

# Explore the “Value Chain”

**Sustaining our competitive advantage in the Western Pacific**

by BGen William J. Bowers & Col Thomas D. Wood

***“The task for an American strategist is to leverage natural enduring advantages and build up positions of strength ... To think and act competitively requires looking as much, if not more, into America’s own capabilities and performance in all dimensions as it does in contesting others.”<sup>1</sup>***

—Frank N. Hoffman, PhD

The joint force finds itself in the early but important stages of renewed learning and thinking about great power competition. This renaissance of thought is fueling healthy discussions about adversary capabilities, intentions, and how best to advance our interests and prevent conflict between nuclear-armed great powers. These deliberations have particular significance within the Indo-Pacific, which is both our Nation’s priority theater and a region that some describe as “unstable, unpredictable, and increasingly well-armed.”<sup>2</sup> At the same time, looming domestic fiscal pressures accentuate the over-riding, perennial challenge for force designers: the imperative to judiciously balance investments between responsive forces, lethal capabilities, and credibly deterrent posture.

Within the context of current thinking about how best to gain and sustain a *competitive advantage*, it is worth considering the objectivity of our assumptions, the rigor of our modeling, and the hidden biases that can cause us to prioritize certain investments over others. Following the release of two new

and exceptionally well-crafted Marine Corps Doctrinal Publications (*MCDP 7, Learning*, and *MCDP 1-4, Competing*), the *purpose* of this article is to introduce *Gazette* readers to the concept of Michael Porter’s *Value Chain*—as opposed to the oft-used “kill chain”—as a more relevant, useful, and instructive tool for addressing the challenges of protracted great power competition.<sup>3</sup>

## Introducing the Value Chain

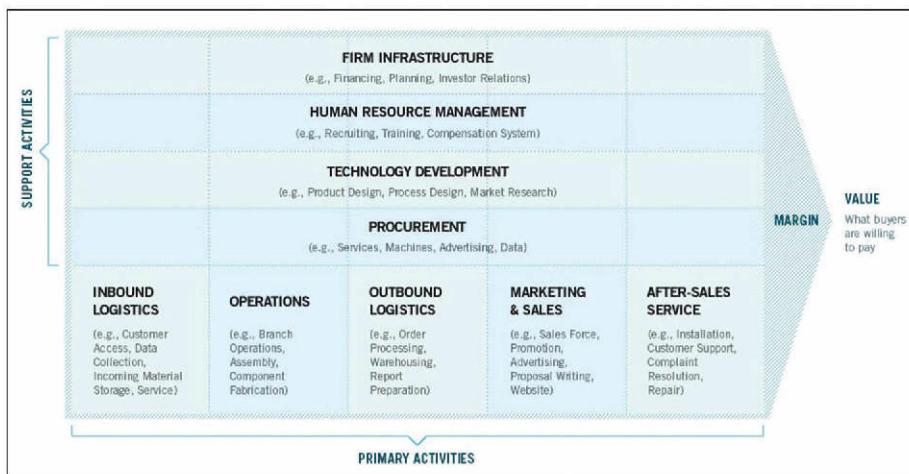
In 1985, Harvard Business School professor Michael Porter introduced the *Value Chain* in his seminal textbook, *Competitive Advantage*. Astutely recognizing chronic gaps in corporate-leader understandings about market changes induced by expanding global transportation networks, labor disputes, international currency fluctuations, fuel shortages, diversifying and

irreversibly interwoven supply chains, and an increasingly data-driven landscape, Porter’s *Value Chain* provided a valuable model for firms seeking a more holistic and effective assessment of their performance, effectiveness, and customer satisfaction with the products they deliver. Despite major changes to private-sector trade practices over the past 35 years, Porter’s *Value Chain* remains a compulsory subject for today’s business school students because it comprehensively illuminates the myriad of things a firm must consider before it can gain and sustain a *competitive advantage*. Far from a mere academic concept, the *Value Chain* remains a prized tool for corporate leaders, managers, and shareholders because it reveals hidden linkages, illuminates inter-dependencies, and in turn, reveals potential vulnerabilities, risks, challenges, and opportunities.

Porter’s *Value Chain* identifies three generic *strategies* a firm can pursue to gain a *sustainable competitive advantage*: 1) cost leadership, 2) differentiation, and 3) focus. *MCDP 1-4, Competing*, describes what Porter would characterize as cost leadership strategy, as selling “a product at a lower price than other businesses, assuming other factors, like quality, stay the same.”<sup>4</sup> Cost leadership requires producers to “find and exploit all sources of cost advantage” as they “typically sell a standard, or no-frills, product and place considerable em-

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**Figure 1.** In use for nearly four decades, Prof. Michael Porter's *Value Chain* is a powerful tool to assess a firm's strategically relevant parts and understand its sources of competitive advantage. (Source: Harvard Business School's Institute for Strategy & Competitiveness website.)

phasis on reaping scale or absolute cost advantages from all sources.<sup>5</sup> Thus, cost leadership prioritizes quantity over uniquely high quality.

*Differentiation*, on the other hand, occurs “when a firm seeks to be unique” by selecting “one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs ... being rewarded for its uniqueness with a premium price.”<sup>6</sup> Based on its distinguishing characteristics, differentiation strategy has a natural appeal to Marines; throughout our history, Marine leaders have found it worthwhile to discuss what sets us apart from others, institutionally, organizationally, and spiritually. More than 50 years after it was first penned, LtGen Victor H. “Brute” Krulak’s 1957 letter to Commandant Pate, reprinted in the opening pages of *First to Fight*, remains a superior vehicle for Marines of all ages to discuss how the Marine Corps has come to differentiate itself in the hearts, minds, and souls of the American people.

Differentiation applies to national governments too. *Competing* lists some of the United States’ defining national advantages, including its status as the world’s largest economy, its commitment to protecting free and open seas, an enviable system of higher education, and our military’s reputation for “principled professionalism.” *Competing* further underscores that a nation’s competitive

advantage is underwritten by its “enduring qualities” such as “*values, interests, and culture*” [emphasis added].<sup>7</sup> Porter’s third generic strategy, *focus*, occurs when a firm seeks either cost leadership or differentiation within a certain, usually narrower market segment.<sup>8</sup> A focus strategy is achieved by concentrating on specialty markets, precisely tailored branding, or directed innovation. Regardless of the strategy adopted, broadly exploring a firm’s operations, activities, and investments through a *Value Chain* model sharpens and clarifies thinking, enabling leaders to more precisely understand those things—both tangible and intangible—from which their organization might derive a *sustainable competitive advantage*. The graphic above depicts Porter’s *Value Chain*.

### The Value Chain’s Military Applicability

In contrast to the *Value Chain*, the non-doctrinal term “kill chain” has gained current prominence within military lexicon. Fueled by a focus on *lethality*, the term colloquially describes a process by which targets are detected, cued, tracked, engaged, and assessed post-attack. Within organizations possessing distinguished records of tactical-level combat performance (such as the Marine Corps), an attraction to the “kill chain” is perhaps understandable. At the same time, it is also important to recognize the term’s limitations.

Particularly during times of profound organizational change, focusing on the pathways between a sensor, target, shooter, and warhead can invite the risk of reducing professional thinking to tactical-level techniques and platforms while simultaneously ignoring the critical, globally sourced capabilities that underwrite long-term strategic success. For example, a narrow focus on the “kill chain” (*lethality*) can overlook fundamental elements such as fuel, national industrial capacities, civilian expertise, repair and servicing facilities, basing and overflight permissions, space-based dependencies, contributions of allies and partners, and other often brittle but always indisputably critical requirements that, in a broader sense, contribute to *competitive advantage* and *resiliency*. Said plainly, the “kill chain” is not harmless idiomatic shorthand. Within the context of historically generations-long competition between great powers and remarkable, ongoing changes to the character of war, imprecise use of the term can foster shortsighted, narrow, and incomplete thinking that is ill-suited to the multi-functional, all-domain threats arrayed against our forces and allies, the globally entwined supply chains on which we rely, and the imperatives surrounding long-term strategic aims. *In great power competition, a shield (resiliency) is every bit as important as a sword (lethality).*

Against this backdrop, the utility of Porter’s *Value Chain* shines. Recognizing our relentless pursuit of increasingly technologically advanced systems, the sometimes-brittle logistics networks on which we depend, and the imperatives to mitigate multi-domain risks at the tactical, operational, and strategic levels, his model becomes critically important. While broad, the *Value Chain* can help pressure-test many of our long-held, load-bearing, and all-too-often unspoken assumptions about supply-chain viabilities, national industrial base capacities, assured communications, ship and aircraft repair feasibilities, critical munition deliveries, friendly nation reactions, medical capacities, access to prepositioned stocks, and many other essentials. As the Naval Services develop, experiment with, and field new capabilities, the *Value Chain*

can sharpen our insights, prompt better questions, and illuminate previously unassessed risks. A regularly recurring holistic self-assessment patterned after Porter's *Value Chain* can:

- Sharpen collective thinking about deterrence and the deterrent effect of forward stationed or deployed forces, including the value of and risks for those forces, skilled civilians, and family members positioned closest to our adversaries.
- Illuminate interdependencies and potential weaknesses in our supply chains and sustainment networks, including pacing item usage and munition expenditure rates, industry production capabilities, and the logistics enterprise's ability to sustain the force during times of crisis.
- Confirm standing assumptions about our ability to access prepositioned stocks during times of crisis or contingency, and our capabilities to move these stocks during active hostilities.
- Bolster senior leader credibility when describing posture, capabilities, and critical requirements to civilian leaders who may not share the military's assumptions or views of a particular problem set.
- Develop a deeper understanding about the resiliency and capabilities possessed by our forward, overseas bases and the understanding our allies' might have about their importance. It is important to remember that for us, overseas base defense is actually homeland defense for our allies.

#### Deterrence: The Key 21st Century Task to Sustainable Competitive Advantage

Although "competition" is not a clearly defined military task, as stressed within *Competing*, it is both fundamental to the human condition and ever-present in international affairs. For these reasons, naval expeditionary forces play a vital role in competition among nation-states, and like every element of the joint force, can trace their competitive contributions back to defending our nation's homeland, assuring our allies, and deterring potential adversaries from taking actions that threaten shared inter-



**The complexities of competitive advantage in action.** This photograph was taken at Tengan Pier in Okinawa, Japan, immediately prior to an offload of ammunition. Value Chains for ammunition are highly complex. As an example, Javelin anti-tank missile components are developed around the world, assembled in the United States, and delivered through multiple ports of entry prior to the photographed ship being pushed into its moor by highly skilled Japanese tugboat operators. (Photo by Capt Dane Oshiro.)

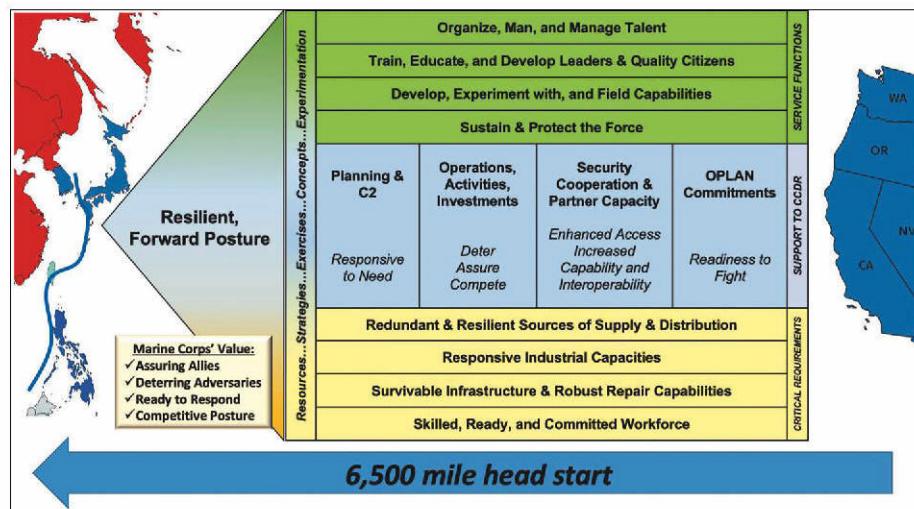
ests. It is within this latter function, *deterrence*, that Porter's *Value Chain* finds its greatest utility for military planners, force designers, and capability developers. The consequences of ineffectual deterrence are always punishingly high and today, within the nuclear context in which naval expeditionary forces operate, the risks of failed deterrence are orders of magnitude worse than they have ever been. Affirming this gravity, Gen David Berger, Commandant of the Marine Corps, recently testified that "deterrence is really the fundamental element of our strategy [force design]."<sup>9</sup> Not surprisingly, the U.S. Indo-Pacific Command has also long prioritized deterrence, making the premise to "win before fighting"<sup>10</sup> a centerpiece of its operational design.

In fact, nowhere is a demand for both effective deterrence and the kind of rigorous self-analysis that Porter's *Value Chain* offers more urgently needed than in the Indo-Pacific. The theater's senior U.S. military officer, ADM Phil Davidson, describes the Indo-Pacific's key terrain—a loose but strategically distinct set of littorals known as the First Island Chain—exactly as his Japanese counterpart does, as today's "fault line for the rules-based international or-

der."<sup>11</sup> At the center of this key maritime terrain lie Japan's Ryukyu Islands, the closest of which are less than 210 miles from China and a mere 70 miles from Taiwan. Home to the III MEF, the U.S. Air Force's 18th Wing, other critical joint force organizations, and important elements of Japan's Self Defense Force, the Ryukyus, are a proving ground for strategic thinking about competition, operating in a contested environment, sea control, sustainment, and perhaps most importantly, *denial-enabled maritime deterrence*. The Ryukyus and the East China Sea in which they lie are where great power competition is growing in intensity and the risks of miscalculation, under-investment, and brittle supply chains are greatest. It is here that our conceptions of competition are animated and pressure-tested under a magnifying glass of daily operations, activities, investments, choices, and interactions.

Particularly within the First Island Chain, which is challenged by long supply lines, geographic isolation, and a corresponding lack of mutual support from stateside forces, a rigorous *Value Chain* self-assessment can be particularly helpful. Recognizing the complexities of the contemporary operating environ-

ment, a growing array of adversary capabilities, the aforementioned primacy of logistics in this theater, our pursuit of increasingly technologically advanced capabilities, and the exceptional wherewithal required to operate, command and control, and sustain forces in the First Island Chain, Porter's *Value Chain* model could be tailored for military application to look something like this:



**Figure 2. Tailoring Porter's Value Chain for military application can illuminate unspoken strengths, hidden dependencies, and mitigable risks, thus revealing a better understanding about the things that actually underpin our competitive advantage.** (Source: Graphic created by the authors with the assistance of Capt Dane Oshiro, USMC.)

## Conclusion

*MCDP 7, Learning*, reminds us that:

Success in warfare depends on Marines developing an intellectual edge to accurately recognize cues, quickly make sense of information, and respond effectively. This intellectual edge is based on developed knowledge and experience that allows Marines to shape conditions and events to their advantage.<sup>12</sup>

Times of profound change—such as we are in now—present opportunities to shape events by introducing new ideas or tailoring existing ones to meet the demands of changing circumstances. Such ideas—both old and new—can inspire new conceptions, drive actions, sharpen thinking, and fuel the kind of innovations required to gain critical advantages. Broadening our lens of thinking from the “kill chain” to the *Value Chain* can open the aperture of

our views and encourage us to find the right balance between improved resiliency and increased lethality, thereby creating a shield strong enough to complement the potency of our sword. Finding that balance best positions us for the protracted challenges of great power competition and multiplies the Marine Corps' contributions to our nation's *sustainable competitive advantage*.

6. Ibid.

7. *MCDP 1-4, Competing*.

8. *Competitive Advantage*.

9. U.S. Congress, Testimony by Gen David H. Berger Before the Senate Armed Services Committee on 3 December 2020, (Washington, DC: December 2020), available at <https://www.armed-services.senate.gov>.

10. ADM Philip Davidson, “Remarks,” (presentation Harvard Business School, Boston, MA, October 2019).

12. ADM Philip Davidson, “Remarks,” (presentation, 2020, Mt Fuji Dialogue, Honolulu, HI, October 2020).

13. Headquarters Marine Corps, *MCDP 7, Learning*, (Washington, DC: February 2020).



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