Strategic Defence Review 1998: Politics, Power and Influence in Government Decisions[1]

Robert Grattan, Faculty of Business and Law, Bristol Business School, UWE, Bristol, UK

Nicholas O'Regan, Faculty of Business and Law, Bristol Business School, UWE, Bristol, UK

Glenn Parry (Corresponding author), Faculty of Business and Law, Bristol Business School, UWE, Bristol, UK

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Main Message: Politics, power and influence impact upon strategy as demonstrated in this work where the intention to produce a foreign policy based Strategic Defence Review was forgone during last minute adjustments and compromises over money.

Key Points:

The 1998 Strategic Defence Review was conducted using logical analysis of foreign policy to identify requirements, but final costs exceeded funding allowed by the Treasury so changes were made.

The success of individuals in a strategic process is a function of the power they can wield directly and the support that they can muster.

Strategic aspirations are always bounded by resource limitations so managers may have to make changes, however rigorous and logical their arguments.

Introduction

This paper seeks to present an overview of the UK Strategic Defence Review [SDR] 1997/98 from a strategy process perspective and adopts a view of SDR as an attempt to form strategy through discourse. SDR was a fine-grained, logical analysis of foreign and defence policy and was a response mechanism similar to that used by large organisations and governmental bodies when determining future strategic direction.

The actual policies relating to defence that emerged are not considered, as content has been separated from process. During 2009, interviews were conducted with many of the leading figures involved, which have been supplemented with reference to Parliamentary documents and information from the Ministry of Defence's files provided under the Freedom of Information Act. The way the Review was conducted contains elements of organisation politics and power, but a chance influence intervened at one point.

A strategic defence review sets out the long term future shape, size and vision for the armed forces. Only 6 major reviews have happened since World War II. A major review had been undertaken by the Conservative government and was published in 1981 as the Defence White Paper. Whilst in opposition Labour Ministers had made numerous calls for a new strategic defence review and signalled an intention to undertake a full review should they gain power (Mayhew 1992 Clark, 1993, Squire, 1994,Clark 1996). A new defence review was resisted by the Conservative government, claiming that such a review would damage their credibility and could create instability in the defence industry, particularly with regard to the Eurofighter fast jet procurement being undertaken at the time (Arbuthnot 1997). However, it was signalled very early on by Labour that Eurofighter would be outside any such review (O'Neill, 1997).

In the 1997 the incoming Labour government honoured a manifesto pledge to conduct a Strategic Defence Review based on the needs of foreign policy and open to inputs from whomsoever felt that they had something meaningful to contribute. In May 1997 the review began (Reid 1997a). Further to the exclusion of Eurofighter, the Minister for the Armed Forces signalled government commitment to Trident nuclear deterrent, though the total numbers of missiles would be included in the review (Reid 1997b)

and Reid (1997c). The Secretary of State for Defence, the then Mr George (and now Lord) Robertson, wrote (1998 Foreword to Essays):

> 'Throughout the Review, I have been determined to extend the principle of openness.....and to encourage informed debate on all aspects of our defence policy.'

This Review was to be unique, and in contrast to earlier ones conducted behind closed doors in the Ministry of Defence, and sought consensus through open discourse. UK defence reviews have been accused of being driven by the Treasury (Daddow, 2010) and having a distinct focus on saving money. The 1998 SDR uniquely was to progress from policy, through the required force structures, to the resulting cost. This logical sequence, however, resulted in a budget that the Treasury was unable to meet.

In presenting the process and critique of strategy formulation the paper will proceed through the following stages: first, a description of the case research methodology used. Second, the case study analysis of the Strategic Defence Review 1997/8 identifying the process designed to produce a logical and sound defence policy. The case provides a documented history of the deployment of the process and subsequent emergent behaviour which arose. Third, a reflection is presented of the review as a critique of the attempt by UK Government to form strategy through discourse. This is followed by a discussion, review and critique of the case in light of literature. The paper finishes with conclusions and future work.

Research Methodology

This case study enabled researchers to examine and interpret the processes that were used within the Ministry of Defence to produce a defence policy. Case study research is also useful when the aim of research is also to answer 'how' and 'why' questions (Yin, 2003). This matches the wider aims of this research, to gain an understanding of how strategy formulation through discourse manifests itself in practice. Though our overall focus was on understanding strategy formation, consideration of the actual process in relation to theory, led to a discussion on the value resultant from the SDR exercise and how greater value through process understanding might be delivered in future.

The researchers interviewed as widely as possible but, inevitably, some whose account would have been valuable did not wish to be involved. Those who did agree to be interviewed and gave generously of their valuable time are listed at the Appendix to this paper. The interviews were conducted in 2009, were semi-structured and conducted face-to-face. The data obtained enabled researchers to uncover how informants perceived and interpreted the situations and events (Bryman, 2008). The themes covered were largely chosen by the interviewee, but some prompting was made by the interviewer. The main theme was the individual's role in the SDR and the obstacles and enablers they met. In addition, most interviewees also gave their perceptions of the subsequent outcome of the review process. It is noteworthy that all those who were involved in the actual process were convinced that SDR was a logical analysis, honestly conducted. All interviews were recorded and transcribed and the ethical guidelines described by Maylor and Blackmon (2005) were used. Thus research subjects were informed fully about the purpose, methods, and intended uses of the research. Moreover the confidentiality of the data was guaranteed and in line with these standards the interviewees participated voluntarily, free from coercion.

Documentation of speeches and written responses to questions was sourced from the Official Record (Hansard) of the UK Houses of Parliament. Additional valuable data were obtained from the Ministry of Defence under the Freedom of Information Act and members of staff provided photocopies of enclosures from their files. Some redactions were made but the information provided added considerably to the reconstruction of the staff actions at the time. The authors are most grateful for this openness and the valuable assistance provided.

Strategic Defence Review 1997/8 Case Study

The incoming Labour government in 1997 had included the idea of an open defence review in their election manifesto (Labour Party, 1997), but had not worked out in detail how to conduct it. The civil servants in the Ministry of Defence (MoD) had, however, been preparing the ground and had the experience of recent, similar exercises to call on. For example, the most recent defence reviews: Front Line First (1990) and Options for Change (Mottram 1991) had been conducted by Richard Mottram who in 1998 was the Permanent Under Secretary in the MoD and was, thus, in overall control of the SDR.

The review was undertaken in four stages (Dodd and Oakes, 1998). Stage One was conducted jointly by the Ministry of Defence and the Foreign & Commonwealth Office, though other parties were involved as required – this stage determined a policy baseline for the review (Darling 1997a). Stage Two saw the development of planning assumptions and military 'missions' and drew upon working groups of interested and involved parties. In the third stage the working groups translated military missions into 28 military 'tasks', and looked at how technology would impact upon capability. The final and longest stage involved further groups exploring current and required capabilities and the likely support needed to achieve the demands to be faced, as well as overall budgetary provision.

SDR, in common with most strategy formulation exercises, had been preceded by many other reviews and, furthermore, Britain had existing armed forces, each with their own equipment, doctrine, operating procedures and traditions. Although this legacy provided valuable experience, it also constrained the choices available, even though the SDR was intended to keep all options open. Existing equipment could be regarded as a sunk cost, but re-equipping or a radical departure in defence policy might prove to be beyond the resources available. The Review also had the legacy of Britain's imperial past and remaining commitments, together with the perception that the country was still a significant player in world trade and whose interests had to be protected. Britain was also a permanent member of the Security Council and a leading player in alliances such as the North Atlantic Treaty Organisation (NATO). The question of Britain's place in the modern world does not seem to have been reconsidered during SDR.

The review's goal was made clear in speeches that it was to achieve foreign policy led consensus on defence, as opposed to being Treasury and thus cost led (Robertson 1997a) and was expected to be completed within 8 months (Robertson 1997b). The Secretary of State for Defence underlined the policy based objectives (Robertson 1997c).

> "The strategic defence review is not some ploy by an incoming Government: it is a determined attempt to provide clarity and vision for the future of this country and to ensure that when our troops discharge the obligations that the

people want us to place on them they are not hindered by the problems of overstretch that many of them face today".

The promised 'open' approach was due to be satisfied through the incorporation of evidence from a wide range of bodies. Inputs were received from across Government Departments (Blair 1997), but openness was mainly claimed based on three seminars in Coventry and London with lobby and interest groups (Reid 1997d) and the members of the public (Gilbert, 1997a) as well as the formation of a Panel of Experts. This latter group of 18 eminent people from industry, the press, retired military, and academia were selected for their experience in the defence field.

To further provide 'openness' and transparency to the process of defence strategy formation the BBC was given unprecedented access within the MoD to film the conduct of the Review and produced a television programme, 'A Paper War: Inside Robertson's Defence Review', which was broadcast on 31st May 1998. The BBC TV documentary team filmed much of the process including the first open seminar on the Strategic Defence Review, held at the Foreign and Commonwealth Office on 3 July (Reid 1997e).

Trade Unions were involved, and representatives of the trades unions attended the two Strategic Defence Review Seminars on 3 and 11 July (Reid 1997f). A Strategic Defence Review Sub Group was created and chaired by Deputy Chief of Defence Procurement. A number of trade associations were represented including the Defence Industries Council, the Defence Manufacturers Association, the British Naval Equipment Association, the Federation of Electronics Industries, and the Society of British Aerospace Companies. Further, a number of leading companies including BAe, Cobham, Fairey Hydraulics, Rolls-Royce, FR Aviation, GKN, Racal, Smith's Industries, Computing Devices (UK), GEC, GEC-Marconi, TI/Messier-Dowty and Vickers were represented. This group presented the results of their work to ministers on 29 October at the National Defence Industries Council [NDIC] meeting (Spellar 1997).

 The Secretary of State gave lectures at the Royal United Services Institution for Defence Studies and Chatham House, and the MoD received some 500 inputs from the members of the public and organisations. Where permission was given,

contributors comments were made available in the House of Commons library during the process (Fatchett, 1997a, Robertson 1997d). The House of Commons Select Committee on Defence also conducted their own evidence collection throughout the period of the Review, which lasted for over a year. Thus, the promise of an open debate had been fulfilled.

The internal structure of the Review within the MoD was a series of committees at different levels within the organisation, each having a particular function. At the working level, the Internal Studies Group comprised over 50 committees who discussed the detail of defence forces' missions and tasks.

The Policy and Planning Steering Group (PPSG) monitored this detailed work and exercised control of the whole Review. Work that they considered unsatisfactory was referred back to the Internal Studies Group for revision. When the PPSG were satisfied, they passed the results to the senior committee, which was the Financial and Policy Management Group (FPMG) which was chaired by the Secretary of State and was, in composition, virtually the Defence Council. The Secretary of State insisted that the FPMG be provided with options (usually three) for each proposed measure before the Committee went on to make their decision. As with external submissions, submissions to the Strategic Defence Review by individual Service and Ministry of Defence civilian personnel as part of the consultation process were made available in the House of Parliament libraries (Gilbert 1998a), thus contributing to the significant public record of 486 submissions from external sources who consented to their publication (Robertson 1998).

Throughout the process those responsible in both houses repeatedly insisted that the Review was to be policy-led (Darling 1997a); Henderson (1997); Gilbert 1998b, Spellar, 1998a, Blair (1998). The veracity of this claim was repeatedly questioned by representatives from both parties (Young 1997; Trefgarne 1997; Gray, 1997; Lawson 1998a; McKinley 1998). Mr Robert Key [Conservative] highlighted the ambiguity in policy/spending early on in the process in the House of Commons:

> "...I do not doubt for a moment the sincerity of the Secretary of State for Defence, the Minister for Defence Procurement, or the Under-Secretary of State who will answer today, but not once has any of them been able to deny

the bottom line of a Treasury veto..... The Treasury cannot allow the defence budget to be excluded from normal spending round bargaining..." (Key 1997a)

Although there was the intention and repeated claim that the Review would not be Treasury-led, money could not be ignored and this later proved to be a difficulty. Although the Treasury was included in many of the discussions in the MoD (Darling 1997a) and some detail of Treasury officials attendance at meetings was given, it was deemed too costly to track all officials attending meetings (Darling 1997b).

A delay occurred in the final publication of the report, initially promised in 1997 'at the turn of the year' (Robertson, 1997e), but finally published in July 1998. Whilst reportedly completed and signed off by the MoD in March 1998 (Lawson, 1998b) the final delay was, correctly, attributed to the time spent negotiating with the Treasury (Young, 1998). The technicalities of defence were often difficult to explain and the Treasury was adamant that the process could not to be allowed to continue and be provided with a blank cheque. An 'indication' of the sort of amount that could be agreed was given to the Secretary of State at a relatively early stage which, in a sense reverted back to the outcome of the Review being determined by the Treasury. Claims were made that the SDR documentation given by MoD to Treasury were unaltered:

> "...The Chief of the Defence Staff confirmed that the package which left the Ministry of Defence in March was identical to that announced by my right honourable friend this afternoon in another place..." (Gilbert 1998c)

The budget that emerged from the policy-led review proved to be some £2billion more than the Treasury would allow, so in the final stages various measures were introduced to balance the books. These included the privatisation of the Defence Evaluation and Research Agency (DERA), the amalgamation of the single-Service logistics organisation under a Chief of Defence Logistics and some 'quite heroic assumptions' as to the savings expected from Smart Procurement initiative for defence acquisition. These measures had all been under discussion, but had not been intended as a part of SDR. The expected savings did not emerge in practice and the addition of later reductions in the defence budget badly affected the future equipment programme.

Policy Baseline

Criticism of earlier reviews had been that they had been mere money-saving exercises at the behest of the Treasury, but it was intended that SDR would follow a logical argument based on the needs of foreign policy. Thus, the first phase of SDR was a joint study with the Foreign and Commonwealth Office which produced a detailed statement of Britain's foreign policy aims and objectives. Phase 1 of the SDR was not published as expected in July 1997 as it was described as ongoing (Fatchett, 1997b) despite a time line of external representations of 30th June (Lloyd, 1997). Further, in July 1997 it was stated that no separate phase 1 report was to be published, with findings to be included in the final report (Robertson 1997f). A lack of clarity over the policy baseline was criticized (Simpson 1998; Mackinlay 1998) as it was said to have made debate challenging (Simpson 1998b) and brought into question how open the process truly was:

> "...It would help us to debate this whole issue more deeply if we could strip away the secrecy from the strategic defence review. For example, it would help if we could hear a little more about the foreign policy base lines..." (Key 1997b).

Phase 1 was said to be 'virtually concluded by end of October 1997 (Gilbert, 1997b). However, no separate document detailing this first Phase was ever published before the Review was completed: a move criticised by the House of Commons Select Committee on Defence and various individuals in both Houses. The very existence of actual foreign policy objectives included in the SDR were brought into question (Campbell 1997). Subsequently claims were made that clarity to baselines had been given (Robertson, 1997g and 1998b); Reid, 1998, though it was noted at the time that any policy baseline was 'almost impossible to establish' (Simpson 1998b). There was a suspicion that if the policy document later proved not to produce the 'right' answer it would be amended, although there is no evidence that this was done in practice.

> "....we have to conclude that the base line will appear in a final document after the Treasury axe has fallen, and it will be a reverse justification..." (Blunt 1997)

Failure to produce a clear policy baseline continued to be questioned and following final publication of the SDR there continued to be questions raised as to the veracity of the claim of a policy-led strategy (Maples 1998a).

Delayed Publication

> "...I envisage that this White Paper will be published in the first part of next year..." (Robertson 1997g)

Continued attempts were made to ascertain the date of the publication of the SDR, but evasive answers were given, frequently referencing the 25th Nov 1997 statement above. The SDR was seen by the opposition as a crutch, used to defer policy decisions or evade questions (Robertson 1998c; Spellar, 1998b; Hayman, (1998):

> "... My Lords, may I express my sympathy with the Minister for his inability for months to answer any Question that has been asked because of the imminence of the strategic defence review?..." (Lawson 1998c)

The deadlines for publication passed and Committees remained on permanent standby waiting for the SDR documentation before they could begin work (Maples 1998b). It was not until late June 1998 that the presented line on the date for SDR publication changed, conceding that publication would be unlikely 'in the first half of the year (Robertson 1998d).

Whilst public figures had been careful not to reveal the content of the SDR, the document was leaked before its official publication, causing accusation and consternation in the Houses of Parliament (Heath 1998); Hague (1998). SDR was finally published on July 8th 1998, accompanied by an investigation into its leak (Robertson 1998e).

The Dominant Coalition

Most of the work on SDR was conducted in the Ministry of Defence which as a Department of State is a complex, bureaucratic organisation and which forms the political/military interface. The continuity in the organisation is provided by the civil servants, many of whom had spent most of their working lives in the MoD. There is, thus, a coalition of interests in the MoD comprising: politicians, civil servants and military officers, and the upper reaches of these groups form the dominant coalition

that decides strategy and policy. In practice, however, this coalition is joined by the Treasury which controls the resources necessary to enable the strategies to be enacted. Treasury decisions are not necessarily based on objections to particular strategies and policies (although these are often challenged) but rather on a perception of how much the country should spend on defence, in comparison with other commitments, such as health, welfare, education, et cetera.

In terms of power, the Treasury, as guardian of the resources is the strongest. The politicians in the Ministry of Defence, although vested with the power of ultimate decision, are unlikely to reject expert advice while seeking balanced flexible forces that permit them the widest choice of options. The military provided the experience and the technical advice on the conduct of operations and the needs and forms of conflict, the nature of which would probably change in the future. The civil service provided the continuity and long-term knowledge of defence policy and were guardians of the logic and processes of strategy and policy formulation, so were arguably the most powerful group in the MoD.

The coalition within the MoD can also be viewed as a principal/client relationship and there was, perhaps inevitably, a conflict of interests between these groups. The politicians as the 'principal' wanted the greatest flexibility for the least cost; the military, one of the clients, wanted the best most-modern equipment in adequate amounts; the civil service, the other client, wanted a logical, practical outcome that did not lessen their control and their Ministry's influence in the nexus of power. Each group would be guarding their own interests, whilst not deliberately frustrating the wider aims of the Review. The Treasury, as a principal in its own right, wanted as small a defence budget as they could achieve without opposition from other interests within the Cabinet. In former reviews, the struggle between interests was intense and there was often 'blood on the carpet', but the Secretary of State wished SDR to be logically and objectively argued without the acrimony and suspicion of previous Reviews. He sought consensus.

Some Aberrations

The logical structure for the conduct of the Review was generally followed with detailed work passing up from the 'working level' to the 'Star Chamber' for

consideration of final decision. Some events, however, perturbed this rational process to consensus.

Chief of Defence Logistics At the time of SDR, the three Services had their own individual logistics organisations. The proposal to combine and centralise this logistic support was seen by the Service Chiefs as a further erosion of the power and influence of the single Services in favour of the Central, 'purple' staff. The politicians and civil service, however, saw this move as an efficiency saving and had no great interest in preserving the power of the individual Services, so pressed for its adoption. Crucially, the Chief of Defence Staff (CDS), the now Lord Guthrie, was also persuaded and urged its adoption. Lacking acceptance of the proposal by the Service Chiefs, the CDS informed them that the proposal was to be implemented and since he was the senior officer, they were to obey. Consensus could not always be reached through the power of argument.

Joint Force 2000 It had been widely expected that there would be the customary battle between the Royal Navy and the Royal Air Force over the provision of aircraft carriers. This topic had always been a bone of contention in the past, and there were elements within the Central Staff that wished to see carriers withdrawn. The Chiefs of Staff of the navy and the air force, however, concluded a 'side' agreement that the carriers would not be opposed and the Harrier aircraft of the two Services should be pooled and operated jointly. This agreement was seen, principally by the civil service, as falling outside the agreed process for SDR and frustrating the essentially bottom-up development of policy since the proposal went straight into the top-level FPMG. Some saw the move as statesmanlike, others as a devious plot.

The Cabinet Meeting The Cabinet met to hear a presentation from the Ministry of Defence on its deliberations and, hopefully, to give its approval. The presentation was given by Admiral Essenhigh, then Assistant Chief of Defence Staff (Programmes), who was expected, when his briefing had been given, to sit and listen. The discussion, however, did not go well and Admiral Essenhigh decided to intervene and emphasise points that led eventually to agreement. The Secretary of State subsequently observed that this intervention was a critical point in the SDR. Thus, for all the careful structuring of the SDR, an unscheduled, unplanned intervention proved to be of great importance.

The planned structure for SDR was used for the majority of the time, but individual interventions outside that regime had a significant effect on the strategy process.

Those participants interviewed in this study were justifiably pleased with the conduct of SDR which they saw as logical and intellectually honest. Inevitably not all vested interests were satisfied with the outcome, but the results provided an acceptable compromise and balanced flexible forces. The problem was, however, this outcome required, in money terms, more than the Treasury was willing to provide. The costings in the MoD were taken through several iterations, but always the budget required was more than the money available. In the end what all had sought to avoid – a Treasury-led review – was what came about in effect. The MoD adopted measures that had been under discussion for some time, namely: the privatisation of the Defence Evaluation and Research Agency and the formation of a Chief of Defence Logistic organisation in the Central Staff. The savings to be expected from implementation of the new MoD acquisition policies, named Smart Procurement, were increased to what turned out to be "heroic levels", and other efficiency savings were assumed. The logic of a return to the Foreign Policy baseline for reductions in commitments and a subsequent adjustment to the armed forces was eschewed in favour of last-minute adjustments and compromises. Furthermore, the Treasury agreed to raise the future Defence Budgets in cash terms in line with the annual Retail Price Index, but since the escalation of annual defence equipment costs is, for technical reasons, higher than other inflation measures, there continues to be an annual erosion of the funds available in real terms. The consequences of this outturn of SDR are still present and may have hastened the Strategic Defence and Security Review 2010.

Relating the Defence Review to the Strategic Decision making literature

This section of the paper introduces various theories of strategy formulation drawn from management studies which are used to provide some explanation of the conduct of SDR. The case study may then be seen to underwrite and support the theories considered.

Mintzberg (1991:65) suggested that large organisations pursue efficiency and control, but that the organisational politics present were, generally 'a parochial force..., encouraging people to pursue their own ends'. The three separate Services each had a

doctrine that amounted to an ideology and a balance needed to be struck in order to reduce the cleavage that this clash of views and priorities could cause. The means to achieve this harmony were to be a rational, logical argument orchestrated by the civil servants who, not entirely without their own objectives, were more impartial than the rest. Simon (1976) pointed out that, although administrative man intended to be rational his performance in this respect was 'bounded' by the limits of his cognition and he could only satisfice because [he] did not have the wits to maximise (op.cit. xxviii: emphasis in the original). For these reasons the Review was to be conducted in a hierarchical structure that permitted a refinement of proposals as they moved up to the dominant coalition for final decision. Progressively, it was hoped, irrationalities would be purged and the wider perspective at the top would resolve parochial views and doctrinal cleavages. Allison and Zelikow (1999), however, are unenthusiastic about the '*Rational Actor' model* as a means of explaining the strategy formulation process. They proposed two alternative models of explanation: the '*Organizational Behavior Model'* and the '*Governmental Politics Model'*.

The *Rational Actor Model* for analysing events in foreign affairs attempts to explain the behaviour of governments by regarding them as an individual. Thus, events are often reported as, 'The Americans invaded Iraq', which regards the government of the country as a 'black box'. This individual will have aims or objectives and will study the alternatives available to achieve it. The consequences of each course of action will be evaluated and then the rational choice of maximising utility of the country (or maximising the payoff) will be made.

Organisational Behaviour Model Occurrences are an organisational output: thus, the details of the British intervention in Iraq were arranged by defence agencies. The triggering decision will have been made by Government, but defence agencies offered the advice and specified the alternatives. The advice itself will have been derived from organisational routines, doctrine and Standard Operating Procedures. McInnes' (1998:829) observation is redolent of this model:

> 'the range of options considered may have been limited by bureaucratic pressures, internal norms and what Robertson described as sound *military* experience...and distinguished *military* traditions' (emphasis in the original)

Thus, this model suggests, governmental action, in this case, can be understood as a result of organisational routines and behaviour within the Ministry of Defence.

The Governmental Politics Model was introduced by Allison and Zelikow (1999:255) who contended that:

> 'The leaders who sit atop organizations are no monolith. Rather, each individual in this group is, in his or her own right, a player in a central competitive game. The name of the game is politics: bargaining along regular circuits among players positioned hierarchically within the government. Government behaviour can thus be understood according to a third conceptual model, not as organizational outputs but as a result of bargaining games.'

The success of individuals in this process is a function of the power they can wield directly, or through the support that they can muster.

Although the SDR model was logical and rational, the *Rational Actor Model* does not yield a convincing account of the strategy formulation process. This model does not illustrate what is going on within the 'black box' of the Review. The *Organisational Behaviour model* does have an application in that the routines and operating procedures within the Ministry of Defence were a strong influence on the strategy formulating process. The *Governmental Politics model* again sheds light on the outcome of the SDR. The logical analysis produced a defence policy that matched the demands of the foreign policy endorsed by the Government, but the necessary resources were not provided. The Treasury had evolved their view of the balance of expenditure within the Government, and their process could also be seen in terms of the *Organisational Behaviour Model*. The Secretary of State negotiated with the Chancellor of the Exchequer but could not secure the finance necessary for the programme that had emerged from SDR. The Prime Minister was involved in these discussions but did not support the MoD against the views of the Chancellor (Interview with Lord Guthrie, the Chief of Defence Staff during SDR).

Strategy is concerned to establish competitive advantage and the resource-based view theory proposes that this dominance stems from the resources of intellect, knowledge and capital assets that the organisation possesses. To be effective, however, these resources, which can be tangible or intangible, need to be rare and imperfectly

imitable. These criteria are difficult to achieve in the defence field, and are generally found in advanced technology, which is expensive in research and unit cost. Although the British Armed Forces maintain a creditable level of efficiency and effectiveness through their available intellect, knowledge and training, the lack of capital limits their size. Only the largest and richest nations can have an independent strategy and that available to nations such as Britain is thus constrained by lack of money to operations in concert with allies. To nations that have a history of waging war alone around the world this limitation is irksome and a subordinate role in international affairs can be grudgingly conceded. The danger is in retaining aspirations beyond the available resources. Thus it was that the bill for SDR was more than could be funded and yet the review did not return to impose limitations on the policy statement to reduce the commitments, but sought savings that were never really achieved.

Strategy as Discourse

Strategy formulation is a human activity which can have a profound effect throughout whatever collection of people it seeks to serve. It is reasonable to expect, therefore, that the process should involve discussion to a greater or lesser degree.   The advice offered by Frederick II of Prussia ('the Great') has now given way to a more discursive process in strategy formulation in the more open political and military culture of recent years:

> 'The general even can discuss the war with some of his corps commanders who are most intelligent and permit them to express their sentiments freely in conversation. If you find some good things among what they say you should not remark upon it then, but make use of it' (Phillips (Ed) 1943:188)

Discourse, as Alvesson and Karreman (2000:1128) observed 'sometimes comes close to standing for everything, and thus nothing', but here the term is used in the sense defined in the quoted paper as 'the study of social reality as discursively constructed (the shaping of social reality through language)'. Hardy, Palmer and Phillips (2000:1228) observed that 'a complex relationship emerges as the activities of actors shape discourses, while those discourses also shape the actions of those actors.' In SDR the discourse was deliberately structured and divided into topics to guide and produce a logical, rational argument, but remained under the control of the senior

'actors'. The Policy Director in the MoD maintained a 'storyboard' of the results of these detailed discussions (interview Mr Richard Hatfield) that ensured that the Review was comprehensive, controlled and omitted nothing important. The proposal for Joint Force 2000 produced by the Chiefs of Staff of the Royal Navy and the Royal Air Force, however, was the result of a discussion and negotiation conducted outside the carefully planned structure. Perhaps that is why the agreement provoked such an angry response from the Second Permanent Under-Secretary, but it supported the view in Hardy *et al* that 'strategy discourse does not simply mirror social reality – it creates it' (*op cit* 1229) and thus has political implications.

Discourse is conducted through language, both written and spoken, and the arcane *patois* of defence can limit the access of outsiders to the knowledge and meanings being exchanged. George Robertson observed to the Select Committee on Defence that he had to learn the meaning of a large number of acronyms on becoming Secretary of State and the works of academics in the field can be esoteric (for instance, Kahn 1960). In the case of events which occurred some eleven or twelve years ago the many hundreds of discussions that went to form SDR are lost. Even when the papers are released and the minutes of meetings becoming available, the data will have been condensed and will have lost a significant amount of its intended meaning. The BBC film does show one meeting at which the possible use of carriers in the Baltic in support of Poland was earnestly discussed and the results of operational analysis tabled as telling evidence. Sir Richard Mottram in interview recalled that he tried to have the BBC delete this passage which he thought showed the discussions in SDR in a poor light. Discourse, however, is made up of many conversations and interchanges and inevitably some will be of less value than others in the search for meaning and solutions.

The Strategic Defence Review was planned to be an extended discourse open to all with the purpose of forming a consensus on defence policy. An important though largely silent part of this discourse was the legacy of the past and the formative effect that that had on the culture of the defence community, if only as a contextual factor. The term 'review' generally signified to the MoD from past experience, reductions to the defence budget, because that had been the nature of most previous such exercises and a lot of effort was expended in emphasising the difference in the SDR approach. The military staff, in particular, were invited to be radical in their thinking which

could involve questioning the culture and doctrine of their Services, but it was too much to expect that proposals would be made that would damage their own prospects for funding.

Hall (2001:75) observed that Foucault 'saw knowledge always inextricably enmeshed in relations of power because it was always being applied in the regulation of social conduct in practice'. The knowledge-power that was being produced in the various committees which comprised the Internal Studies Group in SDR was constrained by the prescription that three options had to be presented. By this device the power of decision was retained by the Finance and Policy Management Group at the top of the SDR structure, and the social conduct of the participants was regulated. The discourse at working level was open and meaning was being distilled from the information being considered, but the resulting knowledge was converted to action at the highest levels. The power-knowledge factor also affects the ability to participate in the discourse and Hardy *et al* (2000) suggested:

> '...subject positions arise as subjects acquire rights to speak in particular discourses, which Potter and Wetherell (1987) call 'warranting voice'.

Admiral Essenhigh at the Cabinet meeting did not have a 'warrant' to contribute to the discussions but did so anyhow and in doing so rescued an awkward situation for the Secretary of State. Thus it is that a chance influence and perhaps boldness influences the content and outcome of particular discourses.

A further meta-discourse which should have influenced the findings of SDR was the consideration of Britain's place in the world and the role that it should perform and, arguably, that was not held. Phase 1 of SDR was the preparation of the foreign policy guidelines but this was written as a joint paper between the FCO and the MoD, neither body being likely to damage their own power and influence. Although it was acknowledged that Britain was no longer the world's policeman there was still scope for some power politics and the phrase adopted in the final document of 'a force for good in the world' left considerable scope for interventionist policies. Britain, however, lacked the necessary resources or at least the will to commit a sizeable proportion of the wealth available to defence and the armed forces could expect to be stretched, if not over-stretched.

The discourse then was wide and open, but fell short of the defining wider debate which probably no one wished to have since the outcome could proved too costly or humiliating. Inevitably issues described in the literature as the power/knowledge effect operated on the outcome of the discourse, but chance intervened as well.

Discussion and Critique

SDR was a planned discourse in which the inputs were largely made as intended bottom up for review by the dominant coalition who insisted on choices being presented, rather than solutions. Some work was referred back and the process iterated until an acceptable solution was devised (Grattan 2002). The process was controlled and bureaucratic as Mintzberg proposed would be the case in a 'machine bureaucracy', but it was open and honestly sought consensus.

Two different paths were available - policy through to budget, or budget to policy – the latter identifiable as the resource-based view. The first was chosen for SDR which led to policy aspirations beyond the sums of money available. A further iteration from reduced policy assumptions might have been made, but the SDR had by then taken over a year and time and political expediency was pressing. The process adopted was logical and intellectually honest, but failed to produce a complete, right answer. Rumelt's criteria pointed out that this would be the case.

Those involved did not lack the ability to propose a vision for the defence forces in the future, although 'a force for good' was open to interpretation. Unfortunately, the vision did not take account sufficiently of Britain's reduced status in the world and its shortage of financial resources. The armed forces were left to 'punch above their weight', but with insufficient resources.

Conclusions and future work

The process of the Strategic Defence Review of 1997/98 adopted a formal bureaucratic style that was consonant with the hierarchical 'machine' organisation of the Ministry of Defence. In contrast with previous reviews, however, the discussions were more open and sought consensus widely amongst anyone who confessed an interest in defence. The analysis was rational and intellectually honest, as far as these attributes are given to humans who have their own views, desires, prejudices, vested interests and bounded rationality. The discussions on force structures and numbers

were based on a Foreign Policy statement of Britain's objectives and policies, although this policy document was not passed separately to the Houses of Parliament for approval before publication in the Defence White Paper in 1998. The cost of the resulting force numbers and associated equipment exceeded what the Treasury were prepared to sanction and extra measures had to be taken to fit the defence budget into the resources made available. The outcome of SDR then was contrary to the stated intentions in that it was Treasury constrained, rather than entirely policy-led. The pragmatists in the MoD would have expected nothing else since they knew that the Treasury would never provide a blank cheque to pay for a rational, policy-led study regardless of cost. The Treasury had been involved in SDR as a way of mitigating this effect, but the MoD could not secure sufficient political support in the Cabinet to reduce the Treasury sanctions. The theories of management strategy formulation do not suggest that this outcome of SDR's process is surprising since strategic aspirations are always bounded by resource limitations.

The Review can be seen as a discourse in which meaning was created and which led to social action: that is a strategy. Honest attempts were made to make this discourse open and free-thinking, but power effects within the participants and even the language used imposed a limit on what could be achieved in this direction. The wider discourse that would have informed the whole process, that is the definition of Britain's place and role in the world, was not conducted, although allusions were made to this factor in places like the House of Lords. The discourse also engaged with the past and the legacy of many years of defence discussions had their effect on the outcome of SDR.

Future work will address the October 2010 SDSR and provide a comparative analysis of the two undertakings. The organisational structure of the Review is not likely to be much different from SDR since the latter worked well. What will be different will be the context of a recessionary world and the personalities conducting the review will be mostly different (some of the civil servants who played a leading part in SDR are, however, still in the MoD). The researchers in the Strategy as Practice School (Jarzabkowski 2005) would point out that the minutiae of the process will also be different. Chance meetings, unplanned discussions, unexpected interventions, unlikely alliances, are an unpredictable part of the process of formulating strategy, and will be different in 2010 from those in 1997/98. Risks will have to have been taken and a

cool appraisal of whether the returns will be commensurate was needed, but may not have occurred in the heat of argument. It is difficult to imagine that a rational review will not be constructed in a similar way to SDR because the logical structure that was devised proved to be successful. Whether the wider issues will be shown to have been included this time is open to question, but the casting vote by the Treasury will surely remain. Like all strategy formulation the review will be looking into the future where there are no certainties and the meaning will have to be created by discourse.

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Appendix: List of Interviewees

Name	Current Post	Role in SDR
Mr Colin Balmer	Non-executive Director Qinetiq	Director of Finance, MoD
Mr Jon Day	Ministry of Defence DGSecPol	Director on the MoD Policy Staff under Mr Richard Hatfield *qv*
Admiral Sir Nigel Essenhigh	Chairman, Northrop Grumman UK	Assistant Chief of Defence (Programmes)
General the Lord Guthrie of Craigiebank	House of Lords	Chief of Defence Staff
Mr Richard Hatfield	Department for Transport Director General, International Networks and Environment	DeputyUnder-Secretary (Policy)
Air Chief Marshal Sir Richard John	Retired	Chief of Air Staff
Sir Richard Mottram	Retired	Permanent Under-Secretary Ministry of Defence,
Air Vice-Marshal P.J O'Reilly	Retired	Director General, Technical Services President of the Ordnance Board
Lord Robertson of Port Ellen	House of Lords	Secretary of State for Defence
Sir Simon Jenkins	Journalist	Member, Expert Panel
Sir Kevin Tebbit	Chairman, Finnmeccanica	Deputy Under Secretary,

Intelligence and Crisis, Foreign
and Commonwealth Office

Biographies

Robert Grattan is a Visiting Research Fellow at the University of the West of England. He spent 30 years in the Royal Air Force, retiring in the rank of group captain. He worked for Ferranti International before becoming a Visiting Lecturer at Bristol Business School. His research interest is the strategy formulation process in business and the military, and he has written three books and numerous journal papers on the subject. Robert.Grattan@uwe.ac.uk

Nicholas O'Regan is Professor of Strategy, Enterprise and Innovation at Bristol Business School, University of the West of England. His research and consultancy interests lie in the areas of corporate strategy, organizational leadership, culture and performance, the operating environment of small businesses, and e-business and technology deployment. Recent consultancy includes strategic leadership development for the directors of a blue-chip company. He has also published widely in this area in a range of journals including Technovation, the International Small Business Journal, British Journal of Management and the Journal of General Management. Nicholas.O'Regan@uwe.ac.uk

Glenn Parry is Associate Professor of Strategy and Operations Management at the University of the West of England. His research interests include value, power, visibility and servitization. He has undertaken research with leading companies, most recently focussed in the aerospace and the creative industry sectors. His work is widely published in international journals and he has edited the books, "Build to Order: The Road to the 5-day Car", "Complex Engineering Service Systems" and "Service Design and Delivery". Glenn.Parry@uwe.ac.uk