

Closing the defense delivery gap

How defense firms can innovate with agility and ramp up at speed

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Executive summary

A sharp rise in defense acquisition spending is putting new pressure on the industrial base, with global spending projected to grow at a 12% CAGR between 2025 and 2030 to reach US\$1 trillion by 2027, up 90% since 2022.¹ Defense firms across continents are still struggling to ramp up production fast enough to meet government requirements. As part of Accenture's annual International Defense Insight report series, we surveyed 80 global defense industry leaders in May 2026 and found that seven in 10 cite meeting growing demand as a top challenge over the next three years, both for scaling existing production and for developing new products.

“Europe’s security will depend on connected, interoperable and multi-domain defense solutions—and the ability to adapt the warfighting capabilities with the speed of relevance.”

Michael Schöllhorn,
CEO, Airbus Defense and Space

“We understand that our products are critical to national security. We absolutely feel the responsibility and urgency to deliver more and to deliver it faster.”

Christopher Calio,
Chairman and CEO, RTX



Our research points to three main reasons the gap between demand and delivery is widening. First, supply chains built for peacetime volumes are buckling under surge demand. Component shortages, limited access to rare earth elements, multi-year lead times and rising input costs tied to tariffs and trade restrictions are slowing production and delivery. Second, military requirements are evolving faster than industrial processes can respond, with autonomy, affordable air defense and counter-drone capabilities becoming urgent needs. Third, order volumes are exceeding current delivery capacity in every major defense system category.

At the same time, many governments are reshaping defense industry engagement through tighter sovereignty or “buy local” mandates, forcing suppliers to localize production or risk losing program positions. Moreover, companies from automotive, industrial equipment and commercial technology sectors are seeking to enter the defense market, creating more partnership options while also competing for the same limited talent and components.

To close the execution gap, defense firms simply cannot rely on building more production lines. They’ll be better positioned to compete and grow if they can deliver, sustain and innovate at the speed governments now require. Four concrete actions, two internal and two external, can help them get there.

Within the organization, they can build a right-first-time production system anchored in skilled talent, connected digital systems and robust quality control, and use agile methods, modular design and AI to move faster from design and testing to production and delivery.

Across the ecosystem, they can narrow the gap between identifying demand signals early and responding to them. They can also benefit from stronger ecosystem partnerships that enable suppliers to respond faster, with clearer signals, shared data and a broader local base. Similarly, broader external research and development (R&D) partnerships can further help bring in targeted capabilities, align on interoperability earlier and accelerate innovation and co-development.

Neither set of actions works in isolation. Companies that scale production without accelerating innovation will fall behind on capability. Those that innovate without fixing throughput will struggle with delivery. Delivery speed is the new competitive advantage, but only for those that treat it as a strategic priority.





01

Rising defense spending is driving industrial expansion, but production constraints remain

Defense manufacturers are facing intense strain. Governments are increasing spending far beyond the capacity the industrial base was built for, and manufacturing is struggling to keep up.

“Most of the money in Europe will be coming in 2027, 2028, 2029, with defense spending almost doubling in those years according to predictions.”

NATO Policy Director,
Ministry of Defense of a European Country



That surge is already taking shape. Governments are increasing their defense spending. Taiwan has unveiled a US\$25 billion supplemental defense budget.² The United States has requested US\$1.5 trillion in its FY2027 budget.³ The European Union has approved a US\$173 billion Security Action for Europe (SAFE) fund to support joint procurement across member states and partner nations.⁴

Alongside higher spending, governments are prioritizing rapid delivery and operational readiness. Denmark selected the SAMP/T over the Patriot missile defense system primarily because of faster delivery timelines, with suppliers such as Thales now explicitly positioning 'available sooner' as a competitive differentiator.⁵ L3Harris launched electro-optical and infrared sensor production in Poland specifically to respond more quickly to time-sensitive European defense requirements tied to the Readiness 2030 and SAFE initiatives.⁶

“Industry capacity has systematically reduced from around 1990 until roughly 2014. Capacity reduced over 30 years cannot be rebuilt in a few weeks, months, or even years.”

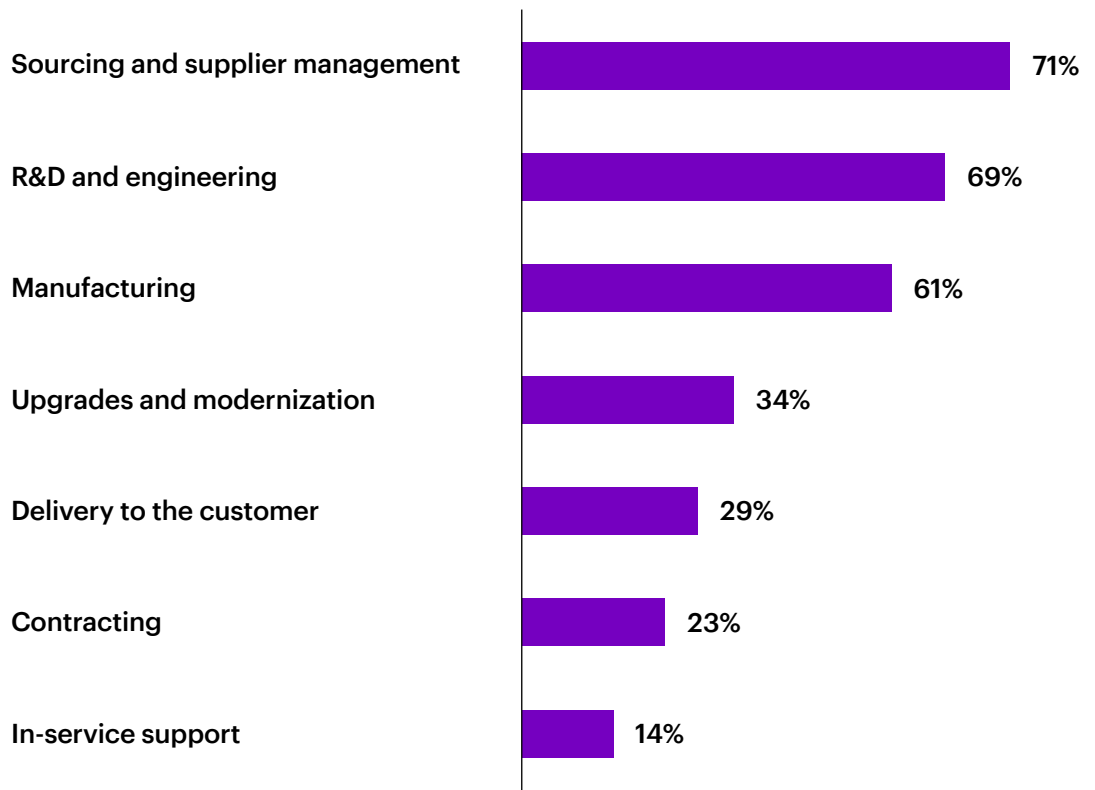
Head of Contracting,

Defense Procurement Agency of a European Country

The industry is trying to respond just as quickly. MBDA has doubled missile production and announced US\$5.7 billion in investment to meet European demand.⁷ Hanwha has invested in Firehawk Aerospace, a defense technology startup manufacturing solid rocket motors to boost technical and production capacity.⁸ Lockheed Martin secured a tentative US\$4.7 billion deal from the US government to boost PAC-3 production.⁹

Even so, output growth is still not keeping pace with rising demand. Executives surveyed identify sourcing and supplier management, R&D and engineering and manufacturing as the areas facing the greatest pressure (Figure 1). Workforce shortages and insufficient access to capital remain major obstacles. The UK industry body ADS has concluded that the UK aerospace and defense supply chain needs more workforce and working capital to sustain even current ambitions, let alone meet accelerating demand.¹⁰

Figure 1: Product value chain elements requiring most improvement to adequately respond to growing demand



Source: Accenture International Defense Insight Survey, 2026 (N = 80).



02

Where execution breaks

Our findings indicate that the execution gap is driven by pressure points in three distinct areas: production, sustainment and innovation. Understanding where each fails, and why, is essential to fixing the problem.

Production: Scaling output is constrained both across the supply base and within the organization

“When you look at production, the bottlenecks are not at the level of hands-on work. They are tied to decision cycles and supporting processes.”

Operations Executive,
Major US Defense Manufacturer



Three out of four executives surveyed cite both internal and external barriers as factors that will hinder production increases over the next three years. External pressures are showing up across supply chains, manufacturing and labor availability (Figure 2).

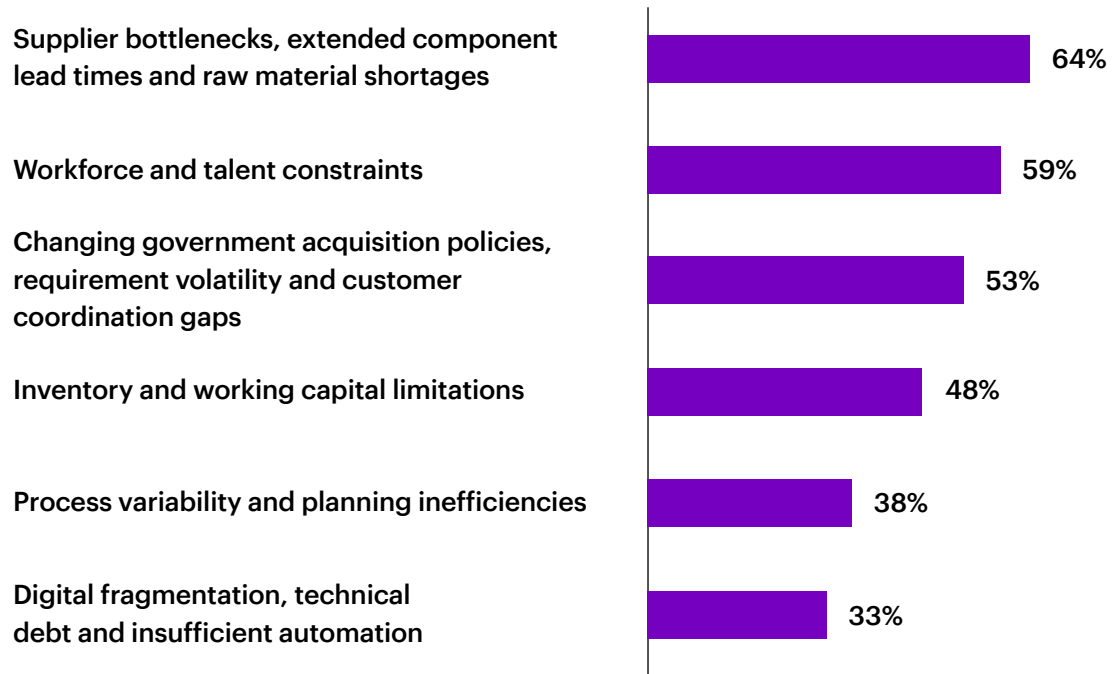
Supplier bottlenecks, extended lead times and raw-material shortages are already slowing programs. Supply chain and manufacturing issues, for example, have delayed the planned first flights of the next two Kaan combat aircraft prototypes.¹¹

Within the organization, delays in digital modernization are holding back performance gains. Interviews with prime contractors reveal that many facilities expected to scale through AI and automation are still planning production with outdated 2D drawings, while enterprise resource planning (ERP) and product lifecycle management (PLM) rollouts lag years behind. One senior executive at a major Indian defense company confirmed that only about 20% of legacy data has been converted to 3D CAD formats, slowing the adoption of AI, robotics and advanced production analytics.

The coordination gap between suppliers and customers is equally significant. Key problems include export controls, barriers to sharing information, unclear governance and decision rights, and requirements and acceptance criteria that shift or are poorly defined.

The US Government Accountability Office identified this pattern in the Coast Guard's cutter program, where construction began before the design was finalized and caused rework and delays.¹² Export controls, information-sharing barriers and governance gaps have likewise contributed to delays in Virginia-class submarine production under the AUKUS framework.¹³

Figure 2: Barriers to scaling existing production over the next three years



Source: Accenture International Defense Insight Survey, 2026 (N = 80).

Sustainment: Readiness depends on it, but investment still lags

“The repair model was designed for peacetime logistics assumptions. There is a core friction between a repair doctrine built over 20 years and the reality of current conflicts.”

Business Development Executive,
European Defense Manufacturer



Although sustainment accounts for approximately 70% of the total lifecycle cost of a defense system, it often remains structurally under-resourced.¹⁴ That gap points to a growing risk because high-end systems often remain in service for 50 years or more. The Patriot air and missile defense system, for example, was first fielded in the early 1980s, but is expected to evolve through 2048 and beyond.¹⁵ Underinvestment in sustainment, therefore, compounds over time, creating long-term challenges for defense firms.

Our analysis points to several areas where sustainment coordination needs to improve: lifecycle governance, repair doctrine, data sharing between industry and government and early agreement on intellectual property and data rights. Lifecycle governance remains fragmented because acquisition and maintenance sit in separate budgets, so organizations rarely manage total cost of ownership as one problem.

Repair doctrine has also fallen behind operational reality: models built for peacetime logistics fail in contested environments, while obsolescence is becoming a growing readiness risk as many systems rely on parts that are no longer manufactured or are costly and time-consuming to reproduce. At the same time, limited data sharing and late agreement on intellectual property and data rights continue to slow maintenance planning and constrain access to the technical information needed to sustain systems effectively. Technologies such as predictive maintenance and forward-deployed support teams could help, but scaling them will require changes to contracts and regulations.

There are, however, signals that governments are beginning to take a more long-term approach to sustainment. Ukraine's "Weapons of Victory" program, for example, brings development, production and sustainment together under one contracting framework to support the entire military acquisition cycle.¹⁶ In the United States, the Pentagon is pursuing a long-term spare-parts deal with Lockheed Martin specifically to improve F-35 readiness at scale.¹⁷ While neither initiative fully closes the readiness gap, both recognize that sustainment cannot remain an afterthought in defense planning and procurement.

Innovation: Accelerating new capability requires a holistic development model

“When programs are able to move faster, it is often because requirements are stabilized and the government can clearly communicate what is needed.”

Science and Technology Advisor

US Department of Defense

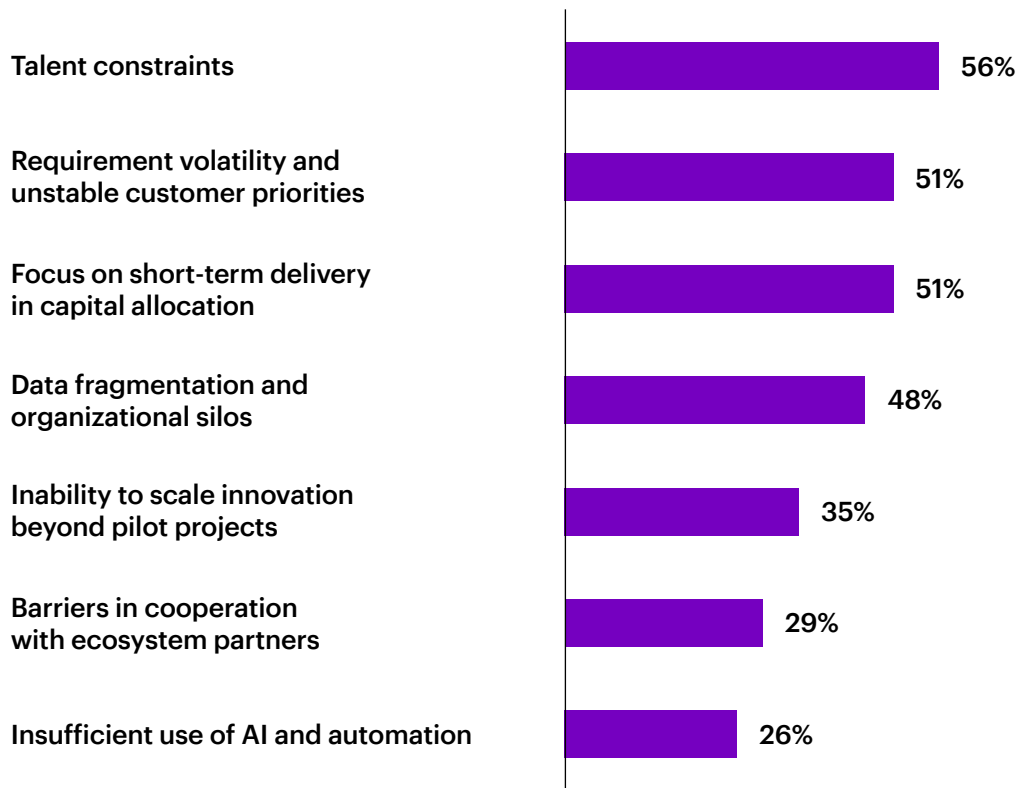
Three out of four executives expect developing new innovative products on accelerated timelines to be among the top challenges for their companies over the next three years. This is despite governments’ rising innovation investment. For example, EU defense R&D reached US\$20 billion in 2025, with a focus on AI, quantum computing, cyber defense and counter-drone systems.¹⁸ So, what’s the bottleneck? Executives say the biggest innovation barriers include talent shortages, changing requirements, complex funding cycles and a short-term capital allocation focus that limits long-term R&D output (Figure 3). The shortage of cleared software engineers is especially severe, as defense companies struggle to compete with commercial AI firms for talent. The National Defense Industry Association’s 2026 Vital Signs survey also identified hiring and talent competition as major concerns for defense companies.¹⁹

When companies don’t have the needed workforce, technology or resources, they often partner with other companies to fulfill those needs. But defense partnerships are increasingly constrained by governance and coordination challenges that cut across both governments and companies. Executives highlight slow decision-making, disagreements over technology and data sharing, trust and export control issues and difficulty aligning security standards and risk allocation as key collaboration barriers. These tensions are clearly visible in multinational efforts such as the Future Combat Air System program, where tensions between industrial partners and differing French and German operational requirements have led to the dissolution of the joint program,²⁰ while Italy’s defense minister has publicly criticized UK secrecy on the Global Combat Air Program.²¹

Moreover, established defense companies still largely follow a requirements-led development model, responding to defined customer demand. Newer entrants, by contrast, are moving earlier, developing products around identified battlefield needs. Fire Point in Ukraine, for example, built strike drones to address a capability gap and secured its first contract for 200 drones in under a year from the prototype’s first flight.²²

These breakdowns are significant, but they are not irreversible. Closing the execution gap will require focused changes in how defense companies build, deliver and innovate.

Figure 3: Barriers to developing new innovative products over the next three years



Source: Accenture International Defense Insight Survey, 2026 (N = 80).





03

Four actions to rewire defense delivery

To overcome current challenges with production, sustainment and innovation, and build repeatable advantage in the future, defense firms will have to address both internal and external dynamics. Four actions, two within the organization and two across the ecosystem, can structurally improve production, R&D and engineering performance over the next three years.



Within the organization

Create a right-first-time production system built on skilled talent, connected digital systems and robust quality control

“One area where the defense sector has progressed more cautiously is AI adoption in daily operations. Cloud-based AI tools are typically not feasible, and building secure, proprietary alternatives would require substantial investment.

Value Chain Executive,

Major European Defense Manufacturer

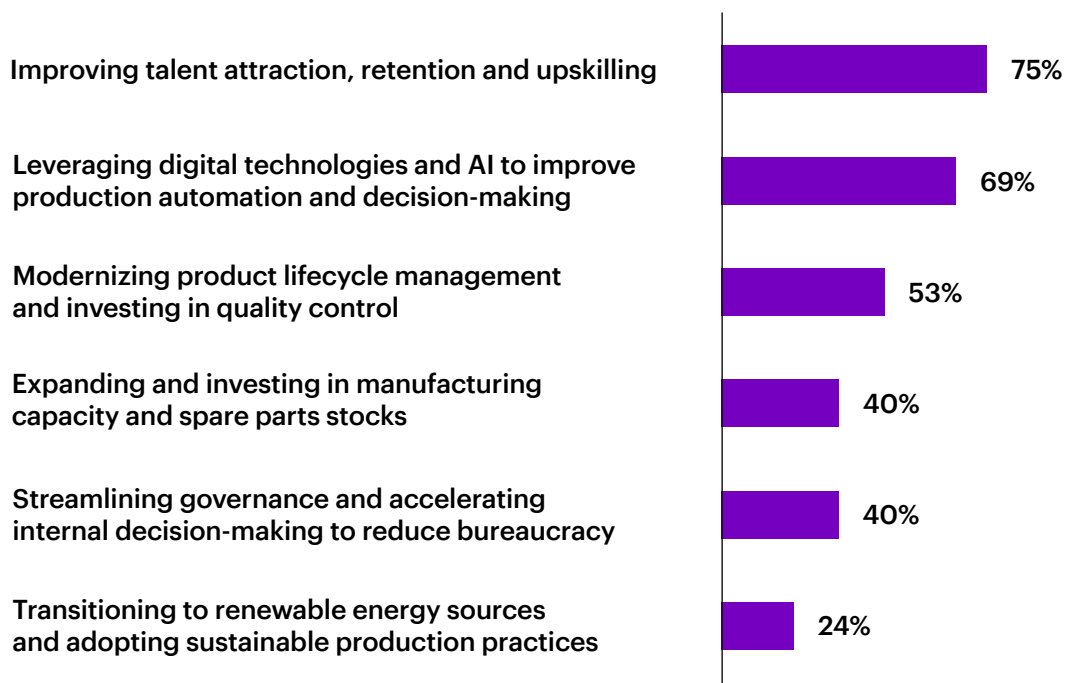
Defense firms can consider strengthening the talent pipeline on three fronts: hiring and retention, workforce development and knowledge transfer. A strong talent strategy is critical to supporting timely large-scale production and sustaining those products over time. As Thales CEO Patrice Caine points out, it’s not about building short-term capacity, but to “train engineers who will still be designing, integrating and sustaining critical systems 10 or 20 years from now.”²³

Since defense companies struggle to compete with Big Tech on pay, many firms are focusing on mission and long-term career stability. Raytheon, for example, rehired retired employees to train new workers for Stinger missile production in Europe.²⁴ For meaningful workforce development, the industry will need stronger community college partnerships, military transition pathways and reskilling programs. To address the knowledge transfer challenge, firms can now use AI-enabled systems that help capture engineering knowledge before experienced workers leave.

That said, AI’s value goes beyond preserving expertise. It is also becoming a key driver of production efficiency, quality control and product support. Leveraging AI and digital technologies ranked as the second most important action executives identified for improving production over the next three years (Figure 4). Achieving that goal starts with connecting ERP and PLM systems so engineering, manufacturing, quality and sustainment teams operate from the same data environment. Once that foundation is in place, AI tools can improve scheduling, reduce idle time and identify supply-chain risks earlier.

Boeing’s partnership with Palantir on the Foundry platform²⁵ and Nammo’s investment in automated manufacturing²⁶ show how stronger data infrastructure can support AI-driven operations improvement and increase efficiency and quality. Right-first-time discipline is critical because fixing design or supplier problems before production starts is far cheaper than correcting them later.

Figure 4: Actions defense companies are taking or planning to take within the organization to improve existing production over the next three years



Source: Accenture International Defense Insight Survey, 2026 (N = 80).



Use agile methods, modular design and AI to reduce R&D and engineering cycle times

“Shield AI and Anduril have achieved adjacency to the voice of the customer and developed hardware and software solutions in parallel. This represents a significant contrast to legacy manned platforms.”

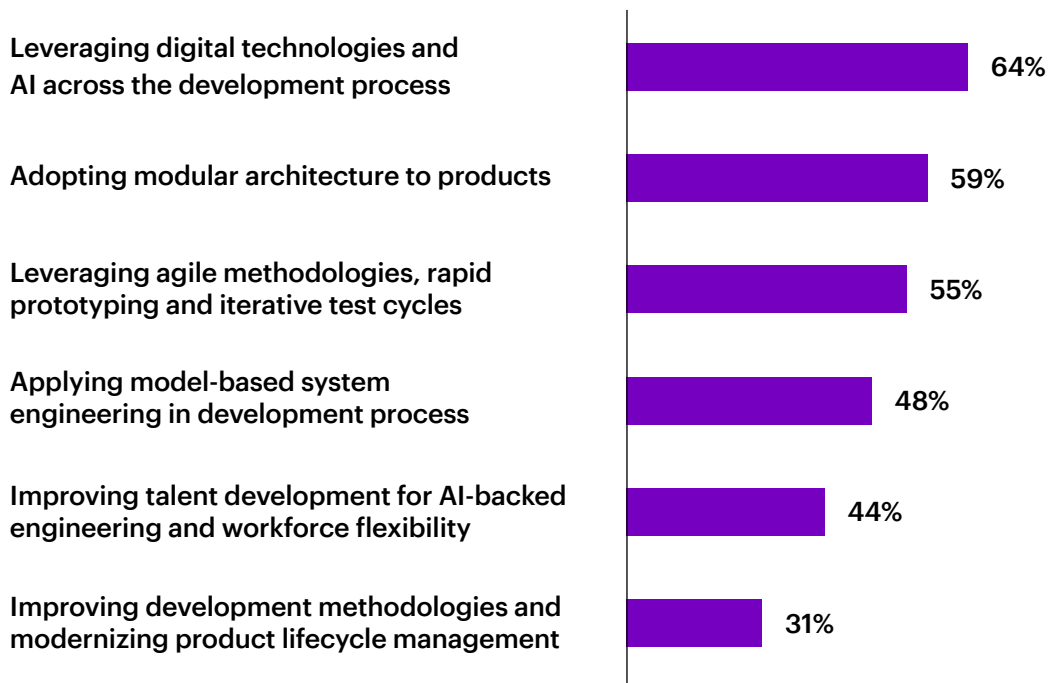
Operations Executive,
Major US Defense Manufacturer

Deploying digital engineering tools, including generative and agentic AI where appropriate, can help improve R&D speed. A science and technology advisor we interviewed estimated that digital validation before physical prototyping can reduce development timelines by six to nine months. AI speeds up design, integration, testing and documentation by cutting manual delays that are now too costly to ignore. Executives agree, with 64% already implementing or planning to implement AI and digital technologies across their development processes (Figure 5).

The second priority is building modular architectures to make engineering processes more efficient. Systems designed for software upgrades and modular hardware can adapt to changing requirements without requiring full redesigns. BAE Systems has already demonstrated this approach through open architecture and software-defined radios that support rapid updates and third-party applications without changing the core platform.²⁷

Defense firms can also consider adopting agile development and rapid prototyping. Anduril reduced development time for its YFQ-44A autonomous aircraft from years to just 18 months, integrating design, development and manufacturing through a single Arsenal Operating System.²⁸ Mitsubishi Heavy Industries reduced testing time from months to just weeks using Shield AI’s Hivemind autonomy software.²⁹ These examples reflect a broader shift toward parallel hardware and software development, rapid iteration and continuous operator feedback instead of the slower sequential models used in traditional defense procurement.

Figure 5: Actions defense companies are taking or planning to take within the organization to improve innovation over the next three years



Source: Accenture International Defense Insight Survey, 2026 (N = 80).



Across the ecosystem

Close the signal-to-supply gap and expand partnerships to enhance production and delivery speed

“The key is to create constant demand. Changing the financial approach and the way large companies place orders with suppliers could benefit the entire value chain and enable higher, more stable production levels.”

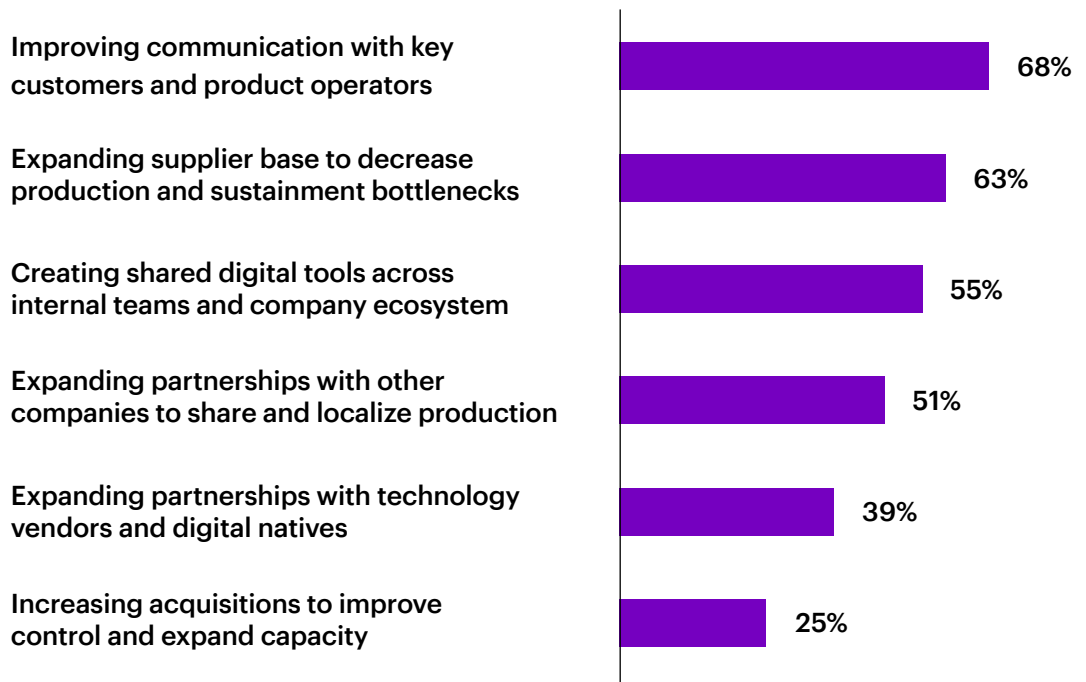
Senior Executive and Board Member,
Major European Defense Manufacturer

Improving demand visibility is one of the most effective ways to strengthen defense production. If primes provide suppliers with earlier visibility into future programs, suppliers can invest sooner in production, hiring and materials. Today’s reactive ordering model often delays those investments. General Dynamics’ ongoing coordination with the UK Army and MoD TacSys team on C4I delivery shows how continuous collaboration and clearer long-term planning can speed up delivery and improve trust between customers and suppliers.³⁰

This level of early visibility and continuous collaboration depends on how well firms strengthen communication and build shared digital ecosystems. Executives also highlight these as top priorities (Figure 6). Shared data and collaboration platforms across internal teams and external partners provide the foundation for this shift. BAE Systems’ unified supplier management, sourcing and procurement platform shows how digitizing the supplier interface at scale improves coordination, traceability and response times across a complex supply chain.³¹ Sovereignty mandates are adding a geographic dimension that makes this even more consequential.

Europe requires 65% European-sourced material under SAFE.³² Canada is prioritizing domestic businesses for procurement awards over the next 10 years.³³ India is targeting 50% localized sourcing for Rafale jets under the MRCA program.³⁴ But there are workarounds. Airbus’ onboarding of 37 India-based suppliers shows how firms can convert these requirements into long-term advantage by improving resilience and securing future contracts.³⁵

Figure 6: Actions defense companies are taking or planning to take across the ecosystem to improve existing production over the next three years



Source: Accenture International Defense Insight Survey, 2026 (N = 80).



Broaden external R&D partnerships to improve innovation

“Newer companies often partner with tier-one, tier-two or tier-three suppliers to integrate their solutions at a lower level rather than engaging directly with a major prime. This allows them to enter the market faster by integrating through established providers.”

Operations Executive,

Major US Defense Company

Technology partnerships are becoming one of the fastest ways to close defense R&D gaps. Executives surveyed ranked greater cooperation with technology providers and digital-native firms among their top actions to improve innovation (Figure 7). Northrop Grumman’s work with Luminary Cloud shows why. Using Luminary Cloud’s Physics AI model, the company ran spacecraft thruster simulations more than 3,000 times faster than traditional methods, cutting months from development timelines.³⁶

Such partnerships allow defense firms to add targeted capabilities quickly without building them internally. Companies can also use venture investment to access emerging technologies more quickly. Lockheed Martin, for example, has helped fund more than 120 companies developing capabilities across AI, advanced materials, directed energy and quantum computing.³⁷ Regardless of the tool or approach used, success depends on identifying the right gaps, setting clear IP boundaries early and ensuring new technologies fit existing system architectures.

As more non-traditional companies enter defense, interoperability and governance are becoming increasingly important. Firms from the automotive, industrial and commercial technology sectors are bringing new engineering capabilities into the market. Renault, for instance, has partnered with Turgis Gaillard to develop and manufacture military drones,³⁸ while Trumpf has signaled plans to expand its precision manufacturing expertise into defense.³⁹ But these companies are unlikely to participate if their core technologies are exposed. Open architecture standards and compliance with modular approaches can help address this challenge by allowing companies to collaborate while protecting sensitive intellectual property.

Defense companies are also partnering more closely with each other to increase R&D scale and speed. The Edgewing joint venture under the Global Combat Air Program that pools resources from Leonardo, BAE Systems and Japan Aircraft Industrial Enhancement, shows how co-development models can combine resources, technical expertise and funding across multiple companies. Edgewing will have operations and joint teams working in each partner nation to ensure maximum alignment and collaboration.⁴⁰

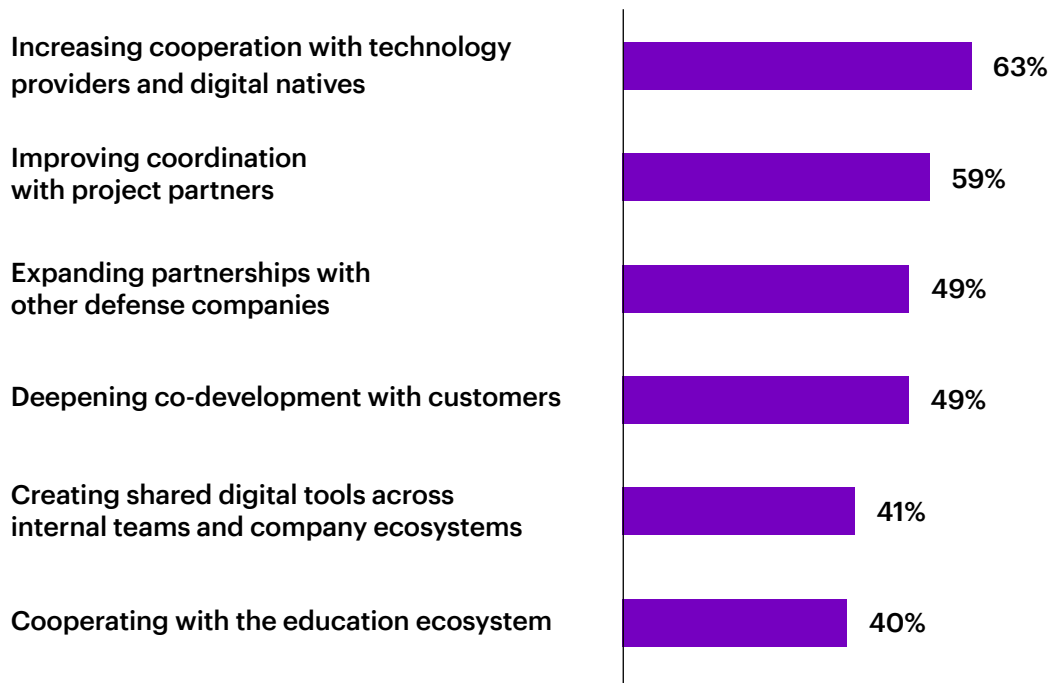
Another important consideration for defense firms is forming partnerships that provide a direct presence in conflict zones. Ukraine, for example, has become a live testing ground where military requirements are changing in real time. Defense firms without a presence there risk losing credibility with procurement agencies.

The pace of both software and hardware adaptation in Ukraine, measured in days and weeks instead of years, is creating a new benchmark for military development. As Tekever Director of Defense Karl Brew said, "One year in Ukraine is like five years in normal development cycles."⁴¹ For firms that cannot establish a direct footprint, partnering with companies already operating in these environments offers a practical path to staying relevant and competitive.

“If you are not in Ukraine as a European defense company, you’re not credible. That’s how many procurement agencies will see it because this is where the developments are happening.”

NATO Policy Director,
Ministry of Defense of a European Country

Figure 7: Actions defense companies are taking or planning to take across the ecosystem to improve innovation over the next three years



Source: Accenture International Defense Insight Survey, 2026 (N = 80).





04

Firms that deliver will have the edge

Defense demand is likely to increase. Governments are accelerating procurement and pushing for greater domestic production. Companies that can deliver faster, innovate continuously and meet sovereignty requirements will have a major competitive advantage.

Some defense firms are already taking steps in the right direction. They are integrating digital tools, AI, modular platforms and lifecycle management approaches to improve execution and speed up development. Some are also improving demand

visibility across suppliers and expanding external partnerships to access new technologies faster. But isolated moves will not be enough. Closing the defense delivery gap will require a more holistic approach that brings all four actions together as part of a coordinated strategy.

Companies that fail to adapt risk falling behind. Scale alone is not enough, and innovation without execution has limited value. The defense firms that lead the next decade will be those that treat speed, adaptability and execution across production, sustainment and innovation as core strategic capabilities.



How Accenture can help

At Accenture, we help Aerospace and Defense companies modernize operations and unlock mission advantage through digital engineering, AI-enabled sustainment and smart supply chains. We work with industry leaders to design intelligent platforms, accelerate capability delivery and bring agility to production lines through digital twin technologies and advanced analytics. Whether you're reimagining defense systems, scaling secure cloud solutions or optimizing the value chain, Accenture brings the industry expertise and technology to help you deliver results at speed.

Trade gut instincts for generative insights

Accenture helps clients rapidly assess markets and competitors, validate growth opportunities and anticipate change using global networks, deep industry expertise and advanced AI. Gain instant access to firsthand MoD/DoD, industry and market perspectives to make more confident decisions.

Accelerate commercial impact

Accenture identifies underserved segments and friction points in how military services use your products, helping client business development and engineering teams with insights to design solutions for fast-changing needs and better cover the full range of service requirements.

Jumpstart your success

Accenture helps clients capture immediate value through a plug-and-play service model that integrates new talent, ecosystem partners and modern ways of working with existing teams.

Create your own funding for growth

Accenture supports clients with analytics and strategic insight to unlock funding strategies, design more profitable delivery models, maximize existing assets, reduce legacy IT debt and align today's operations with future capacity needs.

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About the research

Launched in 2024, the Accenture International Defense Insight Report is an answer to the growing need for data-driven insights on changing dynamics in the defense environment globally. For this third annual report, we combined analysis of primary and secondary research on the business response to growing defense ambitions from governments for both existing products and new innovative capabilities.

We surveyed 80 defense industry executives across Europe, North America, Asia-Pacific and the Middle East and North Africa. Respondents include C-suite leaders and Vice Presidents responsible for supply chain, technology, manufacturing, R&D and operations. We supplemented the survey through in-depth interviews with 18 experts from defense organizations along with a review of publicly available programs, procurement and policy data, third-party reports, data sets and trade media articles.

These findings reflect conditions in the second quarter of 2026. With geopolitical conditions still in flux, industry sentiment will likely continue to adjust.

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