



UNCOMMON KNOWLEDGE:

DEFENSE, DEVELOPMENT AND DIPLOMACY

A PERSPECTIVE ON SOFT POWER

ABSTRACT

The U.S. government's push for a greater reliance on soft power will usher in a new environment of cooperation and collaboration. A defense-first approach has given way to a more inclusive whole-of-government strategy where collaboration – not conflict – shapes the world's agenda and soft power activities are becoming primary tools used to create a safer world. This convergence between defense, development and diplomacy is disrupting both the government's standard procedures and altering established industries, which are witnessing new opportunities with accompanied new risks.

Therefore, there is an urgent need to build a future-focused integrated strategy for global engagement. The question is how. Uncommon knowledge is the key to providing deep insights into the real opportunities that lie ahead.



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DEFENSE, DEVELOPMENT AND DIPLOMACY A PERSPECTIVE ON SOFT POWER

ABSTRACT

While the United States remains the most powerful country in the world in terms of military or hard power, conflict fatigue from being at war for over a decade and fiscal constraints stemming from the current economic environment require U.S. decision-makers to pursue a whole-of-government approach to adequately respond to the multi-faceted security challenges it faces today. This approach focuses less on defense and hard power and relies more on a balanced approach among the 3 D's: defense, development and diplomacy, the combination of which is known as smart power. Key to the principle of smart power is soft power, loosely defined as exerting cultural influence on the world with aid-oriented, non-militaristic and non-coercive means to achieve national goals and effect change.

The ability of the United States to pursue a whole-of-government approach and rebalance its efforts more toward soft power will enable it to adequately respond to the myriad security challenges it faces today. It will also provide opportunities for commercial companies to realize significant growth for the foreseeable future as the U.S. government shifts funding into soft power applications.

CURRENT SITUATION

For decades, a niche industry sector of commercial firms has been providing soft power services and solutions, principally through USAID and Department of State programs. However, as funding has grown and the Department of Defense has increasing need for these capabilities, programs have increased in size, duration and complexity. The potential commercial market for soft power in the United States is large: more than \$23 billion is available in FY 2010 alone, and Toffler Associates expects 14 percent growth in FY 2011. The federal government will be hard-pressed to successfully design and implement the entire spectrum of smart power tools on its own, and will rely on significant support from

commercial organizations, large defense prime contractors and Non-Governmental Organizations (NGOs).

Capturing soft power opportunities requires organizations to develop integrated capabilities across key segments and, in many cases, to acquire or partner with the right company, one possessing significant experience and a successful track record. In fact, many of the companies working with the State Department and USAID have been working in this space for decades. Developing deep customer relationships and having the right personnel in-country are essential for success in pursuing soft power opportunities.

The U.S. government's push for a greater reliance on soft power will usher in a new environment of cooperation and collaboration. A defense-first approach has given way to a more inclusive whole-of-government strategy where collaboration—not conflict—shapes the world's agenda and soft power activities are becoming primary tools used to create a safer world. This convergence between defense, development and diplomacy is disrupting both the government's standard procedures and altering established industries, which are witnessing new opportunities with accompanied new risks.

Therefore, there is an urgent need to build a future-focused integrated strategy for global engagement. The question is how.

A DIFFERENT APPROACH

To help clients determine where and how to engage in Soft Power opportunities as a means of driving an organization's growth, Toffler Associates created a framework to provide an understanding of the drivers of change that will shape the market of the future. The **Future Market Assessment** addresses three areas:

1. A review of the current market, encompassing its size (\$) and its competitive environment;
2. An analysis of the changes impacting the market and a depiction of its future state; and
3. An assessment of optimal areas of opportunity, cus-

tomized to the strategic growth initiatives, core competencies and key strengths of the client's organization.

The process components of the Future Market Assessment encompass the following:

Reviewing the Current Market

As a point of departure for understanding the future state, the first step is to develop an evidence-based understanding of current market dynamics and the client organization's competitive situation today.

- What is the specific market that we are examining?
- What are the major trends and current underlying drivers in the market?
- What is the current revenue potential for this market?
- Who are the current competitors, and how are they competing?
- What are the barriers to new entrants?

Identifying Drivers of Change

Toffler Associates' strength in interpreting the drivers of change that can impact a marketplace is critical to understanding the future growth opportunities that it may provide. We look beyond obvious trends, which are short term results and inadequate indicators of future outcomes. Instead, we seek to identify the convergence of forces that will shape the economic, political and societal realities of the future to depict what the market may look like.

- What are the drivers expected to shape the future market?
- What evidence do we have to support the possible future drivers?
- What is the range of potential market effects caused by these drivers?

Depicting the Future Marketplace

This graphic view illuminates the impact of likely shifts in the dimensions of the marketplace as created by the drivers of change that have shaped it. While we cannot predict the future, we can highlight what appears to be the most plausible future evolution based on the evidence, facts, and analysis.

- What does this market look like in the future?
- What will be the major foci of the market in the future?
- How will the competitive environment change from today?
- What is the likely revenue potential for this market in the future?
- How will this market be divided in the future?
- What are potential futures that may unfold related to this market?
- What is the likelihood of the futures, and what would the market look like under each?

Assessing Growth Opportunities

In this final stage, we assess the opportunities afforded by the marketplace in its future state to determine optimal areas of focus for the client's organization.

- What opportunities will exist for companies to create value?
- What are the specifics of the needs, competition and timeline for each opportunity?
- Is the future market significantly different than today's, and how does that affect its attractiveness?
- Which opportunities should the client pursue?

The creation of a **Future Market Assessment** is not, in and of itself, a new concept, but Toffler Associates' approach differs from others in several ways. It incorporates perspectives of both the Defense and Soft Power markets, gained through the firm's experience in working with client organizations in each, resulting in a balanced, objective view of possibilities presented by this convergence of needs. It leverages Toffler Associates' unique ability to connect the dots among seemingly disparate elements to present an understanding of the forces of change that will shape the future of a marketplace. It illuminates the alternatives and their respective implications by systematically examining the environment in which each is created, providing a creative-strategic means by which to evaluate growth potential for an organization. Uncommon knowledge such as this provides deep insights into the real opportunities that lie ahead.



Toffler Associates is a dynamic, innovative advisory firm that serves as a catalyst for change to create bigger, more successful futures for its clients through transformation design.

The nature of change in the work performed by Toffler Associates is transformative because the problems in today's turbulent world are complex. Solutions developed through the transformation design process provide a path to a profitable, sustainable future through actions clients can execute today. These actions impact the behavior of individuals, as well as the structure and form of organizations and the systems that support them.

CONTACT:

DEBORAH L. WESTPHAL
MANAGING PARTNER

202.489.5933 or
703.674.5480
dwestphal@toffler.com

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