



Unlocking Growth in National Security: Six Strategic Accelerators for Incumbent Defense Firms

By Ned Calder

Key Takeaways

- Incumbent defense firms face mounting pressure to evolve as the national security landscape undergoes rapid transformation.
- New entrants are reshaping industry norms, while established players still hold critical capabilities the nation needs.
- Lasting advantage will go to those willing to challenge legacy assumptions and commit to bold, system-level transformation.

The defense industries in the U.S. and Europe stand at an inflection point. The national security ecosystems are under pressure from rapid shifts in technology, geopolitics, and government priorities, combined with a surge of new innovative competitors. These forces are redefining what nations expect from their defense industrial bases. Incumbent defense firms that act with the right scope and scale can reinvent their organizations to unlock commercial gains while strengthening their nation's security.

This transformation is being driven by many powerful forces that are reshaping the national security landscape, including:

- **Geopolitical Realignments:** Defense priorities are shifting as Europe rearms and the U.S. refocuses on homeland and regional security. The balance of power is shifting, and nations are racing to rebuild capability.
- **Demand for Speed and Value:** Governments are radically rethinking their approach to

acquisition. New contracting tools and innovation units are cutting timelines to match the pace of modern threats, and there is increased emphasis on lower-cost, easy-to-manufacture solutions.

- **Breakthrough Technologies:** Autonomous systems, AI, space-based systems, and other innovative technologies are redefining military advantage. Traditional boundaries between commercial and defense industries are blurring.
- **Disruptive Entrants:** Venture-backed firms and tech players are resetting industry norms. Their speed and access to capital are forcing incumbents to rethink how they compete and collaborate.

Each of these forces is raising the stakes for incumbents, who need to embrace substantial change to continue to serve evolving national security challenges. Disruptive entrants will play a critical role, but established companies and other institutions like national labs and federally-funded research and development centers still bring substantial capabilities and institutional knowledge that are vital to national security.

To meet this moment, organizations should focus on six strategic accelerators that can unlock growth and relevance in the new national security landscape.

1. Build a shared understanding of the need to change.

Incumbent organizations often underestimate disruptive signals. This is especially true in industries like defense, where political and cultural factors encourage inertia. Confirmation bias and other cognitive factors lead companies to dismiss the possibility that weak signals could grow into major changes. Vested interests further exacerbate this when these signals don't align with current

priorities. A prime example is how the industry initially dismissed SpaceX, only for it to become the market leader.

To overcome this bias, leaders need a coherent point of view on how the industry is evolving and what those changes mean for their business. Shyam Sankar, Palantir's CTO, offered one in his essay titled "18 Theses." He argued that the defense ecosystem faces systemic flaws in procurement and technology adoption, and he challenged both government and industry to confront them. Leaders may disagree with his conclusions, but his essay demonstrates the value of a point of view that frames disruptive forces in a way that provokes debate and guides action.

In stable, slowly evolving markets, such perspectives may remain implicit and require little debate. In periods of transformation, the absence of a well-defined perspective that aligns a leadership team can paralyze decision-making.

Key Questions for Leaders:

- Where do we hold conflicting views on the future, and how do we resolve them?
- Which "stable" assumptions are most at risk of proving wrong?
- How do we keep refreshing our shared perspective as new signals emerge?

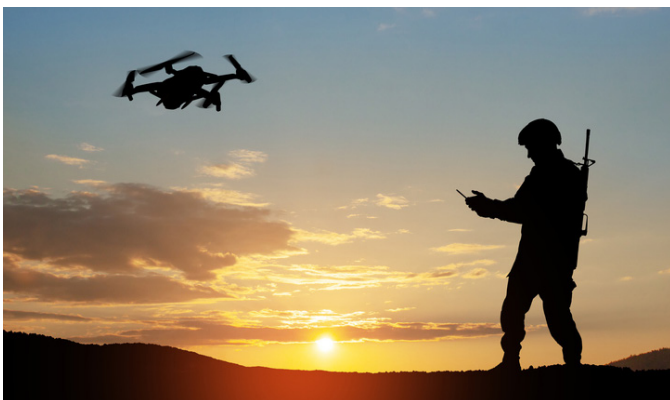
2. Realign the company's value proposition with evolving sponsor priorities.

Warfare is not static. Until the turn of the century, the U.S. military was primarily structured for conventional state-on-state warfare. After 9/11, counterterrorism and counterinsurgency became

dominant priorities, and procurement shifted to special operations, ISR, and rapid deployment capabilities.

Today, the focus has swung back to countering near-peer adversaries like China and operating in domains such as cyber and space. This shift demands a new strategic orientation, yet many defense companies still reinforce legacy value propositions instead of investing in emerging areas. Their emphasis on exquisite, high-cost systems overlooks the value of low-cost, disruptive alternatives that can be mass produced.

The war in Ukraine has shown the strategic impact of such solutions. Ukrainian forces used low-cost drones built with commercial off-the-shelf technology to inflict serious damage on Russia's Black Sea Fleet and long-range bombers in two high-profile attacks. This is redefining the economics of modern conflict. These systems fill critical operational gaps while also easing supply bottlenecks and cost pressures that strain the existing industrial base. The U.S. Department of Defense is now emphasizing these types of solutions as a meaningful part of its portfolio.



To remain competitive, defense companies should continuously reassess how they create value. That means aligning with shifting government priorities, anticipating future threats, and, rather than clinging to legacy strengths, investing in capabilities that address emerging mission priorities.

Key Questions for Leaders:

- Where does our current value proposition no longer resonate with sponsors or warfighters?
- Which legacy bets are crowding out investment in emerging needs?
- How do we shift resources fast enough to match changing priorities?

3. Innovate the business model.

As national security priorities evolve, so too must the fundamental ways companies operate. Traditional business models, built around long development cycles, large-scale platforms, and cost-plus contracts, are increasingly misaligned with modern warfare's need for speed and adaptability.

There are several ways the business models of defense companies are changing to accommodate these shifts. As commercial innovation is outpacing military-specific development in many critical areas, including artificial intelligence and cyber, there will likely be an increased focus on business models that straddle commercial and government markets. Similarly, to control costs and accelerate development of disruptive solutions, many companies are reconsidering their supply chains and moving toward greater levels of vertical integration.

SpaceX is a good example of a company that has benefited from being not just vertically integrated within launch but all the way through end-use applications like Starlink. Lastly, the performance of modern defense solutions is increasingly driven by software rather than hardware. In addition to building new capabilities, companies and sponsors will pivot from traditional development models

to agile, continuous software delivery. These will require new systems and ways of working.

A company's business model is a core source of competitive advantage, not just an operational choice. Those that remain tethered to legacy structures will struggle to compete with new entrants who are free from those constraints.

Key Questions for Leaders:

- Which elements of our business model are most exposed as market dynamics shift?
- What would a different model look like if it were designed for speed and software-driven solutions?
- How can we dismantle legacy practices that keep us tethered to outdated ways of operating?

4. Build new innovation capabilities.

Incumbent firms should fundamentally reimagine how they innovate as priorities shift and competition intensifies. Instead of delivering incremental improvements within existing frameworks, firms must be able to integrate breakthrough technologies and operate in emerging domains while examining long-standing assumptions about what and how they innovate.

Historically, defense innovation focused on improving product performance by increasing range, stealth, and precision. Today's challenges demand a more holistic approach. They require rethinking the entire system, from how solutions are designed and built to how they are integrated and sustained.

The war in Ukraine revealed one of the most pressing national security gaps, which is the



Western allies' inability to manufacture critical munitions and systems at scale and speed. Or consider naval shipbuilding: while the U.S. often takes five to seven years to deliver a new system, China produces multiple warships per year. These challenges illustrate the need to innovate in a wide range of areas such as advanced manufacturing.

Addressing these constraints requires system-level change. Defense firms will need to rethink how they set innovation priorities, how they fund and manage R&D, and how they move ideas into production at speed. Just as important, they must integrate new skillsets into their organization.

Fortunately, robust reference models for modernizing innovation already exist in commercial tech and emerging defense entrants. The real challenge is cultivating the mindset and leadership to move beyond tweaking legacy structures and embrace the hard work of transformational change.

Key Questions for Leaders:

- Which innovation priorities matter most, and which should we drop?
- What's really blocking us from innovating at speed and scale?
- How do we turn fragmented pilots into a coherent system that delivers?

5. Take culture change seriously.

Culture is one of the clearest differentiators between incumbents and disruptive entrants in the defense ecosystem. New players embrace speed, risk-taking, and a willingness to challenge conventional norms, and these traits are core to how they operate.

For incumbents to compete, leaders must confront and reshape deeply embedded cultural traits. Many recognize this challenge but struggle because culture change often feels amorphous. It is harder to define, measure, and influence than traditional levers like structure or incentives, where most organizations already have mature playbooks. Few are equipped to drive cultural change at scale.

To make real progress, leaders must address three common barriers:

- **Vague cultural visions.** Aspirations like “agile,” “mission-focused,” or “collaborative” are too broad to guide behavior. Real change happens when companies define specific, observable ways of working. The U.S. Navy’s Performance to Plan initiative did this by embedding measurable behaviors in routine decision reviews, driving accountability and faster problem-solving.
- **The gap between aspiration and reality.** Leaders often lack an evidence-based view of how culture plays out day to day. Boeing confronted this with a behavioral survey that surfaced critical gaps and guided targeted interventions after earlier efforts fell short.
- **Overreliance on slogans or town halls.** Culture shifts through disciplined programs: toolkits to shape behavior, sequenced change plans with clear ownership, leaders modeling new norms, and metrics to track progress.

Without cultural transformation, incumbents will struggle to compete with newer, more agile players and limit their impact on national security.

Key Questions for Leaders:

- Which behaviors in our culture help us compete, and which hold us back?
- Where is the gap between what we say we value and what people experience day to day?
- How do we build the leadership stamina to drive change beyond slogans and town halls?

6. Confront complexity to create the capacity to change.

Complexity is one of the most persistent challenges for defense executives, eroding the capacity for transformation. It drives up costs and slows execution by complicating decision-making. Some of it is inherent to national security, given the high-stakes nature of missions. But much of it is self-inflicted, the result of new systems and structures that add friction.

The F-35 Joint Strike Fighter program is a cautionary tale, becoming one of the most expensive and delayed programs in U.S. defense history. Conceived to reduce complexity by creating a single multiservice platform, it instead introduced significant programmatic and technical complexity across design, production, and sustainment. The program is now projected to cost more than \$2 trillion over its life cycle, with mission-capable rates below 55% as of early 2023. This illustrates a familiar trap: efforts to simplify often generate new complexity when layered onto legacy systems.

Complexity is an operational burden and a strategic constraint, consuming leadership bandwidth and obscuring accountability. Leaders often try to fix complexity by adding more components to the system. For companies to make room for bold

changes, they must create space by reducing friction, which requires a deliberate shift in mindset. Sustainable progress comes from removing duplicative structures, clarifying decision rights, simplifying interfaces, and streamlining priorities. Instead of solving around complexity, actively design it out.

For instance, the U.S. Air Force set up a software unit called Kessel Run to break from its slow, step-by-step procurement system and instead let small teams build and release tools quickly. One of its first projects was JIGSAW, a digital scheduling application used by tanker planners to choreograph aerial refueling missions. By replacing a cumbersome system of whiteboards and spreadsheets, it allowed plans to be generated faster with fewer people, which the Air Force credits with saving more than \$500 million in fuel.

Defense firms that challenge long-standing assumptions about how work gets done can reduce complexity, cut costs, and reclaim the capacity to evolve. That requires looking closely at how an organization is structured and how decisions flow, then stripping out the layers and handoffs that slow work down. It also means giving leaders the

authority and the tools to simplify problems rather than add to them.

Key Questions for Leaders:

- Which parts of our organization are most hobbled by layers of complexity?
- How should decision rights shift so we can act faster and with clearer accountability?
- What signals tell us leaders are simplifying the system rather than just working around it?

Disruptive market shifts do not guarantee that incumbents will lose to newer, more innovative entrants. However, those that fail to act decisively and with a transformational mindset risk irrelevance. By embracing the accelerators outlined above, defense leaders can position their organizations to thrive in an era of rapid change. The stakes are high, but so too are the opportunities for those willing to lead boldly.

ABOUT THE AUTHORS



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