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Plenty of Froth but Little Substance? The Review, Security Innovation and the Market

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THE REVIEW ALSO LACKS CLARITY IN EQUALLY IMPORTANT ISSUES OF RESEARCH, DEVELOPMENT, AND SUCCESSFUL COMMERCIALISATION, ALL OF WHICH, IN TURN, ARE LINKED TO SEED FUNDING AND WORKING CAPITAL ACCESS.



The long-awaited UK [Integrated Review](#) (UK IR) and its two ‘daughter’ documents, the [Defence Command Paper](#) (DCP), and the [Defence Security and Industrial Strategy](#) (DSIS), were released in quick succession in March 2021. The bulk of the discussion related to security, the Market, and innovation is contained in the DSIS, and here when we reference ‘The Review’ we refer mainly to this document. In this article, we argue that the UK Integrated Review (as represented collectively by these three related documents) is big on rhetoric but light on substance, especially given our key focus of how the government intends to achieve an integrated approach to securing Britain via innovative facilitation of the security market. Despite the UK Integrated Review documents presenting a range of initiatives which purport to promote innovation and enhance Government’s relationship to the Market, it contains critical gaps which we will discuss in this article. Yet whilst the Review acknowledges the preponderance (95%) of Small to Medium Enterprises (SMEs) in the security market (which encompass a diverse range of activities including cyber, policing, counterterrorism, border security, guarding, and offender services, to list a few) it lacks specific initiatives that reduce entry barriers for SMEs in this business sector. The Review also lacks clarity in equally important issues of research, development, and successful commercialisation, all of which, in turn, are linked to seed funding and working capital access.

General threads running throughout the narrative of the DSIS include those of partnership, collaboration, making procurement more ‘agile’, and a promised review of acquisition and procurement policies with the aim of reducing red tape (which is presumably where ‘agility’ comes into it). That procurement needs to become more ‘user-friendly’, less adversarial, and more reflective of a partnership is a principal goal of the Integrated Review documents and is emphasised through its intent to streamline overall processes. As one example, placing commercial activities under unified management structures such as an MOD ‘Director General Commercial’, or the oddly titled ‘Shipbuilding Tsar’ (in the form of the UK Defence Secretary) for domestic shipbuilding will be helpful if efficiencies result from a truly unified acquisition and procurement managerial structure, however we note that no similar attention has been given to the SME-dominated security market.

The DSIS also flags reviews of both the 2011 Defence and Security Public Contracting Regulations (DSPCR 2011) and the Single Source Contract Regulations (SSCR). If these reviews should also result in the streamlining of approvals and facilitation of the MOD’s procurement processes, this might prove eventually to be a worthwhile activity. Whether such reviews will indeed produce the ‘agility’, ‘innovation’, and ‘partnership’ which the DSIS hopes will characterise future Defence-Market relationships, however, remains to be seen. As is often the case, the ‘devil’ is in the detail, particularly in a relationship where competing information asymmetries underpin virtually every aspect of the transaction. In short, these initiatives indicate that the UK Government looks to a more collegiate relationship with the security sector, and whilst there is much expression of ‘virtuous circles’, specifics are lacking.

A key point in the Review related particularly to sensitive areas such as security has been a shift in the UK’s long-standing policy of ‘global competition by default’ as a result of deeper consideration of the shifting international and national security environment. This was [noted by Defence commentators](#) soon after the release of all documents and stems from [controversies over foreign governmental interference in foreign private businesses](#). This position taken by the Review recognises important sensitivities over potential foreign influence particularly in the security market, more so than in other market sectors.



THAT PROCUREMENT NEEDS TO BECOME MORE ‘USER-FRIENDLY’, LESS ADVERSARIAL, AND MORE REFLECTIVE OF A PARTNERSHIP IS A PRINCIPAL GOAL OF THE INTEGRATED REVIEW DOCUMENTS AND IS EMPHASISED THROUGH ITS INTENT TO STREAMLINE OVERALL PROCESSES.





A SIGNIFICANT OMISSION IS ANY MENTION OF THE CRITICAL UPSTREAM, 'FEEDER' ROLE OF THE UK SCIENCE AND TECHNOLOGY TERTIARY EDUCATION SECTOR IN RESEARCHING AND DEVELOPING SECURITY INNOVATION.



DESPITE MUCH OF THE TEXT BEING DEVOTED TO SMES, IT SEEMS TO BE 'BUSINESS AS USUAL' IN THE LAND DOMAIN, WITH NON-SME PRIME CONTRACTORS PROMINENT IN THE AREAS OF ACQUISITION, THROUGH-LIFE CAPABILITY MANAGEMENT, AND LONGER-TERM CONTRACTS.



Conclusion

In summary, the trio of documents promises much, but is short on detail. Several important gaps occur throughout the documents. A significant omission is any mention of the critical upstream, 'feeder' role of the UK science and technology tertiary education sector in researching and developing security innovation. Another critical gap lies in the lack of specific measures linking the entrepreneur and innovation with seed capital to enable eventual commercialisation. 'Global talent' visas are mentioned, but whilst it is all very well to facilitate the entry of certain gifted individuals, the documents offer no specific facilitation to enable such talented entrepreneurs to bridge the 'access divide' represented by the capital required for research, development, and successful commercialisation (whether related to security or other areas of the market). Although the DSIS then proposes improved access to funding mediated through DASA (the UK's innovation accelerator-hub type program), these schemes have been historically burdened by restrictive bureaucracy and conditions, with the funds available (by grant or loan) often insufficient when compared to the true cost of commercialisation and lengthy lead times. In the UK where Venture Capital and 'Business Angels' are not a prominent part of the prevailing business culture, these arrangements become even more limited in their effect. A further gap in the Review lies in the lack of specific detail on how critical issues of both technology transfer and sharing of intellectual property transfer will be tackled, especially given that these are critical factors for SMEs operating in the security market. Lastly, the DSIS appears to offer no initiatives to promote the involvement of SMEs in the overall area of land capabilities. Despite much of the text being devoted to SMEs, it seems to be 'business as usual' in the land domain, with non-SME Prime Contractors prominent in the areas of acquisition, through-life capability management, and longer-term contracts (with the latter point probably reflecting the current situation of the MOD's logistic contracting arrangements).

Whilst it is clear that the UK IR and its two closely associated 'daughter' documents, the DCP and the DSIS, aims to reduce friction, uncertainty, and a certain adversarial tone in public/private sector business relationships, these do little to deconstruct the information asymmetry and competing agendas that lie at the very heart of many interactions between Defence and the Market. In the UK security market where the overwhelming majority of firms operating are SMEs, power, information, and financial asymmetries existing between these SMEs and the government are even more disparate. In conclusion, the road mapped out by these documents is indeed paved with many good intentions, and whilst these show superficial promise, unless followed up by specific details and mechanisms, the UK Integrated Review and its two associated documents stand to deliver little more to the UK security technology and innovation sector than statements of intent. To close with the coffee analogy: we have the froth, which despite carrying a hint of taste, has no body. What is now required to complete the Integrated Review is substance.

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