

The following presentation was given at:

The 2015 SCAF Annual Conference

Tuesday 15th September 2015

The QEII Conference Centre, Westminster, London

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Strategic Challenges Against A Backdrop Of Global Uncertainty

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An Uncertain World...



Aug. 2014

US strikes against ISIS
Limited airstrikes to thwart advance of 'Islamic State' and to support Kurds



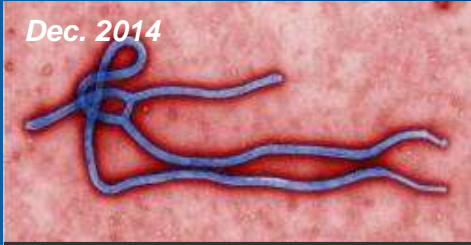
Sept. 2014

Hong Kong Protests
Civil unrest over election rules; most serious challenge to gov't since 1989



Nov. 2014

Sony Pictures Cyber Attack
Major release of data, network attack at Sony Pictures; North Korea blamed



Dec. 2014

Ebola Outbreak toll hits 8,000
Epidemic in West Africa infects 20,000 during 2014; US & UK send troops



Feb. 2015

'Minsk II' Agreement
Russia, Ukraine agree limited ceasefire in East Ukraine; Crimea still annexed



Mar. 2015

Saudi-led attacks on Houthis
Rebel group targeted by Saudi, UAE and allied strikes in Yemen



July 2015

Greek Default & Referendum
Athens misses IMF payment, forced into significant reforms for new bailout



July 2015

Turkey Strikes at IS & PKK
Ankara targets IS and Kurdish forces in reaction to terrorist attacks at home



Aug. 2015

Chinese Market Crisis Grows
Declines move to full-blown panic in Chinese stocks; world markets follow

The Impact on Military Operations

10 years ago:

- *Large-scale land deployments*
- *Counter-insurgency and counter-terrorism operations*

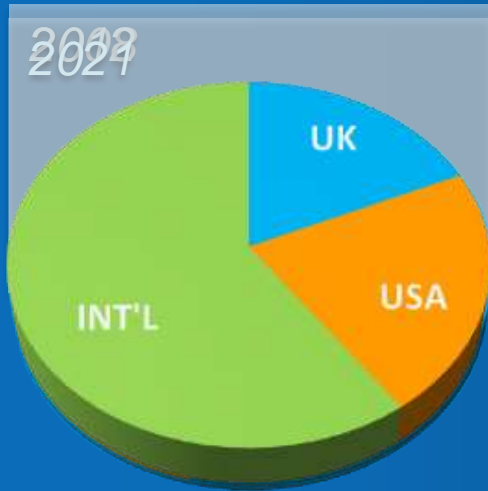
Five years ago:

- *Medium-scale deployment in Afghanistan*
- *Withdrawal and budget cuts*

Today:

- *Balance back towards air and naval power*
- *Contribution to a re-energised NATO*
- *Increased focus on long-term capabilities and availability*

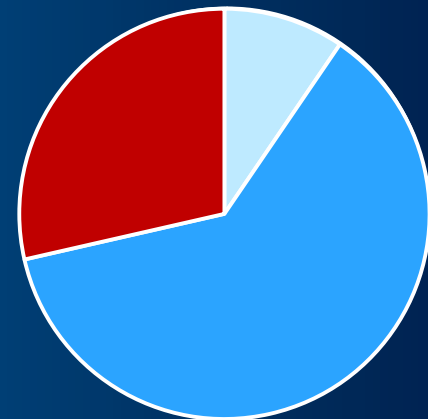
Business Impact



- *Shift from traditional (home) markets towards international markets*
- *A shift in our operating model is inevitable*

- *Fewer and fewer Development Programmes worldwide*
- *The mix of business type is changing - shifting towards Support / Service*

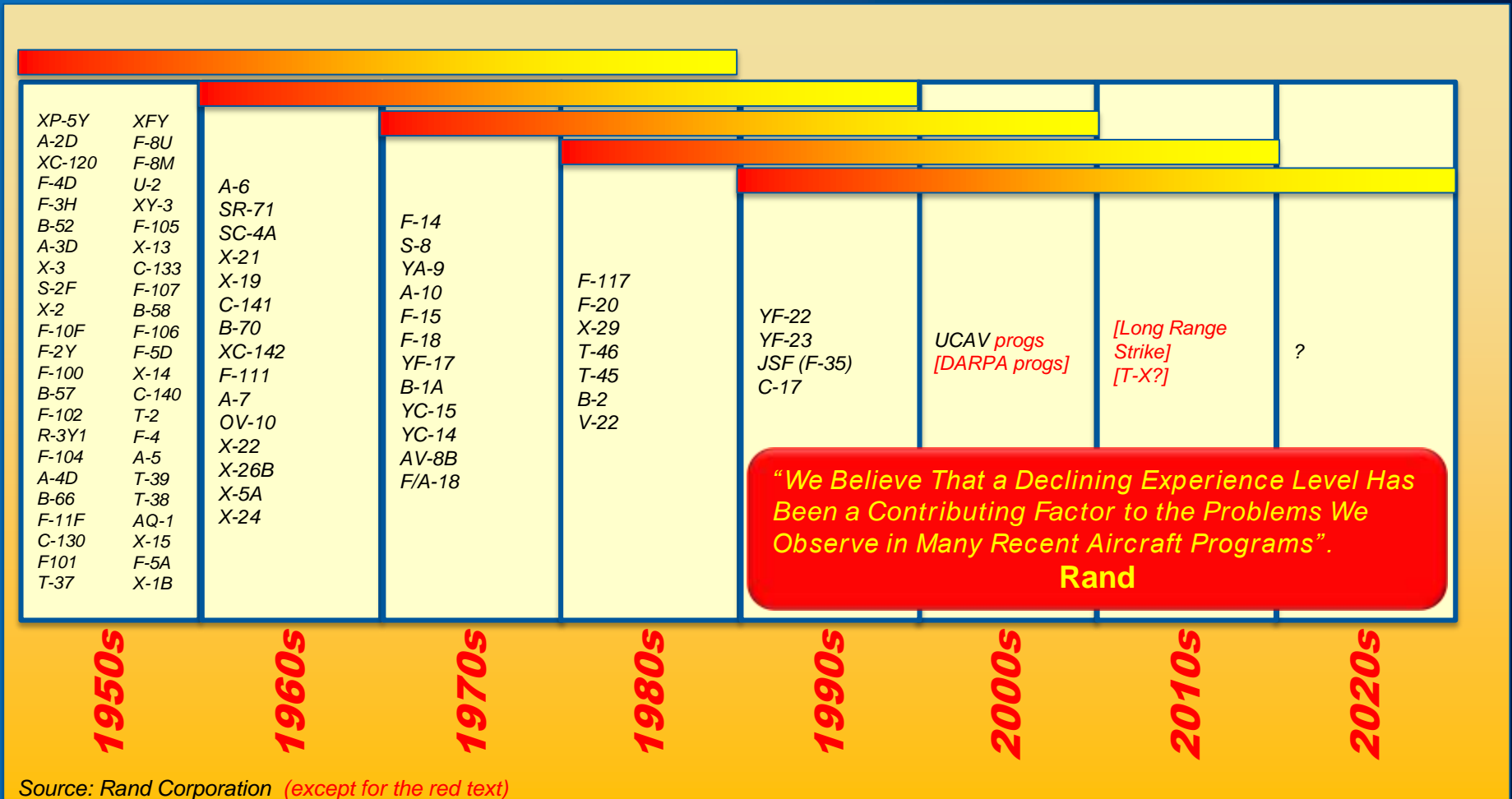
Sales



- Engineering
- Engineering / Development
- Manufacturing
- Support
- Reduction in Revenue

Business Impact – Sector History...

Engineer Career Length Vs. New Designs By Decade



Source: Rand Corporation (except for the red text)

Competitive Environment

Fierce Existing Competition



Potential New Entrants



Summary of the Challenge

- *Overall Market Decline*
- *Change in Our Traditional Markets*
- *Corresponding Decline in Development*
- *Increase in Competition*

So how do we deal with these factors?...

Approach to the Challenge

Increasing International Focus

- *The shift towards international requires significant changes in operating model*
- *Retaining strong relationship with UK Government is just as important in the International model*
- *The foundation of our capability has traditionally come from the U.K. - alternative ways of generating Intellectual Property may be necessary*

Approach to the Challenge (2)

Skills Retention / Intellectual Property Management

- *Skills retention is a key element of remaining capable of supporting existing customers and competitive enough to win new ones*
 - *Cost estimation is one of the key skills*
- *The breadth of development work is key*
- *Continual re-evaluation of core competencies (today's competencies may / will not be tomorrow's) – with plans to retain core competencies*
- *Investment in disruptive technology and techniques*

Approach to the Challenge (3)

Focus on Competitiveness

- *Focus on long-term Customer Satisfaction – “in it for the long game”*
- *Affordability-based pricing*
 - *Approach to risk estimation is a vital element*
- *Shift in approach to investments (again, a long-term view wherever possible)*
- *Investment in efficiencies*

Approach to the Challenge (4)

Strategic Planning

- Long term environment analysis; Long-term Business Development
- Focused, strategic investment
- Balance between macro-planning and (some) micro-planning eg. Demographic Resource Planning
- Need to seek new options / adjacencies



Summary

- *Change will continue*
- *We will need to be flexible and balance between short and long term actions*



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