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## **Deciding the EU's Strategic Readiness - Public Private Partnerships and Organisational Learning in Defence**

The EU White Paper calls all Member States (MS) to “act in solidarity and to invest in collective defence”<sup>1</sup> endorsing a transformative debate over the EU defence: the strategic readiness<sup>2</sup>. This readiness is increasingly essential for the EU to function effectively presently and to anticipate future demands marked by strategic competition, conflict management, asymmetric threats, disruptive technologies, and economic warfare. While strategic readiness implies quicker and resolute actions in crises, smart investments, and collaboration with allies to meet shared objectives<sup>3</sup>, it requires that national defence establishments to gauge beyond-state responses. In this hope, state-level institutions partner with defence industries to strengthen the defence ecosystem through the operationalisation of specialised knowledge enhancing organisational effectiveness for strategic readiness<sup>4</sup>. Despite their procurement employment, public-private partnerships (PPPs) trigger organisational learning<sup>5</sup> processes within the defence ecosystem contributing to its transformation, and rendering it more capable, resilient and sustainable. While Niinistö's and Draghi's reports (2024) recognise the potential of PPPs to EU's strategic readiness, further efforts are required to fully comprehend how PPPs enhance defence institutions' understanding of strategic choices. This brief analysis observes a) the rise of PPPs as a knowledge-creating community in the EU context and b) the way these partnerships are shaping the process of defence transformation towards readiness through organisational learning. The paper makes a knowledge contribution to security governance and policy innovation.

### **Introduction**

The European Defence Industrial Strategy (EDIS) (2024) defines readiness as “the ability to act more quickly and decisively when facing crises, secure our citizens against rapidly evolving threats, invest in the

needed capabilities and technologies and partner with others to achieve common goals”<sup>6</sup>. In similar vein, NATO conceptualises readiness as the Alliance ability to rapidly respond to crises by improving military mobility across allies' territories and expedite the organisation's political and military decision-making process<sup>7</sup>.” Integrating these definitions and in the middle of a critical juncture for EU's defence and its task to ensure strategic autonomy, the Niinistö report highlights that readiness should be seen as an integrated way of thinking and acting across all sectors through “clarity of leadership and coordination between state-level institutions and industry at national and supranational level<sup>8</sup>. Intense public-private cooperation in defence and other sectors shows that prosperity and security are more closely intertwined.

Europe's armed forces need to urgently prepare for the full spectrum of military and civilian-military contingencies, including the elevated risk of external armed aggression returning to the EU and NATO territory. This circumstance is now obliging national decision-makers, experts, and defence industries to adjust the defence ecosystem to new circumstances, to devise new strategies, and to refine procurement processes to make the defence industry stronger. This leads to critical questions of how Europe must strengthen fast and jointly its defence posture. It would not be sufficient to draw lessons from Ukraine's experience during the war, and the EU support to the country. Further, EU defence should be more than technological innovation; should be about transformation. It is logical therefore to ask what defence actors understand by transformation, where transformation is supposed to lead, and whether it takes a war for defence policy to transform. A modern defence system needs technology, while transformation itself depends on ideas generated by partnerships between state institutions and defence industry.

\* The views expressed in this publication are solely those of the author and do not reflect the views of the University of Leeds.

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The White Paper on the future of European Defence talks boosts to establish a Strategic Dialogue between the industry and institutions, which aims at identify regulatory hurdles, optimise decision-making process, and address industry challenges.<sup>9,10</sup> The above White Paper, the Strategic Compass<sup>11</sup> confirm that building a resilient defence ecosystem is essential to security priorities posed by changes in the character of war along with the challenges entailed with other internal security issues.<sup>12</sup> To do so, EU's alliances and partnerships must be deepened and modernised<sup>13</sup> by incorporating allies and partners at every stage of defence planning. This new framework is crucial to maintain the military and strategic edge of the EU built upon a resilient defence industrial base (EUDIB), and educational and training programs<sup>14</sup>. Simultaneously, the Card report (2024) characterises the EU defence as unprepared for a world of supply chain disruptions<sup>15</sup> - weaknesses justified partly from internal factors<sup>16</sup>. An agile EU defence requires appropriate investments in knowledge and technologies which ensure visibility into supply chains and risk-informed choices for decision-makers<sup>17</sup>. The public or private sector cannot do alone.

### **The rise of the public-private partnerships as a knowledge-creating community**

At the EU level, PPPs were first mentioned in 2004 in the Hague Programme (on crime prevention) and then again in 2010 in the Stockholm Programme (on cybersecurity and anti-money laundering).<sup>18</sup> Since 2013, PPPs have been included in the Cybersecurity Strategy<sup>19</sup>, the Maritime Security Strategy<sup>20</sup>, the EU Agenda on Security<sup>21</sup> and the EU Global Security Strategy<sup>22</sup>, the Niinistö and Draghi report, ENISA taxonomy, White Defence Paper, EU defence industrial strategy (2024). PPPs are organised in lobbies, agencies, commissions, and experts. These formations benefit the mission and endurance of PPPs since they have to channel their interest through supranational and intergovernmental networks and harmonise decisions for 27 members.

Notwithstanding their ubiquity, in neither in policy-making nor in scholarship, there is no unified definition of PPP. The most comprehensive approach to PPPs in defence is James Hasik's perspective which supports Rand's definition of PPP engaged in meeting the Armed Forces needs<sup>23</sup> meaning that: a) defence entrepreneurs hunt for opportunities, b) make decisions

under uncertainty and c) bring organisational changes. This consideration suggests that PPPs, are collaborative arrangements between the public and private, whereby combining knowledge, expertise and assets with private sectors help the defence generate new resources, increase the value of existing assets<sup>24</sup>, define the nature of military interventions and reassess the nation's own national power<sup>25</sup>.

The absence of a single PPP definition is also influenced by the evolution of the partnership (Table 1). From a project facilitator to a policy tool, the PPP ended up as an ecosystem of services to the transformation of defence policy. This evolution is explained with the concept of emergency<sup>26</sup>. When we question what emergence is we think about a causation and causality. While in simple systems, the relation cause-effect is linear, in complex systems associated with unpredictability, such as defence, it is not. For instance, the purpose and activity of the Kangaroo Group in 1979<sup>27</sup> and that of PeSCo in 2018 exemplify the partnerships approach to enhance the role of defence institutions in achieving European strategic autonomy.

Until the end of the WWII, PPPs committed themselves to a policy deal that saw their revival in the function of the need of the public - the state- to preserve its financial vulnerability and monopoly on the war resources<sup>28,29</sup>. The situation changed between 1945-1990 with the intervention of the government in the military-industry complex - which endorsed PPPs with the *political function* to secure allies through the procurement/production of advanced military capabilities. Defence establishments had embraced the approach 'partnering with one, partnering with all' to address technological changes and clienteling with national defence industries<sup>30</sup>. With the end of the Cold War, armed forces entered in the second and third waves of the Revolution in Military Affairs, which were framed by changes, mainly in technology, doctrine and tactics<sup>31</sup>. In these waves the state's primary concern was maintaining a military edge by combining four key drivers: (1) technological change; (2) military systems development; (3) operational innovation; and (4) organisational innovation.<sup>32</sup>

The advent of the Web 2.0 (2000s) drove many changes in the character of warfare. Integrating IT technologies and then AI systems into existing conventional weapons and systems, gave rise to important questions that discuss the survival of the Western strategic edge<sup>33</sup>. Additionally, as the focus

shifts towards disruptive dual-use technologies, consequently, the key question now is how these technologies will impact defence superiority and its governance? These questions shaped the necessity of PPPs to upgrade into an ecosystem of knowledge management.

Table 1: Evolution of PPP and Objectives - Source: Author, 2023

Evolution form	Objective
Project	Provide better on-time delivery armament Allow better on-budget delivery armament Enable the full life-cycle costs of infrastructure Information-sharing and active assistance in the critical infrastructures
Policy Tool	Strengthening the governance capabilities Meeting strategic objectives Meeting policy domain criteria Controlling the policy agenda and the direction of government
Ecosystem	Strengthening the institutional capacities Influence on institutional design Transformation of governance capabilities Inform defence superiority and shape its grand strategic goals

### Defence transformation through organisational learning

The PPP, as an ecosystem of knowledge management, enables defence transformation through three main channels:

- system integrators (brokering connections among partners, technological and organisational capabilities in their respective national innovation ecosystems)<sup>34</sup>.
- institutional proliferation<sup>35</sup> (PeSCo projects, and NATO COEs).
- anticipatory governance mechanisms<sup>36</sup> e.g. (Industry corporate universities).

This process yields a new form of policy making, the Mission - Oriented Innovation Policy which depreciates the traditional way due to incapability to manage and anticipate problems. MOIP provides policymakers with the information to counter threats while enhancing collective capability and uniting public and private to innovate<sup>37</sup>. Seen in this light, MOIPs is governed from the defence industry with the state-level institutions. Examples from US military R&D programmes show that policymakers and defence companies are engaged in re-drafting

governance structures to enable the development of the know-how for potential threat<sup>38</sup>. These proactive policy decisions, either bottom-up or top-down, are driven by two processes of knowledge production<sup>39</sup>: the expert-shaped policy, and the policy-shaped expertise.

This suggests that PPPs play a pivotal role in shaping national defence innovation ecosystems by diffusing expertise information at individual, community, and organisational levels. The process is facilitated through a tripartite approach that extends between knowledge management-organisational learning- organisational innovation as illustrated in Figure 1 (see below).

### Downsides

PPPs can bring benefits but may also lead to organisational risks. While the literature identifies some risks, others may emerge as these partnerships evolve with the EU defence ambitions. It's essential, thus, for decision-makers to monitor and mitigate these downsides in particular; bureaucratic obstacles, trust, and corruption.

#### - Industry obstacles

Operational interests may not be effectively aligned with acquisition and budgeting frameworks of the EU's innovation priorities. Furthermore, the role of defence contracting may increasingly focus on enforcing economic objectives rather than enhancing operational capabilities. Also, existing non-market regulations can restrict access for non-traditional and commercial entities, leading to elevated costs.

#### - Bureaucratic and Political Obstacles

Almost every government bureaucracy implements daily laws, policies, and ensures rapid decision-making. Military organisations do not execute these functions daily as they plan and prepare for war, and also, they do not always fight. Instead, they are occupied to anticipate wars that may or may not occur<sup>40</sup>. In addition, they are also governed in some cases from policymakers who are illiterate towards innovation and therefore do not sufficiently consider preparedness-by-design<sup>41</sup>.

#### - Corruption

While corruption hinders innovation generally, in some cases it can also facilitate this process. Industries often lack the basic governance standards of other parts of public sector, with oversight,



