive advantage but obviously the number of times you said, it's complicated, throughout this entire discussion points to the fact that it's very, very complicated in terms of how you are going to deal with every different situation, and there is no unifying theory coming anytime very soon on that. It's been a great discussion. I don't understand why you haven't written the doctrine yet. You obviously have got this all worked out. Put pen-to-paper and get that down for us so we'll have a joint doctrine worked out [laughter].

JH: Exactly.

BH: Unfortunately, we are out of time. So, I want to say thanks to both you for being here with me in the studio today. It's been great, and we'll say thanks to the listeners and hopefully you all will come back again.

GF: Thank you so much.

JH: Thank you, Buck.