

**Army Transformation in the Age of Globalization –
Implementing Directed Change with Strategic
Management Design (SMD)
An Analysis based on the Army Staff in the
German Ministry of Defense**

**A Monograph
By
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Abstract

PREPARING A SAMS MONOGRAPH by LTC (GS) Christof Schaefer, SVC, 96 pages.

German Army Transformation will face a critical period after the structural “New Army” reform in 2010. Political and military directives charter the Army to adopt and create capabilities for mission success in the contemporary and future security-politico and operational environment. This requires continuum in Army transformational processes for perpetual, internally driven change. The purpose of the paper is to present an improved decision process that can provide the German Army staff two mandatory transformational capabilities, to “shape and anticipate” proactively” and to “learn and adapt” effectively. Moreover, an improved decision process can rally mutual commitment among politicians, military leaders, and the nation’s citizens for German Army long-term excellence.

Based on proven commercial processes and German, and U.S. strategic military guidance, this paper analyses the macro- and micro organizational peculiarities and opportunities of the German Army. Best practices and key principles from profit-oriented civilian management tools merge with tenets of complexity theory and the systems thinking school of thought.

Today’s reality assesses the German security-political environment that determines German Armed Forces Transformation and comparatively evaluates the effects that globalization poses on the corporate enterprise of the German Army. Research indicates that aspects of modern and postmodern change theory, concepts of a learning organization, and elements of Integrated Emerging Strategic Design (IESD), can produce an effective and efficient Army mission-oriented readiness model for German Army Transformation – the Strategic Management Design (SMD).

More than a mere internal management device, the Strategic Management Design (SMD) model embraces the “*idealtolitik*” of Germany’s political, ministerial, economical, and social culture and the significant challenge of building comprehensive consensus for German Army Transformation. Complex conditions and uncertainty will continue to be the norm. The Strategic Management Design (SMD) model provides ways and means for the German Army staff to propel its vision toward Army mission readiness in the contemporary operational environment and foreseeable future of German national, regional, and global responsibilities.

Introduction

The ultimate and largely ignored task of management is one of creating and breaking paradigms.¹

Victory smiles upon those who anticipate the changes in the character of war, not upon those who wait to adapt themselves after the changes occur.²

Background and Problem

This monograph is about transformation. The prime issue is whether modern tools for the management of business enterprises are useful to make the military a learning organization. The organizational condition for analyzing this question is the Army (*Heer*) staff in the German Federal Ministry of Defense (FMoD).³

In their book “The 500 Year Delta” published in the late 1990, the post-modern futurists and business consultants Jim Taylor and Watts Wacker foretold the world’s shift from the age of reason into the age of chaos.⁴ They proclaimed that accelerating change determines the new age. This shift affects all areas of life with unmanageable unpredictability and irrationality that will lead finally to the fragmentation of political, economic, and social organizations. Today, more than one and a half decade later, some tendencies seem to support the authors’ gloomy outlook. The polarizing effects of globalization result in fierce competition among economic players. In the political sector, the new age effects tend to make the democratic communities wealthier and

¹ Richard Pascale, *Managing on the Edge*, (New York: Penguin Book Press), 1991.

² Giulio Douhet, *The Command of the Air*, trans. Dino Ferrari, Washington, D.C.: Office of the AirForce, 1983, 30, cited by essays published 1921 and 1929, Mosier, John, *The Blitzkrieg Myth*, (New York: Harper Collins Publishers, 2002), 19.

³ The *Heer* is the largest of the five services (Army, Air Force, Navy, Joint Medical Service, Joint Support Service) of the German armed forces (*Bundeswehr*). See also appendices 1 and 2.

⁴ Jim Taylor and Watts Wacker, *The 500 Year Delta*, (Oxford: Collins, 1997), xiv. Postmodernism is a phase in organization theory that began in the 1990s. Its predecessors were the classical (1900+), the modern (1950+), and the symbolic-interpretative (1980+) phase. Different approaches to strategic management stem from these phases. Mary Jo Hatch, *Organization Theory*, (Oxford: University Press, 1997), 5, 109, 113,115.

main concern of France and Great Britain on the eve of German unification.³³ However, German foreign policy allayed the concerns of the European neighbors about an emerging “Fourth Reich”, and was based on recognition that her welfare and security are inseparably linked to the political development of Europe and the remainder of the world.³⁴ Furthermore, there would be the danger that an autonomous Germany would initiate the revival of a multi-lateral “balance of power” system that inevitably would increase the threat of a re-polarization, and disintegration of Europe. “As the Germans, for their part have come to recognize that they’re vastly better off as part of an integrated Europe than as a dominant player in a nonintegrated Europe” the probability of striving for autonomy in the future is low.³⁵

The second option aims at an active, mitigating, and balancing role as currently pursued by Germany.³⁶ Her security-politico approach is comprehensive and within an interwoven network of security structures where the transatlantic partnership (NATO) remains the basis for common security and the cornerstone of her future security and defense policy. Correspondingly, the European Union (EU) reinforces political stability, security, and prosperity in Germany.³⁷ In the EU security framework, Germany’s primary goals are to strengthen European integration and an active EU policy with East Europe, Russia, the Mediterranean region, Southern Caucasus, and Central Asia. From the German perspective, NATO and EU are complementary institutions. Their strategic partnership is a pillar of the European and transatlantic security architecture. Thus, improved multilateralism and international cooperation remain the central aims of German

³³ Franz-Josef Meiers, “A Change of Course? German Foreign Policy and Security Policy After Unification”, *German Politics*, Vol. 11, No. 3, December 2002, 195-216, 195, 196. Then UK Prime Minister Thatcher feared that Germany could become a juggernaut in peace, and the French *couch mare* was a German return to Bismarck’s sea saw politics (*Schaukelpolitik*). Russia’s concern was that Germany would develop additional military capabilities, based on her foreseeable economic growth and political status.

³⁴ Meiers, “A Change of Course?”, l.c. 198. *White Paper* 2006, l. c. 5.

³⁵ Peter Schwartz, *Inevitable Surprises*, (New York: Gotham Books, 2003), 117.

³⁶ NATO, European Union, Organization for Security and Cooperation in Europe (OSCE).

³⁷ *White Paper* 2006, l. c. 7.

reduced the hierarchical levels since the 1950s, military management has its basis in deep structured pyramids, rank, deference, and pay structures of a bygone time.¹⁹³ Despite being a staff within a divisional organizational structure, the Army Staff organizes about 200 staff officers and civil servants in six directorates, nineteen branches, and along five hierarchical levels (Appendix 8). The second aspect is the biannual rotation rate of the military officers. Taking the natural reluctance of successors to implement ideas of predecessors and considering the ability for the civil servants to stall their military partners' ideas exemplifies the term "ponderosity".¹⁹⁴

Strategic management should have a flattening and connectional effect by unifying horizontally and vertically and through the personnel systems.

Thoughts about the Usefulness of Strategic Concepts and Techniques

Based on the deductions and aspects of analysis in this paper (Appendix 9) the usefulness of strategic management in the Army Staff requires one precondition. There should be a clear differentiation between leadership on operations (military leadership in the narrow sense, based on order and obedience) and in business realm. The business realm should work with processes that allow for horizontal teamwork within task-oriented networks, and project management while recognizing the macro-organizational framework. This comprises countering fragmented responsibilities, and promotes more freedom of action of the individual. A strategic management can frame these processes in respect of the concept's three-level hierarchy. The economic features of the Army Staff exclude those tools that exclusively refer to market-, industry-, or profit-related competitor analysis.¹⁹⁵ On the normative level, all questions, analysis and implementation tools and instruments that address directional strategy in the dimensions of growth, retrenchment, and

¹⁹³ Betts, *Conflict after Cold War*, l.c. 518. Michael Sander, "Das Sinnbild zur Sicherung von Stabilität und Wandel", *Zeitschrift Führung und Organisation (zfo)*, Vol. 64, No. 1, January 1995, 35-42.

¹⁹⁴ Taylor and Neil, "Spinning on Dimes", l.c. 19.

¹⁹⁵ E.g. Porter's 5 P's, Life Cycle Model, Experience Curve Model, Boston Consulting Group Matrix.

corporate parenting can be useful. On the business strategic level, tools and strategies that focus on competition through cost savings can help to structure thinking in a hypercompetitive joint environment. The usefulness of functional level strategy tools depends on case-by-case evaluation. MOST-, PEST-, and SWOT- analysis are universal structuring tools for both civilian and military use. On the same level stakeholder analysis, the mission statement, the value chain analysis, and the conceptions to test corporate governance are important. They can initiate thoughtful intervention in group discussions or discourse. Research provides evidence of the civilian concept's basic usefulness for the military. The concept provides a useful structure and means for managerial decisions in the business realm of the German Army Staff. These means must be customized to selected military requirements stemming from the macro- and micro-organizational civil-military differences, and postmodern findings of change theory and leadership.

The Recommendation – a Strategic Management Design Model

Linking Strategic Management with Integrated Emerging Strategic Design

In order to bring the concept to a tangible result, the author proposes to merge the derivative strategic management concept with Integrated Emerging Strategic Design (IESD) based on de Czege's concept of the 'Learning Adaption Cycle'.¹⁹⁶ The author proposes the term "Strategic Management Design" (SMD) for this hybrid model. The design is an amalgamation of the best practices of the rational school of thought, and the system and complexity school of thought. SMD is cyclical in nature and must assure institutionalized, legitimized conflict and iterative learning by self-reflection. On the one hand, deductive strategic management would add

¹⁹⁶ De Czege, Unified Quest, l.c. 12. In the context of this paper, the term 'business strategic' replaces 'operational'. The segments read: Business Strategic Design Process, Business Strategic Planning Process, Business Strategy Preparation and Learning, Strategy Implementation and Learning.

The organizational interdependence of the services within the joint *Transformation* process and the Army's integration in this structure limits unilateral "Learning-Adaption-Cycles". Strategic and joint communication will be necessary prior to entering the "business strategic planning", and "business strategy preparation and learning process" to obtain senior military and political leader guidance.

Within the "business strategic design process", strategic management is applicable as a complete cycle (Appendix 10). Strategic management can structure and support the IESD discourses on "rival", "command", and "logistics as rational", be a method for consensual assessment of the relevance of the data available, and give the IESD process direction.¹⁹⁹ Development of subject-related questionnaires for the discourses is necessary. This design process is the main effort in the "learning-adaption cycle". Strategic management also serves to identify the need for change (inflection point), frames the *Transformation* problem, and deduces the strategic factors (performance and strategic appraisal, SWOT). Based on these factors, a master plan can be developed that provides for LOOs and COAs respectively: The LOOs are the Army's ideas how to react on the inflection point and the framed problem, whereas the COAs comprise concrete options for "strategies" and "tactics" of how to get political and joint approval (strategy formulation and implementation). In the case of non-approval, learning along the single- and double-loop occurs, by reviewing the preliminary design process (feedback). The essential outcome of this phase is a strategic communication approach for the Chief of the Army, which serves to "sell" the army's ideas internally and externally to the joint and political level. At this point, marketing strategies become relevant as they can support the Army Staff in the selection of communication channels and messages.

¹⁹⁹ IESD, derived from Systemic Operational Design, is structured in several discourses for problem framing. In the operational environment of military operations the discourses address the rival-, command-, and "logistical" system and serve to produce a comprehensive narrative as a basis for later planning.

After approval, the “business strategy planning process” commences.²⁰⁰ Depending on the nature of change, planning can take place on the joint level or in one of the Army Staff directorates. In the latter case, the strategic management model can support with procedures and ideas that address all levels of business strategy. The author recommends the concomitant application of the SMD tools because they widen the perspective for solution of ministerial level problems. Strategy formulation tools can facilitate the development of COA how to implement the next *Transformation* step. The step describes a definition of internal and external communication strategies and a plan for Concept Development and Experimentation (CD&E).

In case of army-related *Transformation* topics that reach down to subordinate levels, the “business strategy preparation and learning cycle” will regularly comprise CD&E events. The Army Staff directs the preparation of these events in close cooperation with the Army Office or Army Command, and monitors them during execution. SMD can ensure a cross-functional staff participation. In this segment of the cycle, the alignment occurs between concepts, capabilities, doctrine, and problem context. At this point, double-loop- and deuterio-learning take effect. This segment offers the opportunity to assess the validity of available concepts and doctrine, evaluate procedures for doctrinal change or as a mile marker on the *Transformation* road. An essential feedback loop will ask how the staff defines evaluation criteria vis-à-vis the already existent “balanced scorecard”. Assessment of side effects of the envisaged change is possible and their influences on the Army MOST-setting and the dimensions of the “Magic Triangle”. The strategic management concept offers a spectrum of ways for problem solving and potential approaches such as how to organize (e.g. virtual networks²⁰¹), how to communicate (stakeholder analysis),

²⁰⁰ De Czege, Unified Quest, l.c. 17.

²⁰¹ The idea behind a virtual network is a small headquarters, which acts as a broker for the development, production, and marketing of products and services among a few own functions and independent external enterprises. The virtual network is extremely flexible due to minimized hierarchies, the innovation potential is high, the overhead is small, and the capability to learn is extraordinary because it is possible to “reshuffle” the value-chain links in seconds. The U.S. Army Warfighters Forum contains

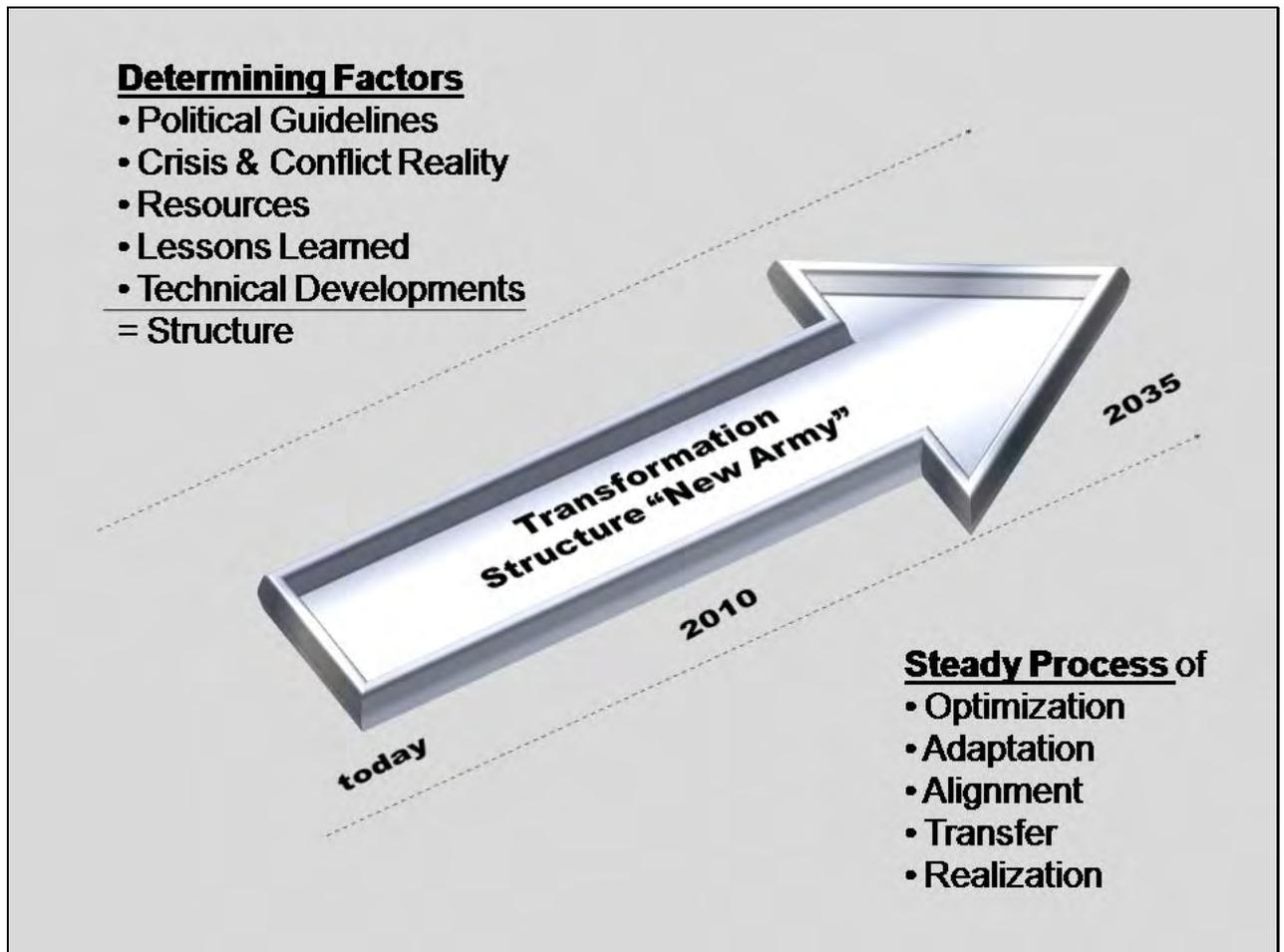
a precondition for a learning organization²⁰⁹ Single- and Double-Loop learning is the natural consequence. The author strongly recommends such a medium for the German Army because it could effectively link the operational army with the business realm, and could be a basis for coordinated and thoughtful intervention along the corner points of the overall German army's "Magic Triangle".

More than the SMD approach, IESD requires training. Strategic management and the theories of the learning organization should be part of professional military education, and the training schemes of all senior officers. Compulsory seminars at the *Führungsakademie* in the curricula of the staff- and general staff officer training courses would provide a significant contribution. A capstone program, similar to Advanced Operational Art Studies Fellowship (AOASF) that the U.S. Army School for Advanced Military Studies offers (SAMS), could prepare a selected number of general-staff trained officers for their responsibility as military change agents in future *Army Transformation*.

Finally, people initiate and make change happen. The most important but also the most difficult undertaking in all military bureaucracies will be to staff the military key positions with "creative terriers", that is, "red teams" in the business realm of the Army with the courage and skill to provide momentum and resolve to *Transformation*.

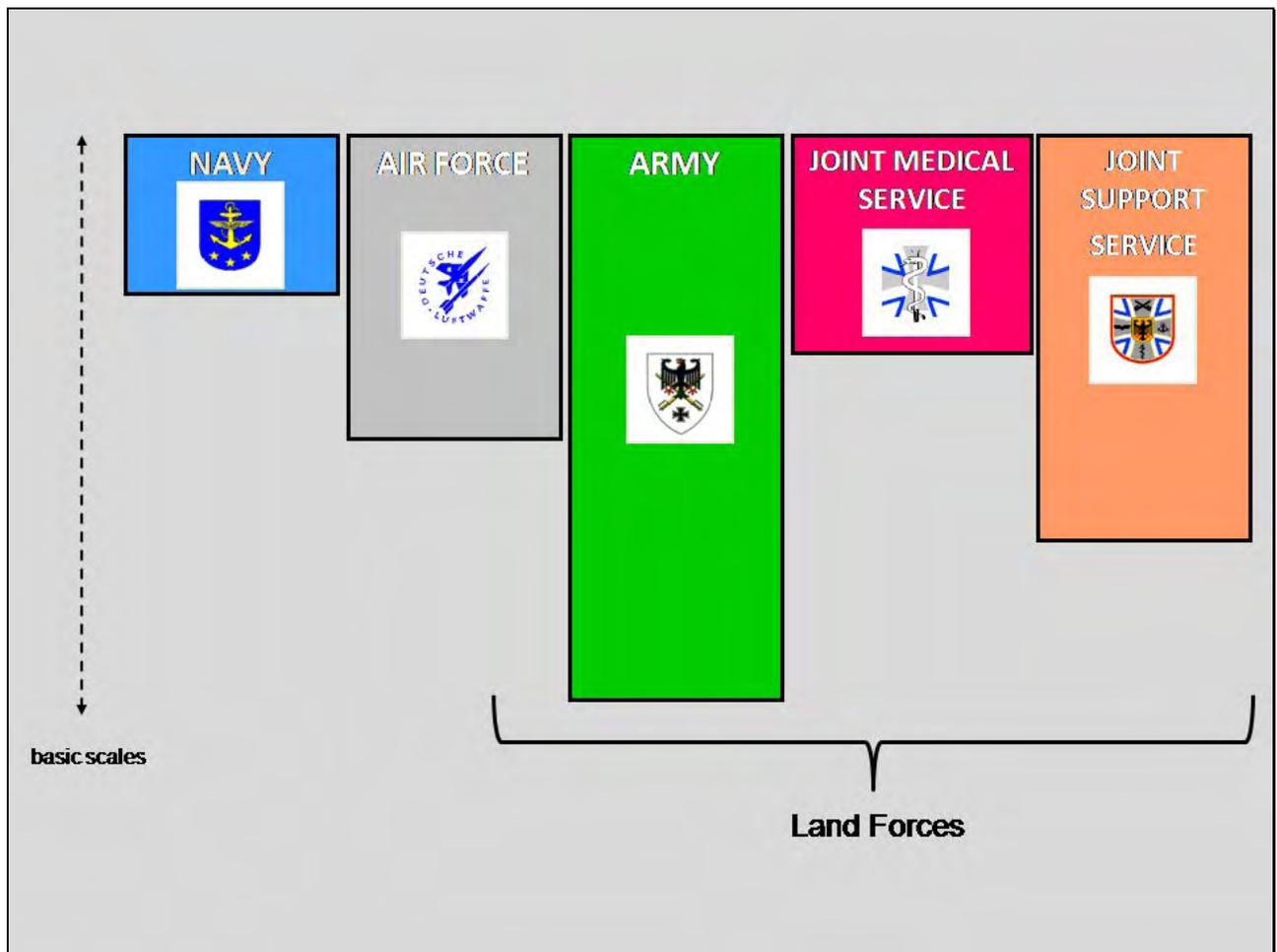
²⁰⁹ U.S. FORSCOM Briefing "BCT Warfighter's Forum (WfF) Overview", Handout, 04 Dec 2007.

APPENDIX 1: German Armed Forces Transformation



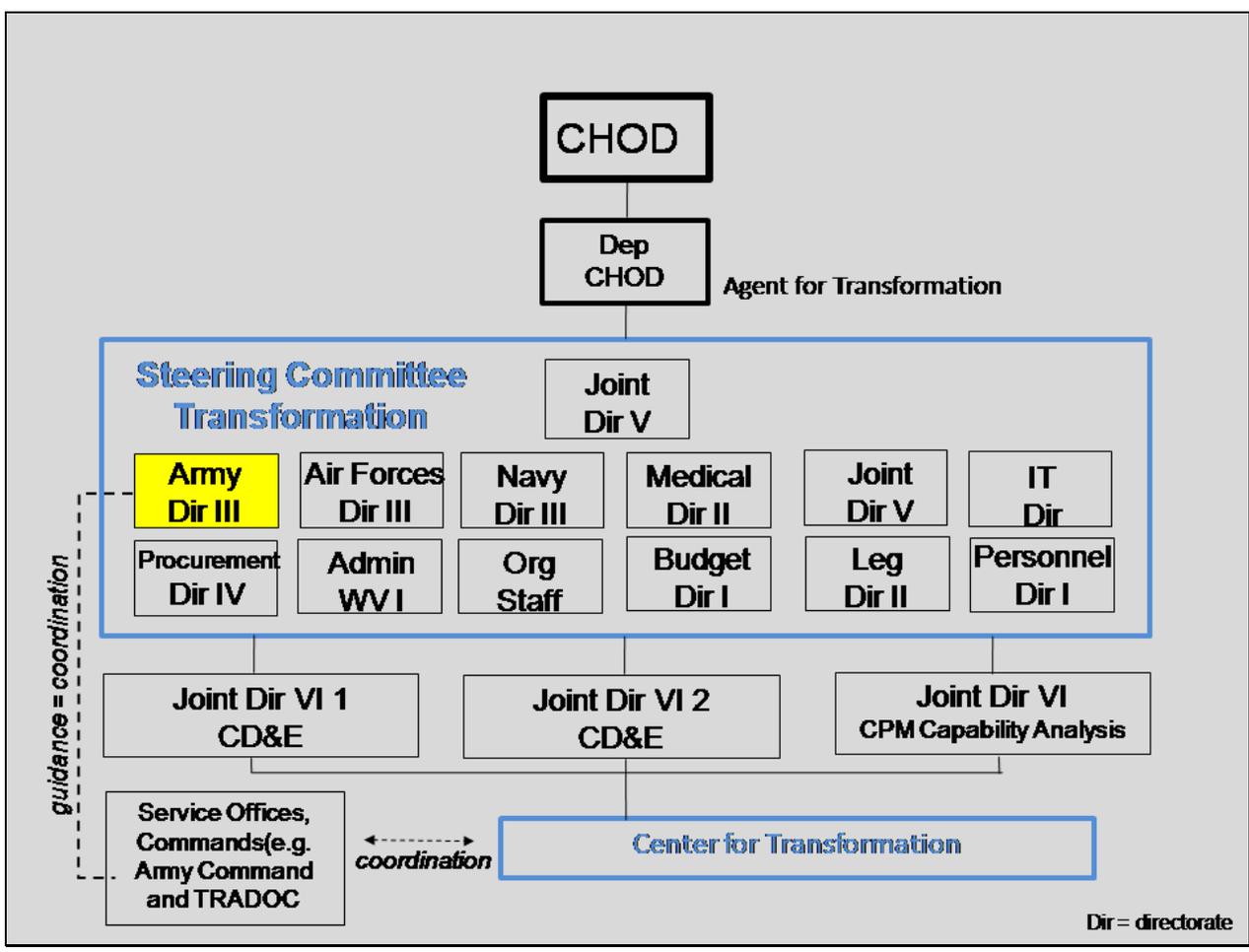
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APPENDIX 2: The “Corporate” *Bundeswehr*



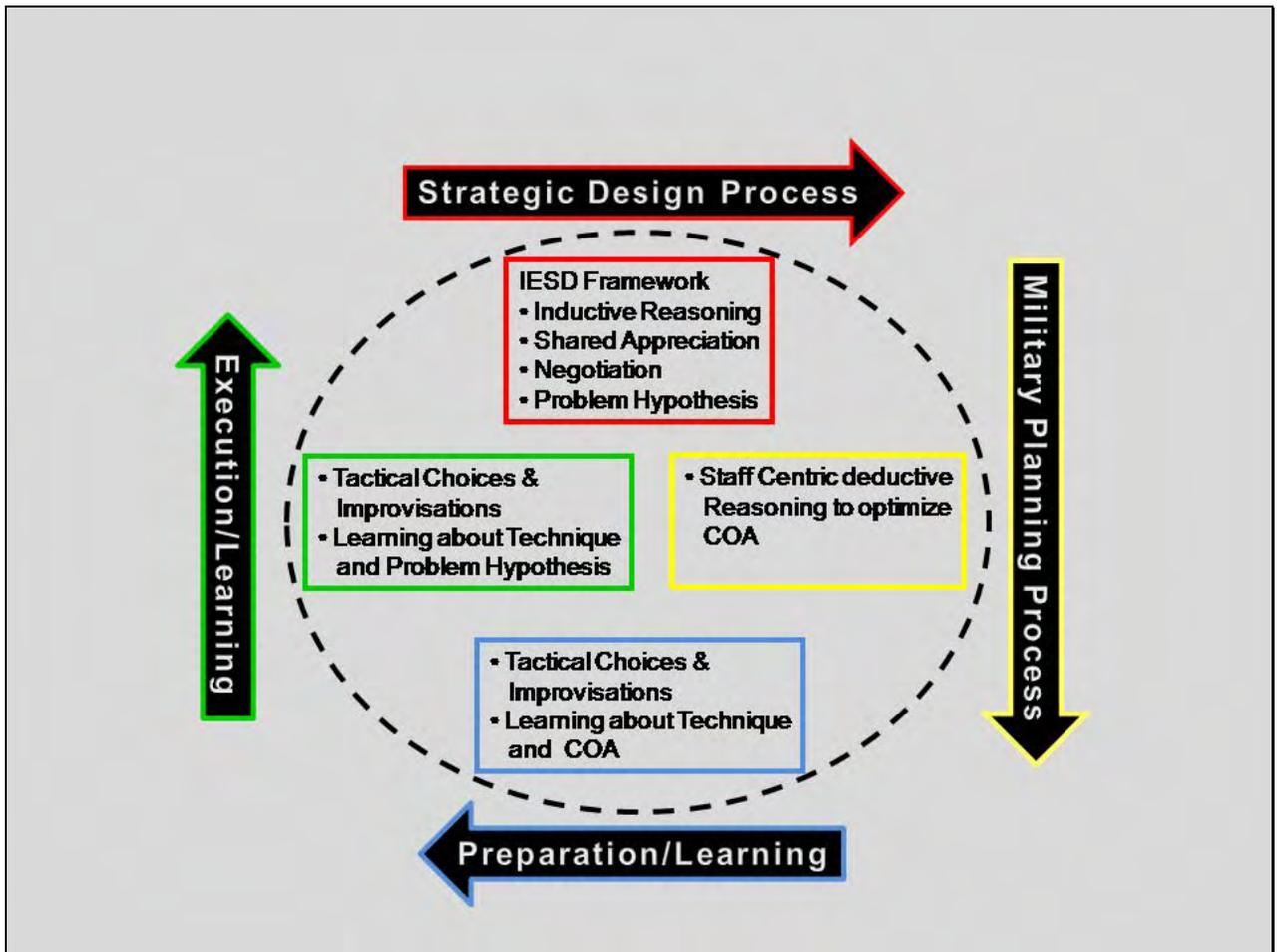
Graphic design by the author.

APPENDIX 4: The Organization of Transformation



Graphic design by the author.

APPENDIX 5: The “Learning-Adaption Cycle”

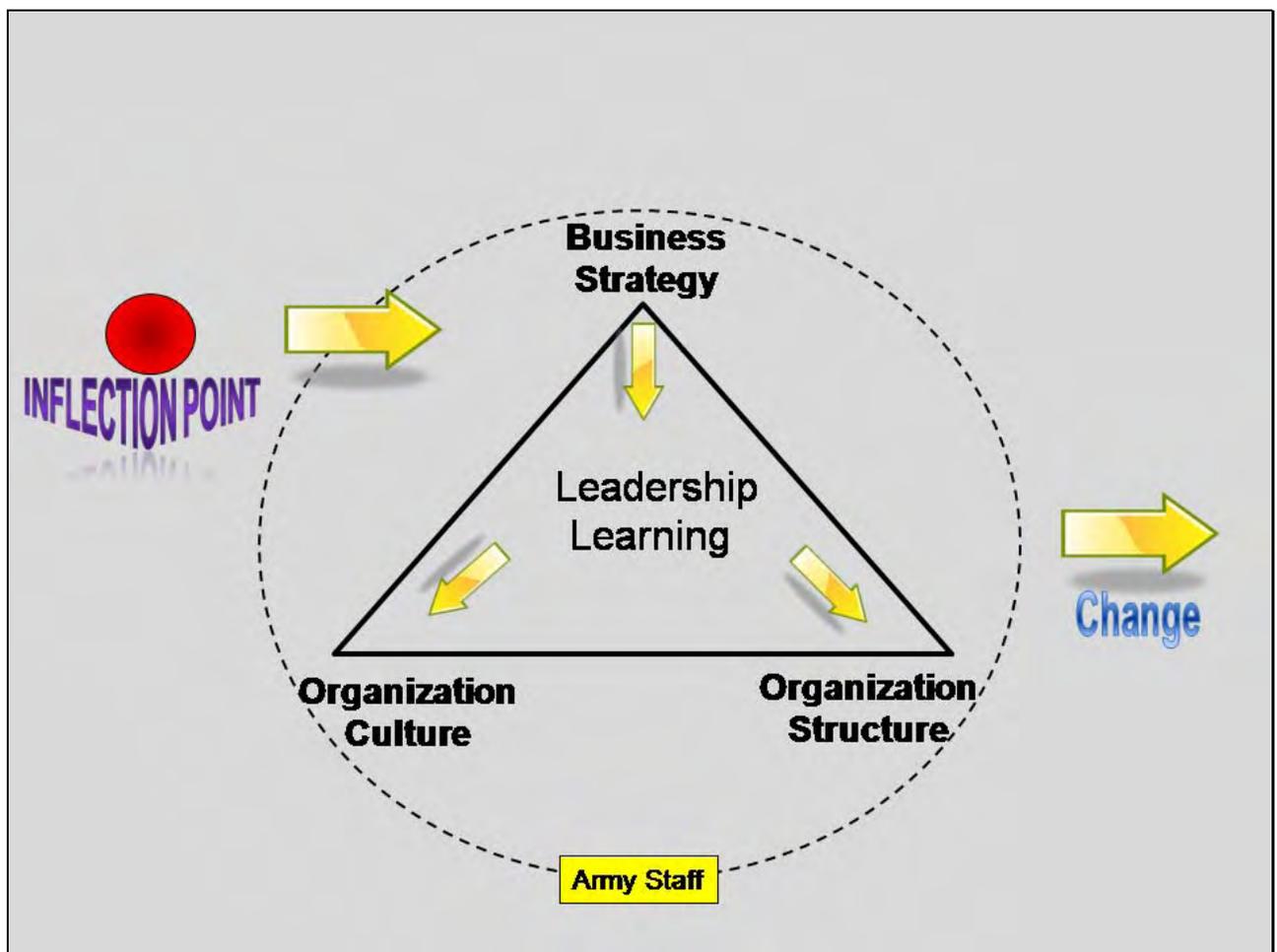


Graphic design by the author.

Source:

Huba Wass De Czege, “Unified Quest 07 Postscript 2: On Inserting Systemic Operational Design (SOD) Derived Ideas Into Army Doctrine”, in Booz/Allen/Hamilton, Integrated Emerging Strategic Design, Participant Pre-Readings. Prepared for The School for Advanced Military Studies (SAMS) at the Combined Arms Center (CAC) and Fort Leavenworth, Kansas, June 2007, 1-30.

APPENDIX 6: The “Magic Triangle” of Strategic Management



Graphic design by the author.

of globalization closely linked with the brand, reflects positive pictures of the future in a non-normative way, and gives the workforce emotional guidance.²¹⁰ Derived from the mission, the objectives are measurable parameters of the dimensions forces, space, and time. There are market- and the non-market strategies.²¹¹ After appraisal of the current strategy and the policies that translate it consensus about the gap between the MOST-factors and reality should exist. Building consensus on the lowest common denominator or a reductionist adaptation of expectations to reality would be a mistake in itself. The evaluation of organizational performance ends with a statement whether the current MOST factors reflect and cope with the international operations of the organization.

The importance of leadership for the symbolic value of a strategy is indisputable.²¹² Selecting people based on a leadership style that matches with the organization's challenges, is mandatory in enterprises but it has only limited importance in the military realm. This is because personnel selection in bureaucracies underlies different rules. Aspects like "value-based"²¹³ and strategic leadership do not count much. A military strategic management must bring the leader "on board", and must give him broad backing for the proposals he submits to the political, joint, or subordinate level.

²¹⁰ Wolfgang Momberger, "Die Kraft der Marke", *Capital*, No. 9, 1998, 104. Bertels, "Das Organisationsmodell der Zukunft", l.c. 15.

²¹¹ Non-economic objectives within the military context are timelines for the structure "New Army". Economic objectives can be cost-reductions per time or increases of investments as a percentage of the Army budget per fiscal year.

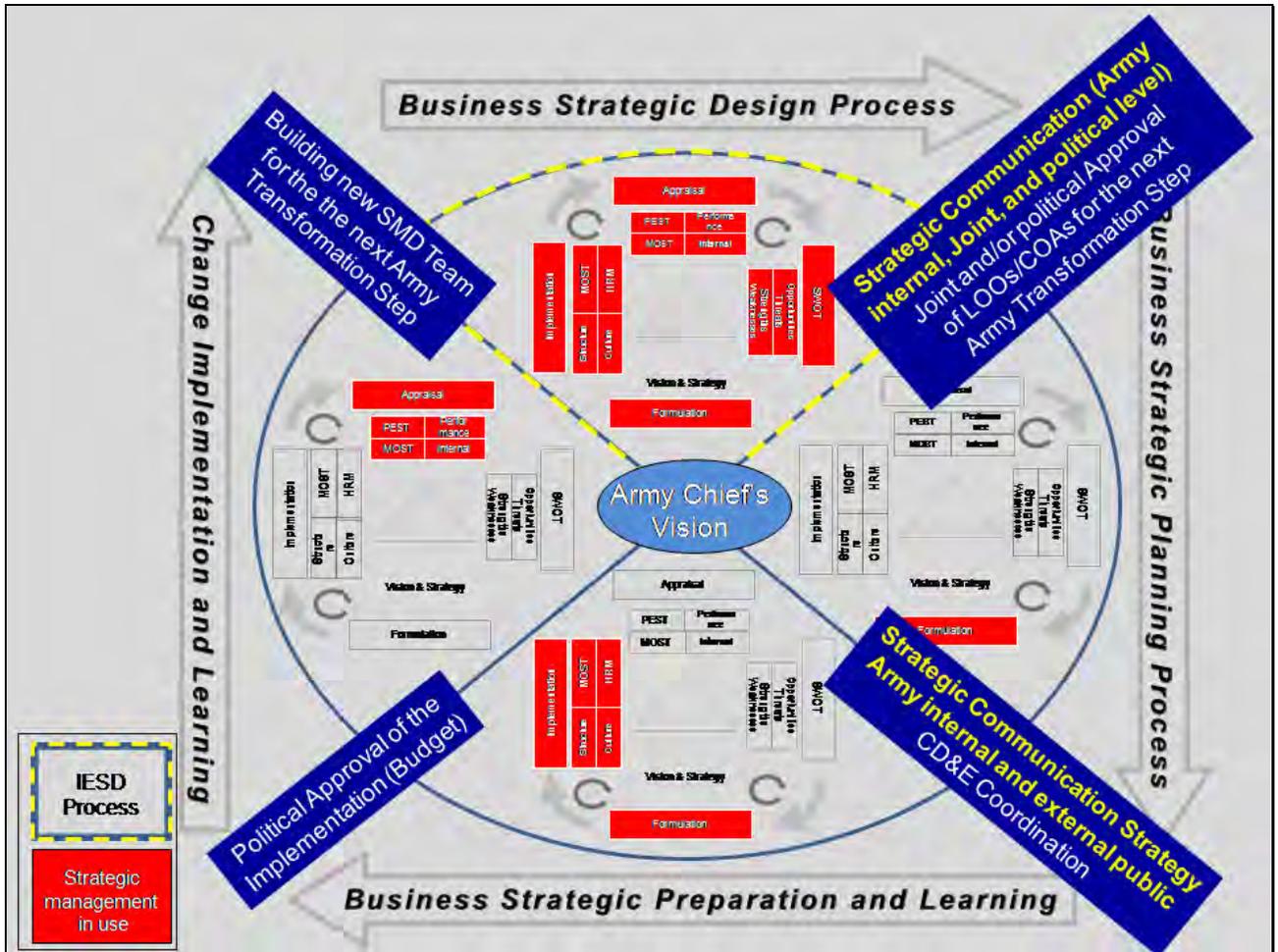
²¹² Leavy, "Symbol and Substance in Strategic Leadership", l.c. 41.

²¹³ Value-based leadership in the age of globalization also reflects the ability to re-interpret the values of the organization in adaptation to the requirements of the environment, and to visualize them in order to empower the organization for a bottom-up change of culture. Strategic leadership reflects on the one hand the will, the courage, and the ability to take consistent decisions and to pursuit them, on the other hand the political wisdom to pave the way up- and downwards to implement these decisions. Claes Trollestad, "In Search for the existential Leader", *MBA-The Magazine for Business Masters*, Vol. 1, No. 5, April 1998, 5-9, 8.

APPENDIX 9: Strategic Management Requirements in the Army Staff

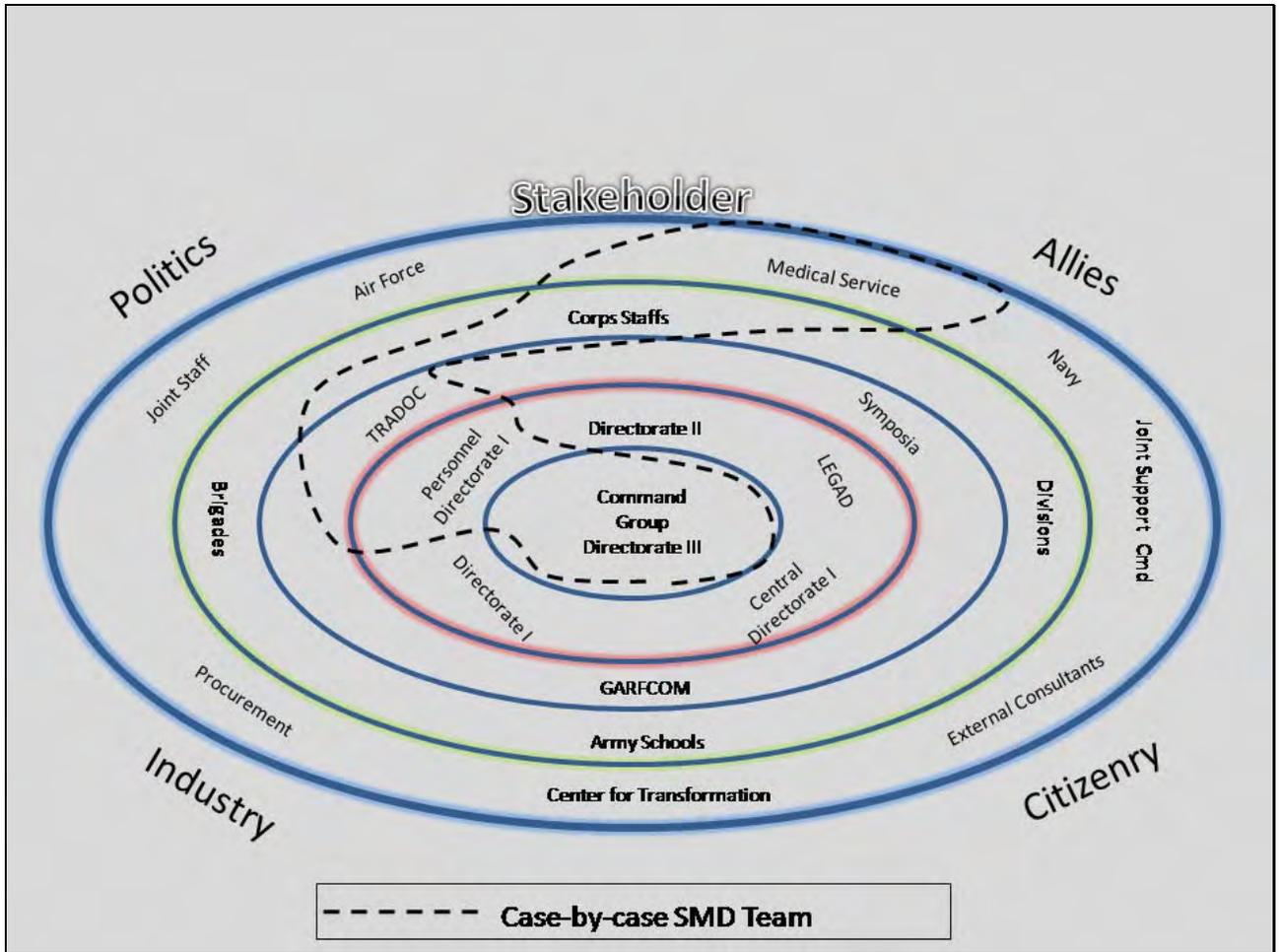
- Recognition of macro-organizational limitations but offer of alternative forms of communication. Compliance with given structures and processes while overcoming functional barriers.
- Establishment of supervised conflict to ensure identification of strategic inflection points, and early generation and implementation of ideas along the corners of the magic triangle. Establishment of a forum that offers a holding environment under uncertainty where free flow of thought beyond functional partiality is possible.
- Creation of Army Staff internal openness and openness to the external military and societal environment by overcoming structural and procedural limitations.
- Improvement of communication between the military and the political level, and empowering the Chief of the Army with broad army consensus by making him part of problem framing and creativity mechanisms.
- Provision of tools for design and analysis for different sets of problems.
- Ensuring broad participation of all staff members and building a Army Staff knowledge base as precondition for a learning and self-reflexive organization (top-down, middle-up, bottom-up).

The Business Strategic Management Design Process



Graphic design by the author.

APPENDIX 11: The Strategic Management Design “Cosmos”



Graphic Design by the author.

Bundesministerium der Verteidigung. *Innere Führung, ZDv 10/1*. Bonn 1993.

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