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INTRODUCTION

THE SCIENTIFIC PROBLEM

Today not only businesses are facing global competition, but also countries in their quality as economic locations. This; as a consequence, includes the institutions of public administration as agencies of a nation state.

At the beginning of the last century, the bureaucratic model had a predominantly positive connotation attached to it. However, it developed under premises which strongly differ from today’s circumstances. The current and foreseeable situation increasingly requires administrative organisations to be flexible. Institutions of public administration have been showing an increasing awareness of the fact that present procedures of administrative actions are no longer up to date and require redeployment.1

Generally speaking, public administration is suffering from budgetary shortness, image problems, deficits in management, a not always ideal effectiveness and efficiency, sometimes also from problems in motivation of the staff members and a relatively quick change of duties and requirements while at the same time facing considerable new challenges. All strengths – the rule of law and reliability in the first place – are facing remarkable weaknesses; high cost, deficits in quality and usually weak innovations in dynamics should also be mentioned here. Numerous specific factors provided, this applies also to the military sector. More than ever the ideal planning and use of scarce financial and other means seems to be in the foreground (“getting out most of the budget”).

Administrations are increasingly facing problems with the realization of – and dealing with – changing settings of tasks. They find themselves confronted with new challenges which require new approaches. Contemporary forms of coordination within administrations and abstract bodies of rules and regulations for an efficient management of public institutions are needed. It is important to establish a suitable framework on a political, economic and social level in order to reasonably fulfil public tasks, preferably in the sense of a requirement and circumstance oriented public value performance.2 The latter should on the one hand still be relevant to interest groups, but nevertheless more economy oriented. Existing unused or misrouted productivity reserves should be mobilised, self organisation on the public side established and information networks within and between the organizations built up and developed.3

These processes affect the military administrations in very special ways. The drastic and rapid changes of global security political conditions do have a massive impact on interpretation, structure and assignment of modern armed forces. This requires corresponding adjustments in all military related administrations and other institutions.

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3 Compare: Priddat, Birger P.: Gemeinwohlmodernisierung, Marburg 2006
Not only should this approach demonstrate the necessity of restructuring and reorientation of military administration, but also the possibilities of such a transformation from a principally purely administrative to an enhanced business economically managed administration by means of basic principles of public management.\(^4\)

Public management is to be understood as the summary of modern approaches of organizational and tax intelligence of an institution appointed to guide and design complex systems in a performance and effect oriented way. The crucial criteria are effectiveness, efficiency and sustainability. The main objective of administration management is to guarantee military task fulfilment and viability of the military organization in the long term by constant optimization against the background of political specifications and the military mandate. Skills like flexibility and the ability to further common- and self-development are to be cultivated.\(^5\)

In the past, relatively little importance was ascribed to these economic considerations regarding the interpretation of the military and its administrative organizations. This has to change, however, if an effective armed forces structure is to be implemented and maintained.\(^6\)

**RESEARCH AIMS**

In transforming an army into an effectively managed organization, the research target is

- to analyse the logical particularities of “military administration” and
- to identify, on the basis of that analysis, the starting point for appropriate measures in order to make the work within the military administration more efficient and effective.

In the long term the military can change from an “administrative establishment” to an “enterprise”. The systematic activity to administer and see to the accomplishment of the


issues instructed by law within the framework of an administrative management, also in the sense of a contemporary business management, is to be administered and provided. Hereby, reasonable management, in terms of economic oriented thinking and acting, stands in the foreground. In this context, defence economics and business administration are particularly significant. It is important to find out about effectiveness ("Are we doing the right thing?")), efficiency ("Are we doing the right thing the right way?")) and cost effectiveness ("profitability"). In the course of the goal setting process – against the background of public interest – the role of the corporate stakeholder has to be taken into consideration.

METHODS OF RESEARCH

Against this background public management focuses on holistic method of problem resolution by applying findings of business administration and management (compare “service institution military”) based on the following principles and demands.

In the framework of this research, a systematic, holistic approach shall be applied. It should allow taking into consideration the cause-effect relationship and the strengths within the “military business” and as a consequence to propose successful ways of structuring.

It has to be outlined, that the concept and realization of public management must not be a pure belt-tightening policy. In fact, state and administration should be prepared for future tasks appropriately and on time. Various specific instruments could be applied for this purpose.

THE EXECUTED RESEARCHES IN DIFFERENT CHAPTERS

The following fundamental scientific tasks and questions are to be posed:

• Question 1: How can a performance and impact oriented governance/regulation be established on the military sector? (Related research covered by chapter I)

• Question 2: What does such a governance/regulation generally look like? (Related research covered by chapter I)

• Question 3: Which particularities have to be taken into consideration at the realisation of such a concept on the military sector? (Related research covered by chapter II)

• Question 4: Which measures have to be taken into consideration at the realisation of such a concept on the military sector? (Related research covered by chapter II)
CHAPTER I: CONCEPTS OF DEFENCE ADMINISTRATION AND MILITARY MANAGEMENT

Here and there the armed forces are referred to as the ultimate bureaucracy. Administration and bureaucracy are doubtlessly fundamental features of the present social, political and economic environment.\(^7\) This fact in itself is not really a problem. However, the present development of administration is marked by substantial and increasing broadening, autonomization and not least rigidity. In the past decades economic and social phenomena have developed much quicker than public administration. Therefore, administration is confronted with completely new tasks.

As a result of such a readjustment of tasks an extensive demand for restructuring emerges. This development also has an impact on military administration.\(^8\) By now, not only businesses are subject to competition. What has always been a normal reality to commercial and private organizations is now increasingly occurring in public institutions. On the one hand, the handling and use of available resources according to economic criteria, such as cost effectiveness and efficiency, are in demand in order to stay competitive – in the case of the armed forces to maximise operational readiness. On the other hand, it becomes more and more obvious that for public administrations – also in regards to value performance – it is increasingly necessary to operate according to economic principles in order to keep administration systems competitive and most importantly affordable.

Therefore the question is in how far a more efficient and effective configuration of present administrative processes in modern armed forces is possible and necessary, and in how far purely administrative processes can be substituted or at least supplemented by management methods. Can a public administrative institution or an administrative establishment, in this context especially the military, be at least partly managed like a private business without endangering its quality and most importantly the access to the service provided to the public? However, it has to be taken into consideration that economic decisions are more time consuming and harder to take the larger the concerning system in which the decision should be applied is.\(^9\)

Before these questions can be constructively processed, the apparently opposing principles of administration and management are to be dealt with.

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\(^7\) Compare: Strunz, Herbert: Der Verwaltungs begriff. In: Hofmann, Michael; Zapotoczky, Klaus; Strunz, Herbert (Hrsg.): Gestaltung öffentlicher Verwaltungen, Heidelberg 1993, 3 ff.


I.1 DEFENCE ADMINISTRATION

In general, administration can be described as a necessity to guide and supervise the individual services and following contributions in kind wherever people live together. These services and contributions in kind correspond to services as well as common economic tasks and objectives, guided by administration.

A substantial proportion of administrative work also exists in enterprises and organizations managed according to business economic principles. All individual and common activities regarding task fulfilment and value performance demand guidance and control as well as adjustment to the specified objectives of the organization. Operational administration is the part of the organization which exploits and processes all information necessary for task fulfilment and value.

Defence administration in particular can more than anything be understood as the part of the armed forces which conducts all activities concerning establishment and maintenance of their organisational, logistic and financial bases in order to enable them to provide the ideal and unlimited allocation of public security and defence. Defence administration primarily serves the purposes of the armed forces and does normally discern tasks which do not directly serve the enablement of deployment. It therefore involves all organisational entities of the military, which mainly serve to guarantee the operational capability of its armed forces in regards to staff, material and structure as well as other military relevant fields of duty. In this business economic context defence administration would involve administrative areas such as human resources, material, property and budget management without taking concrete measures to permanently develop and adjust those areas. Beside the military staff of officers and soldiers, civil servants and contract public employees are also members of defence administration. However, an exact classification of individual organisational entities is often not possible, since functional and human resource related issues can intermingle in the military. This can cause the following virtual and legal problems:

- Interference with the accomplishment of military management processes;
- Limitations of the military’s operative and tactical capacity to act;
- Ambiguities regarding international law concerning combatant status of civilian employees;
- Ambiguities regarding the status of soldiers in defence administration;
- Problems with civilian employees in defence administration who are used for deployment, causing repercussions to the management system by influencing the effectiveness of command;

Therefore, it is incidental to obligatorily and stringently integrate military administration, because it can provide in many areas, especially in military strategic and operative command, the basic parameters for an effective state assessment. Information relevant to military deployment is useable if it is preferably comprehensive and given in due time, immediately and without contradictions. Therefore, an economically structured and managed administration is of vital importance in the military. A substantial feature of the general work structure in administration is, besides resuming all warranty responsibilities, the undivided responsibility for the financing as well as for the implementation of performances.
In principal, the concept of administration has significant advantages, which are among others:

- Firm structures and direct access to the person in charge;
- Compact office hierarchy and hierarchy of authority with a high degree of responsibility control and direct guidance of staff with a high degree of discipline;
- Administration bound formation and further education;
- Close functional specialization and consequently detailed knowledge of the respective area;
- High computability and traceability of processes and abstract bodies of rules and regulations;
- Rule-based processes with little room for arbitrariness and relatively good means of control;
- Chain of command with determined vertical communication channels and decision making processes as well as continuous written documentation and consequently easy verifiability through a third-party;
- Selection and promotion according to education and performance by specified promotion steps which regulate entry and advancement;
- Evaluations by supervisors are significant which leads to a low level of competition between the employees and consequently reduces the risk of creating a bad work climate;
- No negative impact on the quality of the adduced performance due to priorities like profit maximization;

However, conventional administrative systems do also show weaknesses, which could be eliminated or at least diminished by applying diverse management methods.

- Too many hierarchic levels with unclear interfaces with multiple responsibilities;
- Unnecessary separation of professional and resource responsibility
- Budgetary deficits due to lack of reallocation possibilities
- Executive requirements and controls instead of result and target regulation;
- Lack of cost-benefit transparency;
- Lack of human resources management and unsuitable means of motivation as well as too rigid models of payment and appeal;
- Blockades on management level by political decision-makers;
- Too strong and inappropriate focus on details;
- Hardly any ability of change or innovation;

This shows that administration is not to be considered something entirely negative or to be completely reshaped. Generally it has to be acknowledged that state and administration are necessary and important parts of every society. However, there should always be a search for ways to diminish existing disadvantages by supplementation or structural changes, as they are offered by public management methods, in a way that the
positive aspects of administration mainly determine the function of the administrative system.  

I.2 MILITARY OPERATION AND MANAGEMENT

Initiating the business process of an organization in a target oriented way and to guarantee that it will be smooth and coordinated demands a corresponding creative power. The necessary incentives and regulating measures are the contents of so called management. The term management describes the positive influence on processes, effects, problems, activities and transactions on all levels of an organisation. It focuses on task fulfilment in leadership and therefore on all areas of activities directed to target achievement of organisations.

The most concrete processes within management can be described as a circle. First, the objectives and the necessary measures and strategies for their achievement are determined, ideally followed by inbound planning of the necessary and existing resources. After those executive activities an in depth control is carried out.

The aim of management – as well as of administration – is to guarantee the long term viability of an organisation. The difference is that in this context management acknowledges characteristics like adaptability, flexibility or progressiveness as evenly necessary qualities as consistency and coherence. Management, contrary to administration, is therefore taking future oriented considerations in the sense of a vision, a philosophy or, in the military context more appropriately, a strategy and suitable objectives and planning.

In this context, the concept of management in a military organisation would include, apart from administration, two areas: troop management and operational management. Troop management and also military management represent management as a military leading function and generally refer to troop leading during deployment and field exercises according to military considerations and methods of leadership directed to the fulfilment of the military mission as well as all aspects regarding tactics and operation including troop moral. The final objective of military management is to achieve a politically useful success, which under some circumstances includes the coming to terms with different situations of crisis. On the strategic level, military management has to determine the military strategic objectives, time frames, deployment location, available human and other resources, jurisdiction, responsibilities, resources of the civilian divisions and all basic parameters, according to political specifications. On the operational level, military management is supposed to convert the strategic specifications into concrete tasks and commands. It defines operational goals, develops concrete options of action and summarizes them in an operational and accomplishable concept. Its central feature is the hinge-joint like connection to the tactic management level. Tactical leadership is another field of duty within troop leading and is defined as leadership especially directed to the deployment and movement of troops. The corresponding management task involves all logistic and communicative tasks in order to guarantee an ideal leading of military units and their corresponding support elements during a specific mission. Based on the strategic and operational level, tactical leadership lays down tactical objectives as well as the type of deployment and operation for the subordinate

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10 Compare: Bogumil, Jörg; Jann, Werner: Verwaltung und Verwaltungswissenschaft in Deutschland – Einführung in die Verwaltungswissenschaft, Wiesbaden 2005
troops and branches of service. Military leadership is based on the principles of order and obedience, compliance of mandate and resources, legal compliance and contemporary personnel management as well as undivided personal responsibility of the military management personnel.\textsuperscript{11}

Opposed to this, business management focuses on institutional management responsibility regarding individual locations, including military administrative headquarters; the management of the department and the whole administration in order to guarantee ideal preconditions and basic conditions to fulfil the military mandate. Finally, troop management is the most important part of military management and does also characterize the purpose of defence administration.

Both concepts pay regard to the most economic use of available resources. In this respect troop management is the most significant part within the armed forces. After all, troop deployment is the final purpose of the military and its organizational branches, and has therefore priority – in spite of all economic principles.

Management as a function refers to the tasks which have to be administered. These tasks are divided into management functions and operational functions. Management functions involve: communication, planning and targeting, decision making, motivation, organisation and observation. Operational functions involve: procurement, goods and services, performance processing, financing and information. Military management in the sense of operational functions involves normative, strategic and operational planning and guidance as well as aspects of personnel management, resource management, organisational development, controlling and quality management.\textsuperscript{12}

Management in the armed forces is therefore a rather general approach and, according to the general principles of management, requires managers. Opposed to this, troop management involves all military specific aspects and requires soldiers and officers who are experts in their field and familiar with the military work. If next to administrative processes management oriented approaches are applied in the military, it is the administrations task to provide for the basic conditions for a successful management in the sense of a military as well as business economic understanding and the respective necessary services.\textsuperscript{13}


Military operation or rather management in the military as a whole implies target oriented leading and coordination of a military organization with all its headquarters, locations, troops and units, focussed on permanent operational readiness. All this does not happen through military administration only, but due to its comprehension.

I.3 THE NECESSITY OF ECONOMIC PRINCIPLES IN DEFENCE ADMINISTRATION

Criticism about public administration also includes the administration of the armed forces. A lack of efficiency and orientation towards the actual necessities of the armed forces and the population are often mentioned in this context. If the reasons for a lack of efficiency are analysed, the following main problems can be detected:  

- On the one hand, politics posts diffuse and erratic strategic specifications to the administration, but on the other hand over controls day to day implementation.
- Existing hierarchies can be associated with gridlocked decision making processes and lack of flexibility.
- An overemphasis on legal regulations, and staff lacking basic understanding of business economy.
- Competences concerning accomplishment, results and resources are often not consistent.

The classic business characteristics also apply to military organisations; no matter if in regards to the combination of production factors like soil, capital, work or raw materials to be used, or to the general principles of economic efficiency. Thus it is expedient, particularly in regards to military structures, to complement or partly replace administrative processes by a concept based on the principles of management. An administrative system based on management principles essentially requires the following criteria:

- Sustainability

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• Cooperation, competition and task review and evaluation
• Enhanced awareness of scarcity and reasonable performance objectives
• Human resources management instead of staff administration
• Openness and responsibility
• Transparency and commensurability
• Efficiency and flexibility

Another criterion for the compatibility of management and administration is their similarity in regards to management tasks within the individual forms of organisation. In principal, both approaches management as well as administration, aim at the efficient leading of organisations, establishing corresponding structures. However, administration turns out to be more consistent on the one hand, but more hieratic on the other hand. The environment in which an administration has to function today and in the future, has drastically changed in deed, and so have the conditions. This can especially be observed on the military sector. Modern armed forces are faced with an increasingly rapid change of security policy and thus task profile.

For defence administration, this implies a broadening range of duty as well as the necessity of a better adaptability and mutability. Military service provision increasingly works in combination with services of other public administrations, non governmental organisations, economy and on an international level. Consistency and coherence are no longer the sole requirements. Other criteria like flexibility and innovation gain significance. It is no longer enough to master existing processes. These processes also have to be constantly optimized and adapted to social problems and new structural requirements in order to come to terms with existing and emerging administrative problems and to avoid or at least diminish their consequences.

Organizational forms with flat hierarchies, which can be found in businesses lead according to management principles, do particularly show how necessary flexibility and adaptability are. New skills and competencies will be required from administrative staff. This does not imply that today’s administrative personnel are lacking the latter; in fact, plenty of unemployed potential lies idle due to hieratical administrative structures. This overlapping knowledge is to be activated and used. Clearly defined task and responsibility profiles are important, but it should be kept in mind that the staff has the possibility to work interdisciplinary and comprehensively. Up to now the individual areas of responsibility have been quite clearly defined in administration, however, the majority of the different areas of activity and competence lack clear divisions as well as the structured and project bound possibility for interaction between the individual areas in order to make team oriented cooperation possible. The following principles of operation display a more stream-lined administrative organisation:

• Group and team orientation – Tasks are dealt with in teams. This fosters competition within the administration on the one hand, but on the other hand avoids it among the staff.
• Decentralized personal responsibility – Every task is accomplished on one’s own responsibility while specified quality standards have to be met.
• Feedback – All activities related to the production of goods and services go along with continuous feedback. The reactions of management level, environment and system serve their own action’s review.
• Client and performance orientation – All activities are aimed at the demands of a certain target group. This implies clarity about which specific target groups exist and which demands they have.

• Value creation as a priority – The actual value creating activities are a priority in the organisation. In this context, value creation refers to every increase in use of a service.

• Standardization – The work environment of every individual administrative employee is marked by generally known and commonly defined standards. However, these standards are not hieratic but have to further develop in compliance with changing conditions.

• Continuous optimization – Every staff member takes part and is actively involved in the continuous optimization of performance processes and internal structures.

• Prevention of failures – Failures are important as indicators, because they point out deficiencies in the system. Even internal consumers are customers, who can immediately react to failures in order to respond to lacks of quality quickly and right at the source.

• Thinking and planning ahead – Failures can to a large extent be avoided by precocious planning. The period of planning can by all means be longer in order to achieve a shorter period of implementation.

• Little, controlled steps – Evolution is more important than revolution. Changes lead to development if they are occurring within a clearly defined framework. Results achieved by larger, but rather one sided steps is usually not very sustainable.

Common and consistent control mechanisms, if possible with the according standardized rules and regulations as well as structures, and a reconstruction of inner infrastructure would substantially increase the efficiency of administrative systems.

Innovation friendly and more lenient interpretations of internal administrative structures can contribute considerably to making military administrative services more attractive. This tendency calls for standardized thinking as well as for the direct search for controversy. Solutions are to be developed right at the beginning, when projects are to be initiated. New methods are to be developed, leading up to a holistic and cross-linked view on their own role within a higher ranking system with all its challenges, reasons, consequences and the corresponding interest groups and expectations. It is important to realize that some problems are to be considered in connection with other, higher ranking problems of economic, ecologic and security political nature. Focussing only on the solution of problems which effect ones own business is no longer sufficient in order to develop constructive and effective approaches regarding solutions and innovation.\(^\text{17}\)

If a military administrative system is to be restructured through the application of public management methods in order to make it more efficient and cost-effective, substantial steps of reform are undoubtedly necessary. However, the development and implementation of such reforms aimed at more efficiency and effectiveness have often caused problems, which put the cost-effectiveness of the reform itself into question. These problems often emerge from a lack of consent regarding which innovations and changes are desirable and necessary and about how and where they should be implemented.

Therefore, not only new forms of service provision and administration together with new ways to deal with administrative processes are necessary, but also the terms as such need to be redefined. It also has to be considered how these new concepts are to be handled. Above all that, it has to be considered how they are to be implemented in form of a structured reform.

In order to frame these processes of change within the administration in a cost-effective way, it is important to recognize higher-ranking connections and to take appropriate measures to adjust the corresponding steps of reform. Several economic and managerial tools are already applied in relation to this way of reform in order to optimize circumstances related to controlling, delegation, coordination, regulation etc., even before economic tools are implemented into administrative processes.\(^{18}\)

Typical characteristics of such an implementation are among others:

- Efficiency due to clear objectives and strategies;
- Division and delegation of clearly divided areas of duty and responsibility during the reformation process;
- Suggesting changes of focus and enhancing individual executive responsibility in the individual administrative areas;
- Internal knowledge transfer and coordinated information management;
- Disclosure of possible alternatives regarding the implementation process;
- Regular controls and feedback about the progress concerning individual reform related steps;

Reforms, as changes from top to bottom, and transformations, as changes from bottom to top, should be equally supported and implemented. In this context, the same level of importance is to be ascribed to both approaches. The supervisor has a certain responsibility to provide, in the same way as the subordinate has a responsibility to obtain. It is of decisive importance to involve all parties.\(^{19}\)


The development of master plans and long term strategic specifications is to be strived for and should be geared to social, internal administrative and economic concerns. This way, insecurity about the whole purpose of the implemented changes is diminished as well as doubts about the stability of new political, administrative, social and security political models. The complexity of administration cannot be “administered away” but has to be reduced by adequate communication and coordination during the reform.

There is no lack of knowledge, willingness and information, neither of institutions, leading competence or know-how. There is only a lack of coordination and a way to correlate all those factors in a constructive way. The principle of fostering transformation next to reform stands exemplarily for this perspective. Change, stability and security cannot only be ordered from the top. They should especially be approached in the segments of administration and several organisations by competent and factual operating, and expand to the whole administrative system through the changes initiated by reform. Only in this way will changes in the individual organisations become meaningful.

The development of systematic and repeatable evaluation processes would be an important precondition for the optimization of military tasks, divided and implemented by different methods. Strengths and weaknesses would precociously be detected and it would be possible to develop adequate individual concepts for improvement of the individual areas of responsibility.

Internal administrative contradictions often interfere with positive reform approaches or block them completely. Self-created competition within the administrations often leads to expensive delays and precipitant new conceptions. Such situations can finally cause whole reform projects to fail.

It is therefore a main objective to avoid such internal contradictions. Reform projects should not only be defined as a complete concept on the whole, but as a process with clear intermediate goals. In this context the introduction of new methods of public or military management are good examples. The individual steps of reform do not necessarily have to be implemented at the same time in all areas. Reform projects are often confronted with certain animosities. However, only some parts of reforms have effects on the individual administrative divisions and the actual changes resulting from it are considered to be absolutely manageable and not too hard to implement. It is therefore necessary not only to clearly define the steps of reform for the respective areas of duty within the administration, but also to strictly separate and define the future areas of activity and new challenges which should be met by reform in as many parts of adminin-
tration as possible. It should be clearly expressed where and why changes in administration are appropriate and necessary and how they are intended to be implemented. Possible animosities against reform can be avoided in the fore-front by precocious and balanced communication and by explaining the individual steps of implementation and the corresponding consequences to the different areas of duty in detail. As a consequence, the probability of cost pressure due to unnecessary delays can be reduced effectively.

If possible, it should be considered to involve all parties and people concerned. Open discussions about possible problems enhance and facilitate cooperation between all parties concerned during implementation and can therefore contribute to significantly shorten the reform process.

The previous subdivision of reform projects into individual stages and implementation areas allows a more exact calculation of cost and the dispatching of special budgets as financial buffers and their disposition. Furthermore, the establishment and allocation of particular budgets encourages cost-consciousness in the individual divisions, since competition over the available funds is already carried out beforehand and can therefore be reduced at an early stage, it can be widely avoided between the divisions during the actual implementation process. Every division and department would have to administer their own established budgets and be held responsible for and requested to justify cost overruns. This way, the principle of divided regulatory and resource responsibilities could precociously be applied during reform.

Furthermore, it is highly recommendable to establish a central platform in order to avoid unnecessary discussions and controversies. In spite of additional expenses it is also recommendable to appoint a third party, for instance an external consultant with a political or economic background, acting as a coordinator between the individual levels during the different steps of reform. It reduces the danger of emerging frictions during reform work which could interfere with the process. Additionally their ‘outside perspective’ allows the creation of new models for a constructive coexistence of the individual areas of activity and a neutral buffer-zone for mutual control. This is of special significance for reform projects in military administration, since competition is to be expected with the implementation of new procedures, for instance between civilian and military staff.²¹

In order to further promote and intensify reform projects in the most unobstructed way the following steps are conceivable:

- Development of a conceptual framework for the implementation of innovations and changes;
- Detailed information of staff about the respective steps of reform;
- Development of economic methods and tools especially designed for and adjusted to military particularities and requirements;

• Implementation of reform steps through selected pilot projects with subsequent further diversification;
• Support of implementation by coaching methods and concrete information adapted to the specific requirements of military types of organization;
• Establishment of the preconditions for continuous development and improvement;

In spite of relevant and specialized consultancy, the actual decision about upcoming projects and endeavours would still be reserved to the management level. Apart from regular controls and observations through specialized, appointed commissions, the management level could concentrate on the definition of objectives and their adjustment to relevant changes in the administrative environment. The demand for consultancy and co-determination arose from the fact that systems have shown to be significantly more efficient, if the interests of all parties involved had been referred to, taken into consideration or at least been listened to. This way, maximum support of the project can be guaranteed. It can therefore be concluded that for the reform of administration and performance processes not only the layout of the performances itself is of significance to the respective interests, but also the focus on the process of reaching a consensus within the respective administration which is supposed to finally deliver the performance.

Reform from an economic point of view can primarily be referred to as the process of finding independent and if possible short and quick ways of transformation without getting into conflict with other organisations of public administration, society or the people affected by reform.

I.5 KEYNOTES OF ECONOMIC ACTING IN REGARDS TO THE CONCEPTION OF STRATEGIC DECISIONS

An essential part of economic considerations is to collect findings and experiences from economic respectively business processes, to evaluate them and to provide suggestions based on those findings in regards to how organisations can design their internal processes in the most optimal way. Probably more than in any other public administrations the principle of effective economic acting counts or should count when it comes to strategic decisions, especially in the armed forces and its corresponding administrative entities. All organisational structures and their further development depend on a coherent and concrete strategy. All processes and tasks in military organisations are directed to the development and leading of the armed forces as well as to the unlimited allocation of security and permanent operational readiness.22

Against this background, all strategic decisions in administrations basically incorporate the specification and layout of management and coordination strategies of a business or organisation; thus the regulation of all issues concerning jurisdiction, responsibilities, power, claims and control. The objective is to consider the beneficiary, in the case of the military the active military staff and of course the population, as the primary interest group of an administrative system and to become or stay perceptive towards the rights and requests of those ‘clients’; in spite of or especially through the increase and optimization of efficiency and effectiveness. However, these changes must not be made at the cost of their own stability and integrity. Determined military rules and regulations as well as processes imply the same, even against the background of economic efficiency.

22 Compare: Eichhorn, Peter: Das Prinzip Wirtschaftlichkeit, Wiesbaden 2005
Economic thinking and acting also changes basic questions concerning the initiation of strategic changes. The question of how specifications and changes are implemented is no longer the sole crucial factor, but also further questions emerge:

- Where and in which ways is a certain intervention necessary and which mid and long-term effects and costs are connected with it?
- Do the expected optimizations compensate for the potential costs of those interventions?

Public management in the sense of economic and strategic acting implies to a large extent the leading of the military and the military administration as a business and to guarantee that task fulfilment within the administration is increasingly based on criteria like performance provision, budget and cost responsibility. However, this must not interfere with the unlimited maintenance of value performance within the framework of the armed forces. This is easier said than done, since two completely antagonistic requirements have to be met.

Profitability, meaning the increase of efficiency by determined performance parameters on the one hand, and performance maximization according to determined requirements regarding effort and cost on the other hand, sometimes conflict with the provision and maintenance of unlimited operational readiness.

The question to what extent the profitability of military expenditure can be taken into consideration is rather problematic. How can the economic output of military performance be objectively measured? And moreover:

- How can ‘success’ or ‘output’ be characterized in a military administration?
- If there is no exact definition of success, how can there be a justification for the purpose of existence?
- Which economic tools are required where and in which form?
- In which ways are these tools compatible and applicable?

Which possibilities and basic approaches are conceivable in spite of those antagonisms and problems of economic specifications in military administrative systems?

Achievable requirements for such an economic interpretation would be among others:

- Development of a business economic over-all concept for defence administration;
- Development of a mission statement and vision for defence administration;
- Breaking of taboos and permanent questioning of structures and processes;
- Development of a strategic and operational controlling concept for defence administration;

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23 The relatively few experts in the filed of so called ‘defense economics’ have been dealing with similar – and also with the following- questions, trying to broach the issue of economic aspects on the military sector. In this context please compare e.g.: Schönherr, Siegfried (Hrsg.): Militärökonomie – Rückblicke für die Gegenwart, Ausblicke für die Zukunft, Dachau 2002; Schönherr, Siegfried; Einhorn, Hans (Hrsg.): Militärökonomie auf dem Weg zur europäischen Kooperation, Dachau 2001; Hahn, Oswald: Militärbetriebslehre, Berlin 1997; Sandler, Todd; Hartley, Keith: The Economics of Defense, Cambridge/New York/Melbourne 1995; Kirchhoff, Günter (Hrsg.): Handbuch zur Ökonomie der Verteidigungspolitik, Regensburg 1986
• Optimization of strategic decision making processes on the management level and enhanced delegation of activities concerning task fulfilment to previous administrative areas;

• Long term transformation from the military as an administration to the military as a business by application of business economic principles concerning legislative and executive tasks;

• Promotion of individual task, resource, cost and outcome responsibility;

• Focus on guarantee rather than on performance;

• Reduction of bureaucracy, simplification of processes, transparency of processes, optimization of internal information systems, clearer assignments of responsibilities;

• Optimization of use and application of available resources;

• Enhances creation of awareness among the managers by information campaigns, lectures and publications;

• Improvement of business economic basic understanding among the managers by further education and training;

• Increase of economically trained personnel in key positions;

• Enhanced assignment of external consultants and use of external resources;

• Finding of concepts to integrate the individual areas of responsibility;

• Enhanced cooperation ability of military institutions;

• Development of organizational structures towards more motivation and personal responsibility;

The fundamental question of economic thinking and acting in an administration is therefore not: “How can needs be fulfilled and supply be guaranteed?”, but: “How can the ideal service provision still be guaranteed with the available resources and determined budgets?” And: “Are there any other possibilities for the optimization of service provision and if yes, what are they?”

Furthermore, the economic conception of strategic decisions in defence administration is directed to the change of existing administrative processes towards more flexibility, more economic oriented thinking and acting of the administrative staff, an enhanced focus of internal administrative processes on troop requirements and therefore an enhanced orientation towards the future, away from a mostly hieratic administration.

In this context, the following principles should be taken into consideration:

• Decisions should always be considered as parts of a bigger over-all picture and previous planning accordingly adjusted.

• The choice of the appropriate tool for the concrete individual case is important as well as the application of adequate rules and regulations in regards to the implementation of specifications.

• Rules and regulations are to be abstracted in a way they can still serve as guidelines and points of reference, but also provide sufficient room for necessary interpretation and adjustments in case of unforeseen incidents.
• Importance has to be attached to the establishment of – and operation within – ade-
quate parameters with more freedom of action for the administrative staff.

• Provident development of catalogues of alternatives and alternative concepts, allow-
ing their quick application is of increasing importance.

• Regular and mutual controls and inspections of endeavours and processes in regards
to relevance and profitability are to be strived for.

Apart from constantly updated planning parameters as well as effective and exact plan-
ning, the establishment of committees is recommendable, which are exclusively dedi-
cated to working out solutions for emerging problems. After all, avoiding problems is
considerably less expensive than the compensation of resulting losses.

Comprehensive analysis is a fundamental precondition for all planning efforts in order
to develop a strategy. Due to the increasing complexity of present and future develop-
ments, environment analyses necessary for the formulation of a strategy, have to meet
with considerable requirements. In the case of military organisations significant social
changes in their environment can be observed. These changes have a considerable influ-
ence on the development of the military and have to be integrated into the development
of strategies. The acquisition of reliable and comprehensible data about all influencing
factors necessary for evaluation is a key problem.  

A strategic conception developed from analysis should be based on the following ques-
tions: 

• Is an integrated strategy evident and was it sufficiently communicated to all effected
  parties?

• Does the strategy account for all present and future possibilities?

• Does the strategy match the presently available resources?

• Are the individual parts of the strategy and their resulting objectives consistent?

• Are the risks calculable and compatible with the potential of the organisation?

• Do all effected parties support the strategy?

Instead of numerous separate and small, short term planning efforts in individual enti-
ties the aim should be to develop a concept for larger, collective basic planning as a
strategic basis for following planning processes in individual areas and to establish them
as guidelines for proceeding further. Information and information processing are the
keys to success for those committees.

The integration of economic thinking and acting regarding strategic decisions in ad-
ministration in general, and defence administration in particular, has to primarily serve a
certain purpose. Not only is unobstructed service provision to be guaranteed, but also in
the long term, in a permanently changing environment and by taking business economic
principles into consideration. One of the most important decisions in this context is the

24 Compare: Siedschlag, Alexander (Hrsg.): Methoden der sicherheitspolitischen Analyse, Wiesbaden
2006

25 Compare: Strunz, Herbert: Orientierung in schwierigem Terrain – Konzeption strategischer Entschei-
dungen. In: Sadowski, Ulf; Gläß, Michaela (Hrsg.): Strategisches Denken und Handeln, München/Mering
2006, 9 ff.
basic interpretation of infrastructure of defence administration and its interaction with the active armed forces.

I.6 CENTRALIZATION VS. DECENTRALIZATION

Up to now, a controversy between generally decentralized and absolutely centralized structures was evident. Both forms of organisation have advantages, but also show considerable disadvantages and weaknesses in the administrative system when applied exclusively. It can often be observed, that for instance procurement, regardless if human resources or the acquisition of heavy gear are concerned, is often subject to centralized decisions. On the one hand, it is a considerable advantage in regards to control of necessary expenses and general demand. On the other hand, it is rather questionable if the qualitative demands in certain fields – e.g. the military – and in different locations are adequately supplied. In many fields of administration the regulation of performance processes currently occurs by centralized allocation of budgets. However, this leads to an unnecessary separation of professional and resource responsibilities, limiting the individual scope of action in regards to available resources considerably. Unused resources can usually not be used for other divisions. This way, any motivation for cost- and performance oriented acting is a priori being oppressed. Centralization therefore bares the danger of ‘administering past’ the actual performance objectives and requirements.

On the other hand, there are critical voices claiming that the principle of decentralized task division, self-regulation and control does not work in public administrations; that there are no natural sanction mechanisms in cases of failure or mismanagement, as it occurs in economy under market conditions. Wrong decisions would lead to the failure of the whole organisation. Therefore, permanent controls as a precondition and measure of protection are self evident. Administration from above is a necessity, since the individual administrative organisations do not possess the will, nor the knowledge about higher ranking over all relations or the power to autonomously implement objectives or to pursue home-made innovations.\(^{26}\)

The lack of budget and scope of action, the danger of increasing bureaucracy and internal confusion is often claimed to be the reason for a strong tendency towards and sole concentration on only one of the above mentioned administrative and organisational principles.

Of course it is not possible to abstract everything until it is unlimitedly valid. The opposite of a complete individualisation of specifications, processes and structures is also very improbable. Effectively and efficiently governed administrations stand out for their balanced relations and an ideal middle ways between:

- Uniform processes and flexible approaches,
- The principles of consensus and authority,
- Negotiations and specifications,

\(^{26}\) In this context please see the efforts in Austria, e.g: Bundeskanzleramt Österreich (Hrsg.): Das Verwaltungsinnovationsprogramm der Bundesregierung – Ziele, Maßnahmen, Ergebnisse – Bilanz 2006, Wien 2006; Reichard, Christoph; Bals, Hansjürgen; Hack, Hans (Hrsg.): Verwaltungsreform: Warum und wie, München 2002, 31 ff.
• General rules and regulations and individual solutions,
• Efficiency and stability,
• And therefore between profitability and common welfare.

As a consequence the question emerges of whether a golden middle way between the two types of organisation, namely centralization and decentralization, can be found, which preferably has only few negative side effects on cost structure and traceability. Previously, a division into the following functional areas should be possible:

• Strategic control functions affecting the whole administration,
• Strategic control functions affecting only one department,
• Operational functions affecting the whole administration
• Operational functions affecting only one department.

The strategic and operational function affecting the whole administrative organisation should doubtlessly to a large extent remain a part of centralized responsibility. Operational functions affecting individual departments can be decentralized. In regards to strategic functions affecting individual departments it has to be decided individually and as the case arises where higher specialized competencies and effective forces can be found. In the case of the military it is more recommendable in such cases to stick to centralization, since some situations require direct measures from the political and military command. The principle of the primacy of politics towards the armed forces should in any case be preserved.27

A general and ideal concept would be a development towards a centralized generalization on the one hand, and a decentralized concretion on the other hand. It will hardly be possible to completely implement such a principle. The sheer diversity of individual interests would make this attempt fail, but it could at least help in finding possibilities and ways for a reform of mostly centralized or decentralized administrative systems towards such a combined orientation.

Administrative acting away from general centralization towards self-dependent action and control, but with a centralized coordination can be aimed at and considered to be an absolutely realistic goal. Especially since it has shown that centralized and holistically coordinated and guided but on principal independent and self dependent actors, are more productive and efficient and their work more sustainable.

The military as an executive organ is peculiar, since it is a politically and socially highly sensitive and complex system in which an ideal course of action only partly allows for

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simplification and flexibilization. It also depends on high classification rates and restrictive information. However, in the course of general transformation and optimization processes the armed forces will not always be subject to exceptions compared to other organisations of public administration.

There has to be an understanding of the fact that the application of economic, military or political approaches only will lead to a failure in optimization of military tasks due to its one-sidedness. Therefore the principles of consensus and to include different internal interest groups at least to some extent also apply to the administration of the armed forces. The basis of military goods and services could be broadened and decentralized, while defence administration itself could maintain its inner stability.

One objective of the implementation of public management methods in the administration of the armed forces should be the search for connections to other administrative levels and interest groups, especially to economy. It goes without saying that sensitive areas will remain as such and no unlimited access will be granted.

Conceivable approaches to the optimization of the relations between centralized and decentralized administrative policies and the broadening of the cooperation ability of military institutions are:

- Improving the dialogue between military and non-military organizations regarding the development of new programmes with supra-regional and overlapping military dimensions;
- Improved elaboration of long term objectives and strategic points of orientation in and between the individual location managements in order to allow a refocusing of the administering institutions;
- Motivation to and promotion of cooperation and exchange programmes not only between the different locations and one central administrative entity but also between locations and individual departments.

Since flexibility and a high degree of mobility are essential, it has to be adapted to a decentralized approach regarding such a controlled establishment of cooperations and alliances. That is to say that the initiative for the establishment of regional and supra-regional network should rather emanate from the individual locations or military districts. Of course, centralized approval and monitoring processes would still be necessary for cooperations with a high level of information and knowledge exchange. These processes are rather time consuming, but do serve the maintenance of general security. The determination of the details regarding the set up of those networks should, however, still remain the domain of the decentralized and regional entities and partners. This will not only improve the performance of the military but also broaden its scope of performance.

The division of executive tasks in individual areas of activity should be flexible in order to allow that, depending on the current requirements, tasks can be distributed, learned and taken up more quickly. An exact division of competencies within the corresponding area of activity is necessary. Nevertheless it should be possible to work more project-oriented and flexible within the spheres of competence. If the areas of activity are clearly divided, this interpretation allows the avoidance of redundancies and nevertheless enhances internal communication and independent coordination. Such a structural interpretation can absolutely be considered as a principle of self-regulation, according to which governance is to be primarily based on objectives and values and not on formal and legal procedures.
However, in spite of all given competencies, developed control mechanisms should give the management level a permanent overview of executive administration. In this way, the expertise regarding implementation and service is centralized, while the financing and allocation of resources, remain largely a centralized responsibility.

In general, such a concept of division of competencies and self-regulation has many advantages regarding the increase of effectiveness and efficiency; also in regards to the possibilities of coordination of military performance provision within and between the locations and the direct coping with new problems.

If a decision is made in favour of the further development of decentralized professional and resource responsibility, certain general frames of action have to be specified by a central level. Among others, the following points are to be taken into consideration:

- Specification of maximum scopes of action and scope of individual decision making within them;
- Specification of guidelines which enhance centralized control and budget allocation while considering decentralized implementation and resource responsibility;
- Tools to establish transparency of financial activities in the individual cost centres and locations;
- Ranges of competencies for the executive staff;
- Consideration of special premises regarding the allocation of rights and duties between the civilian and military staff;
- Specifications for building flexible forms of organisations and project groups.

However, such an implementation is also a problem. Apart from the reform of current areas of activities it requires the ability to consider its own areas of activity as part of an over-all system and to measure when, where and how its own actions can and have to be changed or adjusted. This requires a way of thinking directed towards finding new possibilities to achieve and process objectives and tasks instead of purely focussing on jurisdictions and responsibilities or the correct fulfilment and implementation of tasks. Integrated and interdisciplinary thinking is absolutely essential in order to act according to these modern principles and should increasingly be incorporated in internal administrative and military education.

I.6.1 LOCATION MANAGEMENT

The discussion about applied business economic principles in defence administration in general and aspects of centralization and decentralization in particular lends itself to examine the possibilities of management in and of military locations. Before the management of military locations is contemplated in detail, the economic significance of military locations should be pointed out.

From a single economic point of view, the role of the military as a regional and supra-regional demander and supplier of employment is important in regards to the economic significance of military locations. Especially against the background of the current con-
version efforts in many armed forces and the consequent reduction of the respective administrative agencies this topic gains significance.\textsuperscript{28}

Regarding employment aspects, it can be differentiated between the effects of created jobs on the regional labour market and the effect of expenses made by the military and civilian staff on the region’s economy. The created jobs are largely independent from the respective economic cycle, since every recipient of wage or pay can be assigned to a particular location, a corresponding evaluation of the regional stimuli regarding particular trade sectors and their influence on external jobs. Therefore, defence expenses have, from the point of view of the central administrative level, not only macro- and single economic but also particular regional economic dimensions. It has to be evaluated which regions these expenses flow to, where they convert to incomes of private households and businesses and where they can virtually serve as instruments for regional economic policies and politics.\textsuperscript{29}

In regards to military infrastructure, location management plays an essential role concerning all efforts made to increase the efficiency of the whole military system. The armed forces are not only a service provider but in this context also an employer and regional demander for retail and wholesale. Therefore the rational and efficient handling of this problem is opposed by the principle of the military in its quality as an economic factor\textsuperscript{30}, causing an increase of efficiency and cost-effectiveness by possible consolidation on the one hand, but also bringing along negative side effects for a location’s economy such as closure of businesses and loss of jobs on the other hand.

In order to achieve an increase of profitability and a stronger focus on performance in military governance, a concrete reflexion on location related topics stands in the foreground. Even before considering location management as an economic factor, the possibilities of location management as military businesses respectively, location management itself had been of interest. Such a consideration will follow below, directing to several approaches towards designing ways of communication and interaction between locations and centralized administrative units against the background of centralized and decentralized governance aspects.

I.6.2 \hspace{1cm} INTERACTION BETWEEN LOCATION AND CENTRALIZED MILITARY MANAGEMENT

In order to create a structure where the specification of objectives and leadership responsibilities are centralized while implementation, resource responsibility, adjustment and realization are decentralized tasks, an improved interaction between the regional, national and central level and defence administration is required. Public management


\textsuperscript{30} Compare e.g.: Pöcher, Harald: Geld, Geld und noch einmal Geld ... Streitkräfte und Wirtschaft – Das Österreichische Bundesheer als Wirtschaftsfaktor von 1955 bis in die Gegenwart, Wien 2006
approaches aim at the development of an intensified vertical – horizontal dialogue, trying to avoid strict thinking and acting in apparently independent areas of responsibility. Paradoxically, complex systems in particular require flexible structures, but have a tendency to hieratic and incrusted processes. This results from a lack of cooperation and interaction, since highly complex links with complicated and hardly transparent information paths are developing simultaneously. Those paths can hardly be combined and coordinated with one another, which raises the question of how communication and interaction abilities can be improved and become more effective?

Ways to a better division and coordination of decisions, decision making levels, decision makers and finally implementation processes are to be found. Therefore, a balanced relationship between the development and division of responsibilities and tasks in the location’s administrative units and the central defence administration has to be established, in order to create a flexible but still clear and manageable system. However, this depends on the individual organisational and structural parameters of a nation’s armed forces. Transparency is not only a necessity for optimization within the administrative organisations but also for establishing an understanding among the employees and of course the military staff.

In economic terms, this means the allocation of operational management to the administrative units of the individual locations and the concentration of strategic executive powers and controls within central administrative departments. Therefore virtually a consistent regulation of diversified and individual implementation concepts based on holistic, superior objectives, all interest groups largely agree with.

Several performances could be sourced out to the individual military locations so that a general and binding body of rules, regulations and principles is specified, but leaving enough leeway for the individual departments in order to allow for adequate corrections and adjustments. This would have positive effects on the department’s authority of decision. It would accelerate and shorten the development processes and specifications of guidelines and regulations, without endangering their stability and general liability. At the same time, negative competition between the organisations and departments could be exchanged by internal competitive effects and thus simultaneously increase effectiveness and efficiency.

Merging and centralizing individual departments and subsidiaries could be tried in order to conduct a differentiated and more detailed allocation of tasks and competencies in bigger organisations. This implies a higher degree of specialization and know-how in detail, but makes decision making and processing as a whole considerably quicker, easier and especially more comprehensible to all parties involved. New projects would be consistently designed, planned and operated, but processed quickly, and be flexible and decentralized. On the one hand, this would require the establishment of coordinating units on a central level, but on the other hand give the management level more liberty to concentrate on core tasks like planning and strategic decision making.

The enhanced establishment and development of networks between locations and administrative organisations is to be strived for, since they demonstrate an ability to make target achievement processes more productive and efficient than current vertical structures. These are simply forwarding tasks from top to bottom, diluting them more and more by the disproportionate imposition of details and authorizations.

Again, this requires a centralized control unit having an overview of the system as a whole, managing the connections of all individual components by direct and regular
evaluation processes. In turn, this releases capacities in troop and administrative locations, which could be used more cost-effectively and reasonably. Possible consequences could be streamlining and enhanced competitiveness of administrative components within the armed forces.

I.6.3 DEFENCE ADMINISTRATION IN OPEN COMPETITION

By now also nations as national locations have increasingly entered an enhanced competition. Whole national budgets have to be streamlined and made more effective, which finally leads to public budget retrenchments. Therefore also public administration organisations are exposed to an increasing pressure of competition. This tendency has been latent for a fairly long time, especially in regards to organisations operating on the private sector and in places also on a global level. As a consequence, the fact that the executive public administrations will be confronted with an increasingly broadening and diversifying scope of tasks, which will not only be based on the population’s needs, is going to be problematic, particularly for public institutions.

The administration of the armed forces will also not be spared by this development. To the contrary; defence administration is the operational basis for the armed forces allowing them to accomplish their service – the guarantee of public security. However, in the course of changing and hardly calculable threat potentials the formerly purely national security policy has mainly developed to a security policy of an alliance of states. The armed forces have therefore followed this political pattern. For the respective administrative components this doubtlessly implies a reorientation in larger dimensions and the examination of new administrative models. The new motto is to no longer only provide the basis for the provision of security but to constructively take part in the protection of the location also in regards to its economy.

If a nation’s defence administration wants to continue contributing substantially to the guarantee of public security under changed circumstances, it is necessary to deal with the new competitive situation and against this background to find new ways to make its own structures more effective and efficient.

In order act as effectively as possible, redundancies and simultaneously emerging necessities are to be reduced extensively. This requires harmonized and broadly applicable strategies of processing and solving problems. In turn, this also presumes economic and social problem awareness in public institutions and the corresponding organisational apparatus. The aim is not to simply develop austerity packages against the background of increasingly restrictive financial and resource situations. It has to primarily be aimed at concrete structural programs in order to reform the whole system with all its diverse procedures and implementation processes of the corresponding executive and administrative components. Therefore not a selective consideration of alternatives but constantly exercised alternative thinking is required.


The following questions can be derived from the above mentioned requirements:

- How can established services be made more effective and which innovative services will be required or demanded in the future?
- Where lay possibilities for a concentration of activities and services as a whole and therefore for the promotion of synergetic effects?
- How can possible adjoining “beneficiaries” be integrated and partaken into other target groups in order to not only avoid antagonisms but also promote motivation?
- Which other sources exist for financing from sustainable third-party-funds, apart from the own available budget and efforts?
- In which fields and how can present cost-effectiveness be increased by an exhaustive cost-benefit analysis?
- How can fields of services and activities of competing organisations be coordinated without categorically excluding wanted competition, but nevertheless reaching common superior objectives without being unnecessarily constricted by major internal opposition?

Such measures should not only be considered a possibility for cost minimisation but also as incentives for remuneration effects.

This contemplation should provide a realistic assessment of capacities, their limits and which would be an adequate positioning. Such an analysis pays attention to the development of the organisation, its future potential, its structure and its available resources. Additionally a consistent strategic conception is necessary for future positioning.

A judgement regarding whether or not a strategy concept will be successful and competitive, can be made in advance by raising the following questions:

- Can a continuous strategy be identified and has it been communicated to all parties involved?
- Does the strategy take all present and future possibilities into consideration?
- Can the strategy be implemented with the available means of the organisation, e.g. with present and future resources?
- Are the strategy’s individual components and the resulting objectives and policies consistent?
- Are the risks to be taken calculable and compatible with the possibilities of the organisation?
- Do all people and entities involved support the strategy?

Furthermore, the consistent focus on core tasks should be accelerated, however, the actual processes of goods and services have to be a priority before the actual administrative activities. As a consequence, opportunity cost, caused by inactivity or mislead efforts, can be avoided or at least be reduced. In this context, outsourcing and public private partnerships are to be considered as serious thematic approaches.

Long term alliances for the implementation of strategic objectives should be a priority when it comes to contacts with economy. The use of new technology, e.g. on the information and communications sector or in the field of equipment, are decisive for the development and increase of competitiveness. New technologies allow for the accom-
plishment of new tasks and bigger fields of activity, shorter response and processing times and an increased interaction ability of defence administrations and the armed forces in general. However, in spite of all efforts to increase the competitiveness of defence administrations, the principles of data classification and military secrecy are still to be preserved. This also requires new technologies of information protection. That very well may be an additional cost factor, but this approach would open a new service the military has to offer compared to civil partners namely the consistent and professional protection of sensitive data. The military is especially predestined for such a service.

Doubtlessly there are diverse positive approaches to make defence administration more efficient and performance oriented. The necessity of such a reform is clear against the background of new profiles concerning demands and competition. However, under no circumstances must the criteria of competitiveness, no matter how important its role may be in the new economic and global world view, interfere with the quality or the character of military performance or its allocation to all target and interest groups. This plea must without any doubt be incorporated in any kind of considerations concerning the increase of profitability in administration.

I.7 PARTICULARITIES OF THE DEFENCE ADMINISTRATION SYSTEM

Hitherto it has been argued why management is necessary on the military sector, where the potential for changes lies, and how and where general approaches can contribute to improve military task fulfilment. However, military reality demonstrates some circumstances which thwart those idealised approaches and make their implementation only partly possible.

The military is a system made up by tasks, people, tangible means and information. At the same time the military is subordinate to politics and strategy, and has to fulfil the tasks given by the political leadership within and according to the legal framework of the respective state. Therefore it has to be taken into consideration that military objectives are not subject to markets or economic requirements but the result of political decision making processes and security political appointments, which have to be fulfilled within the financial constraints based on household and budgetary principles. Additionally, staff of defence administrations, opposite to the staff of purely civilian administrations or private businesses, is bound to military specific laws and regulations, which at least limit if not exclude a merely economic approach.

I.7.1 CHAIN OF COMMAND

Military organisations are marked most notably by their strictly and deeply ingrained hierarchic structure with the authority of the respective military leadership. A cornerstone of military efficiency is the principle of command and obedience. The subordinate has to act out the command of their supervisor immediately and completely. This does not only apply to the active troops but finally to defence administration as well, even if not in the same way as to the active soldier. Even though defence administration employs a substantial share of civilian staff, supervisors are mainly officers, who are bound to military law and the corresponding code of conduct. Consequently, this concept is forwarded to the civilian staff.
A command is an instruction for action, given by a military supervisor to a subordinate, either in writing, verbally or in any other way, in general or in the individual case with the expectation of obedience. It reflects the will of the commander in terms of contents, direction and form. Commands are used mainly in the military field while in the field of administration it is (rather) referred to as edict or decree. Furthermore, the supervisor is obliged to implement commands in an appropriate manner. This does not only include commands he gave himself but also commands given by another supervisor for the area of duty he is in charge of.

During deployment a command is a means of the military leadership to effectively deal with the subordinate staff in the following situations:

- Communication of status information,
- Clarification of tasks and intentions,
- Appointment of clear individual instructions,
- Coordination of concurrent actions of forces,
- Information about assistance during deployment,
- Propagation of information concerning organisational details.

The military status of administrative personnel alone is of course no reason not to apply new management methods; to the contrary. In many fields, as for instance in logistics, planning and implementation of projects and mandates or target-setting, the firm and direct military structures can be of advantage. However, it is precisely these mainly firm structures that inhibit innovative and liberal approaches in many fields of public management. Thus, the implementation of new communications and interaction principles in the field of human resources management and leadership is limited.

One of the key principles of public management is the promotion of codetermination of staff and well developed communication structures. Also in regards to the initiation and implementation of projects and tasks the distinct discussion and consideration of upcoming tasks is advocated. However, on the military sector, contrary to the situation in a private business, the order situation and the resulting tasks and processes are subject to political specifications. Therefore there is sometimes no room for debates among the staff or a detailed discussion about which tasks have to be taken on and how these new tasks are to be implemented. Members of military organisation have to accept the regular renouncement of parts of their freedom and rights. Furthermore, military performance is usually rendered under critical circumstances or in an environment which requires very short response times and very quick, definite solutions. Under such circumstances a concept of leadership other than the military-autocratic principle of command would be rather counterproductive, sometimes even dangerous.

Also in less acute times the development of a more liberal leadership system is hardly possible, since quick and smooth processes for task fulfilment in case of emergency have to be practiced and perfected regularly in administration as well. The entire staff has to be used to certain service and process routines; to a larger extent than in any civilian administration. This can best be achieved by daily and continuous application and implementation, which also includes civilian staff in defence administration. One of the principles of administration development is to sometimes simply allow development and accept the fact that errors have to be possible and can sometimes even be desirable, since they indicate drawbacks in the system, which are to be remedied. Errors can certainly not be completely excluded, also not in the armed forces. However, the principle
of “constructive errors” cannot simply be transferred here, since in the military even an error on the lowest level can have extensive consequences. Therefore, errors have to be avoided consistently, even if certain processes of learning and development are consequently inhibited.

Finally, the possibilities of promoting and developing professional competence remain in the respective fields of activity and departments. Autocratic structures in the military cannot be completely abolished, however, the promotion of a certain degree of professionalism allows, at least within a determined framework, for a certain extent of personal and individual scope of action in regards to task fulfilment. In the same way there are hardly any obstacles for the development of possibilities for interdisciplinary task accomplishment and flexible team building. Additionally, the necessity of previous discussions is abolished in a less authoritarian way.

I.7.2 GUARANTEE OF TASK FULFILMENT

Another point which makes the application of business economic principles to defence administration so difficult is the guarantee of unlimited operational readiness and the consistent and complete fulfilment of the mission specified by politics. In this context it has to be taken into consideration that even minor deductions to this principle would hollow the justification for the existence of the armed forces and put it in question. If a complete task fulfilment is not possible, the armed forces are (theoretically) useless.

Against this background, principles of profitability have in the first instance to be put aside. If then the fact is taken into consideration that in most of the armed forces the major share of the budget is spent on labour costs, considerable problems emerge when attempting to design their administrative component according to business economic parameters. Comprehensive and flexible operational readiness will always have negative effects on the expense situation. An increased profitability is expected to negatively affect the quality of operational readiness.

Therefore, reductions in staff can be detected in many armed forces. This, however, mostly affects active troops, since they can increasingly be replaced by autonomously acting technological components and the global security political threat level virtually excludes acute conflicts on a large scale. There is an increasing demand for smaller and highly specialized troops within the framework of international crisis calls and aid operations. Paradoxically, these smaller troops require a considerably higher logistic and administrative display, since profiles of qualification and deployment have increased enormously in complexity. A reduction of administrative staff coverage and the taking over of several tasks by more flexibly acting personnel will be hard to implement this way. Furthermore, with the technological reform, economic specifications meet with interests concerning the highest possible deployment orientation and a possibly broad scope of application and efficiency of all components of the system.

Consequently, this affects the possibilities of an economic use of available financial and material resources. On the one hand, the budget is to be handled rationally, but on the other hand a highly specialized administration backing equally highly specialized troops increasingly use up these resources. Focussing on the application of new technologies is a possibility to put this into perspective in the long term. Not only for deployed troops can the application of technological communications and information systems considerably increase efficiency without simultaneously increasing the administrative display, but also in the fields of logistics, coordination and planning. However, problems in the
fields of procurement and staff generation are going to arise. An expanded technological component and more complex systems certainly require larger financial resources and make more intensive and recurrent formation of personnel necessary.

Finally, the primary focus should be put on the in-depth examination of all new acquisitions, internal structures and processes in regards to their relevance concerning deployment and application. However, diverse possibilities for budget overruns should be taken into consideration here, since in case of deployment a general, temporary additional expenditure is probable.

Eventually, defence administration, contrary to civilian administrations, has to deal more frequently and intensively with changing objectives and specifications and to adapt accordingly. Potential threat scenarios, which defence and security policy is subject to, are changing increasingly and more rapidly. The scope of possible dangers grows more intense if not in quality at least in quantity.\footnote{Compare: Fleck, Günther; Maringer, Walter: Auswirkungen der Globalisierung auf die Gesellschaften und Streitkräfte. In: Landesverteidigungsakademie (Hrsg.): Aspekte zur Vision BH 2025, Wien 2007, 25 ff.; Matis, Herbert: Globale Trends der sozioökonomischen Entwicklung. In: Landesverteidigungsakademie (Hrsg.): Aspekte zur Vision BH 2025, Wien 2007, 9 ff.; Siedschlag, Alexander (Hrsg.): Jahrbuch für europäische Sicherheitspolitik 2006/2007, Baden-Baden 2007; Meier, Ernst-Christoph; Roßmanith, Richard; Schäfer, Heinz-Uwe: Wörterbuch zur Sicherheitspolitik, Hamburg/Berlin/Bonn 2003; Bundesakademie für Sicherheitspolitik (Hrsg.): Sicherheitspolitik in neuen Dimensionen – Kompendium zum erweiterten Sicherheitsbegriff, Hamburg/Berlin/Bonn 2001} In the same way the armed forces have to constantly adjust and adapt to new security political specifications, defence administration has to therefore follow those changes. Such frequent short notice changes do not only require capable personnel but also considerably larger resources. Moreover, long term and clearly defined planning specifications are comparatively difficult to be determined. However, finally the form and volume of military missions on the one hand and the available resources of the military under given circumstances on the other hand, have to be weighed up against each other, also on the political level.

One possibility to counter the problem rudimentarily is the strict focus on core tasks, which once more makes the public management concept of outsourcing interesting for defence administration. However, it is precisely this that has various risks for a technology oriented system with high classification rates. It directly affects the problem to be examined. Even if only previous and subsequent areas of activity are concerned or should be concerned, the military will always run the risk that in case of emergency task fulfilment may fail due to business economic standards.

I.7.3 FOREIGN DEPLOYMENT AND INTERNATIONAL INTEGRATION

Yet another challenge is the increasing international integration, even of military institutions. While the armed forces and their administration used to be a genuine domain of purely national control, it has changed substantially due to international military alliances and communities of values. During deployment, national troops are increasingly also subject to international commandship. Defence strategies have changed from purely national defence to multinational foreign deployments far away from their own borders and territories. The military mission is largely fulfilled in cooperation with the armed forces of partner countries.\footnote{Compare: Gareis, Sven Bernhard: Auslandseinsätze der Bundeswehr. In: Gareis, Sven Bernhard; Klein, Paul (Hrsg.): Militär und Sozialwissenschaft, Wiesbaden 2004, 248 ff; Pfoh, Bernhard: Im Interesse Ös-
with other nation’s armed forces leads to another considerable area of conflict. The leadership cultures of other nation’s armed forces can differ quite extensively from the particular countries’ own way of leadership. Therefore the principles of leadership have to constantly be put to the test. This, however, stretches the military’s internal stability, which can influence the performance of the military staff.

Consequently, this has also an impact on the armed forces administrations. Due to the enhanced cooperation between the armed forces, national defence administrations have to deal with ways of international cooperation, regulations and development of their own ability to cooperate. They are increasingly faced by manifold concepts of administration and possible higher ranking rules and regulations, which could have a considerable influence on their own business economic orientation.

Therefore, compromises in the fields of logistics and strategic planning are to be anticipated, since the new deployment profiles require the adaptation to the systems and structures of other defence administrations and their consideration respectively. The planning of the armed forces in particular has to increasingly be adjusted to international specifications. Thereby specifications in regards to contents and basic legal principles of higher ranking allied systems can run contrary to their own optimization efforts. A truly comprehensive and well grounded cooperation requires mutual access to the organisations for representatives of each party. However, especially in regards to the armed forces the possibilities of external access to military organisational structures are very restrictive, particularly in the field of processes necessary for deployment. Therefore, certain particularities in the area of personnel emerge, since there is an obligation for staff overlapping key positions with able personnel who seem to be rather irrelevant to administrative processes but are absolutely indispensable for the development and maintenance of the defence administration’s ability for international cooperation.

It is necessary to establish and consistently practice standardized leadership processes and organizational structures which are based on uniform languages of service and command, leadership principles, command and report rules as well as controllable leadership concepts. Therefore, the taking over of superordinate standards of military alliances in the fields of leadership and leadership support has to have priority before determined national standards. Only where national particularities require, are specified arrangements possible.

Another field where the problem of compatibility of one organisation’s structures with those of the partner is especially prominent is civil-military cooperation (CIMIC). No other field of activity has recently gained as much importance in modern military forces and at the same time imposed such enormous challenges. This topic (which will be dealt with later in greater detail) demonstrates how decisive the development of cooperation abilities in defence administration is and how it can inhibit its own principles of economic efficiency. The compatibility of organisational mechanisms of other countries armed forces and civilian organisations with those of another country’s military implies the development of new interaction processes, the ability to constantly adjust to new situations and therefore to manage another balancing act between their own cost effectiveness and profitability on the one hand, and the guarantee of operational readiness and alliance commitment under new general conditions on the other hand.
The taking over of multinational standards can of course also imply an approach towards the principles of profitability, since cooperation ability is obligatory and a possibility of cost minimization can be achieved within the fields of acquisition of equipment, training and during deployment. Among others, the following considerations can be regarded as first options to create common cooperation abilities without major interference within their own administrative structures:

- Active information – also via internet – about the preparation and implementation of political decision making processes on the international level across all steps of decision making;
- Constitutional participation of administrative representatives in alliance negotiations and according agreements;
- Common development of higher ranging leadership and coordination centres for any kind of occasion as well as centres of excellence and contact;
- Implementation of a more systematic dialogue with representatives of international, supra-regional and local administrations and departments by national and international association and agreement;
- Establishment of continuative partnerships in selected regions and delegation of representatives and interaction partners of their own administration;
- Qualification of key-personnel to establish contact networks within defence administrations and a comprehensive information and staff exchange;
- Determination of all exchangeable and compatible approaches and information;
- Common preparation of a financing concept incorporating common and individual budget allowances;
- Interoperable and compatible equipment and technical systems;
- Common exercise programmes, seminars, conferences, workshops and training courses on a multinational level, also and specifically for the administrative staff;
- Accordingly the establishment of relations to different educational institutions;
- Imparting a greater understanding of military planning processes and their corresponding priorities and objectives to the civilian staff.

The most feasible and effective way not to interfere with the respective organisational structures seems to be establishment of key-positions or mixed teams, which can operate between military and civilian organisations and therefore coordinate a common approach. This is generally recommendable by creating substructures in military organisations established to maintain contacts and relations also in times without occurrences, for instance by planning and organising common exercises, programmes and projects. Therefore common activities, projects and programmes without special reasons should be conducted not only for the purpose of maintaining partnerships but also to develop a common, stable organisational basis as a precondition for effective deployment. A common approach should be marked by synergetic effects and not by frictional losses due to a lack of cooperation ability caused by ignorance, lacking coordination and insufficient previous adjustment as well as by a missing common basis for collaboration. This also demonstrates the importance of the creative, empathic human factor in modern forms of administration.
I.7.4 SOLDIER VS. EMPLOYEE

The contrast between soldier and employee can be considered in two ways: on the one hand as an inner conflict of military personnel working in administrative departments of the armed forces, on the other hand as a factual conflict between military and civilian servants working in defence administration.

Soldiers holding an administrative position are generally faced by the problem of having to consider two procedures in regards to any kind of implementation processes. Military requirements sometimes differ from those of the administrative component as well as rules and regulations and specifications to be taken into consideration. The difficulty for the soldier lies in the evaluation of every individual case in regards to which priorities are to be applied: the fulfilment of military requirements or to follow administrative specifications.

Therefore, a general harmonization of procedures and processes is recommendable. However, exactly at this point the above mentioned problem emerges. Administration has to be aware of its role as a service provider to the armed forces. Therefore, all efforts to increase efficiency have to be oriented towards requirements of the armed forces. However, precisely these requirements can be an obstacle for an increase in efficiency. The armed forces for instance depend on complete and quick supply with spare parts and other supply products while having irregular demands. This implies adequate stock and flexible supply logistics. However, in order to improve the administrations’ effectiveness and efficiency it should be focused on low stocks with a regular just-in-time supply. For the soldier working in administration these facts raise questions in regards to appropriate action which are in deed difficult to answer.

However, as far as the obstruction of a defence administration working according to business economic principles is concerned, the factual conflict between military and civilian staff can surpass the problems caused by the inner conflict of military personnel.

Simply taking over professional and leadership responsibility can cause various problems. Location commanders for instance are usually recruited from the active military personnel and thus have to be able to adapt to the requirements of their civilian subordinates. The rather autocratic way of leadership, preferred in active service, mainly idealizes leaders who act as commanders, based on their military rank, with personal responsibility and dedication to the organisation, and provide guidance under the supervision of all parties involved. It is however questionable if this way of leadership will meet unlimited acceptance among the civilian staff, or if he might have to change his way of leadership in order to motivate his civilian subordinates. It seems to be more appropriate to apply a leadership model where leaders and management focus on serving an efficient relation and conflict management according to the interests and expectations of the different demand groups. This requires a high degree of social and personal responsibility, integrity and empathy of military leaders. However, this constant dichotomy in behaviour can interfere with a smooth operation.

Other potential sources of conflict are mutual expectations and leader-subordinate relations. Expectations of military staff are based on the fact that soldiers know the needs and necessities within the troops directly and claim to therefore apply the necessary administrative parameters more adequately. On the other hand, civilian administrative staff often disposes of many years of experience in administrative service. This is also a point of reference for their claim of more responsibility and competencies in regards to
the implementation of administrative tasks. Alliances between the blocks and the merging of interests can be observed quite frequently. This is very effective on the one hand, since consensus is only to be reached upon previously coordinated interests; on the other hand it bares a great danger of redundancies between the individual blocks. Additionally, internal conflicts are unnecessarily reinforced and deepened. Consequently emerging conflicts and antagonisms can aggravate efficient and economically effective operation already in place and substantially interfere with reform projects.

Which answer should military leadership provide for these conflicts?

- Well defined networks which equally involve all interest groups and avoid conflicts of interests, but are slower and more expensive;
- Or effective and quick hierarchies which suppress or avoid conflicts of interests but have a tendency towards rigidity and lack of innovation ability?

It has to be mentioned that models of consensus and integration can only present a very restricted perspective in the armed forces, since military effectiveness is mainly resulting from the principle of the chain of command.

### I.7.5 REQUIREMENTS OF MILITARY OPERATION VS. DEPLOYMENT REQUIREMENTS

Another point making the application of public management methods necessary on the one hand and restricting it on the other hand is the premise that various different demand profiles are to be dealt with simultaneously. On the one hand day to day military operation has to be guaranteed in the smoothest and most economic way, on the other hand responsibility is to be taken for meeting short notice and often unexpected deployment requirements.

As mentioned above, diverse business economic approaches of public management can be implemented as far as mere execution and maintenance of the military service are concerned. These approaches will subsequently be dealt with in greater detail. However, the specific problem of defence administration is to make business economic management and administration compatible with deployment requirements. For the consistent accomplishment of military deployments business economic principles have to stand back. This implies that military leaders have to deal with two different principles of leadership. However, even though military leadership can take place under usual circumstances as well as under deployment conditions, it is of little use to differentiate between them, since the military as a whole and therefore also its administration is in a constant transition between these two conditions.

Thus, public management offers different integration and planning concepts, which allow for the development and implementation of independent and autonomous planning and targeting processes on the respective operational, strategic and normative level, while nevertheless keeping common basic planning. However, an additional level in active troops is necessary for military deployment. Tactical planning as well as planning of the actual deployment often requires considerable resources of other planning levels. This premise can also be found in all other fields of defence administration. Military administrative staff for instance have to be prepared to actively support deployment contingents abroad in case of deployment. The administrative personnel are therefore
required to demonstrate an equally high degree of flexibility as military staff of active troops.

Independent from the nascence of military trouble spots, formation and citation of competent military and civilian personnel in case of deployment is necessary as well as deployment relevant training of administrative staff. Furthermore, the comprehensive integration of other – also civilian – parts of administration and the establishment of cross-linked administrative structures of leadership and competencies are to be submitted. This of course implies a greater ability of military administrative personnel to work under pressure, which has to be taken into consideration in regards to budget allocation. However, such closely linked structures with determined specifications of competencies previous to deployment, avoids the especially eminent and paradox problems of overcoordination and mutual competition during deployment. The latter presents an enormous and usually unnecessary cost factor. Since numerous international military associations and civil organizations participate in present and future military deployments, defence administration is required to develop additional coordination mechanisms for deployment and to maintain the compatibility of the latter with those of other participants, also in times when no troops are deployed. Once more, higher administrative expenses and limitations of ideal business economic conditions are to be expected.

In general it is highly recommendable to provide military training for civilian personnel and vice versa, so as not to limit military staff to purely military aspects.

I.8 FUTURE DEVELOPMENT OF DEFENCE ADMINISTRATIONS

In spite of all limitations and particularities in the armed forces, defence administration is also subject to the manifold changes and upheavals of the social, political and economic environment. Thus defence administrations are forced to adapt as well. As a result diverse tasks, which can be considered future options for defence administration, emerge. These are among others:

- Military tasks under deployment conditions;
- Labour market related tasks;
- Regional tasks;
- Tasks concerning research and development\textsuperscript{35};
- Medical tasks;
- Information related tasks;
- Formation and training related tasks;
- Humanitarian and social tasks;
- Economic tasks.

These challenges are to be met by appropriate structures and concepts. In many armed forces and defence administrations vivid reform and reconfiguration processes have already started, dealing with the above mentioned new challenges and future tasks.

\textsuperscript{35} Compare: Österreichische Akademie der Wissenschaften (Hrsg.): Sicherheitsforschung – Begriffsfas sung und Vorgangsweise für Österreich, Wien 2005
However, relatively few experiences have been collected so far and are therefore to be built up in the long term.

Ideally, a transformation within the administrations towards more harmonized, firm, flexible and rapid structures of leadership and consequent command processes would be necessary and feasible. Flat hierarchies (as far as possible without interfering with military principles of discipline), more simple and streamlined executive administration components as well as a cross-location, integrated central information system is equally recommendable. All mentioned factors would enormously increase flexibility and shorten response time in regards to contributions to other countries’ armed forces and institutions. Such measures would also shorten and simplify current command structures and therefore to a higher extent guarantee short notice availability and rapid relocation of personnel.

Hence, the aim of all reform processes is not to merely save and abate cost vehemently, but rather to get the most out of the available potential for all interest groups. Obviously all of this implies cost, but finally, without cost no use is possible either. Defence administration should therefore strive for an increase of these costs’ effectiveness and performance relevance. Here, following generations are to be taken into consideration as well, since structural decisions and redefinitions are always also of strategic nature. They therefore have long term effects or effects that will only show in the future. In the military the establishment of high performance administrative structures is required, which are able to independently build and monitor a basis for the implementation of political decisions by the armed forces, together with and partly instead of the managerial level. This also implies an enhanced separation of commands with and without magisterial functions. In this context commandos of the operational and tactic level are on principal not to be equipped with magisterial functions, but to be organized after purely military requirements, while magisterial functions are mainly to be applied to the strategic level.

In spite of all contradictions, basic principles like the right of self-determination must not be disregarded in defence administration. However, effectiveness and efficiency, which include clear and rapid decisions, should have priority. Primarily, the coordination of knowledge and information are in demand for the achievement of useful and applicable results. In this respect the military dispose of enormous resources of knowledge and information. However, this already existing knowledge is to be collected, coordinated and regrouped.

Certainly there is no ‘silver bullet’ regarding future orientation and design of defence administrations in general. Nevertheless should repeated, unilateral work processes be replaced by a basic and increasingly project oriented division of tasks. Not hieratic work processes but clearly determined fields of activity in regards to processing and implementing administrative projects should be the objective of a modern interpretation of administration. Likewise target specification and implementation can increasingly be separated on the one hand, while on the other hand decision making processes and project coordination can increasingly be integrated. The main objective is not to re-establish the principle of ‘politics makes decisions which administrations have to implement’ but to abstract it towards ‘leaders agree on decisions and the organisation as a whole implements them unanimously.’
CONCLUSION

For the armed forces a consistent inclusion of economic instruments and methods in the sense of “management” is necessary. Many external and internal factors, which cause considerable pressure, point to this fact. An increased economic awareness on a broad basis is undoubtedly required, above all on the part of military executive personnel. An economic master-plan must be seen in the context of Public Management. Conditions for this are the establishment of an appropriate basic appreciation of military management increasingly oriented towards economic aspects, the conversion of this basic appreciation into economic thought and action in all fields and on all levels, the development of economic and management-relevant basics with all leaders, and forcing and intensification of economic instruments, methods, and procedures.
CHAPTER II: METHODS OF PUBLIC MANAGEMENT AND THEIR APPLICATION IN DEFENCE ADMINISTRATION

The application of public management as effective concept of leadership and operation in defence administration concretely implies the usage of business economic tools and approaches in as many areas of the military as possible. Subsequently it will be explained in how far business economic methodologies and ways of thinking together with administrative processes can influence and determine military business as well as in how far military structures affect the kind and application of managerial and administrative concepts.

II.1 KEY PRINCIPLES AND CHARACTERISTICS OF PUBLIC MANAGEMENT

Public management is a particular way of reform of administrative systems, which is primarily based on taking over economic management techniques. The goal is to create a modern administration by introducing business economic criteria like effectiveness and efficiency. Public management is marked by different aspects, such as change management, leadership, project orientation, flat hierarchies, enhanced client orientation, target communication, contract management, outsourcing, quality control and management, benchmarking, controlling or task review. Public management can primarily be considered as a grouping of management tools which should be applied in order to allow a more objective and result oriented, innovative, flexible and economic way to design procedures, staff profiles, concepts and structures in organisations of public administration. In this context, the development of practical strategies for problem solution by finding and analysing links and combinations within a system of public management stands in the foreground.

The benefits of public management methods for defence administration are manifold. It allows the military to create parameters promoting target oriented acting in all administrative areas. On the one hand, in addition to the military mission, concrete tasks are stipulated between politics and defence administration in terms of effect, performance and budget and can therefore be communicated transparently. On the other hand, task fulfilment is directed towards effectiveness and efficiency in order to lead to a more efficient use of resources and an increased demand orientation. In defence administration, applied management strategies are to lower the risk of an increasing opacity of their own structures due to increasingly complex requirements. Therefore, public management is to be considered as some kind of breviary of solutions for the development and maintenance of a sufficient demand and situation appropriate service provision of a state. The mobilisation of available and so far unused or mismanaged production reserves are to be strived for as well as the possibility to broaden the scope of self-organisation of individual administrative components.

This requires an increasingly ‘entrepreneurial’ behaviour of civil servants. Such behaviour is primarily to be seen as a way of thinking and acting based on risk- and cost-awareness. Hence, it does not only imply the mere dealing with processes but their active design in order to develop new ways of ‘entrepreneurial’ leadership and coordination, moving away from reactive administration.
Therefore, administrative personnel in the military are also required to internalize the principle of economic acting and to closely consider the following question: Which performances can and have to be provided where and for whom?

Economic acting can therefore be understood as a specific, performance and requirement oriented form of behaviour within organisations. It involves all coordinated tasks concerning the fulfilment of objectives and therefore is an invariable target oriented process.

An orientation towards economic efficiency therefore primarily implies acting in accordance with the following two fundamental premises:

- to either optimize the parameters of performances to be delivered within a determined framework in regards to budgets and resources, or
- to most efficiently achieve all determined performance and functional objectives.

Therefore the vigorous principles of economic behaviour and economic efficiency as such are: productivity or efficiency, cost effectiveness or economic efficiency and finally profitability. Economic acting must not be limited to purely monetary conceptions as economizing and the use of financial resources, but require a comprehensive awareness of scarcity and the consequent value of resources.

II.2 HUMAN RESOURCES MANAGEMENT

In military organisations the concept of leadership and especially the concept of internal leadership play an essential role. Generally, leadership is primarily defined as a methodical and planned course of action to control and guide their own and other people’s course of action in order to successfully achieve determined objectives.

Military leadership in particular is defined as controlling, direction giving influence on commands, troops, agencies and individual military staff, also by applying material resources, in order to achieve military objectives. Hence, military leadership involves not only bringing about a target oriented attitude of military personnel but also to guarantee the appropriate and economic use of all available resources as well as to strengthen the trust of military staff as well as of the population in measures being taken. Along with the changing scope of military tasks and activities towards more foreign deployments and peace keeping missions comes a changing understanding of leadership. While for many armed forces the principle of decentralized leadership with extensive freedom of decision on the lower levels has been effectual so far, current deployments, which are mainly peacekeeping missions, require close political control. If specifications are not accurately followed, the leading of small units can already cause political crises. Therefore, it is increasingly recommended to preserve the direct access to all administrative levels and all alliances deployed. However, this policy is also subject to criticism, since an excessively rigid leadership culture can result in a disregarding of people’s education, knowledge and experience within the hierarchy and during deployment. Again, the contrariness of centralized and decentralized structures in the military becomes evident.

Especially in regards to leadership in military organisations a significant difference to other forms of leadership is to be pointed out: leadership in general terms cannot be put on the same level with leading military functions. The leadership is taken over by an appointed, externally legitimated supervisor, whose rights and obligations are defined by their respective rank and position. However, leaders need acceptance and acknowl-
edgement by their subordinates. Thus, leadership implies that the lead taken by a leader is accepted and acknowledged and ideally supported by the subordinates. Leadership is therefore not a result of an adjudicated position in a hierarchy but the ‘merited’ result of delivered and acknowledged performances and the resulting competencies. Hence, leadership skills and comprehensive social and interpersonal qualities are primarily required. Acceptance and acknowledgement of a leading function by the subordinates allow therefore the differentiation of supervisors and leaders. The peculiarity of military leadership is the fact that it has to be effective under the extraordinary strains of deployment. Military leadership has to maintain its effective capacity to act under time pressure in unclear situations and in case of loss of personnel and material, which prescribes a main role to the principle of leadership qualities. Therefore, the following characteristic qualities are essential prerequisites for military leaders:

- Appropriate evaluation of situations during normal operation and deployment,
- Appropriate decision making,
- Deliberate determined action taking,
- Precocious identification of developments of the organisation,
- Search for successful accomplishment of tasks in a careful, determined, innovative and solution oriented way,
- High degree of moral and strength of character,
- Outstanding proficiency and ability to motivate others,
- High degree of readiness to serve the community,

Military leadership is marked by:

- Giving clear instructions and commands,
- Careful selection and instruction of those who receive commands,
- Accomplishable tasks and generation of required basic parameters for implementation,
- Conferment of necessary competences and responsibilities,
- Exertion of control.

The term inner leadership is used to describe the complex leadership concept within the military. The main purpose of inner leadership is to lessen strains resulting from the individual rights of the free citizen on the one hand and to military duties of the soldier on the other hand.

Leadership and inner leadership are therefore essential aspects of modern and performance oriented human resources management. Therefore, leadership and human resources management can be understood as management of immaterial resources (compare: human capital). Since everything an organisation needs to exist and work effectively is contained in its resources, an accordingly greater share of its activities has to be directed to the preservation, maintenance and replacement of these resources. In regards to immaterial resources this particularly applies to the armed forces, since their main objective is the allocation and use of deployment potential for political purposes.

Resources can generally be divided into material and immaterial resources. Material resources can more or less clearly be measured according to their stocks or changes in
the latter. They are mostly used continuously and are therefore quite predictable. In the military this applies to the available financial resources but also to technical equipment, military infrastructure and all materials necessary for the armed forces to operate. Immaterial resources, however, involve all action determining individual values such as potentials regarding creativity, knowledge and abilities of the staff. In the concrete case of the military the degree of individual motivation and commitment can be marked as vital potentials in this context. The measurement of immaterial resources is far more difficult and is mostly done by using indicators and methods of empirical social research and psychological patterns of behaviour. Against this background it is an essential factor in the military that immaterial resources, the total, cumulative potential of all military staff so to speak, are anything but free and unlimitedly available goods. Especially in the armed forces they are generally considered as a critical metrics of success, which can not, or to at least a very small degree be replaced by material resources. Human resources are the core of the military’s goods and service processes and therefore also require a certain type of ‘processing’ in the form of attendance and education. Thus, human resources are a recipient of services and therefore determine the quality of services performed. Personnel are influencing and form opinions, but also want to benefit from the provision of their own performances and are therefore also subject to influence. Hence, expectations and needs are to be taken into consideration by human resources management in the interest of the organisation and to be evaluated critically to the benefit of their own performance process. The aim is to prescribe enough use to the staff in order to motivate it to make the necessary contributions the organisation needs to achieve its objectives. These factors are also subject to quick and sometimes unexpected changes and upheavals. Important immaterial resources such as individual commitment trust or the willingness to obey and the acceptance of the chain of command can change rather quickly either to the benefit or to the disadvantage of the military organisation due to certain events. When considering deployment, if too little importance is ascribed to the management of immaterial resources, the result can be a total breakdown of the whole military system including its administrative components. Therefore, the sedulous dealing with these resources is of major significance for the military. This also has a direct influence on the use and application of available financial resources, which are always limited and not only required to form a financial basis but also for gaining, developing and maintaining immaterial resources. Dealing conscientiously with these resources implies creative and shaping actions as well as continuous analyses of relevant and important influencing factors, since they are vital for the orientation of immaterial resources towards concrete objectives. Timing is another important factor concerning the implementation of measures taken by human resources management. Even the right approach can fail if it is made too late. Therefore, human resources management is above all an anticipatory activity.

The special significance of human resources management in the military as in many organisations is reflected by the allocation of financial resources. In most modern armed forces and their administrative organisations the average personnel costs take up 40% of defence costs and 60% of operating costs. Against the background of implementing public management approaches emerges a danger of overstressing certain parameters during operation in times of peace. A unilateral rationalization strategy focused on cost reduction can destroy large parts of the military organization’s immaterial resources and personnel potential; an approach focusing only on personnel related factors misjudges the rudimentary significance of economically efficient use of material resources. This clearly shows how important controlling can also be in the field of human resources management.
Contrary to civil administrations, intra-military limitations are to be taken into consideration in the armed forces. The nature of the military is anything but democratic. However, it is precisely this strict hierarchic system that is a vital basic precondition for the maintenance of the armed forces’ military system. In this context, troop leading is the intrinsic and most essential part of military operation.

However, defence administration does not only consist of active soldiers but represents, apart from military, also civilian employment. It has already been pointed out, that civilian personnel in defence administrations have to at least partly adapt to hierarchic military structures, but also that this is not a ‘one way street’. The question is in how far a management oriented idea of leadership can be beneficial for the military system in such hierarchic structures. The principle of co-determination can certainly not play the same role in an organisation which is defined by military specifications as it does in modern businesses on the private sector. However, it would be possible to develop a form of leadership that also includes the principle of co-determination. Leadership in defence administration can absolutely be based on constructive leading by providing examples, motivation and guidance rather than on concrete commands. The general principle of command and obedience in the military is to be preserved, since discussions in regards to task fulfilment – especially during deployment – and the necessity for rapid decision making would be counterproductive. It cannot be denied however, that positive and motivated collaboration creates better results than by commands and regulation virtually compelled activities, which are only half heartedly being fulfilled. It is to be considered more closely whether or not military commission can be replaced or at least be completed in some areas by leadership in the sense of management.

In the field of military leadership establishment it is particularly important to direct long term decisions and to communicate them to inferior hierarchic levels in a way that does not only guarantee task fulfilment in the foreseeable future but that also promotes further development of the armed forces by motivated and committed personnel. This form of inner leadership guarantees a high standard of military personnel in the foreseeable future as well as in times of crisis.

Modern, strategy oriented leadership does no longer only imply the specification of tasks but motivation by examples and meaningful work. Apart from the principles of long term interpretation and directions, the transmission of determined objectives is necessary for a leadership concept in defence administration. However, these objectives are not only to be transmitted to a particular group of leaders but to all parties concerned, including the lower executive levels of significance. Thereby ‘top of the pyramid’ is a vision. A vision is an image of the future which the organisation is striving for. The starting point of this vision is the organisation’s philosophy, or in the case of the armed forces the military purpose itself, but also an image of the future of defence administration and the armed forces as a whole. This vision reflects basic principles, values and beliefs of the organisation and becomes visible as decisions, methods and procedures and therefore as a basis for an appropriate strategy and thus create the potential to achieve the goals compatible with the vision. Thereby it is important to remember that those visions and models are the ideal of the respective organisation, which does not exist yet, but is strived for and approached by common learning processes. A suitable model must therefore also demonstrate ways to reach this aspired ideal.36

In this context it has to be taken into consideration that in the military a common vision as foundation for the establishment of a common work basis, of a mission and of collaboration between administrative and purely military personnel is particularly important. Without a common vision the individual parts of administration would work to the best of their abilities, but still mainly separately and parallel without concrete possibilities of orientation. The common basic principles and values represented by a vision provide a possibility of orientation towards higher ranking objectives of the organisation. Since defence administration also has to align to the active armed forces, a model for defence administration has to be developed to a large extent from political and social expectations as well as from a general self conception of the soldier.

Considering the development of internal hierarchic and working conditions in economy, it clearly shows a necessity in the military for a direct development of an understanding of leadership away from leading ‘subordinates’ towards managing personnel. Frequent comparisons with conditions and measures taken in other armed forces are recommendable in this respect.

If tasks are no longer issued as assignments but their meaning and purpose is transmitted consistently and in an integrated way to those concerned, if they are developed to a mission and communicated as such to all staff members involved, it can have considerable effects on the quality of work and performance to be delivered. Because if an understanding is being developed why tasks are to be fulfilled, individual personal commitment and motivation increase considerably.

This should also be possible in defence administrations by broadening the individual scope of action; at least in regards to how individual processes for task fulfilment and accomplishment of objectives are to be designed. This promotes an increased creativity of personnel and releases potential for enhanced interdisciplinary project management. By enlarging personal responsibility, cost and risk awareness of the staff is also strengthened, which finally leads to the creation of praxis proof and applicable solutions.

Practised social and personal competence is a key factor for the military’s executive level and can be considered as a basic parameter of leadership in modern organisations, not only in those of public administration.

II.2.1 HUMAN RESOURCE PLANNING AND RECRUITING

The armed forces and its administrations are personnel-intensive large scale organisations, which continuously leads to diverse problems in all areas of human resources management and logistics. Especially in times of high fluctuation rates regarding deployment and where permanent operational readiness and flexibility are necessary. Today’s armed forces and defence administrations are to fulfil their tasks according to specifications providing a decreasing quota of permanent staff and requesting a high degree of specialisation. Therefore, the guarantee of task fulfilment requires consistent planning, guidance and control of staff of military human resources management. Or-
ganisations of public administration are subject to special circumstances, which do not allow for an unlimited scope of action according to management criteria. Due to the military’s strict organisation, the low degree of flexibility in its administration and numerous special rules and regulations, defence administration can hardly be put on a level with other public institutions, also for the following reasons:

- An externally determined volume of staff is to be kept.
- Development possibilities for military staff depend on over-all military deployment plans.
- Steady stock and balanced human resources development is to be guaranteed in spite of high fluctuation rates in the military.
- External statutory rules and regulations are to be followed.

Consequently, it is important for military staff to develop a certain economic awareness regarding the coordination and use of resources. However, this raises another problem. In economy, recruitment is subject to purely economic and profit oriented principles. Within public organisations area managers, in the case of the armed forces for example location commanders, dispose of only few options and very limited possibilities of taking influence. On the public sector, decisions regarding use, deployment and corresponding deployment periods of staff confided to them, are often made by centralized agencies.

Further points which make a systematic and maybe more decentralized human resources planning necessary as well as modern human resources management oriented towards future demands are among others:

- The relatively large amount of data and information to be processed;
- The necessity of flexible and temporary planning of deployment and disposition, also of administrative personnel, in spite of long term planning concepts for military activities;
- Extremely limited scope for correction of decisions taken in a highly complex system;
- Compliance of changing external statutory rules and regulations as well as restrictive budgeting.

As far as an orientation towards rather economic views concerning recruitment decisions is concerned, the possibilities for compensation of these premises are to be reviewed. In the long term, purely administrative structures can certainly not be excluded.

In regards to recruitment of military personnel, a decentralized, demand oriented model would be considerably more efficient than the up to now common practice of centralized recruitment and shifting. This would also, at least partly lessen the often lamented lack of qualified, young personnel.

On the one hand, location commanders and administrative leaders would be the first ones to notice changing demands concerning personnel at the individual locations. They would also be in a better position to evaluate the required qualification of the staff and to coordinate the demands of the locations with the qualification of candidates. On the other hand, an already established location and its staff would be able to carry out a more appropriate application and recruitment policy in the respective region. Especially in regards to potential regional candidates, particularly for civilian vacancies, this would
have considerable advantages. Also operating costs in regards to transporting and commuting costs could consequently be reduced. Such a recruitment practise would of course also require an enhanced coordination between staff of the individual agencies. This could be done via intranet by a central job pool, which should, after successful implementation, also be made available to the public through the internet. Furthermore it would also allow for an ideal, internal military job assignment and recruitment by already active staff. On the one hand, the staffing level is not reduced unnecessarily, and on the other hand existing staff can be deployed more appropriately in regards to performance and interests. The transition for active military staff to administrative jobs is also made easier this way.

In order to guarantee the staffing level necessary for task fulfilment in the foreseeable future, enhanced efforts are to be made for introducing the profile of a soldier and promoting his work in a constructive and meaningful field of activity to the potentially interested and to underline these aspects towards those often considered as negative. Especially negative aspects attached to jobs in the armed forces and their administration are among others relatively low wages, frequent and often long separations from the family and the closer social environment as well as hardly predictable mobility efforts. One possibility to make recruitment advertising more appealing would be providing concrete and comprehensive information about the profile of a soldier by already experienced and qualified active officers and employees of the armed forces and their administrations. They would be especially qualified advertising media for public relations, since they can tell from personal experience and therefore be considered as some kind of role model.

However, the recruitment of potential junior staff and trainees should mainly be based on concrete measures taken for the optimization and competitiveness of working conditions on the public sector.

Early information on military job profiles for job selection and as career opportunity would be an appealing step into this direction, as well as decision guidance in schools or in the media by information centres, open days, trial courses excursions and relevant information coverage. Recruitment itself should guarantee a high degree of individual consultancy in order to match profiles of professional activities with individual strengths and interests. Immediately after a positively terminated recruitment period detailed planning talks in regards to period and location of deployment should allow for a better consideration of individual suitability and appropriate job allocation. Finally, this also has an impact on the future suitability of staff. Marketing tools and cooperation with civilian agencies should also be taken into consideration in terms of winning young staff.

Part of the head count of the armed forces is coupled with a conscription system and it is therefore recommendable to create stimuli at an early stage in order to awake interest in a career in defence administration in military servants with potential. It should also be contemplated in how far obligatory military service is to be developed to a testing and recruitment tool. This of course requires the possibility of a constructive completion of the military service also and primarily in administration. The completion of military service would anyway be more productive this way, since the active troops will have an enhanced demand of specialized personnel and therefore also of candidates interested in deployment as short term or professional soldiers. In order to use obligatory military service as recruitment tool for administration, the early information system for potential candidates is to be extended. In this context it would be essential to deploy an experi-
enced team as some sort of mentors. Additionally, these mentors could help recognizing suitable potential candidates. Such a recruitment system would also help to secure suitable academic personnel in the long term.

According to this, it would be conceivable and necessary for defence administrations to advertise more on the university sector, irrespective of whether or not the respective country has an obligatory military service system; especially since a considerably higher share of academic staff will be necessary for task fulfilment in the future. Possibilities to open up in such ways would be to offer internships in defence administration or to credit years of vocational training and studies against internal administrative vocational training.

In defence administration it has additionally been taken into consideration that not only professional qualifications but also a certain degree of legal and national innocuousness is to be guaranteed, since even administrative staff in the armed forces is acting within an extremely delicate environment in regards to information. This could for instance be done by establishing specific assessment centres, as it is already common on the private sector. These assessment centres are a suitable way to assess qualifications and were originally developed by the military, which makes them appealing as an instrument for defence administration.

Another possibility for winning future staff, which is already used by some armed forces, is the establishment of role models and idols for young people in the form of show-teams and dignitaries. They also serve as examples of which careers can be achieved on the public sector and therefore as figurative motivation. The possibility of meeting these idols for instance at informative visits at schools and at other opportunities, allows for personal contact with the target group and the spreading of detailed information about professions in the military.

Special need for action is often noted in regards to information about military job profiles for potential female applicants. In fact, the main share of the female staff is already working in administrative agencies, but – with the exception of medical service – hardly in leading positions; partly because personal applications for other positions are not made, since such services are often considered as too demanding. A premature termination of employment can also be noted quite frequently, since the previously transported image and the later personally experienced job practice differ considerably. This conspicuous disparity compared to the mainly emancipated working environment on the civilian sector is another reason for related public discussions apart from integration problems and for women hardly achievable performance parameters. This is a considerable barrier for female staff in regards to the appointment to leading functions.

Thus, career opportunities in administrations as well as in active service are to be created, favouring military emancipation approaches, even though in many countries there are no legal limitations for women.

Apart from plans for equal treatment and integration, measures should be taken concerning other problematic areas such as the decision regarding employment requirements for female personnel, unconditional equalization of payment and innovations regarding compatibility of job and family. Furthermore, concrete career plans and development profiles are conceivable, which offer long term job perspectives to women in spite of possible family commitments and resulting limitations regarding mobility. Active support in case of job required relocations by consultants and intermediaries from the relocation-department is recommendable in this context.
There are diverse management based development possibilities for military administrative service. Nevertheless, can not even staffing policy be completely separated from centralized administrative processes. It is already impeded by the centralized defence household as well as by the uniform determination of troop strength quota and the resulting position concept for defence administration. However, exactly these conditions highlight the demand for the application of business economic concepts and the taking into consideration of external influencing factors respectively, like for instance the respective competitive situation, labour supply, the image of military job profiles in society and qualifications demanded in the future. Also internal influencing factors such as wage levels, working time models, social benefits and options for formation and further training are of importance.

As far as the actual stages of recruitment are concerned, they should to a large extent be identical with those in economy:

- Evaluation of required prerequisites
- Creation of a requirement profile
- Search for personnel, advertisement and recruitment respectively
- Selection of personnel
- Implementation of selection procedures and interviews
- Decision-making

The implementation of these processes should increasingly involve and support cooperation of those who employ and are to work with the newly recruited. As it is also common in economy, candidates are to comply with future requirements rather than with those of the current vacancy. Consequently, it generally has positive effects on the whole human resources structure within the military, if recruitment is carried out in the long term and at least partly according to management criteria. This also leads to a considerably more cost effective acting of military and civilian staff.

II.2.2 HUMAN RESOURCE DEVELOPMENT AND TRAINING

The employee is the most important resource for an organisation’s viability and competitiveness. Consequently, the constructive use of the available potential of knowledge is a key factor in regards to the optimization of certain structures and processes. Such knowledge management is dealing with the possibilities of taking influence on an organisation’s knowledge base. The term knowledge base describes all information, competences, knowledge and abilities available for an organisation in order to fulfil its tasks. Thereby, the individual knowledge and abilities of personnel is to be systematically embedded in the organisation and used in a target oriented way. The aim is to deploy and develop the knowledge of personnel in a way to meet the organisations objectives in the best possible way.\footnote{Compare: Dreyer, Matthias; Richter, Walter: Wissensmanagement. Blanke, Bernhard; von Bandemer, Stephan; Nullmeier, Frank; Wewer, Götrik (Hrsg.): Handbuch zur Verwaltungsreform, Wiesbaden 2005, 205 ff.; Lenk, Klaus; Wengelowski, Peter: Wissensmanagement für das Verwaltungshandeln. In: Edeling, Thomas; Jann, Werner: Wissensmanagement in Politik und Verwaltung, Wiesbaden 2004, 147 ff.; Walger, Gerd; Schencking, Franz: Wissensmanagement, das Wissen schafft. In: Schreyögg, Georg (Hrsg.): Wissen in Unternehmen – Konzepte, Maßnahmen, Methoden, Berlin 2001, 28 ff.}
What can be considered as a large potential in all military implementation processes, besides knowledge, are the confidence and reliance military subordinates have to place in their supervisors. Accordingly, it should be dealt with great care. It is the foundation of one of the military’s essential orientations and necessities, namely the willingness and readiness to faithfully serve the armed forces. To a certain extent, this also includes the civilian staff of military organisations. Generally, the defence administration’s staff should be actively involved in optimisation processes. This also implies the development of economic and interdisciplinary expertise and know-how in the armed forces.

All this brings about new forms of military leadership, which should be marked by all kinds of cross linked activities between individual areas of responsibility and troops, by the interaction with partners from a civilian and economic environment as well as between the armed forces of different countries and therefore on an international level. Apart from that, also new questions emerge, such as how to increase productivity, which is the provision of safety and security, without a consequent loss of quality and how new areas of activity can independently be financed.

All this of course requires the best possible training for future leaders as an investment in the future of military operation. It becomes increasingly clear that there is not so much a demand for processors but a need for creative and qualified professionals and leaders. Therefore, training should be considered as a strategic investment in their own future competence and competitiveness by the armed forces. Thereby it also becomes obvious that the military personnel’s future professional competence must no longer be limited to purely military, technical or administrative issues. A minimum of economic basic knowledge as well as political and maybe cross-cultural basic training should form a substantial part of human resources development concepts.

The future scope of duties of defence administration will inevitably become more complex – not to mention necessary language competences in higher and internationally composed executive staff and command centres. Therefore, the most promising training approach finally is the pedagogic-methodical way, which implies conscientious theoretical and practical training of future staff on all military levels. Some modern armed forces have already made first consistent steps towards the development of such training concepts.

Training itself is affected as a target and problem oriented procuration of military as well as interdisciplinary qualifications on the basis of practical scenarios, leadership training in line with management training in economy and continuative seminars should

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stand in the foreground. The key to well founded vocational training, which will lead to an improvement of the military’s operation, is the effective combination of practical approaches regarding solutions for problems emerging from conflicts between military daily business and scientific and economic perceptions. Therefore it has to be analysed how an ideal training regime is to be designed in regards to qualification for the flexible adoption of tasks on the one hand, and professional task fulfilment on the other hand. Hence, the following key competences should be focused on:

- Social competence,
- Professional competence,
- Methodical competence,
- Authentic competence.

The segmentation of a new task and human resources structure in the armed forces should take possible future developments into consideration, as for instance a changing deposition and deployment concept. Accordingly, all qualification measures are to be designed in a deployment and target group relevant way. Furthermore, the regular readjustment of qualification measures in regards to potential changes of requirement profiles is required.

Such training concepts require, apart from professional qualifications, as military and incrementally economic and business economic qualifications, so called ‘hard skills’, also interdisciplinary and especially social and communicative qualifications, short executive qualities or so called ‘soft skills’.

Essential core competences of such a military leader would be among others:

- leadership ability,
- communication skills,
- ability to deal with conflicts and to reach consensus against the background of command structure,
- ability to judge and credibility,
- decision making ability,
- Ability for holistic and integrated thinking,
- Creativity,
- Teaching and learning ability.

The new profiles for sufficient current and future training derive from these requirements. Apart from the procuration of professional and leadership competences there is an emphasis on other areas, such as cross-cultural understanding, functioning of civil organisations, project management, basic economic understanding, communication, mediation and negotiation, understanding the role of CIMIC, principles of cooperation and of course practical experiences through relevant exercises. Importance should also be ascribed to foreign language skills, experience in the areas of organisation, logistics and computer skills up to special qualifications and international work experience.

A well balanced and attractive training programme does not only increase the staff’s competence and efficiency for the military, it also promotes creativity and personal ambitions of its staff and thus broadens the military’s scope of abilities which also has a
positive impact on economy, since well trained, able and experienced personnel become available after the termination of military contracts.

Apart from future oriented training, a more flexible and performance oriented interpretation of promotion procedures is recommendable. On the one hand, the currently applied rigid promotion systems provide a certain security and allow for individual long term planning. On the other hand, theses systems tend to support increasing performance deficits and a lack of motivation among the staff.

A certain degree of security regarding promotion for careers in the military and defence administration by determined promotion steps, which are related to time of service and affiliation to agencies should be preserved. However, it should be considered to support and promote the development of more individual, flexible and performance oriented career profiles as alternatives to a traditional career as a civil servant. This should be possible in most armed forces, since promotion and awarding of military ranks amongst active troops is also bound to military performance and achievements.

As far as further possibilities of human resources development are concerned, an incentive scheme could be introduced in addition to the promotion system, which could increase the employee’s motivation through awards, remuneration or extension of competencies.

For the time after military service or employment, support in regards to reintegration into civilian work life is required in the form of active and precocious supervision concerning job seeking by qualified personnel in terms of finding jobs where special knowledge and qualifications gained during military service or employment are needed and can be applied. This is also of importance to the military, since it contributes to the development of a positive image by integrating the positive aspects of occupations in the military into society through former military personnel. Also on account of this should the high standard of military training programmes be promoted to the public, and close contacts to economy and regional labour markets maintained.

This would also facilitate the frequent updating and readjustment of military training programmes to the newest civilian labour standards and requirements and thus also putting military and civilian vocational graduations on an equal footing. In this context it can be summarized that a wide and independent range of high quality vocational training and further education programmes as well as support and supervision in regards to external training and job opportunities considerably increase motivation and individual development potentials of military staff.

II.2.3 MOTIVATION AND INCENTIVE SCHEMES

Another aspect that might be subject to change in most administrations (also in defence administration) is the often very rigid compensation system. Such systems certainly do have advantages as for instance better possibilities for the planning of financial expenses in human resources management. However, the problem is its negative effects on the staff’s motivation. Moreover, rigid compensation and incentive systems do not reflect the staff’s real economic efficiency and productivity. Administrative personnel are not only bound to task assignment and professional responsibility but also motivated by personal success and target achievement. However, in order to encourage this pursuit the performance delivered has to be virtually reflected in some form, and individual employees have to be given the opportunity to distinguish and define themselves within
the respective group. The establishment of possibilities for performance oriented compensation and incentive systems is therefore not only conceivable but recommendable. The crucial problem is to add to, or even replace fix remuneration models – which can already be incentives – and create rules and incentives in order to direct the behaviour and activities of the executive level and its agencies in a way that it serves the benefit of the whole organisation.

Therefore, it is recommendable to take measures to establish individual incentives, for instance by developing a standardized but performance related remuneration model where financial bonuses as well as sanctions and other, alternative compensations are bound to the respective staff’s scope of performance. Another approach would be the implementation of effective performance controlling with aligned compensation and award catalogues. This would result in an enhanced measurability of performance and position of the individual staff members within the hierarchy. Positive approaches for direct but non-monetary promotion of surpassing performances would be the allowance of holidays, subventions for private purchases or material gratifications.

For the establishment of performance related incentive schemes budget increases might be necessary in some fields. However, this should be considered as an investment in the increase of the military’s capacity in regards to personnel, which ideally results in an optimized cost-benefit ratio. For those armed forces which recruit their staff also from compulsory military service, there are various possibilities in regards to recruitment from military service as career entry as well. The balancing of social hardship by calling for the completion of basic military service as well as award and compensation models for special performance during conscription would be an incentive compared to other occupations. A decisive factor regarding the decision for a professional career in the military would be the guarantee of demanding, satisfying and interesting career profiles, which would considerably contribute to an increase of motivation and the sensation of security during service. Furthermore, recruits who make an early choice for a career in the armed forces and defence administration could be rewarded by higher service pay, earlier promotion and support in regards to vocational training. In some armed forces these models are already successfully applied.  

Another possible approach for performance related incentive schemes would be diverse forms of partnerships, as they are common in stock corporations. However, this approach bares the danger that the sole motivation for improving and optimizing activities are the personal interest and benefit of the associates rather than the ‘well-intentioned’ success of the organisation, and other demand groups are therefore neglected. There would also be the danger that the executive level would hold back information from the decision making level in order to provide either too little information or to provide it too late to make efficient decisions. The consequence would be the development of new rules and regulations as well as a sanction framework, which always causes considerable administrative expenses and side effects for all people involved.

As far as the military is concerned, this form has an advantage which is not to be underestimated. Staff employed with the armed forces always work under the premises of dealing with classified, subtle information. A controlled/regulated form of partnership and involvement regarding the military organisation’s development does not only advance trust but also provide a certain degree of external security. The aspect which out-weighs all other aspects of this consideration, however, is the fact that the incentive is

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41 Pöcher, Harald: Ökonomische Implikationen unterschiedlicher Wehrsysteme, Frankfurt/M. 2004
not created by the transfer but by the gain of individual responsibility. Furthermore, partnership turns military personnel from sole service providers into beneficiaries of the factual and imaginary values of a performance provided. Finally, the simple, general conclusion can be made, that the value of a performance – be it economic or public – is measured by the reactions and acceptance of those concerned rather than by the accreditation for the enlisted supplier.

Regardless of positions or career profiles, the individual locations should provide for leisure and entertainment facilities as well as for a minimum standard of comfort and space in regards to accommodation for their staff, especially since they might be under a certain pressure regarding mobility expectations. Additionally, the establishment of suitable means of compensation for the high level of mobility requirements should be taken into consideration, as for instance people in charge of helping with residential issues, child and family related problems or according formalities. Another factor which can be considered as an incentive for enhanced mobility is support provided in regards to interest free or favourable loans. Close relations should be maintained with regional labour markets in order to be able to support the staff’s family members in finding employment. In general, an optimal level of compatibility of family and career is to be guaranteed, in spite of the high degree of mobility required on the military sector.

Leisure centres at locations should be made accessible for family members and the provision of sports equipment and facilities would be suitable incentives for personal fitness. Since employment on the military sector will always be connected with manifold physical and psychological encumbrances – for the active soldier as much as for the administrative employee and in spite of all efforts to avoid unnecessary hardships – special attention should be given to individual safeguarding and safeguarding of the family. This can be considered as a relevant incentive for service in the armed forces, if current developments in civilian safeguarding are used as reference.

Outstanding medical and social care, possibly also for family members, would be a considerable advantage of service in military organisations.

Service abroad should, as it does in economy, have a direct and clear effect on wages as well as on pensions. However, international deployment itself can also be considered as an incentive for interested staff. This could for instance be a motivation for taking up language training and consequently to increase the qualification of the organisation’s personnel. Of course, an according integration of military organisations, for instance within military alliances like NATO, is a precondition. Since in the armed forces administrative employees can also be subject to deployment abroad in the course of military missions, intense efforts are required in regards to a comprehensive and extensive support of the affected personnel and their families during and post deployment and the guarantee of financial compensation or appropriate safeguarding models with respect to the high encumbrances and potential risks of deployment abroad.

In order to allow for a more comprehensive linkage of military and civilian personnel and to reduce the danger of consequent internal conflicts, crediting performances of civilian staff from possible reservist service to regular full time service are conceivable. Ranks and qualifications obtained during reservist service could for instance partly be credited to the current active status. Also the military personnel should not be subject to merely the organisation’s payment specifications but should also dispose of individual incentives and additional remuneration models as well as of the possibility of promotion and the corresponding privileges and obligations.
II.2.4 CONTRACT MANAGEMENT AND COMMUNICATION REGARDING OBJECTIVES

Current administration management has a tendency towards regulating performance processes by centralized specifications of strict budget allocation instead of controlling them by setting constructive objectives. As a consequence, tasks and resources are hardly being questioned and performance awareness can scarcely be developed by the staff. Therefore, a development away from budget orientation towards enhanced performance orientation would be of importance. The economic and dynamic design of implementation processes in administrations and of strategy related processes is doubtlessly of primary importance to a more efficiently and effectively functioning organisation. This, however, does not end in itself but is always based on concrete objectives. Without objectives, all processes would lack contents and therefore become pointless. Political and administrative elites often lack clarity in regards to expectations of the administration’s operational level. The specification of objectives and the related definitions of operational, financial and human resource related basic parameters are consequently affected as well.

An essential factor for performance oriented and effectively working personnel is, apart from factual motivation, the concrete specification andprocuration of objectives. The term objective describes all considerations and efforts necessary to guarantee that the measures agreed on during the strategy finding processes are successfully applied by motivated personnel. Objectives can be divided into monetary objectives, that is to say objectives measured in monetary units, and non-monetary objectives. Operational objectives are determined by the performance process itself, while formal objectives are measures of orientation, as for instance profitability of goods and services. Furthermore, objectives can be designed as short term, medium term and long term objectives. Another hierarchy emerges from the evaluation of objectives as in main and secondary objectives, whereby strategic objectives are main objectives and therefore a priority. The different influences and constellations of power regarding the objective development process create different relationships between objectives, such as harmony of objectives, being the common valorisation of objectives by achievement of a determined objective, conflict of objectives, being the valorisation or devaluation of objectives towards another one achieved, and finally objective neutrality, being the independent achievement of different objectives. Objectives first and foremost have to be effective in regards to action and results. To be effective they need to consist of the following components:

- Clear contents: What is to be achieved?
- Clearly defined volume: How is the objective to be achieved and how is the achievement to be measured?
- Time frame: Until when or within which period of time should the objective be achieved?
- Scope of relevance: Where is the objective valid?
- Responsibility: Who is responsible for the achievement of the objective?
- Implementation: How and by which means can the objective be achieved?
- Significance and expedience: Why is the objective to be strived for?
Result oriented objectives are primarily to be considered as binding specifications according to agreement processes and should only be altered in special, exceptional cases. From these objectives the further, concrete implementation processes, administrative, operative and strategic processes as well as diverse internal policies and guidelines necessary to achieve the respective objectives are derived from.

Contrary to businesses in economy, which mainly strive for a monetary main objective such as profit or compliance with contribution margins, the military system of objectives is, according to the character of military performance, very complex. The general framework is the military mission, which all other considerations are to be directed towards. In the case of the armed forces, selected objectives for military organisation are for instance:

- Constant guarantee of optimal fulfilment of the military mission,
- Ability of self assertion during deployment scenarios,
- Ability to ally with other armed forces,
- Ability to cooperate with civilian organisations and institutions,
- Constant operational readiness of available material and equipment,
- High technical standards regarding reconnaissance, leadership, mobility and communications,
- Effective yielding of military performances of all kinds,
- Maximization of resources available to the military,
- Optimization of resource deployment, starting from available budgets, according to the economic maximization principle,
- Constant increase of leadership efficiency in military operation,
- Ability to represent national values and principles,
- Efficient organisation and optimal equipment components,

Thereby, different types of objectives can be categorized:

Performance objectives: These objectives determine which effects should be achieved by the respective performances in regards to the different demand groups of defence administration, for instance population, active armed forces or politics.

Goods and services related objectives: These objectives determine the output of an organisation in the form of measurable entities of performance. However, in the case of defence administrations some limitations are to be made, since military performance can hardly be quantified and divided.

Potential objectives: These objectives encompass all resources regarding personnel, equipment and budget necessary for service provision.

Formal objectives: These objectives determine further basic parameters for the achievement of other objectives.
Objectives are not only agreed upon on the political and administrative level of organisations. ‘Management by objectives’, as it is mainly referred to in economy, is a type of management which does not only focus on a higher ranking objective communication to the administrations, but has developed concrete agreements on objectives, so called contracts, within and between the individual hierarchies for the respective public management approaches.

Thereby, the contract partners within the staff commonly agree on concrete objectives, which are to be achieved within a determined period of time. In general, those objectives are mainly divided into two categories: performance and result oriented objectives and financial objectives. Performance oriented objectives focus on the achievement of a certain result by the contract partners. Financial objectives concentrate on service provision within given or determined budget specifications. Hereby, contracts are not to be seen as regular contracts; they represent a voluntary commitment of the contract partners to the objectives agreed upon and therefore a kind of mutual trust and working basis.

Such agreements on objectives should among others meet the following criteria:

- Description of the objectives contents,
• Conversion of objectives into measurable values,
• Deadlines for partial and final target achievement,
• Group of people responsible for target achievement,
• Clarification of resources available for target achievement,
• Consequences for surpassing target achievement or failure in target achievement.

A considerable advantage of such contracts is the possibility for self-contained control and regulation of effective ways of working by constant comparison with the performances provided and the objectives agreed upon. Not only subordinates commit to their supervisors, but also leaders are bound to value performance. Since cooperation is carried out in the long term, an enhanced cooperative function of these contracts in terms of employment can be noticed.

Contract management is mainly directed to strengthening decentralized responsibility on the one hand, while allowing for the maintenance and development of centralized control and regulation, on the other hand. Another positive aspect is the fact that it gives the executive level the possibility to concentrate on its managerial functions.

In regards to contracts it would be ideal, if specifications were made by politics concerning characteristics and quality of the respective performances. Administration would hence be able to account for executive implementation without further direct influence. In fact, contract management is supposed to guarantee individual responsibility and extensive autonomy, nevertheless will individual interventions, down to the lower levels, be unavoidable in the military. Particularly against the background of changing fields of action of modern armed forces, defence administration has to preserve the potential for executive level to give direct orders to individual military and civilian personnel. There is at least a difference to be made between the development of contracts in the military regarding regular operation and in case of active deployment. The military only allows for very limited possibilities in regards to internal concretion in the form of clear and long term contracts.

Nevertheless, can contracts be implemented on the operational level, and therefore are recommendable. Sometimes they are directed to short term objectives only, as for instance the achievement of current mission related objectives or the fulfilment of current military demands. This of course requires more frequent ‘negotiations’. Such cooperative processes for the definition of objectives are to be carefully considered, since these negotiations bare an increased potential for conflicts. Once more it has to be underlined that the principle of authority in the armed forces is of different importance than in civilian organisations. It is not only on the executive level that the more frequent application of cooperative processes may be considered undermining, but this should not imply that these processes should be closely considered in the military.

Another aspect which is rather difficult to implement in the military is the increase of competitiveness by objectives. Military goods and services must not be subject to economic competition, since it would imply a tendency to partially hollow out the national monopoly on force and security as well as towards the abolishment of its quality as a public service. Therefore, internal competition between the individual administrative agencies and departments has to be in the foreground regarding the enhanced orientation towards competition by financial objectives. Hence, competition can only be fo-
cused on in areas not directly connected to the military’s core tasks, namely deployment tasks.\textsuperscript{42}

Furthermore, not every performance objective can be combined with a financial objective in the military, since clear measurable indicators, allowing for definite target achievement, cannot always be applied to military objectives. In how far military objectives are to be seen as motivating factors rather than as mere control parameters is a question which is to be recognized as absolutely valid. Contrary to civilian organisations, objectives of defence administration can be subject to external specification by the national government in the form of a military mandate, up to the first executive level. Therefore military mandates to the whole organisation should be included in the development of contracts towards the individual staff as an essential objective regarding individual action.

In order to effectively promote the staff’s capacity, merely technical objectives seem to be unsuitable. In this respect, an orientation towards active troop units and their practice of establishing a codex seems reasonable. In order to procure the purpose of performance, a clarification of the resulting competencies and obligations as well as of the individual actor’s status is of importance. In the economic environment there has been a realization of the fact that the quality of services performed and the distribution and acceptance of organisational and executive powers among constituents, beneficiaries, leading and executive level as well as other demand groups is mainly determined by one factor: the way the management level manages to combine their own and all other demand groups’ significance and mutual influence with their own objectives. This in turn depends on what is to be commonly achieved and what the parties stand for – their common objectives.

As far as target setting or communication in regards to objectives are concerned, the management level is not considered to be the top of the pyramid but as an equal part of a systems manifold relationship levels. It is simply the part which is responsible for final decision making as well as for other components as for instance implementation and administration. Hence, it is, as all other demand and responsibility groups, equally influenced and formed.

Objectives need to be far more procured and promoted among the staff. Management doctrines recognize that the identification of executive personnel with the job performed is very important. This identification is mainly identification with a product, in the case of defence administration with the service provided, or the identification and recognition of a higher ranking context’s meaning, of higher values and their necessity – quasi the vision behind the objectives. Therefore, the specification of concrete goals should be fortified by additional communication and procurement of abstract and higher ranking issues.

In the case of the military, these ‘higher ranking objectives and values’ would be for instance the preservation and defence of national security, the possibility of aid in areas of crisis and the general participation in peace keeping. These values are not only of significance to the active troops but also to the administrative staff. All staff as well as each individual staff member needs to know how important their individual contribution to the achievement of those objectives is. Therefore the participation of the staff in the

target setting process for operational objectives is of great significance; not at least because an identification with strategic and concrete military objectives, already specified by politics, is generally more difficult to achieve than the identification with self determined objectives.

The above mentioned possibility of target setting, which is based on the recognition of the transmission of values and their effects on the staff’s efficiency rather than on purely technical and financial considerations, allows for a considerably more stable mandate for the implementation of projects and endeavours particularly for an institution which has to implement political specifications. Furthermore the necessity of legal and formal specifications is lessened and consequently so is the danger of besieging oneself with rules and regulations regarding processes. In this way, self-made bureaucracy, which always has a negative impact on the expense situation, would be avoided.

Especially the management oriented model of target setting has a considerable influence on the interpretation and operation methods of administrations in general and defence administration in particular, due to their focus on executive functions, since from this perspective, all action and demand groups have a considerable potential of influence on the management level and therefore on the whole interpretation of an organisation or system.

Here, target setting is therefore considered an instrument for the foundation and legitimisation of the powers of decision and disposal. As already pointed out before, the centralized power of disposal is the key to rapid and effective action and operation in military organisations. However, since the power of disposal is authorized based on higher ranking objectives, it is put on a far more stable basis than it would be, if purely technical objectives were specified. Leadership authority and power are therefore not a result of appointments, specifications or pressure. In fact they are ‘awarded’ to the respective employee as a result of evident and constructive communication on objectives.43

II.2.5 NEW STAFF PROFILE

Hitherto it has been clarified that a reform of administrative processes and an enhanced orientation towards management oriented processes and procedures in an administration also bring about new requirements in regards to staff and the administration’s organisation. In order to give a better idea about these new requirements it is necessary to provide a guideline or in fact a new over all concept, to gear to and rely on.

As an organisation, administration can orient itself on examples from economy in terms of the development of an organisational culture. In economy it is a recognized fact that common guidelines and values summarized in what is called ‘corporate identity’ have an eminent impact on a company’s development. The term organisational culture refers to the staff’s common norms, attitudes, expectations, assumptions, values, convictions and philosophies.44

The creation of a concept of ‘administrative identity’ is therefore conceivable for administrations. On the one hand it only offers an abstract idea regarding the organisations

orientation, but a concrete guideline for the organisation’s future development on the other hand.\textsuperscript{45}

In defence administration, for instance, an organisational culture could be developed, which on the one hand proclaims military values and behaviour, such as acquittal, faith and self discipline, and on the other hand is able to combine entrepreneurial characteristic traits like motivation and risk propensity, but also respect and grant of individual freedom and the consequent development potential.\textsuperscript{46}

However, this consideration also demonstrates that the development of a concrete staff culture might be of even greater significance to administrations. Civilian as well as military staff should be able to internalise a performance culture similar to the one required and promoted in economy. Staff should not consider themselves to be military or civilian ‘administrators’, but are to be encouraged to develop a self-image as managers working in defence administration, which is to be promoted accordingly. In this context, the performance principle is to be considered as something positive and desirable, if performance is perceived as a means of individual and organisational development. Therefore it has already been examined why and how individual and common performances can be acknowledged. A performance oriented and entrepreneurial job profile and self-image form the basis for the development of a mental platform, allowing for individual distinction and therefore for the development of motivation for better performance. In administration, a similar although not quite as distinct staff culture needs to be developed as it already exists in the active troops. A status earned by personal achievements is more valuable and important for the staff’s personal development and increases self-confidence as well as motivation. Furthermore it promotes a higher degree of commitment and self-assurance in regards to task fulfilment.\textsuperscript{47}

Development in defence administration should therefore be increasingly oriented towards a dynamic career image, similar to an officer’s career in the active troops, rather than towards rigid career models which are common in many administrative organisations. A possible objection might be found in the claim that it subliminally implies a lacking of security of career advancement. However, by granting a status as a civil servant a certain degree of security is already guaranteed. A more flexible and dynamic career in administration would reinforce the promotion of the staff’s individual motivation in regards to performance and development.

This would also allow for the abolishment of the so called ‘zero-error culture’. In administrations the impression might be fomented that the prevention of creative and dynamic approaches in regards to task fulfilment and the avoidance of risks also prevent the occurrence of errors. However, errors can never be completely excluded. If the mere prevention of errors remains a main focus in administration, the abilities to adapt and develop further are suppressed in the first place. On the one hand, abatement costs are usually lower than compensation costs, but in this context, the contrary would be the case in the medium and long term. Moreover, a higher degree of performance orienta-


tion and an entrepreneurial staff profile would also have an effect on the image of administrations in the public.\textsuperscript{48}

A possible issue for the definition of an over-all concept regarding personnel and the organisation’s development might be the possible conflict between military and civilian personnel and their ideas of an ideal staff profile.

Models, which are directed to the creation of different staff profiles, usually end rather quickly in the mere satisfaction of different expectations. An extensive share of the possible development potential is used up by this mutual avoidance of conflicts. Furthermore, internal conflicts are already preprogrammed, since the evaluation of the different demands, interests and expectations for further satisfaction, requires considerable efforts. Sooner or later this would certainly lead to competition between the different interest groups. On the other hand, the differences between the respective expectations and views in regards to work and organisational culture cannot just be ignored. Organisational as well as staff culture cannot simply be prescribed. They need to be developed and internalized: otherwise one of the biggest restraints on future reform and transformation approaches is promoted, namely the development of internal opposition and lack of acceptance.

Consequently, a possibility for at least the approach of reaching consensus is to be created. The most promising way certainly is to concentrate on common necessities, challenges and objectives rather than focussing on existing differences. In the same way as officers are expected to change their self-image to a kind of military manager, is civilian staff in defence administration expected to change it. The primary problem thereby is the way to deal with one another. Therefore, the development of a common staff profile should be focussed on the question which attitudes and individual characteristics will be necessary in the future in order to fulfil the aspired management oriented image and performance oriented self-image.

On the one hand, typical military qualities are required in regards to task fulfilment:

- Sense of duty
- Determination and self-discipline,
- Assertiveness,
- Moderate authority,
- Planning and analytical competence,
- Individual and cross linked responsibility towards the organisation and all subordinates.

On the other hand, also entrepreneurial and especially social qualities are required:

- Cost and performance awareness,
- Creativity and flexibility,
- Interdisciplinary way of thinking and working,

• Innovation regarding the development of new concepts of task fulfilment,
• Interpersonal, intercultural and social abilities,
• Empathy,
• Ability to motivate,
• Ability to deal with conflicts and discussions.

The consequence of developing a common and worthwhile staff profile, combining as many of the different demands as possible, would be a concentration on the adoption of new qualifications and abilities, and a decrease of conflict potential regarding individual differences. In this context, a possible way to reach consensus would be the establishment of regular and terminated discussions with military and civilian staff. The respective administrative and work efforts would be relatively low, but the impact on the working climate as well as on the staff’s performance might be considerable.

II.3 ORGANISATION AND PLANNING

If objectives are to be achieved successfully and in an economically sensible way, concrete and target oriented strategies are necessary. These strategies are to be implemented in the most consequent, smooth and most of all cost effective way. Therefore, a well thought out and balanced operational and organisational structure, comprehensive and solution oriented planning efforts and a consequent decision finding process, based on these efforts are required.

The ability to react to similar influences from the surroundings in a standardized way is determined by organisation, and in turn creates stability and coordination. An organisation’s organisational structure can be divided into structural and process organisation. Stability regarding structures and processes also implies stable results and economic efficiency. Since organisation is also subject to constantly changing influences from the environment, differentiated reactions to the different impulses are required and a high degree of reactivity and adaptability is therefore equally important.

Structural organisation essentially deals with the organisational structure as of where and how which tasks are to be fulfilled and by whom, and in how far areas of activity can and should overlap or complement one another.

Process organisation mainly concentrates on the structure of the actual processes regarding performance and target achievement as of how and in which phase the respective processes regarding task fulfilment are to be realized.

Military organisation is the permanently valid structure of a target oriented, social and technical system and is represented in the determination of troop formation and military organisational planning. Therefore military organisation is to be attuned with requirements regarding day to day operation deriving from deployment orientation and to direct the respective staff to deployment requirements in return. Tasks, abilities required, kind and volume of deployed personnel, but also competencies in terms of command and leader-subordinate relations can vary according to the military mandate. Structural and process organisation and the consequent assignment of tasks and competencies to troops and commands are therefore to be evaluated and decided according to the respective demand situation. In military organisation the aspect of appointing organisational tasks among the individual parts of the armed forces, army, air force, navy as well as the
respective administrative and human resources departments, is to be added to this principle.

This implies a more practical application of organisational principles in defence administration to the individual troop parts, since each branch has its particular requirements regarding organisational processes. Hence, to a large extent modularly, structural organisation is required, which does not correspond with any uniform disposition for the fulfilment of standard tasks to the benefit of a greater collective. Furthermore, organisation should also work smoothly at the home location in case of deployment and combined application of the individual branches, which requires a common organisational concept. This implies that leadership organisation in the military needs to be principally bundled on the political level through the Ministry of Defence and the general staff. The difficult task of overcoming the gap between compatibility and standardization on the one hand and the necessary functional specialization of the individual branches on the other hand, is to be taken into consideration when it comes to the interpretation of military organisational procedures. This sets high standards to the conception of a suitable degree of organisation – all instructions and guide lines determining objectives and the scope of actions. It has to be kept in mind that an exceedingly high degree of organisation can lead to rigidity, while an exceedingly low degree of organisation can cause instability and may therefore lead to inefficiency and integral dissolution respectively.

An essential part of strict and effective organisation is a flexible but still well designed and stable long term planning concept. Planning is a process of information procurement and processing as well as the anticipation and coordination of future action in an organisation. It includes all considerations of what and how something can and should be achieved. Planning is based on selected or specified objectives and should take strategic, organisational and operational factors into consideration, depending on the respective normative specifications. Hereby, a division into normative-strategic and tactical – operational planning can be made. The according specifications are made by normative management. This managerial level deals with the organisations’ fundamental values, codes of conduct and directions.

In the military, normative planning mainly takes place on the political level and can be considered a mental process of concretion regarding security political parameters for military fundamentals and specifications for the military strategic leadership. These internal and external policies are long term rules and regulations to guarantee the development and implementation of strategies as well as the realization of plans.

Strategic planning determines fundamental factors for future and long term development on the basis of specified objectives and influences in an anticipatory way as a kind of ‘central thread’ for the further course of action. In the armed forces a further concretion towards military strategic planning can be made. The latter is to be understood as a further, on military peculiarities focussed level of strategic planning.

The consideration of tactical planning as an essential concept is particular to the military. It primarily deals with the deployment and arrangement of troops during deployment or operations, with the so called preventive duties. Tactical planning is based on the specifications made by strategic as well as operational planning concepts. The basis of this kind of deployment planning is a combination of elements from defence, armed forces and over-all military planning.

Operational planning is the part of strategic planning responsible for the coordinated implementation of strategic and tactical specifications by transforming them into con-
crete procedures within the framework of the individual functions’ planning concepts. On the other hand, it determines guidelines for instantly applicable short term implementations, which form the basis for further strategic decisions. Depending on the individual field, components of operational planning involve planning in regards to objectives, resources and measures to be taken. Operational planning therefore serves the actual implementation and monitoring of measures taken in the individual agencies necessary to guarantee the results and achievement of strategic planning specifications in the long term. The operational planning level can therefore be considered the core area of operational and task profiles in defence administration.

The armed forces are going to be confronted with new task profiles, which will require new organisational and planning structures. Considerations regarding further harmonization and merging bare the largest potential for an economic interpretation of organisation and planning in the military. However, such an approach also presents the potentially greatest difficulties. It has already been mentioned that considerations regarding a centralized organisational office are an option. However, a closer look at this theory reveals that a centralized organisation could be implemented for all troop parts of the military, since the individual branches diverge too much in terms of relocation, material and staff related requirements or logistics in order to be effectively managed by one standardized organisation. The harmonization of development and process related structures is therefore only partly possible.

In the field of planning, however, parts of operational planning, as for instance target and action planning, can be subject to a more centralized organisation. As far as objectives of military operation or deployment are concerned, the individual troops depend on centralized specifications and standardized orientation anyway. It is therefore highly conceivable that the respective planning efforts are managed by a central planning staff. Hence, the centralisation of the planning offices for the individual parts of the armed forces is a logical conclusion.

In some armed forces first approaches to this conception can already be observed, as for instance the establishment of centralized administrative staffs with representatives from all branches and parts of the armed forces. These staffs have their own organisational structures and coordinate the uniform orientation of the different parts of the armed forces and military entities towards the respective higher ranking strategic objectives. Implementation as well as application along the individual structural and process organisations, however, remains to be subject to the branches’ leadership levels. This implies that parts of operational planning, as for instance respective resource and deployment planning remain rather decentralized. Thus, the highest possible degree of coordination is guaranteed, while taking the particularities of the individual military fields into consideration.

II.4  BENCHMARKING AND PERFORMANCE COMPARISON

If an organisation wants to be competitive in the long term, it needs the capacity to evaluate its position realistically and precisely. This also applies to the armed forces. In order to do so, an extensive in-depth evaluation of potentials and facts of the organisation’s environment is necessary.

Besides extensive environment and risk analyses, specific evaluations regarding the organisations strengths and weaknesses compared to other organisations can be made by benchmarking.
Benchmarking stands for self-evaluation by external assessment. It is a widely standardised concept from marketing, which was originally also applied by the military in order to find possibilities for improvement through the comparison of capability characteristics of other similar organisations, processes or programmes. By means of extensive self-evaluation and evaluation of other organisations, their structures, systems and processes as well as the competitive environment help to better evaluate their own potential and possible measures for change. The main purpose of this multiply applicable instrument of analysis is to reveal the weaknesses of organisations and their processes by comparison with other organisations and in-depth evaluation of their environment. Analysis and comparison reveal potentials for the optimization of the individual processes and create possibilities to emphasise the organisations strengths.\footnote{Compare: von Bandemer, Stephan: Benchmarking. Blanke, Bernhard; von Bandemer, Stephan; Nullmeier, Frank; Wewer, Götrik (Hrsg.): Handbuch zur Verwaltungsreform, Wiesbaden 2005, 444 ff.; Speier-Werner, Petra: Public Change Management – Erfolgreiche Implementierung neuer Steuerungsinstrumente im öffentlichen Sektor, Wiesbaden 2006, 70 ff.; Burr, Wolfgang; Seidlmeyer, Heinrich: Benchmarking in der öffentlichen Verwaltung – Anwendungspotenziale und Grenzen aus theoretischer und empirischer Sicht. In: Budäus, Dietrich; Conrad, Peter; Schreyögg, Georg (Hrsg.): New Public Manager, Berlin /New York 1998, 64 ff.}

Analyses are mainly instruments of controlling. In the military they are primarily used for the evaluation of tactical potentials, within the organisation or of others, and of aspects relevant to security policy. However, benchmarking and analyses of target groups, competition, potential and environment are of great economic value, particularly against the background of a business economic and performance oriented interpretation of defence administration by application of public management concepts.

As in economy, the application of benchmarking and analyses in the military is necessary for various reasons:

- Evaluation of competitiveness compared to other public and private organisations;
- Guarantee of existence by long term orientation towards international performance parameters;
- Submission of an externally induced learning and implementation process by exchange of experiences with other armed forces;
- Improvement of prognoses by enhanced flux of information;
- Possibility to evaluate the organisation’s status by extensive analyses of environment and to make prognoses on future development potentials;
- Determination of chances and risks in the environment;
- Establishment of a self-initiated ‘obligation’ to closely consider other organisation’s approaches and strategies;
- Possibility to improve status and risk assessment by extensive risk analyses;
- Inspection of financial, staff and organisation related scopes of action;
- Inspection of military enforcement powers;
- Definition of the military service portfolio;
- Determination of training demands;
• Development an implementation of action plans for performance improvement.
Also for the armed forces are benchmarking and analyses a possibility to evaluate and improve the effect of political and military specifications on the operational level. The following strategies are usually applied:
• Analyses of strengths and weaknesses and disclosure of weak points;
• Search for ‘the best’;
• Comparison with ‘the best’;
• Disclosure of differences;
• Search for the reasons for differences;
• Analyses of what ‘the best’ do different or better;
• Transfer of new findings to the organisation’s own system
These analyses are usually made during the first phase of the target setting process, which determines facts and organisations to be analysed and compared. Subsequently the period of analysis and comparison is introduced, which determines measurement data for performance evaluation. During the implementation period the evaluation of gathered data, the determination and analyses of gaps and finally the definition of objectives and strategies are carried out. It is followed by the conception of procedures regarding the implementation of these measures. This process is concluded by the inspection period and the according verification of results and progresses.

The military is an organisation which cannot offer its services to clients on payment, since public security ad defence need to remain goods available to the public. Therefore, one might get the impression that dealing with clients and demands is rather secondary to defence administration. However, the military also has to deal with different demand groups, so called stake holders, who have different demands and expectations, which are to be taken into account. After all, performance optimization always implies the coordination of performance profiles with requirements of the respective demand groups.

The term stake holder applies to all people, groups and institutions having certain interests or requirements regarding the respective organisation, hold a stake to it or are ready to stand up for the enforcement of interests. As far as defence administration is concerned, these groups are internal groups as soldiers, civilian personnel and recruits as well as related external groups like the population, politics, other administrative organisations, companies, interest associations, citizens’ initiatives, the media as well as other countries’ military and civilian organisations.

If an organisation ignores its social obligation to meet its demand groups’ expectations, it runs the risk of not only losing its environments support but also its right to exist. Therefore, one of the essential tasks of management it to establish a well balanced relation of the stakeholders’ expectations and the organisation’s performance. In order to do so, a comprehensive and extensive analysis of all demand groups and their requirements is necessary. Constantly changing expectations make the latter a continuous task. As far as stakeholder analysis is concerned, the following steps can be taken:
• Which groups are stakeholders of the organisation?
What are the expectations of the different demand groups? What can the organisation expect in return? How large is the resistance and cooperation potential respectively?

Which demand groups have similar or overlapping needs?

Which demand groups are closest to the organisation and which demands have the greatest impact on the organisation’s objectives and processes?

How can the organisation deal with the demand groups in general?

How shall the organisation deal with the individual demand groups in a concrete and differentiated way?

Such stakeholder analyses cannot only be applied to the military as a whole but also to the individual military fields and entities.

Since the military operation is subject to ever changing environments and additionally marked by high fluctuation rates, such analyses are generally very complex.

<table>
<thead>
<tr>
<th>Stakeholder analysis on the basis of a company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Identification of relevant stakeholders</strong></td>
</tr>
<tr>
<td>Recruits, instructors, cadre personnel, family members, other companies, other agencies at the location, administrative staff, staff representatives, battalions, brigades, partners of locations, Ministry of Defence</td>
</tr>
<tr>
<td><strong>Analyses of the stakeholders</strong> (exemplary expectations of demand groups)</td>
</tr>
<tr>
<td><strong>Contracting body (Ministry of Defence, brigade, battalion)</strong></td>
</tr>
<tr>
<td><strong>Recruits</strong></td>
</tr>
<tr>
<td><strong>Instructors</strong></td>
</tr>
<tr>
<td><strong>Cadre personnel</strong></td>
</tr>
<tr>
<td><strong>Family members</strong></td>
</tr>
<tr>
<td><strong>Administrative staff</strong></td>
</tr>
<tr>
<td><strong>Other companies and agencies</strong></td>
</tr>
<tr>
<td>What kinds of dependences and interdependences can be found between the individual demand groups</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td><strong>Recruits – Instructors</strong></td>
</tr>
<tr>
<td><strong>Recruits – other professional personnel</strong></td>
</tr>
<tr>
<td><strong>Instructors – company, supervisors</strong></td>
</tr>
<tr>
<td><strong>Instructors – other cadre personnel</strong></td>
</tr>
<tr>
<td><strong>Company – battalion and brigade</strong></td>
</tr>
<tr>
<td><strong>Company – administrative staff</strong></td>
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<tr>
<td><strong>Company – other companies</strong></td>
</tr>
<tr>
<td><strong>Brigade – command/Ministry of Defence</strong></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>What kind of influence do stakeholders have on the company? What kind of influence has the company on the stakeholders? What is the individual groups’ consequent importance?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Command/Ministry of Defence</strong></td>
</tr>
<tr>
<td><strong>Battalion, brigade</strong></td>
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<tr>
<td><strong>Recruits</strong></td>
</tr>
<tr>
<td><strong>Family members</strong></td>
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<tr>
<td><strong>Instructors</strong></td>
</tr>
<tr>
<td><strong>Other cadre personnel</strong></td>
</tr>
<tr>
<td><strong>Administrative staff</strong></td>
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<tr>
<td>Other companies</td>
</tr>
<tr>
<td>----------------</td>
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<tr>
<td>Other departments and agencies</td>
</tr>
<tr>
<td>Partner</td>
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</tbody>
</table>

**Derivation of strategies to deal with demand groups and the definition of objectives for the most important demand groups**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting body (battalion, brigade, command/Ministry of Defence)</td>
<td>Fulfilment of specifications, best possible consideration of own needs comprehensive cooperation, active maximum cooperation, development and use of possible information channels, integration of companies in planning efforts</td>
</tr>
<tr>
<td>Recruits</td>
<td>Well trained and motivated recruits professional training in an adequate environment, suitable treatment, high degree of support and information, incentives</td>
</tr>
<tr>
<td>Family members</td>
<td>Well informed family members who appreciate the company’s performance on and for the recruits information and integration</td>
</tr>
<tr>
<td>Instructors</td>
<td>Motivated and qualified instructors Guarantee of comprehensive training prior to deployment as instructor, continuous further training, also in regards to dealing with recruits, motivation by appropriate support, guarantee of the highest possible degree of security by welfare and support, incentives</td>
</tr>
<tr>
<td>Other cadre personnel</td>
<td>Motivated and qualified personnel, mainly service oriented Motivation, promotion of business economic training, support and information, incentives</td>
</tr>
<tr>
<td>Administrative staff</td>
<td>Optimum service of the administrative staff Close cooperation, feedback and information, support when necessary</td>
</tr>
<tr>
<td>Other companies</td>
<td>Best possible use of resources, high degree of coordination Close cooperation mechanisms, processes for the common use of resources, high degree of coordination, common training if possible</td>
</tr>
</tbody>
</table>

*Table 1 Stakeholder analysis on the example of a company*

## II.5 LOGISTICS

From a business economic point of view, logistics is the doctrine of the allocation of goods, coordinated in regards to demand, kind, volume, location and time, whereby reliance, speed, operational readiness and closeness to the contractor play a role as well. The general purpose of logistics is to calculate and determine the necessary demand of goods and services at the right place and at the right time, by constant observation of all movements of means, information and services, in order to allow for optimum task ful-
filment and service provision. Logistics include all activities to physically bridging gaps of space and time regarding goods and people and their regrouping. More concretely, logistics is defined as integrated planning, organisation, governance, control and processing of the over all flow of materials and the respective flow of information. Generally, logistics is divided into four specific sub-systems: procurement, production, distribution and disposal logistics.

In the armed forces, the term logistics describes the planning, allocation and coordinated deployment of goods and services in order to support the armed forces and to guarantee their deployment capacity. Hence, military logistics is a dynamic system of processes and services, designed according to military principles, which is to guarantee the armed forces operational readiness. This military subsystem is to allocate the requested means to the beneficiary, at the right time at the right place and according to their demands in order to allow them to achieve and maintain their best possible disposition to fulfil the military mandate.

For military logistics the following tasks derive from this definition:

- Material supply
- Military and civilian service provision
- Medical care
- Maintenance of cooperation with economy and civilian administration
- Transportation

Logistics has an influence on nearly all fields of military activity: starting with procedures concerning planning and development, to aspects of production and procurement, allocation, storage and distribution, maintenance and attendance up to the disposal of military goods and services, and in particular under deployment conditions. It is aimed at the optimal support of the active troops and allies during general military operation as well as during deployment, and the accomplishment of crises. The high importance of logistics is not only drawn from its vital significance for the armed forces operational readiness, but also from its cost intensity. The latter especially is a considerable challenge for many of the armed forces. Therefore, many optimization approaches assess there.50

The task of military logistics in line with economic findings is to increase the armed forces’ efficiency by optimization of all flows of material, information and data. However, this can only be done within the framework of the current political and military requirements and orders. Especially in times of increasing international cooperation with other countries’ armed forces and civil partners in case of military conflicts, an increasingly high degree of interoperability and relocation capacity is in demand. For military logistics this implies that no longer only location internal or troop internal material and service distribution are required. All logistic related activities are therefore to be coordinated with allied troops and other systems respectively. Consequently, the coordination of all logistical tasks regarding a military’s planning, processes and proce-

dures with the logistic related efforts of military and civil partners has to stand in the foreground. Ideally, this should be practiced and coordinated independent from actual deployment, or in the case of current deployment be started before the first troops are committed. In this way possible competition, redundancies and counterproductive activities, impeding effective and sustainable deployment, could be avoided or at least be minimized.

In order to leave fault liability of the individual components of the armed forces in regards to changing conditions of deployment, application and action at a minimal level, an increasingly self-contained stability is required of military logistics. Hence, military logistics is confronted with two contrary tasks: The overriding compliance with economic aspects on the one hand, and the maintenance of permanent maximum operational readiness in an environment which may unexpectedly require a high degree of deployment and relocation capacity at any time on the other. Once again, the conflict between a high degree of centralization with an accordingly high degree of monitoring as well as avoidance of redundancies, and decentralization with an accordingly low degree of monitoring but a high degree mobility guarantee and deployment relevance, becomes evident.

Hence, defence administration is under the constraint of developing two coherent logistic systems. On the one hand, a rather centralized logistic is recommendable in terms of a more business economic oriented use of resources during normal daily operation. The establishment of centralized planning centres, which regulate and monitor the flow of goods and information would allow for the reduction of redundancies and unnecessary accounts. On the other hand, concepts for the acceptance of logistic responsibilities in case of deployment are to be developed in order to maintain the flexible and rapid action and response times of the armed forces. Logistics in the military does not simply mean get the necessary material or service to the right place at the right time. It is moreover responsible for the constant optimization and adjustment of internal processes regarding procurement and distribution. This becomes more and more evident by the increasing number of simultaneous multi task deployments of individual parts of the armed forces in several areas of crisis and of consecutive deployment of troops and equipment besides normal military operation at their locations.

Therefore the extensive automation of procedures in regards to the increasing integration of logistics into military leadership structures is necessary. Additionally, however, there is still the obligation to meet and adjust to international standards.

Another requisite for the implementation of logistic related requirements is the establishment of an integrated logistic information system, which is to be operated with the highest possible operational availability, during deployment as well as during normal operation. The main task during normal operation would be to support the administration of materials and goods as well as human resource management. Therefore, a consistent and permanently updated database is required. During deployment, the system is to support military leadership by rapid acquisition of the basics in regards to material and human resources.

Against this background, the development and maintenance of a network of logistic partners, particularly with partners from economy, gains new importance, especially since they dispose of perfected models and corresponding know-how, due to the permanent pressure of competition.

Current and future crisis intervention is of mainly international character. Therefore it is the task of logistics, especially in regards to the further development of the armed
forces’ own cooperation capacity, to coordinate the establishment and further development as well as the allocation of important gateways and contact points within their own administration and with the different partners on a national, international and in the area of deployment on a local level. In order to achieve this, national coordination with multinational logistic levels and the establishment of common logistic centres, so called key-accounts, or at least a closer transnational cooperation in this field, are to be accelerated. A corresponding position is also to be established in order to integrate staff working in logistics as well as civil representatives in those contact points. In this way, the rapid allocation of transport systems and other technical components would be possible, in spite of the multitude and variety of participating groups and their different premises and capacities. In military logistics, this mainly influences the allocation of humanitarian aid and the respective requirements regarding transport, storage and distribution and requires further broadening and improvement of procurement planning.

Potential overlaps between coordination efforts could be minimized or even avoided, which would also prevent supply overload in the area of deployment. Early international cooperation in the field of transport logistics, mainly by exchange of information, can be an advantage.

Especially against the background of enhanced deployment and performance relevance, a multitude of requirements on the armed forces are to be taken into account:

- Overlapping horizontal and vertical communication levels;
- Real time information gain and transfer while avoiding adversarial as well as allied communication and leadership systems;
- Permanent contact and exchange of data between active and participating reservist troop units;
- Coordination of several deployed parts of the armed forces;
- Rapid and short notice realization of versatile operations.

In case of longer retention periods due to deployment, military logistics is not only responsible for the planning of the correct commencement of duty of the staff exchanged and additional relocations; it also has to see to common briefings and information analyses with allied forces and are to guarantee their full acquaintance with local conditions. This can also have an impact on further common coordination of procedures by those who might already be deployed in the respective area for a longer period of time.

Therefore, the military system requires a flexible and dynamic but at the same time stable and reliable logistics concept. Sometimes, such requirement catalogues can and need to undermine the principle of economic efficiency in order to achieve the specified objectives.

Another approach is the multiple use of material and equipment by different troop units and parts of the armed forces. However, this approach implies considerable efforts in regards to planning, coordination and data processing within and between the individual troop parts and the respective logistics departments. Therefore, a high degree of experience and competence is required of the staff working in logistics in order to create a balance between the fulfilment of economic principles and the fulfilment of the military mandate. Especially in regards to this is the economy and management oriented training of military personnel of such great importance.
II.6 PROCUREMENT

Procurement plays a central role in the military. Most direct and an essential part of human resources related expenses originate from this field. Consequently, it is the field where it becomes particularly evident that public administration needs to deal with economic aspects and the question in how far public management methods and tools can be applied.

The term procurement in the broadest sense describes the purchase of goods and services as well as the corresponding procurement logistics. Depending on the point of view, procurement logistics is either a part of purchasing or vice versa. As far as task sharing is concerned, the following division applies:

Purchasing:
- Market research regarding procurement
- Tender procedure, tender vetting, issue of price comparison lists,
- Contract negotiation and formulation as well as planning of order processing,
- Choice of suppliers and contracting partners,

Procurement logistics:
- Organisation of delivery and transport
- Receipt and inspection of goods,
- Storage and storage operation,
- Transport logistics.

The purchase of goods and services in the military is mainly divided into centralized procurement, the direct acquisition by a central office, and the decentralized procurement, done by downstream agencies. This principle of shared responsibility in the field of procurement has already become accepted in most armed forces.

Central procurement is mostly subject to bulk orders, which primarily serve the general and technical equipment of the armed forces, and are mainly given to large companies and enterprises. Goods and services to be purchased have a high degree of deployment relevance, are very cost intensive and are usually procured over relatively long periods of time. Besides manifold other acquisition costs like wages and travel expenses, further possible project expenses may occur, as for instance consultancy and pre-project costs like price calculations, tender organisation, cooperation probe, finance declarations or documentation. Expenses concerning development and research, like engineering, design and construction related costs, are the most intensive ones. Hence, the question of an effective policy in regards to prices, terms and conditions as well as the general question of how to finance and safeguard long term investments, are main points of negotiation for both sides. This particularly applies to the contracting body, since budgets derive from public means.\(^5\)

The individual agencies give decentralized purchase orders for the respective locations almost exclusively to the regional economy. Those procurement projects usually are to

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guarantee day to day military operation. They are usually carried out on a regular basis or by long term contracts respectively.

Terms of reference within military procurement are among others:

- Military construction and property management and administration;
- Structural engineering, construction, maintenance and equipment;
- Contract placing and infrastructure management;
- Armament economy, allocation of weapons and weapon systems as well as all military gear and equipment;\textsuperscript{52}
- Ammunition;
- General allocation and planning in regards to material and the corresponding administration;
- Allocation of food and energy.

As far as procurement is concerned, the fields of ordnance and heavy gear are certainly the most relevant. The procurement of ordnance causes, alongside human resources management, the highest expenses – apart from military conflict itself. Therefore, this is where most of the expenses in the military are derived from.

Defence industry can be divided into the following main product groups:

- Aerospace;
- Naval architecture;
- armoured industry
- Electrical and electronic engineering;
- Weapons and ammunition;
- Precision engineering, optics and optoelectronics
- Utility vehicles.

In the military, decisions regarding procurement can only take the key notes of effectiveness into account. Those are oriented towards aspects like the permanent maintenance of optimal military operation, security of military staff, covering of not yet existing abilities or tactical and strategic superiority. Therefore primarily cost related aspects like outdated material and consequent increasing maintenance costs are a criteria in regards to procurement cost for new acquisitions. Hence, the optimization of cost aspects should be taken into account as far as considerations regarding the increase of economic efficiency are concerned.

Another problem regarding cost – benefit balance is the time frames of centralized procurement programmes. Acquisition programs may have a time frame of several years from order to operational readiness. The acquisition of armament is often connected with new developments. As far as high-tech equipment is concerned, training periods for personnel are very time consuming. However, geostrategic conditions can change drastically during these training periods and may cause the termination of such pro-

\textsuperscript{52} Compare: Strunz, Herbert: Rüstungspolitik in Österreich – Bedeutung, Probleme, Perspektiven, Wien 2007
grammes. Armament programmes also tend to rise in cost due to long mileages. Many armament projects have already been stopped or decreased in number.

The enhanced verification of deployment relevance concerning large and cost intensive acquisition projects gains more and more importance, but becomes increasingly difficult as well. Against the background of increasingly rapid and frequently changing threats, the multi task ability and multi-compatibility of material to be purchased – at moderate cost – is consequently to be taken into consideration in the future. This approach may cause an increase in cost; however, the latter would be applied to military equipment maintaining its deployment relevance and capacity, even under massively changing requirements and threat scenarios.

A fundamental approach for the business economic design of military procurement would be the decentralized acquisition of goods and services in order to maintain military operation at the individual locations and bases.

On the local level defence administration is bound to the principle of the lowest tender in terms of procurement. However, potential saving factors are put into perspective by possible transport costs in case of long access routes or limitations in deployment due to lower quality profiles compared to more expensive alternatives. Budget allocation certainly is subject to the principle of economization, but it should not be the sole priority. The principle of economization could rather easily be replaced by different economic principles. The cheapest supplier is not necessarily the best choice. In general, lower prices are an indicator for lower quality. However, particularly for military goods, intended for military deployment, a high quality standard is decisive for application during deployment. Therefore, tendering regarding the individual military locations should increasingly be possible nationwide or even internationally. Depending on the assessment of the respective cost-benefit relation, a short term change between regional and supra-regional suppliers should be possible.

Generally, goods used in the military are often subject to versatile and long term use and should therefore be durable. Choosing the cheapest supplier may be more cost intensive on the long term, since lower priced goods may need to be more frequently exchanged and replaced. Instead, available resources could for instance be used for human resource management. The deployment of military staff could more intensively be focused on actual military tasks and consequently have long term benefits regarding the efficiency of human resource management.

Another tool for the enhancement of economic efficiency, which is increasingly applied on the public sector, is electronic procurement, also called e-procurement. The term e-procurement describes the general acquisition of goods and services by digital procurement and purchase networks. E-procurement is currently mainly used in purchasing. However, there would also be numerous possibilities for application in defence administration.\(^{53}\) Especially the military, being a major customer with a multitude of different contracting partners from industry to retail trade, is virtually predestined for the application of electronic and digital procurement procedures. Particularly for the procurement of indirect goods for daily military operation at the locations, as for instance goods regarding maintenance, repair and supply but also big long term acquisitions, e-procurement procedures suggest themselves.

An important aspect of electronic procurement in the armed forces is the security of data and networks. Hereby, not ‘only’ the protection of military information from external unauthorized access but also the protection of all data concerning procurement programmes is of great significance. This also includes data of contracting partners. All data needs to be confidential, inaccessible by third parties. Therefore, the exchange of data must not take place through the internet but through special, virtual, encrypted channels, which are specially secured and not accessible by third parties. An appropriate system of access rights based on passwords guarantees the sole access by only authorized personnel. Authorizations are again subject to graded issuance. Data also need to be legally binding, since they initiate concrete acts in law. Therefore, the application of electronic procurement systems requires the application of electronic signatures.

The change to electronic procurement procedures certainly involves considerable investments. Within a closed system, the networks of supplier and customer are connected during the order process and the respective interactions. This usually implies major efforts in terms of adaptation of the electronic interfaces. Therefore, such systems are primarily worthwhile if considerable procurement volumes between supplier and customer are involved. Since the military generally works rather staff and cost intensively and the major part of procurement is done on a regular basis, on a large scale and over long periods of time, the amortization of the necessary investments is virtually guaranteed.

Direct procurement by digital networks usually causes quite considerable savings of expenses for administration in terms of human resources, resources and time. Due to access qualifications and restrictions, internal administrative processes regarding procurement are made without engrossing several procurement levels and the respective authorization processes. The availability of goods can immediately be checked and decisions regarding the choice of a product, whether or not to initiate a procurement project or to contract a supplier can be taken quickly.

Usually, not only procurement itself is carried out by such systems; it also allows for a complete trace of all individual steps of procurement. Procurement expenses are consequently better traceable and lead to the optimization of the use of budgets in the long term. Finally, digital procurement systems can also be an ideal way to coordinate decentralized procurement processes – the better coordination of procurement within and between the individual locations. In this way, the multiple use of military armoury and the avoidance of redundancies could be realized as well.

II.6.1 BUDGET ASSESSMENT, ALLOWANCE AND MANAGEMENT

Budgeting is the key note and basis of all military procurement efforts. Budgeting is the formulation of objectives in monetary units and concrete contributions – of financial parameters. It is often considered a synonym of operational planning or parts of financial planning respectively. It is consequently understood as the conversion of operational plans into concrete monetary specifications.

After all, the armed forces operate under the dogma of decreasing budgetary and investment parameters. Therefore, its capacities to accomplish upcoming tasks and consequently also the scope of tasks to be accomplished are limited.

The aggravating competition on the administrative sector also has a considerable impact on the respective budgets. As a consequence, the economic problem of strongly increas-
ing and diversifying task on the one hand, and constantly increasing budgetary restrictions on the other hand is to be dealt with. The consequence is a call for a minimal as well as optimized administration. If these fundamental rules of economic efficiency are considered more closely, it is to be mentioned that the simultaneous accomplishment of both poses a problem, which solution is going to completely overstress the system in all aspects in the foreseeable future. A choice is to be made between either trying to reach a possible maximum within the framework of determined resources, or to try and accomplish determined objectives by causing minimum expenses.

Therefore, stable and still flexible budgeting as well as optimal use of available budgets stands, in spite of the manifold ways economic principles display, in the foreground. Since mere economic measures are soon exhausted and furthermore interfere with the scope of services to be provided, the optimal use of resources should be reflected upon. This makes early coordination between central planning agencies and military locations a key factor in the assessment of the necessary means and resources. Especially since the latest deployment scenarios have shown that general shortages are less problematic than one-sided, misdirected oversupply of deployment means and overstaffing.

The purpose of budget assessment for military operation and possible deployment is not only to determine necessary supply in the sense of: ‘What do we need?’ but to assess and take into account what can be supplied by whom and where. In this context it has to be taken into account that today’s and future deployment scenarios not only require coordination between military and civilian components but also budget allocation on a national and increasingly also on an international level. In fact, this is not going to simplify resource planning and the respective budget allocation.

A possible approach would be feasibility studies, establishing an order of the projects and endeavours to be realized and how to they are to be combined, which would also require regular controls, questioning and updating. A controlled integration of responsible agencies and the legislative body as well as verification by specialists and experts allows for the identification of contradictions and redundancies in the individual projects.

The unfortunately often unavoidable and restrictive budget policy is a fundamental problem for military task fulfilment in general and procurement in particular. Especially the increase of cost effectiveness of procurement programmes requires stable budgetary parameters as a basis for calculation. Furthermore, many necessary investments regarding the increase of cost effectiveness cannot be made, which again reduces all efforts regarding a creative and long term effective cost-management to mere saving measures. Such implementation difficulties certainly have an initial impact on the objectives regarding effectiveness and efficiency strived for. However, if an administration wants to continue to competently fulfil its tasks under the current and future restrictions without exceedingly depending on external economic influences, it has to be at least willing to permanently act according to the same or at least similar guidelines and principles.

There are two different ways to approach this problem. However, they can hardly be applied simultaneously. Tasks and structures are either reduced until they can be managed with the available/allocated resources regarding personnel, operation and investments; or an increase of resources is only granted for those tasks and structures considered absolutely necessary, by financial authorizations and supporting laws respectively. As a consequence, however, this would imply a further encumbrance of the household as a whole as well as the reduction of other areas’ budgets. If the reduction of structures to an affordable level is considered, priorities are to be established as well. This, on the
other hand, bares the danger of one-sided preference of some military components, which can finally limit the whole system’s capacities. In this respect, even the discrimination against fields working in the background, as for instance on the administrative level, can have an eminent impact on the operational readiness of active components of the armed forces. Especially the adaptation to the armed forces’ tasks profiles of the foreseeable future requires new technological means of deployment, which have a major influence on available budgets. This again, requires a more effective planning and use of available financial resources.\footnote{Compare: Neubauer, Günter: Nutzen-Kosten-Untersuchungen als ökonomische Entscheidungshilfen für den militärischen Beschaffungsprozeß. In: Guss, Kurt (Hrsg.): Der Mensch im Mittelpunkt der Militärökonomie, Koblenz 1987, 296 ff.}

Furthermore, it is recommendable that the rights of disposal as well as the control over available resources remain subject to centralization for the benefit of better traceability. As far as procurement is concerned, the assessment of which resources, services, capacities and personnel are required of which kind and volume can mainly be managed by the individual locations. Nevertheless should feedback mechanisms and incentives for the economic use of financial resources be developed on the central level. In this way, direct and centrally managed procurement, which often fails to meet the requirements of the individual locations, would be abolished, and so would be the respective annual budget allocation. It would be replaced by a flexible access to financial resources, which would have to be justified regularly but with less effort and could, depending on the individual case, be either awarded with incentives or sanctioned.

Instead of deployment specifications, budget allocation could be combined with incentives. A future preference regarding annual budget allocation can for instance be offered if procurement is not only managed within the specified framework but presents innovative solutions for the economic design of individual expense policies. This not only avoids the impression of a too rigorous pressure to economize, but promotes the creative and sustainable use of allocated financial resources.

Without consistently involving the executive staff in budget allowance and procurement, material and technical optimization efforts would be rather unsuccessful. Therefore, the active involvement of the respective staff regarding the design of requirement catalogues for procurement projects is to be paid attention to, which of course requires professional briefing and training. On the one hand this initially causes further expenses; on the other hand, well trained personnel are a decisive factor for the reduction of expenses caused by potentially inadequate quality and deployment relevance of goods purchased.

Furthermore, procurement times for new technical and technological systems would be shortened by more concrete specifications provided to contracting partners, suppliers and the industry. Again, this would have a positive influence on deployment planning regarding goods purchased.
II.6.2 INVESTMENT AND CONTRACT PLACING

Due to the premises set by budget allocation, close considerations regarding military contracts and the corresponding investments become a necessity. This is particularly notable in regards to technical acquisitions. One the one hand, increasingly restricted budgets call for restrictive management; on the other hand, new task profiles and requirements oblige to an increase of technology. However, exactly this type of equipment is getting more and more expensive. Furthermore, even a long term economic interpretation of the respective military and control components may initially require substantial investments. Therefore, defence administration finds itself confronted with the following dichotomy: On the one hand, it is required to develop enhanced cost awareness, which may of course be connected with economization measures. On the other hand, there is a need to make big and long term investments in order to increase cost effectiveness in the long term.

Modern armed forces have been familiar with this problem for a while. Not only can outdated equipment of active troops and administration no longer meet with current requirements, it also causes consistently increasing costs. The consequences are increasing expenses for fundamental material which can hardly fulfil the requirements for military service provision and corresponding objectives.
It is absolutely possible that the expenses caused by outdated military equipment double after 15 to 20 years due to excessive maintenance requirements and energy consumption as well as frequent accidents and deficiencies. In this context it has to be pointed out that technical gear and other military equipment needs to be in use up to 30 years. Therefore, the question whether or not the increase of the financial bases for investments finally accounts for the reduction of long term costs may seem paradox, but certainly is legitimate.

However, also procurement gets more and more expensive and requires increasingly high investments. More procurement investments also automatically imply longer periods of operation, since the amortization of military acquisitions can hardly be rated in monetary units. Generally, acquisitions are the material guarantee for processes concerning service provision. However, military performance can hardly be quantified. Therefore, the question is if and how the productive value of military investments can be determined. An orientation towards longer periods of operation and durability at minimum cost also implies longer development and construction times. This again bares the risk that requirement profiles may change in the meantime, and that the latter can consequently not be met in spite of virtually new material resources.

In order to provide flexible and substantial equipment, many armed forces primarily invest in active and expeditionary troop units. This approach, however, implies an automatic disregard of other fields and also administration. Therefore, it has to be kept in mind that even optimally equipped deployment components are very limited without an effectively functioning basis and supporting components. This also implies a less balanced cost-benefit ratio of new acquisitions. By closer consideration regarding future military investments it becomes evident that there is a multitude of opposing premises which have to be taken into account if economic aspects are to be applied.

In principle, all procurement activities follow commercial and cost-benefit related principles. As far as contract placing is concerned, not only internal cost related aspects are to be taken into consideration. Especially on the military sector (external) macroeconomic aspects play a considerable role, like for instance stimulation of economy, within a certain framework also labour market policy and not least geostrategic aspects. Above all, decisions concerning contract placing on the military sector are always also political decisions, which may be contradictory to the principle of cost submittal. Such premises reach from contract placing to domestic industries and respective proprietary development by licensed production and partial import, to armament related cooperation agreements with foreign partners up to contract placing to other countries’ industries and the direct import of foreign goods respectively. In this way, armed forces and their political leaders respectively, have initiated procurement programmes in the past, which requested much higher investments as possible alternatives. One reason may be economic decisions. Sometimes contract placing to domestic economy implies higher investment costs. On the other hand, they can stimulate the respective business location’s labour market. Another reason can be political specifications. Sometimes contract placing is preferably done with other countries’ industries in order to promote strategic relations. In this case, political aspects outweigh economic circumstances.

Hence, it is a general fact that for investment and procurement related considerations it has to be taken into account that procurement programmes via ‘savings by indirect returns’ always allow for economic or strategic advantages. In the long term these positive macroeconomic developments may affect the budget situation. This not only relates to different spin-off-potentials for the military and economy, but also to potential sav-
ings due to raising efficiency. On the defence administration level, higher investment expenses can only be compensated by a very flexible and broad application of goods purchased: Furthermore, defence administration should, in its own interest, have a strong advisory function to the political level when it comes to investment decisions. Therefore, instruments for improved coordination, as mentioned before, are of great significance to modern management in defence administration.

Before investments are made, a comprehensible in depth analyses of the military, social and economic environment is necessary. The corresponding analysis needs to permanently be developed as well in order to at least approximately estimate and evaluate future development tendencies of task profiles and threat levels. As far as investments concerning procurement of military heavy gear is concerned, not only technological superiority but also application and deployment relevance are to be taken into consideration. Besides multiple deployment capacity, durability and stability should be decisive factors. Moreover, concrete specifications regarding facilitated and cost-effective attendance and maintenance are to be made to the contract partners. This not only applies to military heavy gear but also to technical systems in administration. It is generally recommendable to strive for an enhanced cooperation with partners from industry and economy, since their stronger involvement in activities regarding the further development and maintenance of technical procedures could be beneficial. This could in the long term also pave the way for a mutual interest in long lasting products and low maintenance costs. Some armed forces already successfully strive for and develop such partnerships.

An essential consequence of the conflict between cost pressure and increased technological requirements is the increasing tendency towards common procurement projects – a decision which is currently being taken by numerous armed forces. Such an approach may initially raise the cost of the whole project, but is put into perspective again by higher quantities and consequently lower costs per unit. This finally leads to considerable cost minimization and most notably the sharing of investment costs for the respective participants in the programme. However, this approach also requires expenses for the increase of the military’s own cooperation capacities. It further implies taking the risk of artificially prioritizing political rather than economic aspects. Clear budgets would have to be established for the purpose of coordinated and calculated activities within coordinated and complementary facilities which are responsible for project management. Only in this way can potential be released with the available resources. In fact, this has been recognized by many countries and administrations, and there are manifold corresponding innovative concepts and approaches. However, it can also be noted that this coordination often fails and considerable potentials for cost-optimization get lost. Therefore, it has to be carefully considered which criteria weigh more and bare more potential for economic optimization in the long term.

Considerations concerning contracts should also be differentiated. Hitherto, primarily long term contracts with the military as demander are strived for. However, integrative and generalized guidelines and policies may be counterproductive. On the regional and decentralized level, that is to say in regards to procurement for and investments in the regional infrastructure, which are mostly done by military locations, it should be considered in how far shorter commitment periods increase the scope of action regarding the free choice of contract partners. Since military demand is usually of considerable volume, it has a vital influence on regional pricing. In case of bulk orders to the industry, however, long term contracts should not only be focussed on concrete tasks concerning purchase quantities and periods but also increasingly on the compliance with
budgets agreed on in the respective pre-contracts with the industry and on the equipments foreseeable operational readiness. Thus, the danger of possible penalties if projects are delayed or budgets are overrun would be minimized.

Some armed forces currently employ specifically trained personnel, so called contracting officers, quite successfully. They act as middlemen between suppliers from industry and economy and the military in its quality as demander. Their role is also to be understood as a measure of enhanced and regular control of budgets and compliance with contractual parameters agreed between the military and economy over the whole contracting period. This also allows for adding new performance parameters and requirements already during the development phase. Hence, subsequent additional modification and retrofit costs can be reduced considerably. Another aspect of how contracting officers contribute to the optimization of efficiency lays in their potential to promote the enhanced decentralization of individual procurement projects. Since they virtually are experts for the inspection and implementation of procurement projects, they would be a largely centralized but still mobile instruments of coordination. This implies the staffing of those positions with personnel disposing of appropriate experience, mediation and negotiation capacities as well as of a basic understanding of economy and a certain degree of business economic knowledge.

II.7 COST ACCOUNTING AND RESULTS ACCOUNTS

In order to guarantee efficient entrepreneurial operation, profound accounting is a principal precondition. Some instruments of accounting suggest themselves for effective efficiency controlling as well. In business economics the term accounting is used to describe all mathematical and calculatory processes regarding the conceptual and systematic acquisition and evaluation of relations, processes, volumes, and valued to be quantified for the purpose of planning, controlling and monitoring of business operations. Here, a difference is often made between cost accounting, as internal accounting, and financial accounting, as external accounting. Financial accounting is first and foremost responsible for reporting, which is the basis of cost accounting.\(^{55}\)

The concrete reasons for their performance related application in the armed forces are, besides better control of expenses and the effective use of the later by the individual alliances and agencies, the assessment of internal military original costs for quantification and the comparison with other institutions and suppliers. Another reason is the establishment of a calculation and budget basis in order to improve the use of financial resources within the armed forces and to find potential alternatives, respectively.

However, the hitherto widely used cash basis accounting (compare cameralistics) does not meet the above mentioned requirements, since it only represents the mere cash flow. These static or also cameralistic accounting procedures simply convert the over all revenues and expenses, which are specified in the course of budget allocation or for

investment projects, into average periodical revenues and expenses. This cash basis account is the simplest way of financial accounting and allows for the assessment of each period’s surplus or deficit. This encourages administrations to put the main focus on the compliance with budget plans. Cameralistics mainly show the relative numbers of budget surplus and overrun respectively.\footnote{Compare: Eichhorn, Peter: Allgemeine und Öffentliche Betriebswirtschaftslehre, insbesondere Doppik und Kameralistik. In: Eichhorn, Peter: Öffentliche Betriebswirtschaftslehre – Beiträge zu BWL der öffentlichen Verwaltung und öffentlichen Unternehmen, Berlin 1997, 141 ff.; Brede, Helmut: Grundzüge der Öffentlichen Betriebswirtschaftslehre, München/Wien 2001, 195 ff.; Lüder, Klaus: Neues öffentliches Haushalts- und Rechnungswesen. Anforderungen, Konzept, Perspektiven, Berlin 2001, 7 ff.}

In fact, a representation of real resource consumption and its relation to the service provided is necessary. Therefore, it would be important to apply a type of cost accounting which does not only pass expenses to account but also discloses development potentials. Hence, cost and performance accounting suggests itself for the military, since it can widely compensate the above mentioned deficiencies and consequently provide a basis for enhanced cost-effectiveness.

In general, cost and performance accounting describes the cycle related assessment of resources required for service provision. In order to do so, the consumption of goods and services as well as the use of durable economic goods is assessed and related to the respective service performed.\footnote{Compare: Adamaschek, Bernd: Kosten- und Leistungsrechnung für den öffentlichen Sektor. Blanke, Bernhard; von Bandemer, Stephan; Nullmeier, Frank; Wewer, Göttrik (Hrsg.): Handbuch zur Verwaltungsreform, Wiesbaden 2005, 360 ff.} Hence, the following tasks of cost and performance accounting are:

- Assessment of original costs according to business economic principles as a basis for the determination of remuneration of performances;
- Cost and performance transparency;
- Establishment of basic parameters for the analysis of weak points;
- Establishment of a basis for internal and external performance comparisons;
- Regular monitoring in order to increase cost awareness and consequently promote cost minimization;
- Establishment of planning and budget related basic parameters;
- Establishment of decision making parameters for investments;
- Consistent accounting records for asset safeguarding and maintenance.

Within the framework of this instrument, the staff disposes of the following assessment procedures: value-benefit analysis, cost-effect analysis, cost-benefit analysis. Fundamental components of such a cost and performance analysis are cost classification, cost centre accounting, cost unit accounting and activity based accounting.

Activity based accounting in particular provides the possibility for the military to determine, at least rudimentary, the output of military performance. Furthermore, this type of accounting provides an instrument for adding development costs of military equipment to the items ordered and therefore to identify the real costs per unit.
Even though cost – performance analysis is an affective approach towards the economic use of available resources, some special items are to be taken into account in the case of defence administration.

However, in the course of the particular procedures of cost – performance analysis, the classification of accounts to corresponding performance processes is hardly possible, since military performance processes often occur in a completely different context and at different times. Furthermore can the individual costs of military performance processes not always be allocated to particular cost types? Cost structures, as for instance those of peace missions, are far too complex for such a classification and expenses can only be accumulated. The output which could be opposed to those expenses is usually not calculable in the long run. If at all, the entry of cost units is possible in regards to investments, but even then the comparison is rather complicated, since military investments range over long periods of time and are a matter of specific expenses. Nevertheless, the exact assessment of costs per unit of importance in the military, since for instance hours of operation and maintenance expenses of military equipment purchased is to at least correspond with payback periods.

In order to allow the assessment of cost effectiveness through accounting, the offset of investment costs with the military output would be necessary. However, this output can hardly or not at all be evaluated, at least not in concrete monetary units. Therefore, it is relatively difficult to make statements about the effectiveness of expenses. The armed forces can also not simply demand fees for the provision of security. This would foil its character as public goods.

A largely decentralized accounting system is certainly desirable, and is already partly applied by defence administration, which also implies decentralized resource responsibility. In deed particularly the military increasingly practises an enhanced retention of direct measures taken by political and strategic leaders, even in regards to the use of resources. At last it is to be noted that proposals regarding the more cost effective use of resources, resulting from cost and performance accounting processes, cannot simply be adopted, since for decisions concerning military service provision the country’s own population’s ‘demand’ for security is no longer the sole concern. In fact current and future military action results from collective, geostrategic and political interests.

Furthermore it is to be mentioned that one of the tasks of cost and performance accounting is the apportionment of data, which is directed to the development and further development of the economic and competitive use of resources. On the one hand it can be argued that for the military system the economic use of resources is particularly important in order to fulfil the military mandate. On the other hand the transparency regarding origin and use of resources is especially difficult in staff intensive organisations of public administration. This results from the fact that in the military it is often necessary that many decision makers of different ranks and competencies direct origin and use of resources – sometimes at several locations. The optimal use of resources according to economic aspects is therefore difficult, not in the least due to the applied methods of accounting and the reasons for the application of such systems in the armed forces.

The implementation of a holistic cost and performance accounting system in the military is in fact very difficult to achieve. Nevertheless, this does not imply that within the individual agencies an efficient system of cost and performance accounting cannot or is not being introduced in places.
II.8 MILITARY PERFORMANCE ASSESSMENT AND SERVICE PROVISION

In general, performance is defined as an action for the purpose to achieve a certain result or the solution of a particular problem. It is the result of a purposeful effort within a determined period of time according to specific quality standards. Performance can therefore be defined as a resulting material or imaginary product or as the achievement of a specified social or economic position. Furthermore, the method of achievement can be of importance in regards to service provision. In general the proceeds or output are considered as the result of economic performance. From an economic point of view, the term output stands for the volume of goods produced. In business economy proceeds are an indicator for a company’s increasing success by production of goods or provision of services.

In economy, performance is defined as the appraised operation and target related production of goods by a company within a certain period of time. It further is an indicator for the profitability of an organisation.

In administration, performance primarily stands for the actions and services of the respective public organisation which are to be offered to the citizens. In most cases these services are subventions or of financial nature, but also many other services like for instance the operation of the institutions themselves or the free provision of services and facilities to the citizens as well as the maintenance of the corresponding infrastructure are part of those services.

Military performance is the collective of all efforts and actions to guarantee unlimited provision of public security, national and ally defence as well as permanent operational readiness to defend the securities provided.

How can successful performance be defined in the military? The quantification of performance in the armed forces is exceedingly difficult and subject to a multitude of problems. Expectations of various different demand groups are to be met simultaneously and political objectives are often only vaguely defined. Moreover, those objectives are mainly of qualitative nature and are therefore not measurable in definite monetary units. However, the definition of objectives is essential for the determination of performance levels. Military performance in particular cannot simply be defined as a result or some kind of job performed within a certain period of time. This is exactly the reason why military activities are so controversial. After all, it is a public service. Its value for society cannot be numbered but shows in the long term, in the form of safe regions and locations for the consequent and undisturbed social and economic development as well as in the form of asserting interests. Hence, there is hardly any possibility to measure a military organisation’s performance by a definite indicator. Nevertheless, military performance is to be dealt with and considered. Otherwise the sole focus would be put on its counterpart, the costs, which would make all efforts concerning economic optimization one sided. Military mandates are to be fulfilled in a way to optimally meet their purpose as well as the demand groups’ expectations.

One method of comprehensive performance assessment, also in regards to target relevance, is the so called balanced scorecard, which is increasingly propagated in private economy.\(^{58}\) The balanced scorecard is one of the most recent and important tools of

\(^{58}\) Compare: Munding, Max: Balanced Scorecard als Steuerungsinstrument für die öffentlichen Verwal-
tung? In: Hill, Hermann (Hrsg.): Aufgabenkritik, Privatisierung und Neue Verwaltungssteuerung, Baden-
Krause, Ulf: Einsatz der Balanced Scorecard zur Entscheidungsunterstützung im Militär – Günter Kirch-
controlling and can also be applied in defence administration in order to, at least to some extent, allow for performance assessment and respective considerations of military objectives. It is a holistic, target oriented management method, taking into account an organisation’s vision and strategy as well as relevant internal and external aspects and their interdependences. Starting from a strategy which takes into account stakeholders as well as the environment, the critical factors of a certain performance’s success are determined, and a system of qualification numbers derived from them, which represents standard values for the achievement of strategic objectives and the characterization of services to be performed. In the course of a continuous process, objectives, target achievement and performance standards are inspected and controlled by further measures. The balanced scorecard therefore serves, within the framework of strategic controlling, as a management tool for the organisation’s orientation towards strategic objectives. Contrary to models and visions the balanced scorecard’s intention is to make the implementation and measurement of strategic target achievement possible. With this method, the management’s field of vision should be guided from a traditional view, marked by financial aspects, away from the organisation’s own performance and towards all other relevant aspects which are influenced by performance and therefore in turn influence performance, in order to lead to a well balanced picture. This new and more comprehensive view is to allow the organisation to direct its performances as well as its whole orientation towards specified objectives, and allows for more concrete measures.

Performance assessment by balanced scorecard implies the consideration of an organisation’s performance and strategic objectives from four different perspectives:

- Financial perspective (turnover, costs, quality)
- Customer’s and demand groups’ perspective (contentment, level of acceptance etc.)
- Perspective of internal processes (quality, kind, volume and structure of the performance process)
- Learning and development perspective (development necessities and potentials, fluctuation of service providers outside the organisation etc.)

As far as administrative systems are concerned, politics, in their quality as determinant stakeholder, can explicitly be added as a fifth perspective. Every perspective corresponds to a classification number which is chosen according to the most exact way to measure the respective approach towards strategic objectives.

The advantage of this method is that considerations regarding objectives and performance may also include environment related aspects as for instance external considerations and demands or trade specific factors. This allows for the detailed definition of the respective performance spectra. An important element of the balanced scorecard is the fact that the creation process itself already requires the involvement of all relevant stakeholders. In this way acceptance is increased as well as the accuracy of objectives and measures. The balanced scorecard allows for the harmonization of performance and models with strategic objectives. Strategy can therefore be brought down to the exact and target oriented operational action for service provision, since the balanced scorecard allows for a more complex assessment of performance. It also discloses possible deficits and important tasks of service provision. Furthermore, its relatively simple structure allows for a reduction of complexity in terms of process monitoring and service provision. The justification of measures and responsibilities are clearer as well. The balanced scorecard also strengthens the staff. They obtain their own perspective, since their performance can be evaluated more appropriately.

However, in the military the balanced scorecard bares the danger of a one sided focus on measurable classification numbers, which may lead to a further distraction from and
misjudgement of military performance. In this case, the initial intention of the balanced score card, the definition of military performance and its orientation towards strategic objectives, would be lost. Additionally, a sole focus on classification numbers can lead to deliberate manipulation or one sided optimization of those numbers, which could have eminent consequences, particularly on the military sector.

Regarding the economic design of military service provision it is not possible to simply accelerate or improve it. The military has to keep in mind that its performances are to be in line with the expectations, demands and interests of as many participating groups as possible and in the most optimal way. Hence, economic ways of acting and thinking cannot simply be adopted and applied to considerations regarding the optimization of military service provision. If performances are to be adapted to the expectations of the different interest groups, periodical negotiations and discussions cannot be avoided as for instance in case of new projects or regulations. To the contrary, they are in fact desirable. However, negotiations themselves can be better structured and carried out in steady committees, which make them as short and efficient as possible.

Dimension as well as form of the military service provided depends on the respective basic parameters. These parameters determine character and volume of expenses necessary for consistent service provision – allocation and guarantee of security, assertion and protection of interests. Generally, military performance should unlimitedly be made available to the state and the population. This implies that in case of crisis, when unlimited military efficiency is indispensable, economic principles cannot and sometimes must not be applied.

Among others, the following questions can help to determine basic parameters:

- Is a country in peace or in a state of emergency or war?
- Does the country have to meet obligations due to alliances?
- How good is the quality of technical and general material equipment of the respective armed forces?
- What effect does service provision have on the social environment?
- What effect does the provision of the service required have on the psyches and morals of the military staff in all areas?
- Under which ideological and social system is the service to be provided?

In general a military performance, not only in terms of public security, is considered as achieved, if:

- national borders are permanently defended,
- deterrence of any kind is achieved
- damage during and after catastrophes are kept to a minimum,
- conflicts are reduced or even settled,
- sustainable peace is achieved in a region,
- national and international interests are protected and asserted.

The foreseeable maximum military performance assessment according to economic principles is therefore only possible, if the following three questions are permanently raised within and outside the armed forces:
First: Up to which point are expenses justified the way, place, duration and expected objectives of an operation and its future effects on the county’s own social and economic system?

Second: In how far is the service provided or to be provided conformable and tolerated by the population – the social group which finally antes up the necessary means?

Third: What impact would a certain event have had on the country’s society and whole system with all its components without the interference of the military or military service provision?

If performance assessment and measurement is to be, at least rudimentarily, made possible, the following conditions are to be established:

- The most exact definition of demand groups possible;
- Clear and comprehensible missions with deduced objectives;
- A framework within a consistent relation between objectives, the corresponding indicators and military performance can be established;
- The choice of adequate instruments for the measurement of performance and success as well as for the guarantee of the necessary resources.

Besides the external perspective, the view on internal military performances must not be neglected. Eventually, exactly those are the ones which define the external performance rate and its military quality. These performances are mainly subject to the defence administration’s field of activity. Administrative aspects concerning the guarantee of service provision are not to be underestimated. Security is, as mentioned before, a public good, provided by a public instance and is therefore not tuneable with a demand formed on the free market. Nevertheless, military performance assessment finally needs to be directed to finances, since resources are limited. The performance catalogue’s volume is determined by the respective nation’s financial situation. Another reason why a more or less seizable way of military performance assessment is indispensable is the fact that it is to be presented to a defraying population, to which the necessity and benefit of military value performance is to be made understandable. Especially in times of enhanced global competition between the different nations in their quality as locations, and its influence on the respective households, this necessity becomes evident, if the basis for military performance is to be preserved.

In principal, there are two methods which are to be taken into account in order to allow for any statements about the value of services provided within the framework of military activity: the input oriented and the output oriented approach.

Assessment by input oriented approach is simpler, if only expenses for the defacto deployment of financial, material and human resources, equipment and other means or the deployed resources’ market prices are considered. Another form of input-approach is the citation of opportunity costs/expenses which would have accrued by the application of the best possible alternative. However, the application of the input oriented method is problematic, since it takes too few management relevant details into account in order to objectively assess all cost components. Such details are for instance: too few depreciation allowances, loss of labour time and value of expertise or possible interest yield.

In contrast, the output oriented approach directed to the determination of the value which is to be maintained and secured or has been newly created by more intensive efforts. However, since aspects like security, life, health or the maintenance of a social
system can hardly be measured and not be determined by assured material assets – as mentioned earlier – the only possibility left is the comparison with what would happen if a service was not provided or the above mentioned values and systems not protected or maintained. Thus, the output oriented approach is also rather non-satisfactory.

Another approach to determine, at least rudimentarily, the value of military performance would be the direct comparison of military output with the scarcity of deployed resources – thus the input – in order not to base considerations on the financial value but on the changes in volumes. But even this is not so simple in the armed forces. If material resources are to be evaluated by their number or value of raw material, the human factor in the form of personal motivation and physical as well as mental capacities under deployment conditions are not objectively measurable in advance.

Since the internal output of the armed forces is so difficult to evaluate, a comprehensible optimization of military performance can at first only be achieved by the optimization of resources spent. This basically implies the more efficient and rational use of resources to be provided, to deal more constructively with the general problem scarcity of resources, the improvement of cost effectiveness and more effective processes and structures. The following approaches could be made:

• Active cost management and inspection of expenses in regards to their actual relevance for the planned deployment;
• Human resources management in the sense of staff covering and staff support;
• Implication of geographic, topologic and typical as well as cultural factors of the respective area of deployment in regards to budgeting of military operations;
• Comparison and inspection of the relation active military personnel to be deployed and the necessary downstream services, support services and administrative expenses.59

The optimization and change of the service to be provided do generally not end in themselves, but happen due to changes in demands.

Furthermore, not only the optimization of previous performances should be taken in hand. Considerations regarding the amplification of the existing performance portfolio are recommendable. Especially in defence administration the economic allocation of innovative services to partners from the social and economic environment, which would also reduce its own budget pressure, is possible. Such an approach would certainly require the comprehensive examination of the legal basis. However, diverse services are in fact conceivable, for instance in the fields of data and information protection, safeguarding and consultancy regarding research and development, medical science, supply, disposal, science and technology.

Against this background, the topic of civil military cooperation (CIMIC) recently enjoys great significance in modern armed forces.

II.8.1 CIMIC AS A PRODUCT

Today, security for a state is no longer achieved by traditional military approaches. Among others, due to the following reasons: increasing structural and social integration, increasing mutual economic dependency between nations, global free trade, increasing proliferation of weapons from, between and to third world countries, proliferation of armament technological know-how, increasing affordability of bigger weapons for unstable and poorer countries. Furthermore, a civilian approach is often required in order to form a society in regions of crisis and beyond. As representatives of a ‘neutral third’, ideally with a United Nations mandate and therefore internationally sanctioned, modern armed forces are entrusted with diverse tasks regarding conflict settlement, stabilization, establishment of sustainable peace keeping measures, regional pacification, disaster/crisis management and support in case of emergency due to technical breakdowns.  

Current conflict development and the constant change of military deployment – especially in terms of too long peace missions – do and will require more civil military cooperation than ever, on a multitude of different levels.  

Particularly in this context, the military can develop an innovative range of services for the civil sector. Apart from the allocation of mainly technical capacities required in case of salvation, rescue and transport necessities, the potentials of many countries’ armed forces as supporting components for the development and reconstruction of social structures in areas of crisis are relatively unused. This is not only problematic for civil institutions. Considerable opportunity costs can emerge for the economies due to unused synergy effects for instance in regards to the development of security, economy and reconstruction as well as human rights policy. Moreover, numerous redundancies and unnecessary – because made from several sides – claims, for instance regarding the use of budgets and administration can be detected.  

A completely new and in the first place more intensive and long term cooperation between the civil and the military sector. Not only within military organisations, has CIMIC become an important concept. Also from the civil and economic side an increasing realization can be noticed of the fact that the armed forces can provide important services and resources for peaceful crisis settlement and for a region’s economic coverage.  

In principle, CIMIC is a paradigm resulting from a necessity. Conflicts and situations of crisis have become so complex, that the respective military or civil action alone is no longer sufficient to guarantee stability. Such ‘forced communities’ are generally ill-fated. However, if a balanced, continuous concept of CIMIC can be implemented, substantial possibilities for considerably more effective and accepted action in case of conflict, crisis and catastrophes emerge, also in regards to economic problems.  

Currently, there are different conceptions about the character of CIMIC. It is understood as the purposeful coordination of and cooperation between military personnel and representatives of population groups, national and regional administrations, international and national non governmental organisations in the course of the promotion of the alleged military mission. Military performance spectra essentially involve the allocation of se-

curity and support services, which are carried out after direct request of civil institutions and authorization through the respective high command as well as the allocation of material and human resources in explicit cases emergencies in which a civil body in the region affected is not able to fulfil the necessary tasks or is not available respectively. The allocation of military services is mainly focused on deployment scenarios which, with the exception of natural catastrophes, primarily occur beyond the borders of alliances and beyond the areas of the first and second world. Currently, the term ‘nation building’ is often used in this context, meaning the purposeful development of stable, constitutional, (civil) social and economic structures in a region after situations of crisis or conflict.

Within the United Nations CIMIC is defined as the mutual support, common planning and constant exchange of information on all levels between military institutions and their components and humanitarian organisations, of which all are working for common objectives in case of humanitarian emergencies.

![Development of the demand for CIMIC in case of international crisis operation](image)

In general, any form of civil-military cooperation within the framework of multidimensional, multifunctional and multilateral crisis management of any kind, in times of peace as well as in times of active war, can be defined as CIMIC. The aim is to achieve

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full cooperation and supportive operational capability of the civil society with all its components in the area of operation.\textsuperscript{63}

However, CIMIC should first and foremost be understood as the development and extension of alliances between civil, economic and military organisations going beyond selective cooperation in cases of crisis or deployment. This means that CIMIC is not only conceivable in fields connected with humanitarian aid, but also and especially in the fields of research and development, diverse forms of supply and supply technology, logistics and the equipment of civil and economic organisations as well as other fields. Hereby, military cooperation with civil institutions is not limited to humanitarian issues. It involves also other actors as for instance government agencies, international organisations, maybe donors, other security services, international police forces, economic actors, local agencies and administrations and of course the population. A well balanced concept of CIMIC can compensate the financial, material, substantial and structural deficits and avoid possible double strains which are represented in the different budgets and usually are a big, unnecessary cost factor. For the armed forces economic and scientific cooperation are certainly a main focus, next to cooperation in cases of crisis. Development cooperation has also, and in particular economic aspects which are to be taken into consideration. The enhanced involvement of the economic component is of great advantage for development in regards to the connection with the affected areas.

Therefore, the promotion of the establishment of economic representatives after situations of crisis can be considered a clear relief for national households, since it would reduce the comprehensiveness of military deployment. The possibility of the economically profitable location of companies in the area of operation can have a long lasting positive effect on the region’s growth, because these services again have positive effects on the economic and social conditions in the area of operation. Even though the armed forces are not subject to profit oriented purposes, economic and scientific cooperation most likely provide the basic parameters for the establishment and improvement of the military’s own possibilities of taking effect. In the context of CIMIC, the armed forces take on, among others, the following tasks:

- Regional deployment tasks,
- Consultancy regarding research and development,
- Medical tasks,
- Information and education related tasks,
- Humanitarian and social tasks.

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<th>CIMIC-fields of activity</th>
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<td>Public affairs</td>
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| national/regional administra-
  tion                   |
| municipal administration, legal
  issues                  |
| Execution                |
| Police, customs and border related tasks |
| Environmental protection |
| Fire fighting            |
| Rescue service           |
| Refugee camps            |
| Immediate aid            |
| Religious and cultural issues |
| Ethnic groups            |
| Religious communities    |
| Cultural associations    |
| Sports clubs             |
| Clan structures          |
| Economy and commerce    |
| Banks and insurances     |
| Nutrition and agriculture|
| Industry and trade       |
| Money transfer           |
| Farmers cooperatives     |
| Trade associations       |
| Mercantile communities   |
| Civil infrastructures    |
| Post office              |
| Telecommunication        |
| Media                    |
| Inland waterways         |
| domestic ports           |
| seaports and seaways     |
| airports and air traffic |
| road networks and bridges|
| railway system           |
| historical buildings, monuments and cultural assets |

*Table 2 CIMIC fields of activity*

As far as deployment in case of crisis or emergency is concerned, the establishment of a special CIMIC-center on the military side is recommendable in order to communicate with the population, to guarantee the satisfaction of emerging basic needs and to coordinate the activities of organisations in the operational area. Such coordination centres are to fulfil, among others, the following tasks:

- Immediate communication with the population and continuous on site evaluation of the situation;
- Satisfaction of basic needs;
- Maintenance and stabilization of the local administrative elements’ viability;
- Consolidation of living conditions;
- Redevelopment of schools and institutions for vocational training until it is possible for civil organisations to take over the sole responsibility;

64 Compare: Bundesministerium für Landesverteidigung: Präsentation – Ergebnisse der AG CIMIC (Workshop), Wien 28.09.2004
• Planning of the disposition of civil and state-run organisations in the operational area after troop withdrawal and the assessment and guarantee of the respective necessary conditions;

• Promotion of economic reconstruction.

Furthermore, the internal integration of leadership, information and command structures is to be promoted, including the creation of differentiated and therefore versatilely appropriate links for further integration of civil institutions from all social and economic areas. Therefore, experts are required in the military, who are able to assess civil and economic issues according to military limitations. As military specialists, these experts would have numerous different tasks as for instance the development of schools and hospitals, to direct commercial training courses, to advise on completion of contracts and to adequately deal with the population by respecting cultural peculiarities. Apart from the necessary expertise and know-how, these tasks also require language skills, intercultural skills, communicative talent, a high degree of social competence and flexibility, interactive abilities and the ability to adjust to the respective region’s cultural and social conditions.

Common exercises and coordinated intersecting training programmes in commonly used educational institutions or directed by common instruction teams, can minimize the logistic expense for all parties involved. Well integrated CIMIC-teams and mobile logistics departments, disposing of adequate basic training, can already have such an effect. For the conception of decisions within the framework of CIMIC it is therefore important to determine how military and civil decision making processes work, where and in which form they differ and how those differences can be minimized or skillfully be avoided. In order to successfully combine these decision making concepts it is necessary to either establish a uniform over all plan or to coordinate the respective planning approaches with the in-situ tasks. In this way, the orientation of military, purposeful planning towards individual deployment packages could be accomplished as well as the long term effectiveness of common deployment and the adjustment of civil planning to direct measures with quickly showing effects.

The sustainable implementation of CIMIC first and foremost implies a precocious and crisis independent management; not only applied to some projects or deployments but to the whole concept of cooperation. Therefore, the implementation of CIMIC-projects requires:

• The creation of an overall national and internal concept of CIMC;

• The development of common training programmes and organisational measures;

• The development of concepts of cooperation with actors from economy and aid organisations;

• The establishment of centres of excellence and contact;

• The common establishment of a financing concept, taking civil as well as military budgets into account;

These task and demand profiles of course require a high degree of competence and complex training of personnel. Among others, the following aspects favour common training and procedure in the operational area:

• Training of the ability to develop personal relationships;
• Integrated seminars, conferences and workshops;
• Common vocational and other training programmes;
• Civil-military training;
• Common exercises;
• Comprehensive exchange of personnel and data;
• Contact with the population.

In general, all approaches concerning the implementation of civil-military projects should involve procedures which are primarily oriented towards criteria of effectiveness, efficiency and sustainability. This implies the realization that development aid projects can be combined with concepts for the economic reconstruction, which can above all be carried out by economic actors.

Another approach would be the establishment of a common and commonly accessible resource account. All actors taking part in the respective CIMIC-project make their resources and possibilities available in this account, which could be fetched from there. The most important result would be the minimization or maybe even abolishment of the considerable problem of resource redundancy and the often one-sided application of resources. Furthermore, costs for material could in many cases be reduced as well as those for relief supply, equipment and excessive or mislead use of human resources, which would make the respective budgets available for other areas.65

In the end, the economic component is an essential factor for the calculation and application of necessary resources as well. On the one hand, the economic factor is often the basis for the allocation of resources and their operation and maintenance respectively. On the other hand, especially economy, which is constantly under the pressure of competition, disposes of substantial knowledge regarding the efficient use of resources and the respective coordination of resources available for deployment.

II.8.2 COOPERATION WITH ECONOMY

From the point of view of public management, the purpose of cooperation between the military and private businesses, economic organisations, associations and interest groups as well as with public institutions is the stronger integration of the armed forces into the social and economic environment and therefore the avoidance of military isolation. In this context, mutual support, on a material as well as imaginary basis, stands in the foreground, whereas at least part of the military demand is to be covered by cooperation.

As far as the economic design of the military administrative system and internal military structures is concerned, the close cooperation with partners from economy can bare great potential for optimization. The economic sector disposes of comprehensive experience concerning the increase of effectiveness and efficiency by abolishing redundancies due to multiple use of resources and coordinated use of material. For the public sector this implies the prospect of achieving objectives quicker, easier and most of all in a more cost effective way, since economy gives incentives for the development of new

and alternative ways of financing and support in regards to finding possible unknown saving potentials, due to experience. Location and human resources policies should also be designed in accordance with regional and supra-regional economy, since it may facilitate the exchange of personnel with economy in case of military internal restructuring, consolidation and termination of contracts considerably. In such partnerships, public organisations therefore mainly benefit from the competitive behaviour of their partner.

However, closer cooperation and enhanced coordination efforts with the military also bares great long term potentials for economy, since comprehensive exchange of know-how implies highly qualified, cooperative, flexible personnel, who is already used to an international working climate in the respective area of deployment. The military also plays an important role as a substantial, long term demander for economy. Particularly cooperation in the fields of research and development, logistics, supply and equipment, financing, risk insurance and defence political cooperation bare great synergetic potentials for all parties involved. Moreover, proximity to clients is decisive in the field of military development, since potential changes and adjustments usually are extremely cost intensive. Already in the development phase concluded partnerships allow for a more rapid realization of projects and therefore reduce the financial burden on both sides.

In the long term, the developing integration of possibilities for action and vocational training, resulting from an enhanced cooperation between the military and economy, help to avoid mass unemployment and its explosive social political effects, and therefore is of great importance to the respective regional governments. Possibilities for cooperation can be found in the fields of public health, water resources management, waste management, traffic and transportation, construction and development and of course within the field of science and research as well as a multitude of other areas.

As far as the development of such partnerships is concerned, the following questions could be of importance to defence administration:

- How can better support be provided to businesses in questions of security regarding the opening and processing of new markets?
- Where can particular current and regular information and action deficits still be found?
- Which role can the military play in military-economic cooperation?

In order to develop a well founded cooperation concept, the mutual access of representatives from both parties to the respective other organisation is required. However, especially in the armed forces are the possibilities for the external access to military organisational structures very restrictive.

Especially in regards to commercial cooperation projects with the military the danger of a lack of transparency is often lamented, since public tasks are taken over by private service providers. Furthermore, can such cooperation projects require quite extensive preparatory efforts from the administrative partner, which puts the advantages for the public side into perspective again.

Therefore, what can mainly be observed in regards to military cooperation with economy are public private partnerships (PPP). This form of cooperation still seems to provide the best possibilities for a well founded cooperation between the military and economy in the field of procurement. In general such ‘PPP-models’ are a form of coop-
eration between the public hand and private industry which mostly disembogue in an independent organisation, established with corporate law bonds. They are to be understood as some sort of joint venture between public administration and economy which involves the complete privatization of former state organisations as well as private stake in public enterprises. Such models are often applied to projects concerning infrastructure or regional tasks. Especially for reconstruction and development projects in regions which are of long term interest to economy are these PPP-models a promising possibility of cooperation with the military. For the entrepreneurial point of view, it is an investment in profit, profitability and image related aspects. The armed forces get the opportunity to benefit from the comprehensive economic know-how as well as from the common and more appropriate adjustment of procurement of material.\textsuperscript{66}

However, this requires the dismantling of competitive attitudes between civilian and military personnel and an enhanced capacity for mutual communication. Furthermore, any kind of cooperation requires a clarification of competencies and responsibilities. Economic actors get also active through different forms of corporate citizenship by taking responsibility in case of emergency, aid projects etc., without necessarily being based on contracts.\textsuperscript{67} Reasons for such commitments are among others mutual advantages for the companies, their partners and ideally also for the military. Within the framework of such forms of cooperation, deployment relevant aspects for the military as well as profit oriented objectives of commercial partners certainly apply.\textsuperscript{68} Furthermore, those purposeful forms of cooperation show the following characteristics:

- Readiness for cooperation and voluntariness of all parties involved;
- Grouping of different interests and orientation towards a common objective;
- Cooperation regarding strategic and operational management of security related tasks;
- Establishment of contacts;
- Possible guarantee of start-up financing;
- Common development of communications and network management.

The primary task of administration in regards to the development of such cooperatives is the establishment of the necessary coordination mechanisms and responsibilities, rules and regulations and adequate basic parameters not only within the troops but also and mostly between the military and its partners.\textsuperscript{69}


\textsuperscript{69} Compare: Pöcher, Harald: Public Private Partnership – Eine Sackgasse für Streitkräfte? In: Der Soldat 11.07.2007, 1
II.9 OUTSOURCING AND DECENTRALIZED SERVICE PROVISION

Already applied in private industries, outsourcing becomes more and more an option for cost reduction to the modern armed forces as well.

The term outsourcing describes the delegation of tasks and services which can no longer be fulfilled cost effectively to other service providers or suppliers and the consequent acquisition of those goods and services, formerly provided by the business itself and its own resources, from external sources. The providers can either be external ones, as completely independent suppliers, or disembodied parts of the respective organisation. Therefore, a further distinction can be made between internal and external outsourcing.

The objective of all outsourcing efforts is the rationalization of operational processes, the reduction of organisational complexity, the release of human resources capacities and the flexibilization of the organisation by focussing on the core tasks.\textsuperscript{70}

The recently increasing and intensified cooperation between the public and the private sector also forms the basis for outsourcing in the form of diverse privatisation efforts from the public administration’s side. This privatization of public tasks is done in different ways:

- by disembodiment of individual steps of service provision by placing orders to private businesses, whereby the financial responsibility remains in the hands of the public authorities;
- by common financing of infrastructure networks according to contractual licence models;
- by formal privatization, whereby formally public tasks are carried out with or without private participation in the form of newly founded private businesses;
- by material privatization, whereby service provision and financial responsibility are completely submitted to the private sector.

Hitherto, public administration has acknowledged PPP-models as the most convenient form of outsourcing. Even though it bares the potential for internal conflicts, it also to a large extent minimizes the danger of insufficient service provision due to financial reasons, at least on the service provider’s side. However, the question of whether the public authorities are therefore definitely dependent on private businesses in order to organize productive activities, cannot be easily pushed aside, since it has clearly and multiply been demonstrated that privatization and denationalization has brought about considerable advantages and improvements for the respective organisations.

A decisive criterion for outsourcing is the reduction of an organisation’s own fix and operating costs as for instance costs for storage, restoration, infrastructure, properties and use of real estate, administration and human resources. External providers are often specialized in the production of certain goods or providing certain services and therefore dispose of a considerably broader knowledge in the respective field.

Outsourcing approaches can for instance be the disembodiment of technical installations with strong links to economy, the devolvement of social and supply services as well as profit oriented areas.

\textsuperscript{70} Compare: Sebera, Matthias: Grenzen der Ausgliederung im militärischen Bereich, Wien 2003
As far as the special case of the military is concerned, there already are considerations in numerous armed forces regarding the concrete implementation of privatization of services with direct defence political references as for instance maintenance and repair of military material, weather and satellite service, reconnaissance, and even personal interdiction, institutional security and personal security. Also administrative services as external accounting control and auditing or warehouse management are subject to such considerations and measures. Areas which have already been either completely or partly outsourced in many armed forces are among others: motor pool services, laundry and clothing services, sports fields and training areas, petrol stations, shooting galleries, airfields, garages, medical facilities, training facilities, property management, food supply, IT-services, maintenance components and workshops etc.

<table>
<thead>
<tr>
<th>Function specific competences</th>
<th>Strategic significance</th>
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<tbody>
<tr>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Selected and temporal outsourcing during the development of competences in important strategic areas, e.g.</td>
<td>Selected outsourcing of largely standardized administrative tasks and infrastructure related services, e.g.</td>
</tr>
<tr>
<td>• general research and development,</td>
<td>• sentries,</td>
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<tr>
<td>• development of armoury systems by industry,</td>
<td>• food supply and operation of kitchens and care centres</td>
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<tr>
<td>• maintenance and repair of equipment</td>
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<tr>
<td>Far reaching outsourcing from infrastructure to standardized applications, e.g.</td>
<td>Selected outsourcing involving the reduction of competences in inconsiderable strategic areas, e.g.</td>
</tr>
<tr>
<td>• activities,</td>
<td>• delegation of selected transports to logistic services (railway, hauliers, etc.)</td>
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<tr>
<td>• servicing and maintenance of properties,</td>
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<tr>
<td>• technical auditing by auditing associations</td>
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Table 3 Possibilities of outsourcing

From an economic point of view, outsourcing has considerable advantages. In times of planned long term reduction of staffing levels in the armed forces, outsourcing allows for specific personnel layoff in downstream areas of activity for the fulfilment of core tasks. Moreover, staff reductions can be implemented in a more social way. Economic service providers also dispose of the potential to work more cost effectively and a higher level of experience. This allows defence administration to use the respective services to maybe better conditions, and guarantees general service provision to the citizen. As a consequence, the military’s amount of work and expenses would be reduced, which also leads to a reduction of over all administrative costs. However, all outsourcing approaches in the military should take into consideration the principal of complete fulfilment of core competences without limitations in regards to gain of know-how and questions of secrecy and deployment behaviour. Additionally, the danger of non-

71 Strunz, Herbert; Dorsch, Monique: Sicherheitspolitik und Wirtschaft, Wien 2003, 72
fulfilment or non-provision in case of demand be closely considered and if possible secured.\textsuperscript{72}

However, if the consideration of economic aspects is generally connected with positive expectations, such endeavours can also lead to economic grievances, not least due to contradictions of administration and management. Hitherto, the practical implementation of outsourcing has shown that such concerns are not completely unfounded. Furthermore, administrative costs caused by outsourcing are to be compared to those caused by self-provided services. Even though external procurement is usually more cost effective, commercial businesses are subject to market economic constraints. This may imply that calculable fix price conditions are to be foreclosed and a potential increase of costs need to be factored in. As far as the military is concerned, it also has to be taken into account that any military service provided, regardless in which field, is always closely connected to a certain degree of confidence of the citizen’s. It is however questionable if such confidence continues to be justified to the citizens if military responsibilities are delegated to private companies: especially since the principals of public well being are certainly not found among the priorities of business economic acting. The armed are not subject to competition, but their operational readiness, particularly in case of deployment, may be endangered since supply deficits for essential downstream tasks in regards to task fulfilment, may occur from the economic side. Furthermore, the armed forces are an institution which requires special considerations in regards to access to internal data and questions of security. As a consequence, great cautiousness is required concerning partnerships with for instance private security services.\textsuperscript{73}

With all necessary concentration of defence administration on questions concerning its managerial optimization, economic and social aspects cannot and must not be neglected. Therefore the question is to be raised whether outsourcing is to be welcomed as a form of disembodiment of unnecessary administrative responsibilities connected with an increase of the organisation’s efficiency and effectiveness, or if somehow even hollows out public and particularly military systems and their integrity. If the military parts with substances and strives for the outsourcing of sumptuary areas in order to consolidate its own structures and make them more efficient, the question of whether or not this implies the hollowing out of its own competencies is absolutely valid. The possibility for the military to design its own structures by defence administration and to a large extent independent from economy does no longer exist. However, this does not imply that private economy has no responsibilities in this respect. To outsource functions and resources also means that the ‘central office’, in this case defence administration, has considerably more capacities and room for monitoring, coordination and the reformation of areas still in subject to the public authorities. Therefore it can be more effectively active in those fields still remaining under its control; for its target groups and the population respectively as well as for its own troops.

In this context it is therefore necessary to balance the organisation’s own economic aspects with general economic aspects, as for instance by internal social compensation

\textsuperscript{72} Compare: Pöcher, Harald: Outsourcing in Streitkräften – Fluch(t) oder Segen? In: Österreichische Militärische Zeitschrift 2/1999, 177 ff.; Naschold, Frieder; Budäus, Dietrich; Jann, Werner; Mezger, Erika; Oppen, Maria; Picot, Arnold; Reichard, Christoph; Schanze, Erich; Simon, Nikolaus (Hrsg.): Leistungstiefe im öffentlichen Sektor – Erfahrungen, Konzepte, Methoden, Berlin 2000, 66 ff.

\textsuperscript{73} Compare: Uesseler, Rolf: Krieg als Dienstleistung – Private Militärfirmen zerstören die Demokratie, Berlin 2006
plans, agreed upon with the respective regional committees, or a verification in how far contracts with regional suppliers and partners can be maintained in case of relocation.

General outsourcing approaches for defence administration can finally be for instance the disembodiment of technical installations with strong links to economy, the devolvement of social and supply services as well as profit oriented areas. Furthermore, considerations regarding the privatization of services with direct defence political references can be made, as for instance maintenance and repair of military material, weather and satellite service, reconnaissance, and even personal interdiction, institutional security and personal protection. Despite all advantages is privatization still be considered very critically due to the vagueness of commercial providers of such services against the background of the armed forces’ guarantee of operational readiness and deployment capability.

II.10 QUALITY MANAGEMENT AND CONTROLLING

Against the background of increasingly restrictive budget policies quality management and controlling gain importance within the armed forces as tools for the increase of economic efficiency and the optimization of liquidity within the framework of budgetary specifications and cost optimization.

The term quality management describes the comprehensive, integrated and continuous activity of recording, inspecting, organising and controlling in all areas of an organisation. The most essential parts of quality management therefore are quality planning, quality control, quality assurance and quality control. The purpose of quality management is to provide and constantly guarantee a particular service in the determined or desired quality by continuous optimization of work and implementation processes. From these principles, the following subtasks of quality management result:

• Quality is geared to the client or target group respectively;
• Quality is achieved by employees in all areas and on all levels;
• Quality involves various dimensions, which are to be substantiated by criteria;
• Quality is not an objective but the result of a permanent process;
• Quality does not only apply to products but also to services;
• Quality requires action and is to be acquired;

From these principles, the following subtasks of quality management result:

• Quality planning – the assessment of demands and the resulting definition of the organisation’s own performance portfolio;

• Quality control – the containment and control of the organisation’s own provision of goods and services;
• Quality assurance – coverage of the risks of deficient value performance;
• Quality promotion – a continuous improvement process aimed at the establishment of a quality oriented performance culture;
• Quality management – the actual introduction of quality systems and the promotion of quality awareness by the management level.

Consistently and comprehensively applied quality management can be of considerable advantage to an organisation. The determination of quality standards allows for a more efficient use of resources. The establishment of quality centres and circles gives the staff the opportunity to actively contribute with proposals for changes or improvement based on their experience. The consequent orientation towards the demand groups’ needs automatically leads to permanent quality control. The result is optimal service provision and efficient use of resources. After all, the concentration on only effectively demanded and clearly defined services as well as on the improvement of processes and procedures reduces the over all costs. In the case of the military it is to be mentioned in particular that in regards to the allocation of security and communication with the population and their own military personnel, the actual orientation towards their demands and expectations lead to greater conviction and improved morals among the staff as well as to a reduced need of legitimation towards the population on the military side.

The most essential management tool in regards to quality management is controlling. In the same way as quality management cannot be considered an isolated field, controlling is to be seen in the context of a larger business economic overall concept as well. It can doubtlessly be considered as one of the most important management tools and should therefore be applied on all levels and in all areas of an organisation. However, controlling should not be mistaken for control, since it goes beyond mere inspection in many respects. In fact, it is rather to be understood as active governing and guiding of an organisation. Thereby the aspect of control is to be limited to the continuous compliance with an organisation’s orientation by the adjustment of actual values and debit values as well as by determination of measures of correction and sanctions. Controlling is also not to be confused or even be put on a level with some kind of supervision. To the contrary, controlling provides the basis for supervision as a comprehensible function and one of several means of control. In general terms, controlling is defined as a form of leadership support which allows for an improved, target oriented governance of effectiveness, efficiency and required financial resources in regards to all tasks to be fulfilled and services to be provided in the respective portfolio by systematic gathering, problem appropriate preparation and demand oriented allocation of information to all management levels. Thereby controlling gives support on the operational as well as on the strategic level.  


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### Controlling levels, fields of activity and instruments

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<tr>
<th>Level</th>
<th>Field of activity</th>
<th>Instrument</th>
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<tbody>
<tr>
<td><strong>Normative level</strong></td>
<td>Interpretation and implementation</td>
<td>• Approach and vision</td>
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<td></td>
<td></td>
<td>• Basic principles of the organisation</td>
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<tr>
<td><strong>Strategic level</strong></td>
<td>Strategic planning and development</td>
<td>• Strategic planning and control system</td>
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<td>• SWOT-Analysis</td>
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<td>• Potential analysis</td>
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<td>• Stakeholder analysis</td>
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<td></td>
<td>• Structural analysis</td>
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<tr>
<td><strong>Operational level</strong></td>
<td>Strategic control and early reconnaissance</td>
<td>• Budget forecasts</td>
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<tr>
<td></td>
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<td>• Implementation, result and premise control</td>
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<tr>
<td><strong>Operational level</strong></td>
<td>Operational organisational planning and budgeting</td>
<td>• Budget</td>
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<td>• Financial plan</td>
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<td></td>
<td></td>
<td>• Cost accounting and results accounts</td>
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<td>• Performance measurement</td>
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<td>• Benchmarking</td>
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<td><strong>Operational level</strong></td>
<td>Investment planning and management</td>
<td>• Structural plan</td>
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<td>• Investment and procurement programmes</td>
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<td>• Feasibility study</td>
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<td></td>
<td>• Cost-benefit analysis</td>
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<tr>
<td><strong>Operational level</strong></td>
<td>Project planning and management</td>
<td>• Controlling guidelines</td>
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<tr>
<td></td>
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<td>• Budgeting</td>
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<td>• Structural plans</td>
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<td>• Time schedules and plans of procedures</td>
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<td>• Cost, time and progress control</td>
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<td>• Documentation</td>
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<tr>
<td><strong>Operational level</strong></td>
<td>Management information</td>
<td>• IT-supported management information system</td>
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<td>• Reporting system</td>
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<td>• Communication, moderation and presentation techniques</td>
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*Table 4 Controlling levels, fields of activity and instruments*

Controlling is also a means of inspection in terms of how far decisions and measures taken turn out to be suitable and therefore applicable in the long term. Within defence administration it suggests itself as suitable means of monitoring and control as well as of the implementation of specified security political objectives. Hereby, controlling can either be applied in its quality as institution or in its quality as function. Controlling as institution primarily includes all people, organs, and units involved in controlling related tasks. Controlling as function describes all actions relevant for the permanent control, monitoring, questioning and improvement of structures and processes of an organisation, independent from who is in charge of those tasks.
Quality management and controlling should also in defence administration be applied to all areas of the organisation as to management, the strategic level, integration of staff, resource management and all implementation processes and results. Of course, limitations and concessions are again to be accepted and made due to the military’s special characteristics. Even though the unlimited orientation towards target groups is a key aspect of quality management, it is to be taken into consideration that the armed forces are not simply providing goods or services to the paying population, but the general allocation of security is under all circumstances to be the main focus. The question is therefore not how to satisfy the client but how military performance, the allocation of security, can be guaranteed in the long term and in the most comprehensive way. Customer orientation can therefore be achieved best if active military personnel are considered consumers of administrative services by defence administration.

Information and coordination, also the harmonization of objectives and expectations and their ‘transportation’ to the staff, can be counted to the most important tasks of controlling. This is especially to be noticed in regards to time and fact related issues. Such processes take place on all leading levels – from the normative to the strategic up to the operational level – and include all fields of activity; starting with standardized processes, to investment decisions, up to the implementation of concrete projects and their control and possible correction. On the military sector, controlling would be characterized as follows:

- A target oriented process directed to the control of effectiveness, efficiency and the demand of financial resources in order to achieve a long term improvement of cost-benefit relations in the military for the sake of the active armed forces and the population;
- An integrative executive function which is to be realized by all executive personnel in their respective area of responsibility;
- An interlinked service for executive personnel, which is to be provided by specialists.

The following tasks are taken over by controlling: coordination, integration, information and sparring. Coordination is primarily understood as the temporal, local, vertical, horizontal and factual coordination and summary of an organisation’s plans, objectives and processes. Integration describes the establishment and maintenance of control and regulatory mechanisms. They guide the organisation by continuous feedback and control systems. Furthermore, controlling is to determine the demand of information, provide the required information, to process it and to forward it to the right recipient. In this context, information policy can be considered as a generally important management tool, since the controlled flow of information determines the executive level’s perception as well as the organisations bearings considerably. Hence, information and its manipulation can finally activate potentials. This of course depends on the authenticity of the given information’s distribution and incorporation. In this respect, manipulative strategies may be successful in the short term, but in the long term destroy any potential for innovations by abusing the trust no military organisation can do without. Innovative tasks of controlling are therefore based on information, since the executive level is to take decisions and introduce measures for adjustment and changes based on this information. In this respect, controlling is to be considered as incentive, guaranteeing the quality of decisions made and the respective decision making processes. Sparring means that executive personnel and staff working in controlling are acting as reference person in order to promote an active exchange of information and opinions within the organisa-
tion. In this context controlling takes the part of an internal consultant within the organisation. Therefore the most important tasks of staff working in controlling are:

- To make the consequences of future and past decisions for the military system clear to all executive staff and decision makers;
- To concert political specifications into appropriate objectives in terms of performance;
- To motivate the executive level and to give support regarding the qualitative and quantitative assessment of measures and projects for target achievement;
- To holistically coordinate sub-goals and part of plans and to organise comprehensive, overlapping documentation;
- To guarantee the necessary flow of data and information;
- To break objectives on the operational level down into effective and useful steps for implementation and to monitor the latter;
- To develop and apply uniform methods and instruments for business economic governance;
- The inspection of the economic use of resources by analysis of variances;
- To make suggestions concerning measures to be taken in case of variances;
- The allocation of information about developments in the military organisation’s environment and potential chances and risks respectively;
- The development of an information system and analysis of classification numbers relevant to the decision making process;
- To allow for the demonstration and comprehension of achieved targets by comparison of debit values and actual values and to make proposals for correction.

Important tools of controlling are:

- Development of a model;
- Planning, governance and control accounting;
- Methods of cost-benefit accounts;
- Methods of analysis as for instance task review, SWOT-analysis, environment analysis, potential and portfolio analysis and value analysis;
- Systems of qualification numbers;
- Benchmarking;
- Cost effective analysis;
- Balanced score card;
- Cost-benefit analysis;
- Management information systems.

Hence, controlling can be carried out by all staff with leadership responsibilities and on all levels. In this way, the introduction of controlling measures would not only increase efficiency in terms of an improved overall control of military systems and an increasing
transparency of administrative costs and expenses; the creation of new permanent posts on the military sector would also be obsolete. Since controlling is applicable in all levels of an organisation, a balanced relation between centralized and decentralized interpretation can be achieved. Operational controlling in particular could be implemented in a largely decentralized way in nearly all units and departments of defence administration as for instance in the form of functional areas such as research and development controlling, procurement controlling, investment and asset controlling or human resources control.

Especially strategic controlling on the highest level should mainly be notable in the form of a centralized basis for the consistent implementation of economic aspects in the new structure of defence administration. In the first place, controlling is an executive task of the political and defence administrative level. Once the necessity of efficiency and effect oriented governance has been realized, the question is to be raised in how far need support is required in regards to this control function. In order to make a respective assessment it is sufficient to initiate a controlling project and to assign an experienced senior executive – maybe under citation of external consultancy – with the management and implementation of the project. Hereby it should be kept in mind that controlling must not be restricted to specific permanent posts. Furthermore, close interaction with the areas of internal auditing and control systems should be maintained, otherwise the instruments of controlling might unnecessarily be limited. Within an administration, auditing and controlling are two widely independent concepts or institutions respectively. Controlling provides support for the administrative executive level, mainly in questions concerning target and result oriented governance. Internal auditing supports subsequent controls and is carried out by independent auditors. Additionally, internal auditing is to monitor viability, actuality and effectiveness of internal control systems and to make suggestions for their improvement. Auditing and related fields are mainly responsible for control and monitoring related tasks which are essential to active controlling. Hereby controlling as function as well as institution can be put to the test.

The enhanced application of instruments of controlling is advisable for centralized planning and governance centres as well as for higher ranking commands. The establishment of controlling units in the form of an economic centre of excellence is recommendable as well. Such a unit would be responsible for:

- To especially guarantee the economic orientation of the corresponding executive components next to military leadership;
- All activities of economic planning and governance;
- The establishment as centralized contact and information centre for all issues regarding the administrative management’s increase of efficiency;
- The controlled transformation of political and military strategic specifications into realizable processes for the organisation’s executive organs;\(^{76}\)
- The economic overall coordination for military departments and locations;
- The permanent realization and coordination of strategic controlling for the military as the development and guarantee of long term success potentials and the disposition

and coordination of strategic planning in order to support the strategic administrative management;

- The consulting and training of strategic and military strategic leaders as well as internal organisational consulting;
- The reduction of task fulfilment as well as an increase of its efficiency by task review and public private partnerships;
- The increase of management yields by comparisons of performance in regards to budgeting and the application of instruments of cost and performance accounting;
- The development of new revenue potentials by sale, outsourcing, improved use of resources, sponsoring and insourcing.

This allows for the transparent and appropriate allocation of gained information in the form of a future and target oriented management information system.

Image 5 Possible controlling structure in the military

However, especially controlling in the military reveals the gap between bureaucratic administration and economic management concepts. Even though controlling disposes of considerable potentials for improvement, its introduction to public administration is
extremely difficult. Therefore, controlling oriented management implies the constant questioning and if necessary changing of specified and determined long term scopes of action. However, especially the latter are essential for defence administration. In fact, particularly the armed forces are based on stable and long term comprehensible frameworks with strict limits. Nevertheless they still need the possibility to adapt their organisation to rapidly changing or not foreseeable circumstances.  

Further contradictions consequently emerge, which are to be taken into consideration:

- Long term security vs. constant analysis and considerations concerning secure action and efficiency;
- Permanence and stability vs. permanent change and improvement;
- Supply oriented acting vs. demand oriented acting;
- Centralized political leadership vs. rational and primarily decentralized leadership.

In order to simplify or even allow for the consistent introduction of measures of controlling, considerable changes of current administrative processes would be required. As mentioned above, at least parts of budget allocation should be decentralized in order to allow for individual responsibility and an improved use of available budgets and handling of costs by the respective location commands and their subordinates. However, the consequence would be the need for an enhanced computer based integration of the individual cost accounts in order to avoid potential redundancies regarding the use of material or equipment as well as detection and verifying documentation.

Furthermore, such an approach requires enhanced cost and efficiency awareness not only from the individual staff members but from the whole work force. This again implies basic training and sensibilization concerning the economic dealing with expense items; be it the use of equipment or material, the deployment of personnel beyond their usual fields of activity or diverse procurement plans. Therefore, the military system would have to develop an enhanced willingness and capacity for change, a target oriented governance and orientation as well as information oriented conceptions. Military performance cannot be evaluated as such, it is however possible to evaluate the quality of performances or the service provided by collection and assessment of subjective impressions from the social environment and the military’s own staff on the basis of different criteria or demands towards the way a service is provided or the service itself respectively.

Consequently, criteria for possible improvement approaches can be found, which finally is the essence of quality management and controlling.

- Reliability: Can the armed forces fulfil their mandate in a reliable and professional way? Do the determined structures, regulations and routines support the quality of service provision?

• Capacity to act: Are the armed forces capable and willing to provide their services immediately and without any limitations? Is the technical and technological equipment appropriate for task fulfilment?

• Trustworthiness: Do the armed forces deserve the population’s trust and those of their personnel; if yes, why?

• Devotion: Are the staff members and soldiers aware of the reasons why they are (have) to provide a service and for whom?

Considering only the internal military recipients, as all military and civilian personnel of the armed forces, the definition of service provision goes far beyond the mere allocation and guarantee of security and operational readiness to more every day aspects. The extension of performance controlling to for instance the whole field of service of the soldier and their family members as well as other staff, or to training and attendance services or to provided spare time facilities and alike would be conceivable.

The introduction of uniform quality standards would provide a suitable rated value for services provided or to be provided and would additionally add a certain motivation factor. Furthermore, it would allow for a more efficient use of resources; not least because of potential improvement suggestions from staff members who would have a better idea of what is to be achieved and whether or it may even be improved.

Moreover the following questions are a precondition for quality assessment:

• Who is responsible for quality assessment?

• Which methods should be applied in general and in specific situations?

• Who reports to whom?

• Who decides about which correcting measures?

• Who requires consultancy when and by whom?79

One possibility to get an idea of the degree of acceptance of services provided within the military is the common instrument of inquiry, for instance by an anonymous questionnaire. As far as the image in public is concerned, public inquiries are more representative and consequently more comprehensible and valuable for measures of control and improvement, besides the fact that they appear to be more serious as well.

A comprehensive staff information system, for instance integrated computer systems or a central server, accessible for all agencies – or somewhat simpler, public announcements on a blackboard etc. – clearly improves the participation of staff members in the implementation of assignments as well as the coordination among them, even on the lower levels.

However, in this context the limits of such measures become clear again, since the military needs to stick to certain levels of classification and secrecy. Furthermore, overlapping coordination of individual tasks between the individual agencies is very restrictive, since administration disposes of strictly determined areas of responsibility with separate catalogues of rules and regulations. However, especially the staff’s knowledge about the overall context of administrative processes would be very helpful and an advantage for the development of quality and controlling awareness among the staff. The most con-

structive suggestions for improvement are to be expected from those responsible for implementation.

Another task of quality management should be the assessment and application of financial resources. It would be reasonable not only to assess if investments concerning a project can be numbered mathematically by aspects like cost recovery or efficiency, but also whether or not investments are suggestive in regards to application and operational readiness, safeguarding of jobs and job quality, motivation of personnel or the general improvement of unsatisfying situations. An analysis of how budgetary changes would have influenced the quality of such a project would also be interesting. It would also contribute to minimize the often senseless use of ‘left over budgets’ in order to avoid reflux.

In spite of all possible difficulties connected with the implementation of quality management and instruments of controlling in the military, has the introduction of the latter substantial advantages for the organisation:

- Target oriented and simultaneously efficient use of resources;
- Improved ways of dealing with resources on all levels and in all areas by the increase of the executive personnel’s economic awareness;
- More objective and verifiable apportionment and allocation of budgets;
- Improved coordination between the individual military areas and locations;
- The disposal of rapid, adequate and up to date information in regards to planning and control;
- Rapid and confident decisions due to better decision making parameters;
- Improved ability of the organisation to adapt to changing demands;
- Optimized assessment of effectiveness and efficiency of value performance;
- Exact control by expressive classification numbers and indicators;
- Greater motivation of the staff due to target achievement;
- Stronger commitment in regards to planning and decision making;
- Higher degree of transparency of general administrative actions;
- Improved basis for the delegation of resource responsibility by global budgeting;
- Enhanced ability of self-organisation of the military and its organisational departments;
- Improved basis for internal as well as external argumentation.

II.11 TASK REVIEW AND FAULT ANALYSIS

The application of so called task review is an effective instrument of sustainable increase of efficiency and optimization of use of resources regarding the armed forces’ task fulfilment and a basic precondition for the increase of defence administration’s efficiency regarding task fulfilment. Task review is to be considered as a form of political and strategic controlling and refer to current as well as to future fields of activity and deals with the optimization of an organisation’s use of resources.
Task review generally defines itself as scrutinizing assessment according to well founded standards which goes hand in hand with considerations of value and non-value of the respective issue. Within the framework of controlling, task review is to allow an assessment of whether or not a currently offered service corresponds with the organisation’s demands and expectations and in how far the use of available resources has been justified so far. It is an instrument which allows for the reduction of resource bonds and reallocation of resources respectively. The main focus of this instrument is put on the actual performance processes. An essential part is purpose review. This approach with respect to efficiency queries current processes and in how far tasks being performed are appropriate and useful; if the right tasks are being fulfilled. Task review is hereby to be considered a task of administrative executive management and is to large extent applied within the framework of strategic and operational controlling.80

The second essential aspect is process review, which is oriented towards efficiency and examines how and if tasks to be fulfilled are carried out correctly and comprehensively. The main focus of process review is the optimization of administrative processes and structures. This leads to the following fundamental questions:

- What does administration and why?
- How can the realization of administrative work be improved?
- Can costs be reduced?
- Which tasks are to be fulfilled in the future?

Especially in regards to considerations about outsourcing measures in the military is this instrument of special significance. Vital questions in this context are:

- Which are the core tasks and which tasks are rather secondary?
- Which tasks are fulfilled on a voluntary basis and not due to legal obligations?
- Which tasks allow for a reduction of intensity in their fulfilment and which require an increase of the latter?
- Which tasks can the organisation be relieved from?
- Which services need to be provided by the organisation itself due to military reasons, and which can be outsourced without risking the organisation’s own flow of expertise?
- Which tasks could be fulfilled by external providers in the same or even better quality?
- Which rationalization possibilities exist for the remaining core tasks?
- Where would deficiencies occur in case of insufficient or non-fulfilment?
- Is the improvement of processes, structures and administrative procedures conceivable and possible?

• Who fulfils which tasks within the organisation and why?
• Is there a possibility for the reconfiguration of fields of activities?
• Is it possible for the organisation not to fulfil tasks itself but to delegate them and concentrate instead on the centralized governance, planning, monitoring and control of task fulfilment?

These questions demonstrate again how difficult it is to combine economic principles with the administrative processes of an organisation like the armed forces. However, the same rules equally apply to both, economy and the military: quality standards for value performance are set by the client; regardless of their status as consumer, citizen or staff member. Therefore, economic instruments are not only desirable but also mandatory for sufficient service provision, however vague it might be.

In this context it is important to analyse if and where in the course of the implementation process errors have occurred, which are preventable in the future. The best way to do so is by dealing with objectives. Whether or not targets have been achieved, and if and in which way targets have been missed can best be evaluated by frequent control on the basis of the following questions:

• Has the target been achieved?
• How has the target been achieved?
• Which costs have been caused?
• Who was responsible for what and when?
• Where lays potential for change?

However, precisely defined objectives are a precondition for the application of such control criteria. In the case of the military this should be a rather secondary concern, since usually quite concrete specifications are made, at least on the operational level. In case of variances and disproportions, analyses going beyond the mere assessment of desired and actual value can verify the reasons. These fault analyses do not primarily focus on cause study in order to set sanctions but on the establishment of a basis for constructive corrections of an undesirable situation. Against this background, future oriented controlling is not only the search for errors but above all for the consequences of the latter. A possible strategy for the implementation of task review could be:

Preparation (establishment of the necessary basic parameters)
• Formation of working groups,
• Definition of basic parameters and work areas,

Analysis (structured statement of the actual situation)
• Analysis of tasks, performances and use of resources,
• Analysis of the respective unit’s objectives,
• Presentation of procedures and actual task review,
• Evaluation of tasks and performances by use of resources and cost-benefit analysis

Assessment (assessment of the task’s contribution to target achievement)
• Assessment of individual tasks and service components,
• Consideration about the use of resources compared to the resulting befit,
• Assessment of possible consequences if a service is ceased,
• Overall assessment,
• Development of improvement potentials and measures

Decision making (determination of future strategies)
• Development and coordination of proposals regarding decision making,
• Decision about future procedures of the respective decision making body (political guidance for purpose and performance review, administrative guidance for task review)

Proposals for improvement could therefore be structured as follows:
• Processing of proposed measures,
• Justification of proposals made,
• Listing of areas which would particularly be affected by the recommended measures,
• Presentation of advantages and saving possibilities;
• Presentation of possible disadvantages,
• Explanation of the necessary accompanying measures and preconditions,
• Statement of staff and office representatives,
• Determination of the way decisions are to be made, taking the respective committees into consideration.

In the military detailed information about all technical, technological, human resources related, operational and structural aspects of the armed forces are generally gathered and evaluated. However, in many armed forces the gathering of information concerning internal processes for target achievement and task fulfilment are less developed. An improved data acquisition for the actual implementation processes realized by the staff would contribute considerably to the future improvement of the system. It would allow for empiric analyses and simplify the traceability of procedures, administrative processes and performance processes by more transparent and clearer representation of the latter. However, particularly in the military the restrictive and secured access to sensitive data exclusively by authorised and responsible personnel is to be maintained. This could be achieved by establishing several classification levels and password systems.

The instrument of task and process review is dimensioned wide enough to be applied within the framework of strategic as well as operational controlling.

CONCLUSION

In military organisations the classical characteristics of economic businesses apply as well. This way, the principles of modern management can be – at least partly – applied to the military as a traditional administrative business and its special structures and processes. Finally they are to be seen as instruments of the ideal achievements of aims and fulfilment of appointments in the area of military administration as well as in the
field of business and troop management. All these areas involve future oriented thinking, the ability to adapt and develop, flexibility, own objectives, planning, best possible coordination and performance with given resources.

The individual leading functions – communication, objectives and planning, decision making, motivation, organisation and control – are to be configured as processes within themselves. This is where in business practice usually numerous classical problems emerge. This holds of course also for public administration and the military sector. The management process (see leading functions) finally serves to make the leading process successful. Each individual manager who is involved in any part of the performance process – purchasing goods and services, financing, logistics and information services – has to accomplish all leading tasks accordingly in order to fulfil the respective tasks or orders.

Deficits in this field are obvious, and there is a big necessity for research concerning future oriented solutions.
SUMMARISED CONCLUSIONS

I have found, that especially the following problems have to be addressed:

- Critical development of public households
- change of tasks
- pressing political problems
- public image problems
- pressure of legitimacy and changed performance expectations
- serious managerial deficits; lacking efficiency and effectiveness in administrative acting
- loopholes in modernisation of administration
- changed expectations towards staff
- unbalanced human resources management
- problems concerning motivation of staff, and inability to keep pace with swift task changes

The principles of an economic interpretation would be:

- Optimization of the strategic decision making processes on the political level and enforced delegation of duty fulfilment to the administration
- Long term transformation of a military administration to military as an enterprise
- Promotion of the individual responsibilities of duties, resources, cost and results
- Reduction of bureaucracy, simplification and transparency of processes, optimization of the internal information system, clear assignment of responsibility
- Optimization of dedication and use of the provided means
- Finding of concepts for the integration of individual areas of responsibility
- Development of organizational structures for more motivation and personal responsibility

In this context, considerations about profitability do increasingly play a role, whereas its measurement especially in the military sector will remain largely unsettled for the time being. Initially, the following problems are to be solved: Up to now, input oriented rather than solution oriented governance has been in the foreground. This way, it is clearly regulated how much money can be spent on which issues (input), but it is regulated which services are to be performed with it (output). Target settings are hardly ever clear, which means that it stays often unclear which “products” and services are to be set up at what cost and for which target group. The usual separation of professional management and resource management is also problematic. This tends to lead to the point where nobody feels responsible for results (see “organized irresponsibility”). The outcome is a relatively dependent system, guided by extreme target parameters but not a “learning”, self guiding one. Such a system is incapable of responding to changes with the necessary flexibility and to guide its performance towards better effectiveness and efficiency.
It has to be outlined, that the concept and realization of public management must not be a pure belt-tightening policy. In fact, state and administration should be prepared for future tasks appropriately and on time. Various specific instruments could be applied for this purpose.

Within the framework of strategy the right position of points should be carried out, whereas a respective mission statement should see to basic orientation and confidence (see “value structure”) and ensure appropriate target building and learning processes (see vision, organizational philosophy, corporate identity). In this context, military governance is primarily aimed at finding independent ways of transformation without conflicting with other institutions of society and organizations of public administration. Especially against the background of the diverse military tasks new forms of “military leadership” bear great chances, not least also in the broadening of inbound concepts of civil-military cooperation.

In general, the current realization of public management is to be evaluated rather differently. Quite good progresses could be made in regards to the “hard” factors (e.g. budgeting, cost accounting, controlling). Compared to them, the development of the so called “soft” factors (e.g. management, organizational culture, flexibility) is by far not as advanced. Of course it has to be underlined, that the realization of changes in fields which are directly connected with people and their behavior is by far more difficult than the purely technical implementation of business economic tools in other fields.
NEW SCIENTIFIC RESULTS

For the military, the application of a holistic concept of business management suggests itself in the sense of transition from a bureaucratic administration to an efficient “business”, professional management playing a main part in this transition.

Result 1 (referring to Question 1): It is absolutely necessary to implement the principles of an economic interpretation in the context of military administration as such: Optimization of the strategic decision making processes on the political level and enforced delegation of duty fulfilment to the administration; long term transformation of a military administration to military as an enterprise; promotion of the individual responsibilities of duties, resources, cost and results; reduction of bureaucracy, simplification and transparency of processes, optimization of the internal information system, clear assignment of responsibility; optimisation of dedication and use of the provided means; finding of concepts for the integration of individual areas of responsibility, and development of organisational structures for more motivation and personal responsibility.

Result 2 (referring to Question 2): A management of the military as an enterprise after the parameters of public management guarantees the achievement of the following targets and results in a more effective way: Strengthening of the strategic leadership on the political level and comprehensive, target oriented delegation of task fulfilment to the level of administration. This way, the tendency to under control in the strategic field can be reduced as well as the tendency to over control in the operational field; transition from an administration to a target group and performance oriented (service-) organisation; promotion of responsibility for tasks, resources and results; reduction of bureaucracy, simplification of decision making processes and procedures, improvement of transparency and therefore positive stimulus of motivation; increase of effectiveness by more targeted use of resources and clear priorities; increase of efficiency through clear responsibilities and finally the long term change of the organisational culture in view of more willingness to perform, more responsibility and more motivation.

Result 3 (referring to Question 3): Considering this “framework” it is important to leave old patterns of thinking behind, since the realisation of the mentioned aspects would not be possible or respectively desirable under such conditions. Existing, negative attitudes and concerns about a change in organisational culture would have to be confronted by convincing to achieve the following: Enhanced target and result oriented guidance instead of mainly input guided regulation; strategic guidance “from a distance” instead of governance by constant (political) interventions into daily business; extensive self guidance of decentralised entities with an effective guiding framework instead of “bureaucratic centralism”; graded, to a large extent delegated result-responsibility (“unity of professional responsibility and resource responsibility”) with clear and transparent structures of responsibility instead of “organised irresponsibility”; reintegration of formerly shared tasks and performance processes targeting an optimization of the entire process; clearer orientation on the target groups and on clear quality criteria; focus on the “core competences” by enhanced usage of external suppliers; enhanced efforts for transparency of costs and performances, among other by a complete cost accounting and compilation and evaluation of performances; intensive human resource management, which is primarily based on motivation and personnel development; within the framework of a strategy the right positions of points should be taken, it should see to an according mission statement of basic orientation and confidence of behaviour (“value structure”) and to secure appropriate target setting and learn processes (vision, organisational philosophy, corporate identity, “military leadership”); the configuration and
maintenance of the organisational culture is an important element of public management; task and process review can also be instruments of a sustainable increase of efficiency and optimisation of the use of resources and the task fulfilment of the armed forces; in this context, the so called contract management is also an important factor; controlling is finally summarising the described instruments, as a new kind of understanding is exceeding the conventional logics of planning, guidance and surveillance.

**Result 4** (referring to Question 4): The following measures for a successful and sustainable application of the above mentioned implications would have to be fulfilled: To achieve a certain basic understanding of an enterprise named military for a leadership, which is strongly oriented according to the point of view of business management; the application of this basic understanding in the realisation of business economic thinking and action taking in all fields and on all levels; the acquiring of a certain basic knowledge relevant to management and about business economy of all executive managers; the use of business economic instruments, methods and procedures has to be enhanced and intensified; the preconditions for constant development and optimisation of the applied instruments, methods and procedures have to be established; an enhanced assignment of pertinent trained personnel in corresponding functions of the different fields and levels; optimisation of human resource management; more efficient use of the existent knowledge and improved knowledge transfer; development of a controlling concept as well as a controlling system and a complete introduction of controlling; the continuing of already started, pertinent reformation projects, also consulting external experts; the introduction of quality management in order to secure a high level of performance; the cultivation of the instrument of task review in the sense of the permanent analysis which tasks should ideally be administered by whom and in which way.

In general, i.e. in the Austrian Armed Forces, which were the main object of the authors research and findings, the current realisation of public management is to be evaluated rather differently. Quite good progresses could be made in regards to the “hard” factors (e.g. budgeting, cost accounting, controlling). Compared to them, the development of the so called “soft” factors (e.g. management, organisational culture, flexibility) is by far not as advanced. Of course it has to be underlined, that the realisation of changes in fields which are directly connected with people and their behaviour is by far more difficult than the purely technical implementation of business economic tools in other fields.
PRACTICAL AVAILABILITY OF THE NEW SCIENTIFIC RESULTS

Against the mentioned background public management focuses on holistic method of problem resolution by applying findings of business administration and management (compare “service institution military”) based on the following principles and demands:

- Enhanced target and result oriented guidance instead of mainly input guided regulation
- Strategic guidance “from a distance” instead of governance by constant (political) interventions into daily business
- Extensive self guidance of decentralized entities with an effective guiding framework instead of “bureaucratic centralism”
- Graded, to a large extent delegated result-responsibility (“unity of professional responsibility and resource responsibility”) with clear and transparent structures of responsibility instead of “organized irresponsibility”
- Reintegration of formerly shared tasks and performance processes targeting an optimization of the entire process (business re-engineering)
- Clearer orientation on the target groups and on clear quality criteria
- Focus on the “core competences” by enhanced usage of external suppliers (“war- ranty management”)
- Enhanced efforts for transparency of costs and performances, among other by a complete cost accounting and compilation and evaluation of performances
- Intensive human resource management, which is primarily based on motivation and personnel development
- Within the framework of a strategy the right positions of points should be taken. It should see to an according mission statement of basic orientation and confidence of behavior (compare “value structure”) and to secure appropriate target setting and learn processes (compare vision, organizational philosophy, corporate identity, “military leadership”).
- The configuration and maintenance of the organizational culture is an important element of public management. It can be applied as an essential instrument of leadership. In the military, it is traditionally and extensively used as such. Nevertheless, at the same time there is a considerable necessity for restructuring notable when considering a more modern organizational culture.
- Task and process review can also be instruments of a sustainable increase of efficiency and optimization of the use of resources and the task fulfilment of the armed forces.
- In this context, the so called contract management is also an important factor. By target and performance agreements administrative action is to be guided in a result oriented way through negotiable parameters of operational targets.
- Controlling is finally summarizing the described instruments, taking some kind of cross divisional function. This new kind of understanding is exceeding the conventional logics of planning, guidance and surveillance.
RECOMMENDATIONS

For the military, the application of a holistic concept of business management suggests itself in the sense of transition from a bureaucratic administration to an efficient “business”, professional management playing a main part in this transition. Such a holistic concept is also to be seen in the context of public management. The following preconditions for a successful and sustainable application of such a holistic concept of business management would have to be fulfilled:

- A certain basic understanding of an enterprise named military for a leadership, which is strongly oriented according to the point of view of business management
- The application of this basic understanding in the realization of business economic thinking and action taking in all fields and on all levels
- The acquiring of a certain basic knowledge relevant to management and about business economy of all executive managers
- The use of business economic instruments, methods and procedures has to be enhanced and intensified
- The preconditions for constant development and optimization of the applied instruments, methods and procedures have to be established
- An enhanced assignment of pertinent trained personnel in corresponding functions of the different fields and levels
- Optimization of human resource management
- More efficient use of the existent knowledge and improved knowledge transfer
- Development of a controlling concept as well as a controlling system and a complete introduction of controlling
- The continuing of already started, pertinent reformation projects, also consulting external experts
- The introduction of quality management in order to secure a high level of performance
- The cultivation of the instrument of task review in the sense of the permanent analysis which tasks should ideally be administered by whom and in which way

In this context it is important to leave old patterns of thinking behind, since the realization of the mentioned aspects would not be possible or respectively desirable under such conditions. Existing, negative attitudes and concerns about a change in organizational culture would have to be confronted by convincing.

Public management guarantees that the tasks are being agreed upon between politics and administration in form of targets, performance, budget and operation. This way, a transparent communication is possible. In addition to that it sees to a better effectiveness and efficiency in task fulfilment, which is supposed to lead to a better use of resources and orientation towards target groups and demands.
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