

## Defense Industrial Base Vulnerabilities

Written by Nick Sanders  
Friday, 15 July 2022 07:15

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Recent headlines:

April 11, 2022 – “JetBlue Crewmember Union Blasts Management 'Incompetence at the Highest Levels” ( [Link](#) ). “ “They’ve mismanaged their hiring, they’ve mismanaged the logistics of their company, of their system, and here we are with all of these massive problems,” [Union President] Samuelsen said.”

May, 2022 – “Supply Chain, Labor Woes Confound Military, Industrial Base” (National Defense). “A nationwide labor shortage and problems with the supply chain continue to disrupt the delivery of materiel to the military and its industrial partners, logisticians at a recent conference said. ... [According to the Vice Commander of Naval Supply Systems] “About 80 percent of his command’s suppliers are ‘single-source,’ meaning there is no other company that can produce the item.”

June 8 – “Boeing Can’t Find Enough Workers to Build the New Airforce One” ( [Defense One](#) ). “The company blames an ultra-competitive labor market, but also the high-level security clearances each employee needs since the program involves classified information about the president’s travel procedures.”

June 10 – “Major Weapon Projects Face Delays” (Defense One). GAO’s annual assessment of 59 major DoD weapon programs did not paint a pretty picture. “More than half of the 59 programs reviewed reported ‘industrial base risks,’ but most ‘did not plan for an industrial base assessment ... to be conducted specific to their program.’”

June 15 – “Boeing on the Hunt for Engineers and Talent, from Arlington to Brazil” (Aviation Week). “Boeing’s hunt for new engineering talent is taking it from suburban Washington to Brazil as it seeks to attract and retain a new generation of workers after the COVID-19 pandemic and production missteps.”

June 19 – “Travel Armageddon’ as flight delays, cancellations pile up: What’s going on?” (USAToday). “[Travel Agency CEO] Ferrara said the loss of skilled positions, such as pilots and aircrew, is ‘really what’s driving’ all of the airline issues. Pilot unions at Delta, American and

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Southwest have said airlines haven't been quick enough to replace pilots who retired or took leaves of absences when the pandemic began. 'We're in a boom time for travel. We're blowing away all records all previous years. So you've got this surge in demand, and you've got limitations on staffing,' Ferrara said.

July, 2022 – “Energetics Workforce is Graying Out” (National Defense). [‘Energetics’ is the thing that makes kinetic weapons kinetic, FYI.] “... one of the most pressing concerns among government and industry is developing the future workforce. Nowhere is that challenge greater than in the field of energetic materials—the chemicals used to make propellants, pyrotechnics and explosives.” And: “Panelists identified other factors that turn candidates away from the energetics industry such as outdated facilities, excessive bureaucracy—even in small tasks like purchasing needed materials—and jobs located in areas with little to offer young professionals and their families.”

In a survey sponsored by the National Defense Industrial Association (NDIA), and reported in the June, 2022, edition of National Defense magazine, 78% of respondents said the availability of skilled labor was a moderate or significant problem for them. 63% said the same for availability of cleared labor (hello, Boeing). Clearly, the current situation is not just a defense industrial base problem. It’s a pervasive problem across many industries. But the situation affects national security. Without workers (cleared or not), and without effective supply chains, defense programs are at risk of failure.

The same article in National Defense (written by Stephanie Halcrow and Nicholas Jones) offered some solutions to address the problems facing the defense industrial base. Among those possible solutions were:

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Accelerate acquisition reform, including reforming the budget process and implementing a two-year budget and appropriations cycle, and creating a new appropriations category (“color of money”) for software acquisitions.

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Reform DoD’s approach to intellectual property rights

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Increase the simplified acquisition threshold

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Budget stability. (“72 percent of respondents said ‘the uncertain prospect of continuing volumes of business’ was a moderate or significant deterrence to devoting significant amounts of capacity to military production, up from 60 percent [in the previous year’s survey].”)

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Maintaining innovation.

There were other suggested fixes, but you get the idea.

The sad thing about the list above is that nothing is new. All of these “prescriptions” have been suggested before—some many times before—in the previous decade or even longer. There’s nothing new here.

Before somebody tries to fix the serious problems facing not only the defense industry, but all of US industry, perhaps its time to do a root cause analysis.

If one were to perform such a root cause analysis, we believe the results might include the following:

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Excessive focus on the short term in favor of long-term planning, especially amongst publicly traded companies where executive bonuses are tied to stock price.

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Excessive emphasis on expense reduction at the expense of the overall mission. For example, an undue focus on “just-in-time” logistics that only saves money when the supply chain is working at 100%. Otherwise, the focus creates unacceptable levels of risk—especially when the supply chain is in jeopardy.

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Excessive focus on controlling labor costs rather than a willingness to pay market wages—and even premiums for in-demand skillsets and clearances. The “human capital” crisis was predicted more than twenty years ago; yet corporate leadership appears to have failed to take effective action to mitigate it. Things are only going to get worse from here. Netflix famously issued its 120 -slide PowerPoint deck about how to manage a workforce in 2009—more than a decade ago. Why have defense contractors failed to implement its innovative practices?

Fundamentally, the root cause of many of the vulnerabilities facing the defense industrial base is a short-sighted leadership culture coupled with too many disincentives that impede change and adoption of new practices. There is a noticeable lack of accountability for poor leadership decisions; instead, huge bonuses are awarded even in the face of failure.

You want to change things? Change the leadership culture.