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WHITE PAPER

Capacity Becomes the New Competitive Advantage

*How Europe's Defence Rearmament Is Changing the Competitive Landscape for
Defence, Security and Technology Companies*

A Strategic Perspective for Business Leaders and Decision-Makers

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Executive Summary

Europe's defence rearmament is creating one of the most significant industrial opportunities in a generation. As governments increase investment in defence, security and critical infrastructure, demand is rising rapidly across the defence, electronics and advanced technology sectors.

However, investment alone will not determine who succeeds.

The critical challenge facing industry is not demand, but the ability to convert demand into delivery. Defence capability is ultimately created through the successful development, industrialisation, production and sustainment of complex systems at scale.

As programmes accelerate and requirements become more sophisticated, industrial capacity is emerging as a strategic differentiator. Access to critical technologies, specialist expertise, resilient supply chains and scalable production capability will increasingly determine which organisations can execute successfully in a more demanding operating environment.

Recent supply-chain disruptions, component shortages and geopolitical instability have reinforced the importance of resilience alongside efficiency. In this context, competitive advantage is no longer defined solely by innovation or technological leadership. It is increasingly defined by the ability to industrialise innovation and deliver consistently under conditions of uncertainty.

For business leaders, this represents a strategic shift. Capacity can no longer be viewed simply as an operational consideration. It must be treated as a strategic asset that requires long-term investment, planning and development.

This white paper examines how Europe's evolving defence economy is reshaping the competitive landscape and why industrial capacity is becoming a critical determinant of future growth and competitiveness.

The central conclusion is clear:

Technological leadership will remain essential. However, in an environment characterised by rising demand, increasing complexity and greater geopolitical uncertainty, competitive advantage will increasingly depend on the ability to translate innovation into reliable industrial delivery.

Introduction

Europe's defence rearmament is reshaping the strategic landscape for industry.

Rising geopolitical tensions, supply-chain disruption and growing demands for technological sovereignty are driving a fundamental shift in how governments and businesses think about security, resilience and competitiveness. Across Europe, investment

in defence, critical infrastructure and strategic technologies is accelerating at a pace not seen for decades.

For industry, this represents more than a cyclical increase in demand. It marks the emergence of a new operating environment in which industrial capability is becoming a strategic asset.

Innovation, product leadership and cost competitiveness will remain essential. However, they are no longer sufficient on their own. Organisations must also demonstrate the ability to scale production, secure critical technologies, build resilient supply networks and deliver consistently in an increasingly uncertain environment.

This white paper examines how Europe's evolving defence economy is redefining competitive advantage and why industrial capacity is emerging as a critical determinant of future growth, resilience and market leadership.

Chapter 1: Europe Enters a New Defence Economy

For more than three decades, European industry benefited from a model built on globalisation, specialisation and efficiency. That model assumed a stable geopolitical environment.

Today, that assumption no longer holds.

The pandemic, semiconductor shortages, geopolitical tensions and the war in Ukraine have exposed vulnerabilities in global supply chains and highlighted the strategic importance of industrial capacity, critical technologies and supply security.

As a result, issues once confined to procurement and operations have become boardroom priorities. Security policy, technological competitiveness and industrial resilience are increasingly interconnected.

This shift marks the emergence of a new defence economy—one in which national resilience depends not only on military capability, but also on the ability to develop, manufacture and sustain critical technologies at scale.

For business leaders, industrial capacity is no longer simply an operational consideration. It is becoming a strategic asset that influences competitiveness, resilience and long-term growth.

Key Takeaways

- Security, technology and industrial competitiveness are becoming increasingly interconnected.
- Industrial capacity and supply-chain resilience are emerging as strategic priorities.
- Geopolitical considerations are playing a greater role in business decision-making.
- Resilience is becoming as important as efficiency.

Chapter 2: The Real Challenge Is Not Funding

Europe's defence challenge is no longer defined by a lack of investment. Governments across the continent are committing significant resources to defence, security and critical infrastructure. The question is no longer whether demand exists, but whether industry can deliver against it.

Funding creates intent. Capability requires execution.

Defence capability is built through the successful industrialisation, production and sustainment of complex systems at scale. Production capacity, specialist expertise, critical technologies and resilient supply chains cannot be created as quickly as demand can increase.

As investment accelerates, industrial capacity is emerging as a critical strategic constraint. For many organisations, the ability to secure skilled talent, expand production capability and maintain supply assurance may prove more decisive than access to capital itself.

This shifts the basis of competition. Success will not be determined solely by who wins contracts, but by who can execute reliably, scale effectively and deliver on commitments under increasingly demanding conditions.

For business leaders, the implication is clear: industrial capability is no longer an operational issue. It is a strategic asset that will increasingly determine growth, competitiveness and market position.

Key Takeaways

- Funding creates demand; industrial capability delivers outcomes.
- Capacity, expertise and supply assurance cannot be scaled at the pace of investment.
- Industrial capability is emerging as a critical strategic constraint.
- Competitive advantage will increasingly be defined by execution and delivery performance.

Chapter 3: Electronics as a Strategic Resource

Electronics has evolved from a supporting component into a strategic resource. Across defence, aerospace, telecommunications and advanced manufacturing, increasing levels of digitalisation, connectivity and automation are making electronics central to value creation.

In defence systems, operational effectiveness is increasingly determined by technologies such as sensors, radar, communications, electronic warfare and advanced computing. As a result, access to critical electronic components is no longer simply a procurement issue—it is a strategic business issue.

Component availability directly affects innovation, production capacity, delivery performance and long-term growth. Organisations that successfully secure technology

access, diversify supply sources and strengthen supply assurance will be better positioned to compete in an increasingly demanding market.

Key Takeaways

- Electronics has evolved from a supporting component into a strategic resource.
- Electronic systems increasingly determine operational effectiveness and value creation.
- Access to critical components directly affects innovation, production and delivery capability.
- Technology sourcing and supply assurance are becoming strategic management priorities.

Chapter 4: When Supply Chains Become Strategic Assets

For years, supply-chain strategy focused on efficiency. However, recent disruptions—from the pandemic and semiconductor shortages to geopolitical instability—have exposed the vulnerabilities of highly optimised global networks.

For defence and advanced technology companies, supply-chain resilience is now a strategic priority. The key question is no longer how to source components at the lowest cost, but how to ensure access to them when they are needed most.

This requires greater visibility, supplier diversification and active management of critical dependencies. At the same time, fragmented procurement practices can reduce visibility of future demand and discourage long-term industrial investment, prompting efforts to strengthen coordination and collaboration across Europe.

For business leaders, supply chains must be viewed as strategic assets. The organisations best positioned for long-term success will not necessarily have the lowest-cost supply chains, but the most resilient.

Key Takeaways

- Supply-chain resilience is becoming a strategic priority.
- Critical dependencies must be actively managed and mitigated.
- Visibility, diversification and collaboration are increasingly important.
- Competitive advantage depends on the ability to maintain delivery despite disruption.

Chapter 5: The New Bottleneck

Europe's defence expansion is creating significant growth opportunities. However, as demand accelerates, industrial capacity is emerging as a critical constraint.

Production capability cannot be scaled at the pace of investment. Expanding capacity requires skilled talent, resilient supply chains, qualified processes and long-term planning.

As a result, organisations face increasing pressure on manufacturing, engineering, testing and supplier resources. Industrial readiness has therefore become a strategic priority across Europe.

For business leaders, the message is clear: growth can only be captured if the capability exists to deliver it. Organisations that invest in capacity ahead of demand will be best positioned to secure long-term competitive advantage.

Key Takeaways

- Industrial capacity is emerging as a critical growth constraint.
- Capacity challenges extend beyond manufacturing to talent, suppliers and technology.
- Industrial readiness is becoming a strategic priority.
- Competitive advantage depends on building capacity before it becomes a bottleneck.

Chapter 6: Who Will Lead the Next Phase of Growth?

Periods of industrial transformation reward organisations that invest ahead of demand. In Europe's evolving defence economy, market leaders will be defined by five capabilities: scalable capacity, resilient supply networks, access to specialist expertise, strong industrial partnerships and the ability to industrialise innovation.

Together, these capabilities enable organisations to grow faster, deliver more reliably and respond more effectively to changing market conditions.

The strategic shift is clear: capacity should no longer be viewed as a consequence of growth. It is a prerequisite for growth.

Key Takeaways

- Future market leaders are investing today in capabilities that cannot be created overnight.
- Scalability, resilience, expertise, partnerships and execution will define competitiveness.
- Industrial capacity is emerging as a critical strategic differentiator.

Chapter 7: The EMS Industry

Innovation alone does not create capability. Technologies must be manufactured reliably, consistently and at scale.

As electronics becomes increasingly central to modern defence systems, EMS providers are playing a more strategic role in enabling production, supply assurance and delivery performance.

For many organisations, EMS partnerships are no longer primarily about cost. They are about accessing the expertise, flexibility and capacity needed to scale production and reduce execution risk.

As Europe strengthens industrial resilience and supply security, the EMS sector is becoming an increasingly important enabler of defence capability.

Key Takeaways

- EMS providers are strategic enablers of industrial capability.
- External manufacturing capacity supports growth and scale-up.
- Supply assurance, expertise and resilience are becoming key selection criteria.
- Strong EMS partnerships strengthen delivery capability and competitiveness.

Chapter 8: Five Strategic Questions Every Leadership Team Must Answer

In a rapidly changing environment, competitive advantage depends on preparedness, not prediction.

Senior leaders should be able to answer five questions:

1. Do we have the capacity to support significantly higher demand?
2. Are our supply chains resilient?
3. Which critical skills will be hardest to secure?
4. Where are our greatest strategic dependencies?
5. How do our industrial partnerships support growth?

Together, these questions address a single strategic issue: capacity—industrial, organisational and human.

Key Takeaways

- Capacity, resilience, expertise and partnerships are critical leadership priorities.
- These questions help shift focus from short-term optimisation to long-term competitiveness.
- Industrial capacity must be built before demand materialises.

Chapter 9: Conclusion

Europe's defence expansion is creating significant opportunities, but investment alone will not determine success.

Throughout this paper, a consistent theme has emerged: industrial capacity is becoming a critical source of competitive advantage. Electronics, supply-chain resilience, specialist expertise and industrial partnerships are no longer operational considerations—they are strategic priorities.

For business leaders, the challenge is clear. Capacity must be built before it is needed.

Technological leadership will remain essential. However, competitive advantage will increasingly depend on the ability to industrialise innovation, scale production and deliver reliably under changing market conditions.

Key Takeaways

- Industrial capacity is emerging as a critical competitive advantage.
- Electronics, supply-chain resilience, expertise and partnerships are strategic priorities.
- Leadership decisions made today will shape future competitiveness.
- Organisations that invest early in capacity will be better positioned to capture future growth.

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