



Dwight D. Eisenhower School for National Security and Resource Strategy

The Eisenhower Conference

Sept 2018

Challenge/Problem/Construct/Preparation/Outcomes





Critical Challenges, Trends and Inflection Points

Strategic Challenges

- Xi unmask at 19th Party Congress, SCS, with OBOR.
- Putin unmask in Crimea and Ukraine.
- Kim Jong Un unmask - interested not in provocations but dangerous capability.
- Iran unmask by doubling down in Levant after sanctions relieved.

Technological Trends

- National center of gravity of tech innovation shifts from USG to US commercial sector (both investments and inspiration).
- Global tech innovation center of gravity shifts from US-centric to more global.

Inflection Point in the Character of War

- Technological component to war rapidly changing.
- Onset rate and global scope of violent conflict invalidate recent assumptions relative to the American Way of War.
- Two great oceans no longer keep us safe.

National Security Policy Inflection Point and Trend

- Release of National Security Strategy and National Defense Strategy.
- Resourcing national defense trends to fiscally untenable in the out-years.
- Demand for industrial base strategy that defines new relationship with industry.
- Eisenhower School program realigns to produce graduates who master resourcing national security strategy given challenges, trends and inflection points.



Problem Statement

- We are in a great power competition with rivals who have organized themselves well to that end. We have not.
- Our policies are many and they are disconnected. We need a coherent strategy to organize ourselves to succeed in this competition.
- The development of such a strategy requires a new conversation between government and “industry” and that conversation must be had at a very senior level.
- The National Defense Strategy (NDS) states that “Maintaining the Department’s technological advantage will require changes to industry culture, investment sources, and protection across the National Security Innovation Base.”
- NDU proposes a conference to bring together very senior leaders to initiate this national conversation.
- This conference will be called “The Eisenhower Conference”.



Conference Construct

- Early September, 2018
- Senior leaders from industry and government.
- Frame a national security strategy:
 1. Secure the innovation base
 2. Make more viable the industrial base
 3. Scale both should deterrence fail
- Heavy focus on China.
- Conference attendees:
 - Office of the Secretary of Defense, Chairman of the Joint Chiefs level
 - CEO level



Eisenhower Conference Preparation

The Eisenhower Conference Working Group

- The Eisenhower Conference will be preceded by a 1-2 star/SES/VP level, two-day working group event that will take place at NDU 19-20 June.
- The working group will be comprised of approximately 130 participants from government, industry, think tanks, and academia that will develop the content and context of the September senior leader discussions.

Eisenhower School Industry Studies Assessments

- Incorporate any policy-based assessments coming out of first attempt at a cross-cutting analytical framework from the 20 Industry Studies, Assessment Cell, Mobilization Cell, and Organic Industrial Base Cell.

Presidential Executive Order (EO) Assessments

- Incorporate assessments from the EO's that studied the American industrial base and strategic materials risk postures.



Outcomes

- Generate a national strategy to:
 1. Secure our innovation base
 2. Make viable our industrial base
 3. Scale both should deterrence fail
- Redefine the government-industry relationship.

Additional Perspective





Reexamination of Industry Studies Program

INDUSTRY STUDIES ANALYTIC FRAMEWORK

Cross-Cutting Focal Points

Capability Development

- USG Budget
- USG Policy
- Domestic/International Markets/Trade

Mobilization/Force Generation

- USG Policy
- Industry Capability/Capacity

Force Employment / Execution

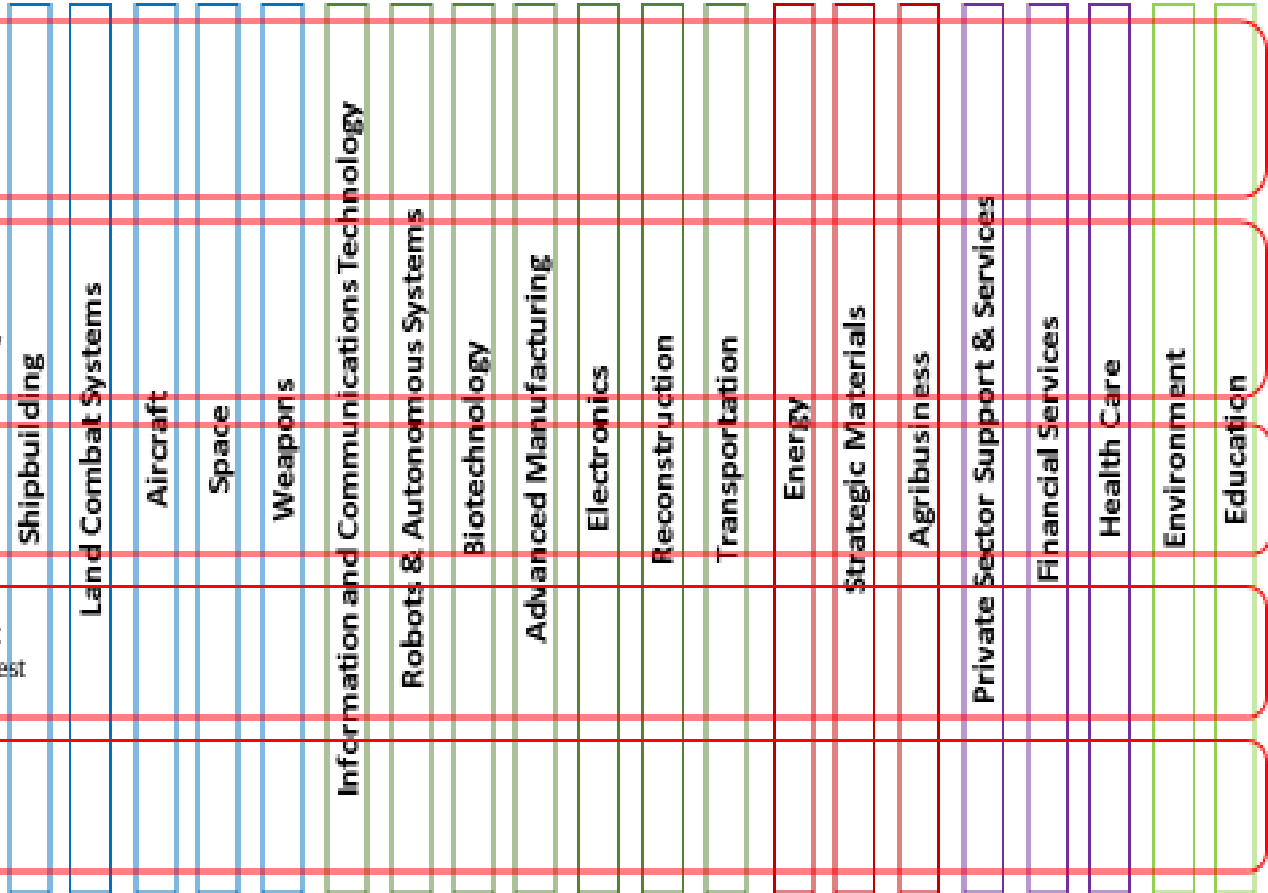
- Global Agility
- Global Sustainment

Innovation

- USG Innovation/Investment
- Commercial Innovation/Invest
- RDA Cycles/Competition

Net Assessment

- Allies/Partners
- China/Russia/Other





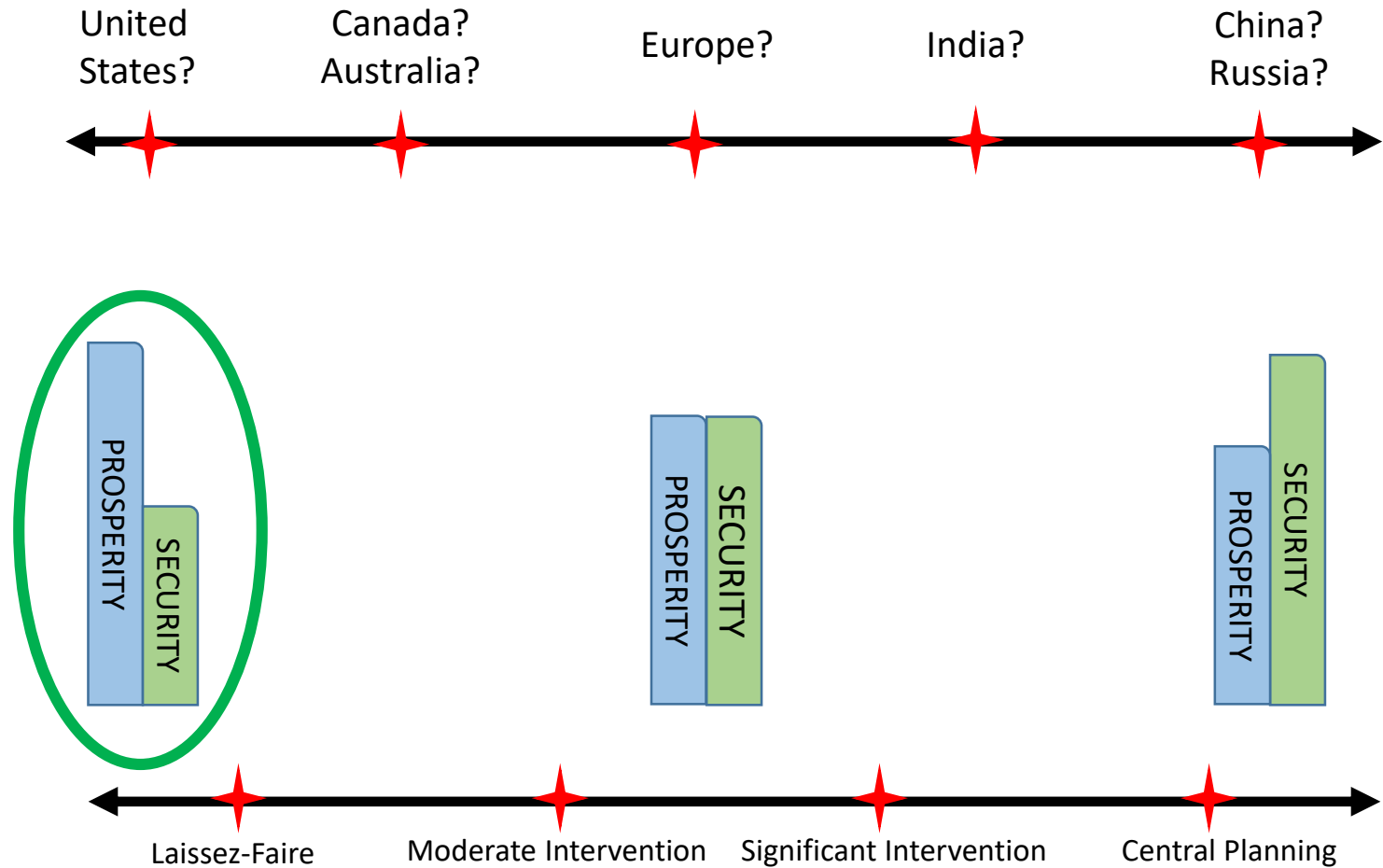
“Understand How Business People Think”

- **Revision to our Industry Analytics Course – Case Based Approach**
- **Understand Commercial and Government Market Models**
- **Business Value Framework**
 - **Cost of Capital**
 - **ROI**
 - **P&L's**
 - **Barriers to Entry**
 - **Export Controls**
 - **Cost of Compliance**
 - **Amortized R&D Costs**
 - **Innovation Lead Times**
 - **Lead Time to Market**
- **Understand how US Government makes it difficult for business**

	Defense	Commercial
Financial:		
Accounting	CAS Compliant	FASB, SOX, GAAP & additional regulations and laws
Capital investment	Higher	Lower and decreasing
Break Even Points	Longer term as investment increases	Shorter term regardless of investment
Profit	% Profit range dependent on contract type (FFP, T&M, CPFF, CPAF +)	Generally higher profit. Standard T&M, FFP contract types, plus alt model such as gain share
Revenue	High revenue/lower profit	High revenue/higher profit
Competition:		
Competitive Leverage	SVDBO (small business, veteran owned, disabled), FFRDC.	Reputation and relationship.
Competitive Bias	Full and open/ FAR	Preferential
Competitive Constraints	Gov't approved contractor	Industry specific
Domestic Market vs Global Market	Primarily domestic market. Global services regulated by FAR. (Differs from non-federal Gov't work), ITAR req'ts hold	Global market opportunities based on bilateral agreements and country certs, ITAR req'ts hold
Contracting:		
Innovation cycle time	Innovation under gov't contract is longer. Contractor funded is the same	Innovation under commercial contract often assumes more risk and time to value is shorter. Prototyping is common
Intellectual property, Ability to export	Often restricted to client, depending on funding stream	Type I, Type II setup during contracting. ITAR applies
Overhead, Administrative & Compliance	Higher, legal, contract admin, accounting	Lower than gov't contracting
Risk (Understand/Adjudicate)	Lower risk drives higher prices	Higher risk tolerance drives lower prices and increased innovation
Time required to write a contract	Months to years	Weeks to months
Other:		
Security requirements	High	Medium to High, depending on Industry
Supply Chain	Primarily logistics and distribution	Includes product design and development & manufacturing
Supply Chain Property Accountability	Complex. Handoffs between organizations difficult. Asset mgmt systems often separate from funding	Best practice - Single point of responsibility following POS model. Asset tracks with S.



Understanding Government Policy Levers In Great Power Competition

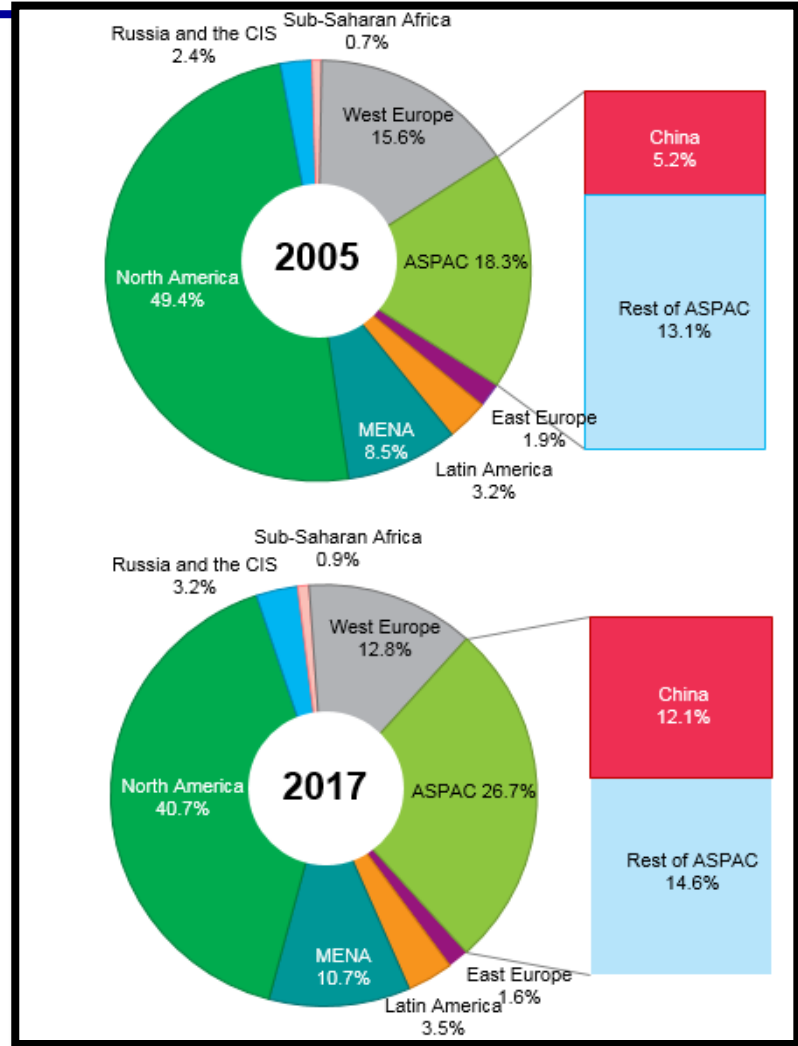
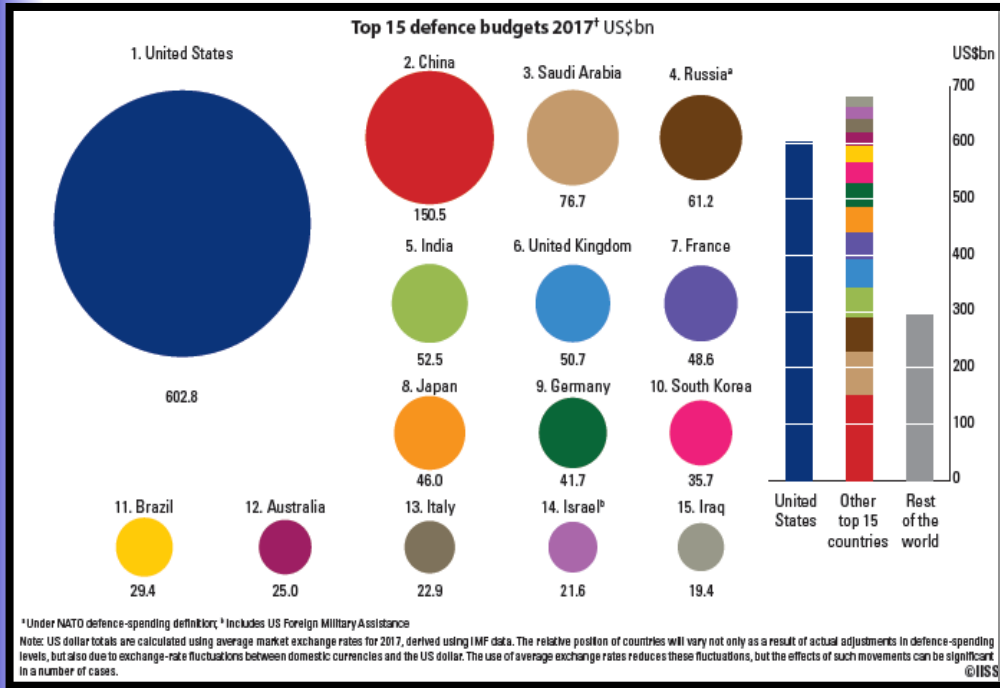


*Adapted from Robert D. Atkinson and Stephen J. Ezell, *Innovation Economics*, 2012.



Indo-Pacific region defense expenditure

(Jane's IHS, Dec. 2017 and IISS, Feb. 2018)





Emerging regional clusters of manufacturing strength (Deloitte, 2016)

