



## Net assessment: "competition is for losers" \*

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Under the guidance of the Secretary General Jens Stoltenberg, in 2020 NATO embarked on a reflection process aimed at equipping the Alliance for the challenges of 2030.<sup>1</sup> Composed of several parts, actors and phases, the process ultimately aims to make NATO more relevant in the years ahead when technological disruption, climate change, competition among Great Powers and violent non-state actors will pose new and major threats. Ideas, proposals, and recommendations are coming in from within and from outside the Alliance. Interestingly, among the recommendations, several voices have called for NATO to expand its net assessment capabilities.<sup>2</sup> For most observers, even in the security and defence world, net assessment is an esoteric word. While many may have heard of Andrew Marshall and the US Department of Defense's Office of Net Assessment, most would probably struggle to define the

term. This *Policy Brief* provides a short introduction to the topic: what is net assessment, how and why has it emerged, how reliable is it and how could NATO use it?

### Net assessment: a short summary

Net assessment is a conceptual approach to understanding the critical features characterizing long-term competitive relations among strategic actors. While intelligence is about obtaining information about the adversary, and strategy concerns the formulation of plans to achieve goals, net assessment is closer to pre-surgery and post-surgery comparative radiology: it aims at comparing the balance of forces between two actors and thus, while highlighting differences, it identifies possible asymmetries in respective strengths and weaknesses.<sup>3</sup>

### Keywords

NATO 2030

Net Assessment Strategy

Innovation

Net assessment is based on some key premises. First, political relations are inherently competitive, thus actors exploit their own strengths and their adversaries' weaknesses to achieve goals. Before World War I, Wilhelmine Germany tried to build a naval fleet capable of holding Great Britain's naval power at bay. However, during the course of the war, German submarines were able to make the difference because they exploited UK's key vulnerability: its dependence

\* The subtitle of this *Policy Brief* draws from P. Thiel, "Competition is for losers: if you want to create and capture lasting value, look to build a monopoly", *Wall Street Journal*, 12 September 2014.

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1 T. Tardy, "NATO 2030. United for a new era: a Digest", *Policy Brief*, No.23, December 2020.

2 T. Koster and I. Barzashka, "Revitalize NATO's Grand Strategy: collective strategic analysis is the pathway to a more inclusive, transparent, and systematic process for creating NATO's next strategic concept", in C. Skaluba (ed.), *NATO 20/2020: twenty bold ideas to reimagine the Alliance after the 2020 US Election*, Washington, DC, Atlantic Council, 2020, pp.51-55. *NATO 2030: united for a new era. Analysis and recommendations of the Reflection Group appointed by the NATO Secretary General*, 25 November 2020, p.24.

3 S. P. Rosen, "The impact of the office of net assessment on the American military in the matter of the revolution in military affairs", *Journal of Strategic Studies*, Vol.33, No.4, 2010, pp.469-82.

on seaborne trade.<sup>4</sup>

Second, assessing the relative strengths and weaknesses of the different parties requires a deep comparative analysis. In-depth analysis is necessary because information about specific but critical issues may not

**Net assessment is a conceptual approach to understanding the critical features characterizing long-term competitive relations among strategic actors**

be immediately apparent or available. For instance, in the 1991 Gulf War, Iraq possessed one of the largest militaries in the world, but as evidence later showed, its level of training was not on a par with that of the United States armed forces.<sup>5</sup> Compar-

ative analysis is necessary because only through comparison can net asymmetries be identified.

Third, in highlighting asymmetries, the analysis inherently exposes potential risks and opportunities: vulnerabilities *vis-à-vis* an adversary and vice-versa.

Importantly, the prescriptive implications of net assessment – how to exploit existing asymmetries in power – is a logical consequence which policy-makers should address: like radiography, net assessment is only a tool for diagnostics. Building on existing net assessments, policy-makers can in fact devise strategies to maximize their own side's strengths *vis-à-vis* the adversary's major vulnerabilities. Such "competitive" strategies, when successful, would leave the adversary basically with no option: the other side would either have to change course in order to address its weaknesses, and thus give up its strategic goals, or follow its own course of action, with no chance of strategic success.<sup>6</sup> For the sake of the argument, assume "blue" detects major asymmetries in fuel stocks and access. A successful competitive strategy would force "red" to require enormous amounts of fuel so that either "red" will spend all its efforts to procure this input or it will find itself out of gas in the middle of the competition.

**"Winning isn't everything; it's the only thing"<sup>7</sup>**

Net assessment gained prominence in the US, largely

thanks to a US civil servant and eclectic strategist, Andrew W. Marshall who, from 1973 to 2015, headed the Office of Net Assessment, under the direct authority of the Secretary of Defense in the US Department of Defense. The Office is, among other things, credited for having correctly appreciated, back in the early 1980s, the economic set-backs of the Soviet Union, for having anticipated the revolutionary potential of precision-guided munitions, real-time communications and computers on the battlefield (the so-called revolution in military affairs), and for having foreseen the rise of China even before the end of the Cold War.<sup>8</sup>

However, one cannot understand net assessment, its rise and its contributions without connecting it to the relative poverty of strategic thought characterizing Western and NATO countries.<sup>9</sup> When the Office of Net Assessment was created in the US in 1973, their attempts at generating analytical frameworks for strategic analysis met with major difficulties and even total failures. The US experience with systems analysis during the War in Vietnam is a case in point: metrics developed to inform the military strategy soon became goals in the strategy itself, thus leading to a strategic blackout. The more performance metrics were met, and the war being won – on paper at least – the farther actual victory loomed on the horizon (and on the battlefield).<sup>10</sup>

Similarly, the emerging field of strategic studies and international relations could provide only contributions of limited analytical and practical utility whose main policy recommendations hanged upon avoiding defeat.<sup>11</sup> But Andrew Marshall was not interested in avoiding defeat: he wanted to win. To use Juventus soccer legend, Giampiero Boniperti, "winning is the only thing that matters", thus Marshall turned to the literature on strategic management and in particular the

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4 G. Mukunda, "We cannot go on: disruptive innovation and the first World War Royal Navy", *Security Studies*, Vol.10, No.1, 2012, pp.124-159.

5 S. D. Biddle, "Victory misunderstood: what the Gulf War tells us about the future of conflict", *International Security*, Vol.21, No.2, Fall, 1996, pp.139-179.

6 A. W. Marshall, *Long-term competition with the Soviets. A framework for strategic analysis*, Santa Monica, CA, RAND Corporation, 1972.

7 This is a well-known quotation in sports. It is attributed to UCLA Bruins football coach Henry Russell Sanders.

8 G. Boutherin, "L'Office of net assessment: plongée au cœur du think tank du Pentagone", *Politique étrangère*, No.1, 2017, pp.155-166.

9 H. Strachan, *The direction of war: contemporary strategy in historical perspective*, Cambridge, Cambridge University Press, 2013.

10 A. F. Krepinevich, *The army and Vietnam*, Baltimore, The Johns Hopkins University Press, 1986.

11 R. O. Keohane and Joseph S. Nye, *Power and interdependence*, New York, Little, Brown and Company, 1977; K. N. Waltz, *Theory of international politics*, Reading, MA, Addison-Wesley Publishing Company, 1979.

work of Harvard Business School professor Michael Porter.<sup>12</sup> Porter's work was prescriptive: the goal was to instruct companies to succeed, i.e. crushing competition, gaining customers and making their market position more solid. PayPal founder Peter Thiel claims that “competition is for losers” as, in his view, entrepreneurs must look for a position of strength that will be unassailable by competitors. In Porter's language, this is called “competitive advantage”. Marshall adapted Porter's work to the realm of strategy: by assessing relative forces, and identifying asymmetries in power, Marshall wanted to give policy-makers the option of devising “competitive strategies” which would force competitors into a strategic corner. Net assessment was thus the necessary analytical effort to develop such strategies.

## How net assessment is done

Net assessment is an approach aimed at understanding deep, long-term asymmetries. For this reason, several methodologies can be used, depending on the question and the topic. For the sake of clarity, let's go back to the concept of balance of power. According to the textbooks, once countries meet certain thresholds in terms of GDP, military expenditure or industrial production, they become Great Powers. This informs about the polarity of the system which in turn allegedly explains, in any given epoch, the intensity of conflict, the risk of major wars, and international stability, among others.<sup>13</sup> From a net assessment perspective, the concept of balance of power is, in contrast, scarcely insightful. Not only are Great Powers not identical, but net assessment aims at highlighting their differences, not their similarities, like overlapping different X-ray scans to identify divergencies. Since it is not possible to, realistically, make an overarching net assessment, analyses have generally either a geographical (the Baltics, the Middle East, East Asia) or functional (land, air, sea, cyber or space) focus.<sup>14</sup>

*Geography.* In the late phases of the Cold War, while many opposed the development of strategic bombers in the United States, Marshall highlighted their strategic logic. The Soviet Union had extensive borders. US bombers would thus force Moscow to keep investing in air-defence systems. Air-defence systems, however, are expensive. Protecting all Soviet borders would represent a huge economic challenge. In this

way, the Soviet Union would spend where the United States, and not the Communist Party, wanted, including foregoing more offensive systems. Last, but not least, by promoting the development of more advanced bombers, the United States was forcing the Soviet Union into a technological competition which it was less well-equipped to face.

*Military power.* In the early 1980s, the dominant view held that the Soviet Union had amassed enormous military power on the Eastern flank while US procurement was wasting money on “gold-plating”, or increasingly complex weapon systems with little additional tactical or operational value. Net assessment provided a different picture. While sheer numbers gave the impression that the Soviets were on par or even on the winning side, a closer analysis revealed, for instance, that Soviet air power had access to a fewer number of pilots, who were also on average less well-trained, and its underlying logistics and maintenance infrastructure could sustain much less combat power compared to NATO countries.<sup>15</sup> Complex (i.e. gold-plated) weapon systems require enormous support and more skilled personnel. The Soviet Union had so far managed to cope on platforms, but net assessment revealed that the Soviet Union struggled to stay on course in broader capability terms.

*Marshall adapted Porter's work to the realm of strategy: by assessing relative forces, and identifying asymmetries in power, Marshall wanted to give policy-makers the option of devising “competitive strategies” which would force competitors into a strategic corner*

## Like a start-up... to NATO

NATO HQ possesses a small net assessment cell<sup>16</sup> that has provided valuable contributions to the Alliance's analytical capabilities. Recent calls for strengthening and expanding such capabilities deserve attention if, from a small cell, NATO HQ were to move to a bigger unit. A few considerations need to be made.<sup>17</sup>

*(Small) size matters.* Part of the success of the US Office of Net Assessment stems from its small size:

12 M. E. Porter, *Competitive strategy: techniques for analyzing industries and competitors*, New York, Free Press, 1980.

13 N. Monteiro, *Theory of unipolar politics*, Cambridge, Cambridge University Press, 2014.

14 E. A. Cohen, “Net assessment: an American approach”, *JCSS Memorandum*, No.29, Tel Aviv, Jaffee Center for Strategic Studies, April 1990.

15 J. M. Epstein, *Measuring military power: the Soviet air threat to Europe*, Princeton, Princeton University Press, 1984.

16 It is currently led by an experienced NATO official, Diego Ruiz Palmer.

17 What follows mainly comes from insights provided by participants to the NDC Research Division's *Net Assessment: Knowledge, Experience and Implications for NATO* Webinar held on 18 March 2021.

it looks more similar to a start-up than a traditional think tank, let alone a defence establishment. As a result, the sense of purpose comes before procedures, the limited size of the team ensures that officers look for answers where they can find them and not from designated colleagues, cells or units.

*Creativity.* Net assessment is about insightful vision and creative thinking. It is about questioning the pre-

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valuing consensus, verifying established views, and asking to check data when data are either taken for granted or thought to be unavailable. As such, net assessment requires creative individuals. Creative individuals, however, require freedom of action and indepen-

dence and resist micromanagement. This also means that work must be geared towards outcomes, not processes and metrics – like numbers of publications or citations.

*Political independence but direct line of communication.* The reason why start-ups succeed is because, in contrast to large bureaucracies, they can focus on strategic priorities. At the same time, start-ups define their own paths, while units or divisions within larger organizations have generally to pursue strategic priorities defined by others. Net assessment can be effective if disconnected from day-to-day operations as well as from either immediate strategic priorities or specific requests from other offices. However, for net assessment functions to have an effect, they have to be directly communicated to strategic leaders.

*Outreach, cost and patience.* A small office cannot answer all important questions. It needs to be able to reach outside the organization, to scholars, thinkers, analysts and other experts. This requires sufficient budgetary resources to procure expertise from the outside, as well as patience: some questions require several years of research and analysis.

## Why net assessment is still relevant

Net assessment is still relevant, mostly because Western strategic thinking is neither particularly strategic nor exceptionally insightful. In the academic world, as Nina Silove has shown, the recent explosion of studies on strategy and grand strategy has brought about conceptual incoherence and analytical confusion.<sup>18</sup> In policy circles, strategy is thought and taught as the alignment of ways-ends-means. To use an analogy with football, this is not too different from having a strategy that says you need to score more than the adversary to win a match.<sup>19</sup>

Strategic documents often reflect these problems, for a wide set of reasons. For instance, both NATO's 2010 Strategic Concept and the European Union's 2016 Global Strategy, while conceptually innovative and politically ambitious, basically neglected the competitive nature of strategic interaction and thus how competitors could work assiduously to deny their goals.<sup>20</sup> Strategic thinking elaborated in absolute, rather than relative, terms reduces the strategic effort into an optimization function. Optimization, however, is not strategy, it is accounting, as Edward Luttwak noted in the early 1980s.<sup>21</sup>

Since the end of the Cold War, NATO has had a new strategic concept more or less every ten years, hence the time is ripe for a new one, which will most likely come in the months following NATO's June 2021 Summit. NATO faces uncertain times and net assessment can help devising policies and strategies to achieve NATO's long-term strategic goals. But net assessment is not a silver bullet: expanding existing net assessment capabilities will not be easy politically or bureaucratically. Additionally, given the diagnostic nature of net assessment, NATO Allies will still have to devise and implement a strategy; easier said than done.

18 N. Silove, "Beyond the buzzword: the three meanings of 'Grand Strategy'", *Security Studies*, Vol.27, No.1, 2018, pp.27-57.

19 G. Elefteriu, *A question of power towards better UK strategy through net assessment*, London, Policy Exchange, 2018.

20 I thank the participants to the December 2019 NATO Defense College Research Division's *Conceptual Futures: NATO Ghost Strategy to 2030* Workshop for the insightful discussion.

21 E. N. Luttwak, "Why we need more waste, fraud and mismanagement in the Pentagon", *Commentary*, February 1982.



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