

THE
STRATEGIC PIVOT

**DEFENCE CONTRACTORS'
SUSTAINABLE
FUTURE**

OSSA-ICDDA-ANKARA-18 APRIL 2024

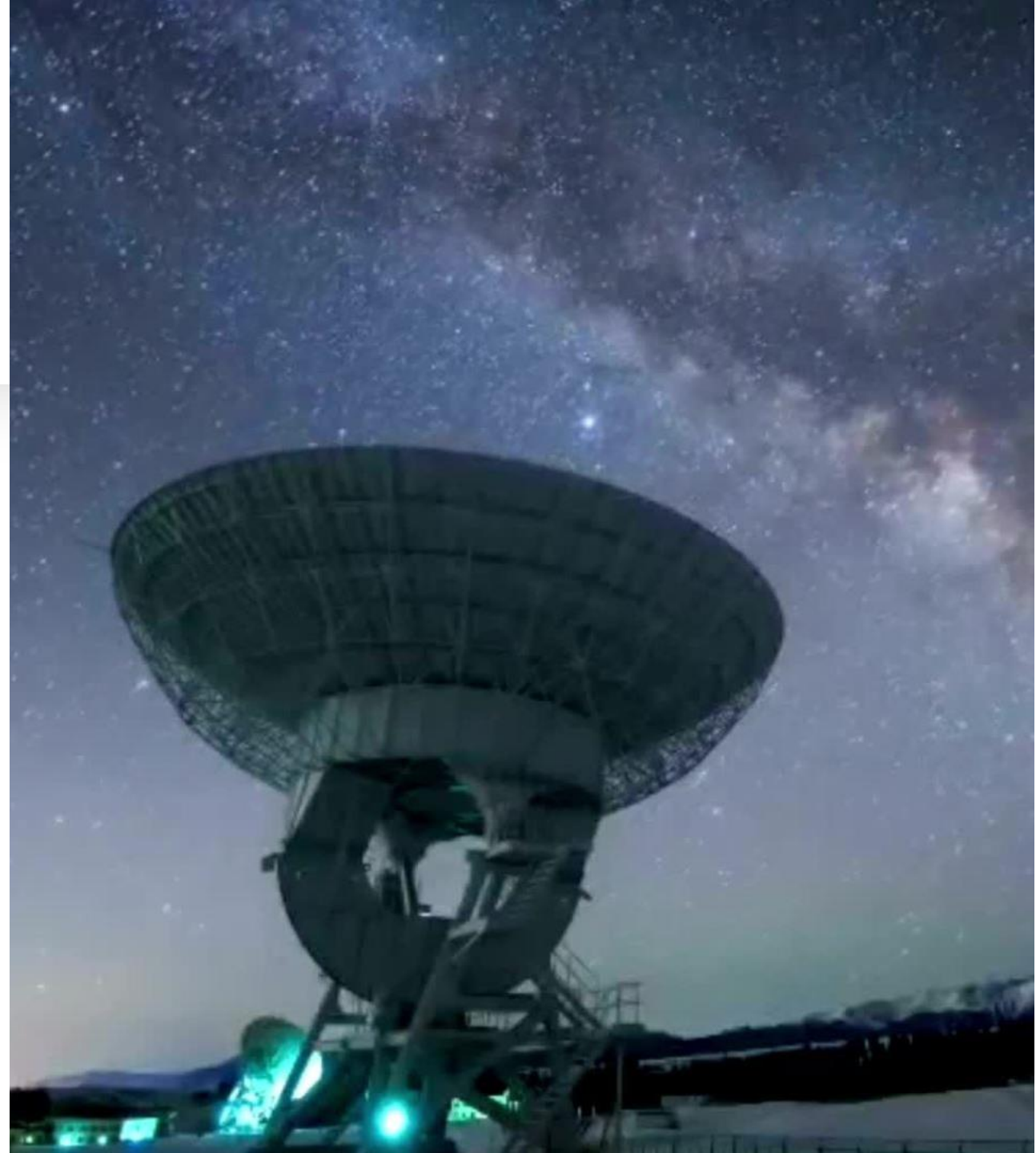
Imtiaz Rastgar

PMX



INTRO

- **Imtiaz Rastgar**
- **Pakistan Aerospace Council**
- **PMX**



OBJECTIVE OF TODAY'S TALK

To Offer Insights

&

Strategies

Tailored For Defense Sub-contractors

Seeking

Global Expansion

&

Sustainability

The Owner Manager

- Starts with a set of technical or manufacturing skills, but es.

As firm progresses, they lack in

- Lacks management skills
- Business Strategy
- Foresights for creating sustainable business
- Marketing
- and
- Transition skills



Inherent Qualities of a Defence Sub Contractor: Operational Excellence in Defense

Maintaining Quality and Security Standards: Adhering to global defense standards and securing sensitive information.

Innovation in Defense Technologies: Staying ahead through R&D in defense technologies and cybersecurity measures.

Efficient Supply Chain Management: Strategies for managing a secure and efficient global supply chain in the defense sector.

Sustainability and Responsibility: Emphasizing ethical considerations and sustainable practices in defense manufacturing.



Life From Contract to Contract

- **Cash Flow**
- **Daily Bread & Butter**

Continuously Looking For The Next Contract

- **While:**
- **Embracing change as a constant in the tech industry.**
- **Agile methodologies for business and product development.**
- **The need for continuous market analysis and adaptability.**



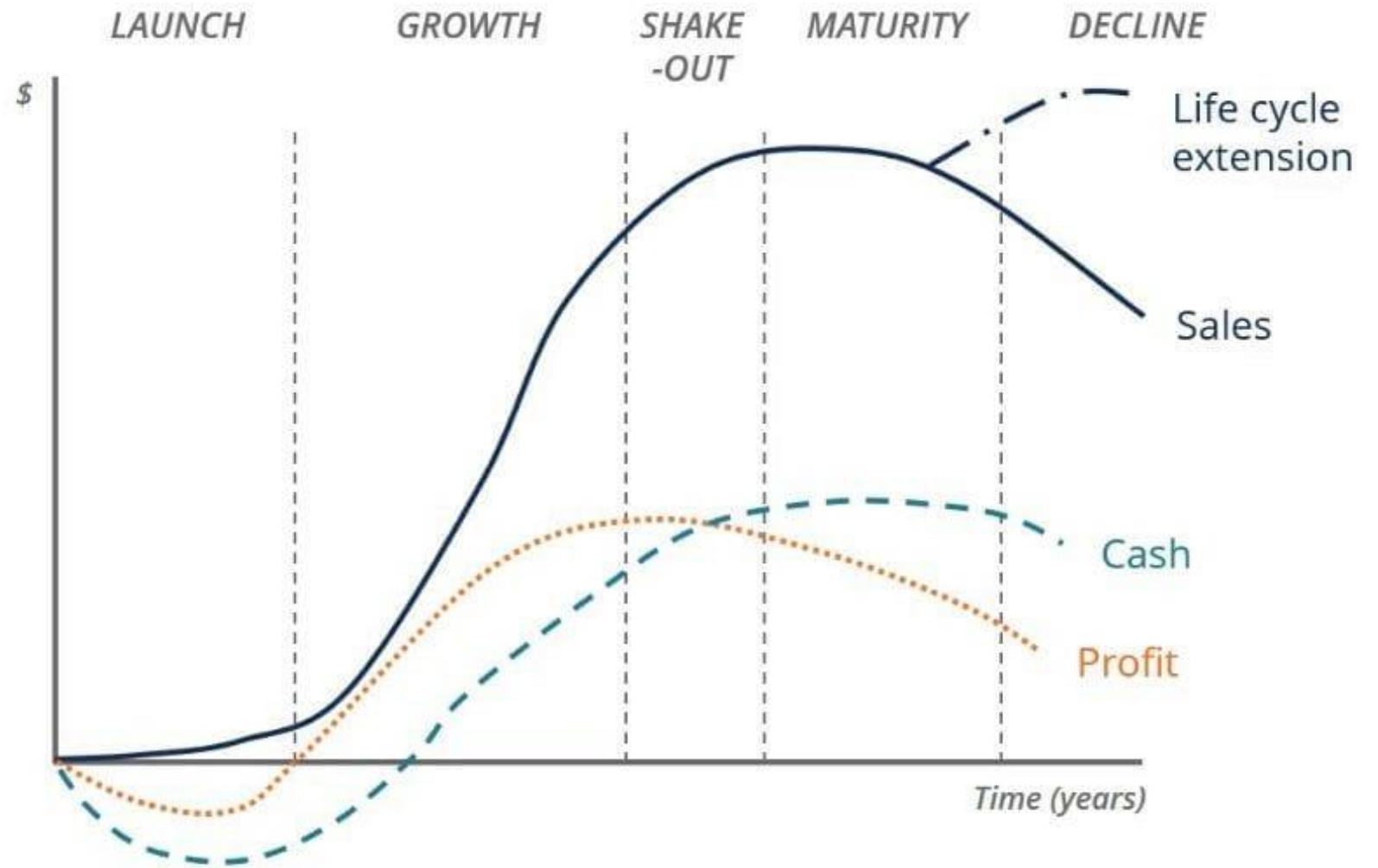
Moving
From
Opportunity
to
Crisis
to
Opportunity



The Typical Life Cycle of an SME Subcontractor Firm

- **Startup and Entry**
- **Survival**
- **Expansion**
- **Characteristics:** The firm may enter new markets, offer new services, or even start exporting; investments in marketing and sales increase.
- **Challenges:** Adjusting to new market dynamics, managing more complex operations, and maintaining company culture.
- **Maturity**
- **Characteristics:** Operations stabilize, and growth rates may plateau; the firm has a solid market presence and a strong customer base.
- **Challenges:** Innovating to stay relevant, finding new growth areas, and defending market position against rising competitors.

5 Stages of SME Sub-Contractors



Long Term Survival of Defence SMEs

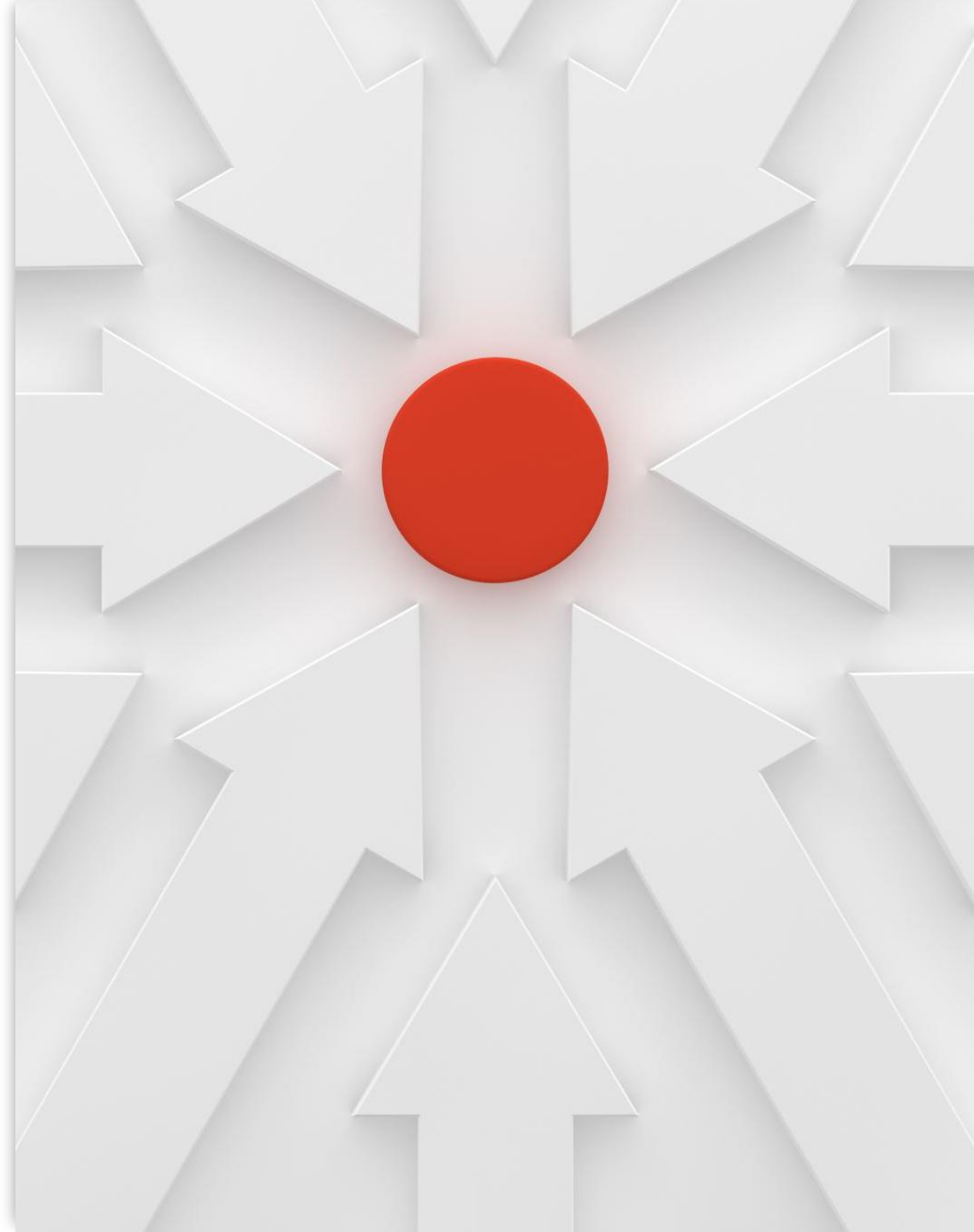
HIGH ENTRY BARRIERS: THE DEFENSE INDUSTRY IS KNOWN FOR ITS STRINGENT REGULATIONS AND HIGH ENTRY BARRIERS. THIS SUGGESTS A COMPETITIVE LANDSCAPE WHERE ONLY A CERTAIN PERCENTAGE OF SMES CAN SUCCESSFULLY LAUNCH AND ESTABLISH THEMSELVES.

MARKET DEPENDENCE: THE SURVIVAL OF SMES IN THE DEFENSE SECTOR IS HEAVILY INFLUENCED BY GOVERNMENT DEFENSE SPENDING. PERIODS OF INCREASED SPENDING MAY SEE HIGHER SURVIVAL RATES, WHILE BUDGET CUTS CAN LEAD TO CONSOLIDATION AND CLOSURES.



RENEWAL OR DECLINE

- **Characteristics:** The firm must decide whether to innovate and renew its offerings to find new growth or risk decline as market conditions change.
- **Challenges:** Overcoming possible market saturation, adapting to technological changes, and reinvigorating the brand.
- **Renewal Path**
- **Innovation:** The firm reinvents itself, possibly pivoting to new services or markets.
- **Acquisition:** The firm might acquire or merge with other businesses to enhance capabilities or access new markets.



The Owners May

- Die
- Sell the business or
- Prepare it for succession.
- Decline Path
- Downsizing: If renewing isn't an option, the firm may need to downsize operations.
- Closure: Ultimately, the business may close if it cannot maintain profitability or adapt to market changes.
- Throughout these stages, SME subcontractors face the continuous task of balancing operational efficiency with the need for innovation and customer satisfaction. The most successful firms are those that manage to adapt to market changes and reinvent themselves while leveraging their core competencies





GROWTH & SURVIVAL

**HOW
OTHERS
HAVE
DONE
IT**

Rhode & Schwarz



- Test & Measurement
- Aerospace-Defence-Security
- Broadcast & Media
- Cybersecurity

Honeywell International Inc.

The Honeywell logo is displayed in white, bold, sans-serif font on a red rectangular background. The background is part of a larger red rounded rectangle that also contains the company name at the top left of the slide. There are also yellow decorative elements: a semi-circle at the bottom left and a dashed arc at the top right.


- **Defense Products:** Guidance and navigation systems for missiles and aircraft, helicopter flight control systems
- **Civilian Products:** Home thermostats, fire alarm systems, security cameras



Rockwell Collins (UTX)

Now part of Collins Aerospace, a subsidiary of Raytheon Technologies

- **Defense Products:** Avionics systems for military aircraft, communication systems for ground forces
- **Civilian Products:** Avionics systems for commercial aircraft, flight simulators



Ultra Electronics Holdings plc (UTE)

British defense, security and aerospace company

- Defense Products: Sonar systems for submarines, electronic countermeasures systems
- Civilian Products: Sonar equipment for marine research, communication systems for emergency services



Safran S.A. (SAF)

French multinational aerospace and defense company

- **Defense Products:**
Helicopter engines, aircraft landing gear systems
- **Civilian Products:**
Turbofan engines for business jets, landing gear systems for commercial aircraft



II-VI Incorporated (IIVI)

- **Defense Products:**
Optical components for military lasers, infrared imaging systems
- **Civilian Products:**
Optical components for telecommunication networks, laser cutting and welding systems

Esterline Technologies Corporation (ESL)

- **Defense Products:** Avionics systems, flight controls, hydraulic systems
- **Civilian Products:** Avionics systems for commercial aircraft, Flight controls for business jets





OSI Systems Inc. (OSIS)

- **Defense Products:** Electro-optical and infrared imaging systems
- **Civilian Products:** Machine vision systems for industrial automation, inspection cameras for semiconductor manufacturing



Chemring Group PLC (CHE)

British technology company
specializing in explosives and
countermeasures

- Defense Products: Military pyrotechnics, counter-explosive devices (C-IED)
- Civilian Products: Pyrotechnic displays for events, explosive welding for industrial applications (Similar to American Ordnance, Chemring's civilian market is tightly controlled)



UAV Tactical Systems Inc. (UTSI)

- **Defense Products:** Tactical unmanned aerial vehicles (UAVs)
- **Civilian Products:** UAVs for aerial photography and videography, agricultural spraying drones

CHOOSE A TECH AREA AND GROW WITHIN IT

- In a world where attention spans are short, and choices are abundant, **specialization emerges as a secret weapon for business success**. It allows businesses to stand out, build trust, and cater to a specific audience with unmatched precision. As the business landscape continues to evolve, the value of specialization becomes increasingly evident.



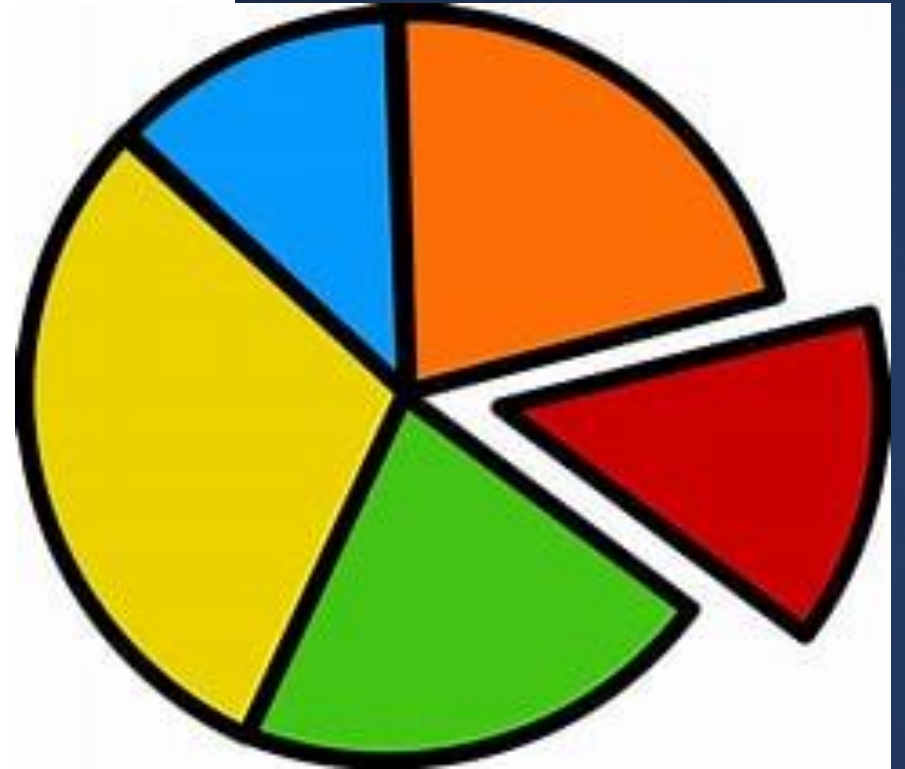
Niche Expertise:

SMEs that carve out a niche in a specific sub-sector with less competition might have a higher chance of survival compared to those in more saturated areas.



MAKE THE WORLD YOUR MARKET

- **Expanded Customer Base:** Access to a larger pool of potential customers worldwide.
 - **Diversification:** Reduced reliance on a single market or region.
 - **Economies of Scale:** Increased production efficiency and cost savings.
 - **Innovation Opportunities:** Exposure to diverse ideas and technologies.
 - **Risk Mitigation:** Spreading risk across different markets.
 - **Competitive Edge:** Gaining insights from global competitors.
- Survival and Growth:** By tapping into the global market, small firms can:
- **Survive:** Adapt to changing economic conditions and market fluctuations.
 - **Grow:** Expand revenue streams, explore new markets, and



Overcoming Barriers – Strategies for Success

- Strategic partnerships with tech firms.
- Diversifying product offerings to meet new market demands.
- R&D investments to tailor products for civilian use.





Leveraging Dual-Use Technologies

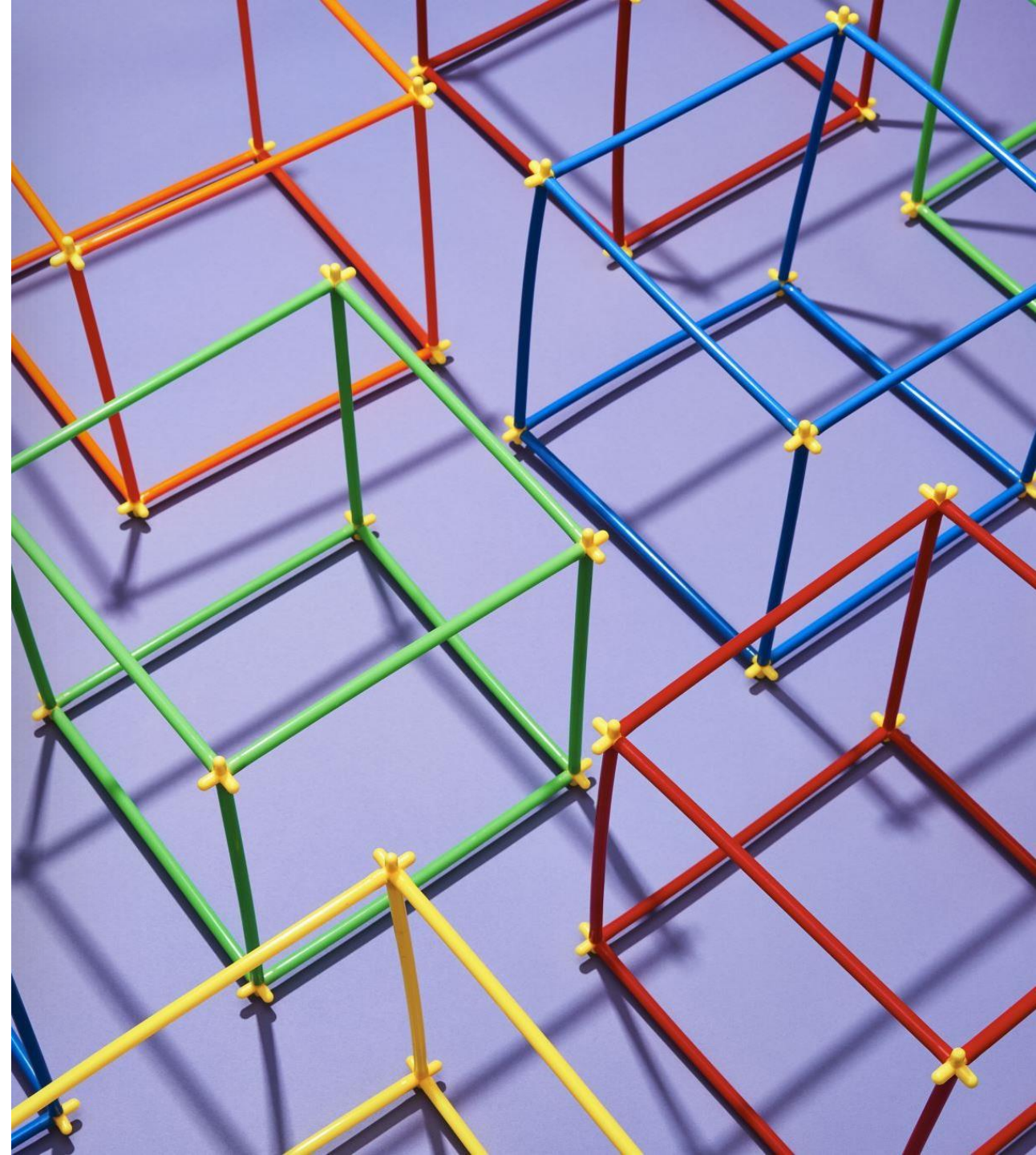
- Defining dual-use technology with examples.
- Discussing the market potential for products that serve both defense and civilian purposes.
- The strategy for marketing dual-use technologies.



Strategic Partnerships & Alliances

Innovation at the Core

- Keeping innovation as a core business strategy.
- Encouraging a culture of innovation within the company.
- Utilizing defense R&D practices to innovate within the tech sector.



Second Life of Defence Products

Investment in
R&D



1. **Undershirts:**

2. **Feminine Hygiene Products:**

3. **EpiPens:**

4. **GPS (Global Positioning System):**

5. **Duct Tape**

Marketing for the Tech Industry

- Adjusting marketing strategies from B2G to B2C or B2B in tech.
- The importance of brand identity and customer engagement.
- Using digital marketing and social media to reach new tech markets.

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The Importance of Cultural Adaptation

- Understanding and adapting to the business culture of tech markets.
- The impact of company culture on innovation and market expansion.
- Strategies for cultural integration and adaptation.



Developing Future Leaders

- The importance of leadership in driving business transformation.
- Developing leadership skills within the organization.
- Succession planning to ensure future company stability.



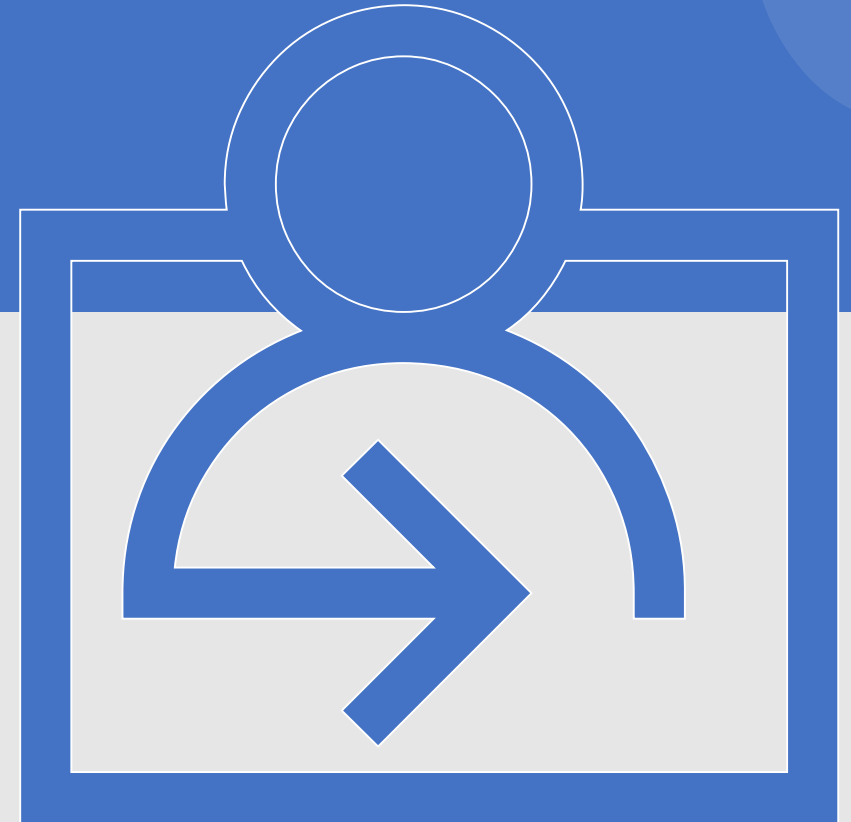
Build a Diverse Network

- **Join Industry Associations**
- **Engage with Local Business Communities**
- **Form Strategic Alliances**
- **Seek Out Mentors**
- **Attend Conferences and Workshops**
- **Advisory Boards**
- **Participate in Peer Advisory Groups**
- **Foster Academic Connections**
- **Be Selective with Counsel**
- **Encourage Employee Networks**
- **Evaluate the Company's Impact**
- **Online Networking Platforms**

Owner Manager Can Do

Owner-managers of subcontracting firms with strong technical or manufacturing backgrounds often face challenges as they shift towards more strategic roles.

- **Invest in Business Education**
- **Continuous Learning**
- **Networking**
- **Hire and Empower Skilled Managers**
- **Advisory Boards and Mentors**
- **Strategic Planning**



Marketing & Brand Building

Invest in marketing to build a strong brand, which can involve hiring marketing professionals or engaging with marketing agencies.





How a
consultant helps
in the above?



PMD



Selecting Products & Markets

Consultant Can

Global Expansion Planning

Marketing and Sales Strategy

Organizational Development and Change Management

Financial Planning and Investment

Continuous Improvement and Adaptation



Role of Consultant

- **Understanding Market Needs and Opportunities**
- **Brand Repositioning and Messaging**
- **Communicating Value and Building Trust**
- **Launching New Products**
- **Strategic Partnerships and Alliances**
- **Navigating Global Expansion**
- **Sustaining Innovation**
- **Developing Future Leaders**





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What Can PMX Do For Defence Contractors?

- **Help Identify Global Opportunities Which Match Core Competencies**
- **Create Market Growth Plan**
- **Maximize Market Penetration**
- **Help Achieve Export Growth.**

STAND UP
&
BE COUNTED
WITH
GLOBAL
MINDSET

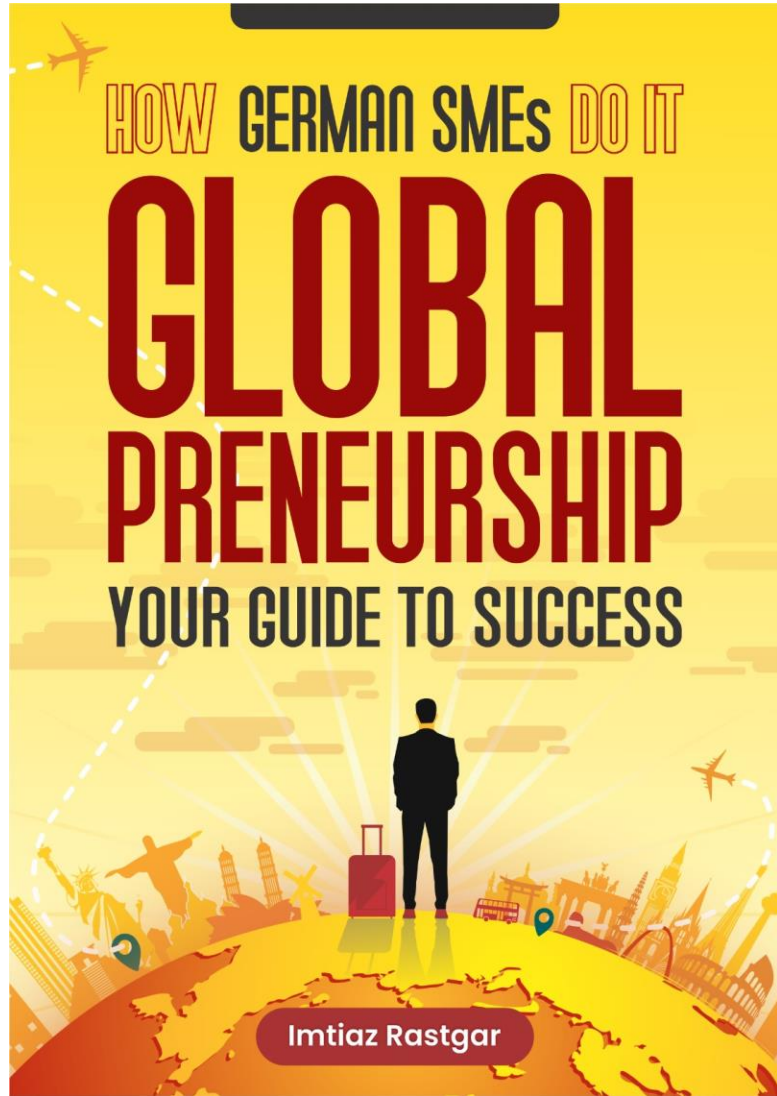
IMTIAZ
RASTGAR

GLOBAL MINDSET

THINK

CHANGE

ACT



HOW
GERMAN
SMEs
DO
IT



TOP TIER SUB CONTRACTORS

Pakistan Aerospace Council
www.pakaero.com.pk

DIRECTORY 2024

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How German SMEs Conquered the World?


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